

The 5 Errors Most People Make When Getting Into Payroll

And How To Avoid Them



1- Pushing Responsibility & Accountability Onto The Employer

Who is Ultimately Responsible? All too often, payroll service providers, do not take responsibility and/or accountability for their role and they push all the responsibility back onto the employer. While it is true that the employer is ultimately responsible, this provides an opportunity for great Payroll Service Providers to outshine the competition.

Risk: The employer remains responsible for all federal tax deposits, even if they have decided to rely on a Third-party, i.e. Payroll Service Provider. **Solution:** It is ok to make the employer aware of this but ensure them that your role will be to mitigate their burden in the process.

Risk: If the third party fails to make the deposits and payments, the IRS will assess the employer penalties and interest and ultimately the owner will be personally responsible. **Solution:** As the Payroll Service Provider, your timeliness and accuracy is everything. If you have not made timely payments to the IRS on behalf of your clients, accept responsibility and make it right by your client. Remember, this is why they are outsourcing in the first place.

Risk: If the employer changes addresses, it is their responsibility to notify the payroll service provider with the new address, please note that the IRS will send correspondence to the last known address on file. That means if the employer does not notify you and/or the IRS, late notices may go undetected. **Solution:** Stay proactive with your clients and make it easy for them to update your company with key address, personnel, and ownership changes.

If the Employer needs assistance and/or already has an EFTPS account, don't just assume that they have any idea of what it is and how it works. Confirm that the employer has their PIN, & encourage them to save the PIN in order to monitor and screen their EFTPS account. The objective is to educate your client without them feeling like you are pushing the responsibility onto them to manage their account. Meanwhile, during this process, you are establishing a checks and balances process as well as transparency.

2 Underestimating the Importance of SSAE-16 & Bonding

Most Payroll Service Providers are not Bonded and have never had an SSAE-Type 2 audit.

Do you really need this to get started?

No, especially since there isn't any Federal or State regulatory compliance/licensing for Payroll Companies. Anyone can start and/or maintain a payroll service provider. In today's world, especially in light of many documented cases of payroll companies committing payroll tax fraud, the larger payroll companies (ADP & Paychex) have well trained the salespeople, who will plant the payroll tax fraud seed when they are in competition with a smaller payroll service providers. They'll strategically ask the SSAE-16 Type 2 question, *"I understand that you're considering ABC Payroll Company...have they provided you a copy of their SSAE-16 Type 2 audit"* This question alone often knocks out the smaller payroll service providers, especially if you are trying to sell to employers that **Publicly Traded**, in **Banking/Financial Services** and/or have a **Rigorous Vendor Selection Process**.

Some ways around the question and to provide peace of mind for your prospect is to:

- Thoroughly complete their vendor selection questionnaire, which tends to mimic your SSAE-16 Type 1 document.
- Provide your SSAE-Type 1 document (***an overview of your processes & access controls, does not require the audit that comes along with Type 2***).
- Provide a copy of the SSAE-16 Type 2 audit of the payroll software that you are licensing.
- Provide a copy of the SSAE-16 Type Audit of the Third-Party Tax service provider you are using, i.e. Payroll Tax People, Payroll Tax Management or Cachet Bank.

3 Trying to Manage Tax Payment Services In-House vs Outsourcing

It is best to outsource the tax payment services, especially if you are going to be working with employers that are located in multi-states and/or have local taxes. There are several Third-Party Payroll Tax Payment Service Providers that are efficient, registered in all states, and have direct payment feeds for faster/accurate payments.

Secondly, since you will not be handling your client's tax money, it will eliminate the opportunity for savvy ADP & Paychex salespeople planting seeds of doubt regarding payroll tax fraud.

Lastly, no need to worry about the tax float, with the interest rates being so low...simply not worth the headache for the little amount of interest potentially gained.

#4 Not Making it EASY for your prospect to become a client

MAKE IT EASY FOR YOUR CLIENTS to become a client, we see this all the time, where the sale is lost during the implementation process.

Now that you have convinced the client to move forward with you, there are many forms that the employer will need to sign, such as your **Service Level Agreement, Payroll Software Agreement** as well as the necessary IRS forms...**FORM 8655, FORM 8821, and FORM 2848.**

As The Payroll Service Provider, you will be considered the Reporting Agent, one who helps administer payroll and payroll-related tax responsibilities on behalf of the organization, including authorization to electronically sign and report paperwork, which requires the employer to sign **Form 8655.**

In addition, you will need to collect **Form 8821**, which is the Tax Information Authorization form that authorizes an individual, corporation, or organization who can review and/or obtain your historical tax information...this is important because as the payroll service provider you will be able to see how the client's taxes have been handled in the past and will be able to reconcile any potential discrepancies. Also, allows you to receive the tax information verbally and/or in writing for the specific type of tax and for the specific years/periods that you list on the form. It is also used to delete or revoke prior tax information authorizations. **Form 2848**- Power of Attorney and Declaration of Representative, used to appoint the Payroll Service Provider to represent your client before the IRS, depending on your state, you may need a state-specific power of attorney's signed as well.

Now that we have identified all the forms, let's make the implementation process easier for the client:

- **Eliminate Redundancy** - Collect the employer information one time, pre-populate all the forms on their behalf.
- **Employee Information** - Create an excel template that the employer can easily populate with all of their employees' information.
- **Extract Existing Payroll Data** - Extract all of the employer's data directly from the current payroll provider's platform, of course, you will need the employer's consent.

#5 Selling *ONLY* Payroll & Tax Services

Selling Payroll & Tax services only is a loss leader, ADP & Paychex have been using “Payroll & Tax” as their Trojan Horse for the last 30+ years.

You will need to become well versed in HCM (Human Capital Management), Time Tracking (Facial Recognition), HRIS (Human Resource Information Systems), Benefits Administration, Applicant Tracking, Recruiting, Pay As You Go Worker’s Compensation, Tactical HR & Strategic HR, ACA Compliance (Affordable Care Act), ERISA, Benefit Plan Design, & Open Enrollment Management.

You will also need to be able to compare a PEO vs ASO models, Alternative Health Insurance Funding, i.e. Level Funding, Self-Funding, Reference Based Pricing, HSA, HRA, COBRA, Transit, Handbook Development, and Labor Law Posters.

Employers are requesting more services and are in need of better technology to automate their mundane Benefit and HR processes, and their employees (millennials) are demanding access to more information.