

## LP. 2

# How To Choose a Payroll Service Provider

This document will help you understand what a payroll service does, the different types of payroll services available, and the key considerations for each, so you can choose the best option for your needs.

## What a Payroll Service Provider Does

A payroll service provider calculates the net paycheck for an employee based on the hours worked (and piece rate information you provide). They also calculate the amount of payroll tax you must pay to federal and state tax authorities for each paycheck you write, and they create the correct payroll tax return forms that you are required to send to the state and federal payroll tax authorities. For most people this is not something they can do themselves. Payroll service providers specialize in payroll so they are very good at being accurate and up to date with current laws.

Larger payroll providers also offer access to workers compensation insurance coverage.

## Options and Considerations

### Full service payroll provider

These providers handle all aspects of payroll. You connect your bank account to their payroll system, approve the payroll, and they withdraw the necessary funds to pay employees and all state and federal taxes directly.

**Examples:** Gusto, ADP and Paychex

### Things to Consider:

- You must connect your bank account to their system.
- You will need to approve each payroll for withdrawal.
- This method ensures payments for employees and all state and federal taxes are made directly from your account.

**Recommendation:** Highly recommended for accuracy and convenience, as the service ensures correct and timely payments.

## In-house preparation with software assistance

This option allows you to calculate payroll checks and associated withholdings and taxes. You are responsible for manually cutting checks or initiating electronic transfers.

**Examples:** Quickbooks Payroll

### Things to Consider:

- You are responsible for calculating payroll checks and associated withholdings/taxes due.
- You must manually cut checks or initiate electronic transfers for payments.
- This method comes with the risk of errors and potential wage violations or payroll tax underpayments if payments are not made as instructed.

**Recommendation:** Not recommended, but may be a good option if you need to make calculations of piece-rate payments. Be aware of the risk of errors in calculations and payment dates.

## Local bookkeeper or accountant:

**Bookkeeper uses full service software-** Same as full service but the bookkeeper is the intermediary and helps the farmer access the full-service option—all the farmer has to do is give the hours and the piece rate to the bookkeeper

**Recommendation:** Use this method if you would like support working with a payroll service, for example, because of a language or tech barrier, or because you would like the convenience of working with a bookkeeper on this.

**Bookkeeper processes manually / independently** This option is similar to self-service, computer assisted. A bookkeeper or accountant will prepare all the payroll checks and documents detailing gross, net and deductions. However you are still responsible for distributing the checks.

### Things to Consider:

- The bookkeeper prepares all payroll checks and gross/net/deduction documents.
- You are responsible for manually distributing checks.
- There is a risk that payments may not be made even if records show they should have been.

**Recommendation:** This method comes with risks, but it may be recommended if you need to distribute checks manually because workers do not have bank accounts, or if you are paying piece rate.

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