Employers' Guide: Starting Payroll

Considerations	Actions
Determine Compensation Amount	**Set Salaries and Wages**: Decide on the pay rates for each employee based on their role, experience, and market rates. **Include Benefits**: Factor in any benefits such as health insurance, retirement contributions, and bonuses.
Choose Payment Methods	**Direct Deposit**: Most common and preferred method. Employees receive their pay directly into their bank accounts. **Paper Checks**: Alternative method if direct deposit is not feasible.
Establish Pay Dates and Track Hours	**Pay Frequency**: Decide how often employees will be paid (weekly, bi-weekly, semi-monthly, or monthly). **Track Hours**: Implement a system for tracking hours worked. This can be done through: • **Time Clock Systems**: Physical or digital time clocks. • **Software Solutions**: Payroll software with time-tracking capabilities. • **Manual Tracking**: Paper timesheets or spreadsheets.
Register with Federal Agencies **Montana State Agencies**	**IRS (Internal Revenue Service)**: • Obtain an Employer Identification Number (EIN) if you don't already have one. Apply online at IRS EIN. • Set up electronic federal tax payment system (EFTPS) at EFTPS.

Montana Department of Revenue:

- Register for state income tax withholding at Montana TAP.

Montana Department of Labor and Industry:

- Register for Unemployment Insurance (UI) at Montana UI.

Understand MT Payroll Tax Withholdings and UI	**Montana Payroll Tax Withholdings**: Employers must withhold Montana state income tax from employees' wages. This includes: • State income tax • State unemployment insurance (UI) contributions **Montana Unemployment Insurance (UI)**: Employers pay state UI tax based on employee wages. This provides temporary financial assistance to unemployed workers.
Required Documents for Employees	**Form W-4**: Employee's Withholding Certificate. Used to determine federal income tax withholding. • Available at IRS W-4. **Form I-9**: Employment Eligibility Verification. Confirms employee's eligibility to work in the U.S. • Available at USCIS I-9. **Direct Deposit Authorization Form**: If using direct deposit, have employees complete this form with their bank details.
Setting Up Payroll	**Collect Employee Information**: Gather completed W-4, I-9, and direct deposit forms. **Choose Payroll System**: Select a payroll service provider or software to manage payroll processing. **Calculate Payroll**: Include gross pay, deductions (federal and state taxes, benefits), and net pay. **Distribute Pay**: Pay employees via direct deposit or paper checks on scheduled pay dates.

	File Payroll Taxes: Deposit federal and state payroll taxes by required deadlines.
	Maintain Records: Keep accurate records of all payroll transactions for at least four years.
Payroll Taxes and Reporting	**Federal Taxes**: Includes federal income tax, Social Security, and Medicare taxes. • **Form 941**: Quarterly federal tax return. • **Form 940**: Annual FUTA tax return. **Montana State Taxes**: • **MT Withholding Form**: Submit quarterly wage reports and pay withheld taxes. • **MT UI**: File quarterly unemployment insurance reports.
Additional Considerations	**Stay Compliant**: Regularly review federal and state payroll laws to ensure compliance. **Update Information**: Keep employee information up to date, including changes in W-4 elections and address changes. **Employee Communication**: Clearly communicate pay schedules, methods, and any deductions to employees.

Disclaimer

All dates provided are subject to change, and each business's circumstances are unique. The above guidance is intended for informational purposes only and should not be solely relied upon to comply with state and federal tax rules. It does not constitute legal, accounting, or tax advice. Always consult with a qualified accountant or attorney regarding your specific business's filing requirements to ensure compliance with all applicable laws and regulations.