

# 1 Processing a New Employee



## LEARNING OBJECTIVES

- Define the Fair Labor Standards Act
- Utilize Circular E
- Complete various forms for new employees
- Convey the importance of workers' compensation insurance
- Create an employee earnings record

Accurately determining payroll can be a complex and confusing process. A careful examination of the step-by-step procedures involved is necessary. In this chapter, you'll begin by reviewing the regulations and forms related to hiring a new employee. You'll also examine a number of basic payroll records, including a paystub and an employee earnings record. Lastly, you'll learn the ways in which many companies employ a payroll service to handle payroll-related matters.



**Videos available!** Check out the Video Launch Pad in your student exercise file download to access videos associated with this chapter. One video presents a chapter overview, and the other provides more detail on a key chapter topic.

<http://www.lablearning.com>

## CASE STUDY

# Hiring a New Employee for Lucky Ties Apparel

Lucky Ties Apparel is a clothing store in Rochester, NY. It has been in business for over 15 years and is a favorite location for local college students. You've worked at the store for three years and have recently taken over all payroll responsibilities. You feel confident that you can complete all the payroll tasks but intend to review the entire payroll process in preparation for this new role.

The store's sales increase during school months, and Lucky Ties Apparel typically hires new employees for these months. You've just interviewed and hired a new employee in anticipation of the upcoming term and are eager to review all related payroll tasks.

The Employer's Tax Guide (Circular E) provides excellent guidance for payroll-related matters.



Department of the Treasury  
Internal Revenue Service

**Publication 15**  
Cat. No. 10000W

## (Circular E), Employer's Tax Guide

For use in **2019**



Get forms and other information faster and easier at:

- [irs.gov](http://irs.gov) (English)
- [irs.gov/Spanish](http://irs.gov/Spanish) (Español)
- [irs.gov/Chinese](http://irs.gov/Chinese) (中文)
- [irs.gov/Korean](http://irs.gov/Korean) (한국어)
- [irs.gov/Russian](http://irs.gov/Russian) (Русский)
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### Future Developments

For the latest information about developments related to Pub. 15, such as legislation enacted after it was published, go to [irs.gov/Pub15](http://irs.gov/Pub15).

### What's New

**Social security and Medicare tax for 2019.** The social security tax rate is 6.2% each for the employee and employer, unchanged from 2018. The social security wage base limit is \$132,900.

The Medicare tax rate is 1.45% each for the employee and employer, unchanged from 2018. There is no wage base limit for Medicare tax.

# The Employee Paystub

If you have ever received a **paycheck**, you know that the attached **paystub** lists a variety of amounts that are not included in your check. Although you've earned these amounts, they are withheld from your check, each for a different reason. In addition to the withholdings, other pertinent payroll information is also found on the paystub.

**1**

MY CONSTRUCTION COMPANY  
1001 Fifth Avenue  
New York, NY 10022

Check Number: 000001  
Pay date: 12/10/2019  
Social Security No. \*\*\*-\*\*-1119

Pay to the order of: CLARK MITCHELL  
This amount: FIVE HUNDRED ELEVEN AND 82/100 DOLLARS **\$511.82**

AUTHORIZED SIGNATURE  
VOID AFTER 60 DAYS

⑈00000⑈ ⑆ 2 7 6 ⑆ 9 5 7 8 ⑆ 6 0 0 ⑆ 2 5 6 0 0 ⑆ ⑆

**3**

MY CONSTRUCTION COMPANY  
1001 Fifth Avenue  
New York, NY 10022

Period ending: 12/8/2019  
Pay date: 12/10/2019

**4**

CLARK MITCHELL  
547 Smith Street  
New York, NY 10033

**5**

Earnings	Rate	Hours	This Period	Year to Date
Regular	\$14.00	40.00	\$560.00	\$28,000.00
Overtime	\$21.00	4.00	\$84.00	\$6,615.00
Holiday	\$30.00	0.00	\$0.00	\$2,250.00
<b>Gross Pay</b>			<b>\$644.00</b>	<b>\$36,865.00</b>

**6**

Deductions	This Period	Year to Date
Statutory		
Federal Income Tax	\$19.00	\$1,350.00
Social Security Tax	\$39.93	\$2,285.63
Medicare Tax	\$9.34	\$534.54
NYS Income Tax	\$12.67	\$783.33
NYC Income Tax	\$8.44	\$472.22
NYSDI Tax	\$0.60	\$30.00
Other		
401(k)	\$32.20*	\$1,843.25
Life Insurance	\$10.00	\$500.00
<b>Net Pay</b>	<b>\$511.82</b>	

\* Excluded from federal taxable wages

Social Security Number: \*\*\*-\*\*-1119  
Taxable Marital Status: Married  
Exemptions/Allowances:  
Federal: 4, \$25 Additional Tax  
State: 3  
Local: 3

Other Benefits and Information

	This Period	Year to Date
Vacation Hrs.		64.00
Sick Hrs.		24.00

1. Paycheck
2. Net Pay (Paycheck Amount)
3. Company and Pay Period Information
4. Employee Information
5. Current and Year-to-Date Earnings (Chapter 2)
6. Amounts Withheld (Deducted) from Employee Pay (Chapter 3 and Chapter 4)

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Aside from standard employee information such as name and address, the paystub also indicates the employee's marital status and the number of exemptions claimed. This information is used to determine the amount of state and federal income tax withholding that is subtracted from **gross pay** (total amount earned by the employee). Once these and other deductions are subtracted from gross pay, the result is **net pay** (amount actually paid to the employee). Notice in the previous figure that the calculated net pay on the paystub equals the amount of the employee's check.

**NOTE!** Don't worry if you are unsure about some of these elements at this stage. You will examine each in further detail in the upcoming chapters.

## Summary of Tax Rates

Tax Type	Tax Rate
State income tax withholding	5%
Social Security (OASDI) tax	6.2%
Social Security wage base (threshold)	\$132,900
Medicare (HI) tax	1.45%
FUTA (federal unemployment) tax	0.6%
FUTA wage base (threshold)	\$7,000
SUTA (state unemployment) tax	3.4%
SUTA wage base (threshold)	\$8,500

Before moving forward with our examination of the various elements of the paystub, it's necessary to identify certain assumptions made within each chapter. Throughout this book you will employ consistent tax rates. While you learn how to utilize each of these rates, you can return to the summary table (at left) whenever necessary.

The state income tax withholding amount varies for each employee based on his/her state, marital status, and number of exemptions. An examination of each of these rates is beyond the scope of this book, so we will employ one consistent rate of 5%.

The Social Security and Medicare tax rates listed, along with the Social Security wage base (over which Social Security tax is not levied) of \$132,900, are consistent with rates in effect for 2019. The **federal unemployment tax (FUTA)** rate for 2019 is 6%; however, it may be reduced by a maximum of 5.4%, which employers are permitted to deduct for paying state unemployment taxes. Therefore, in most instances we will utilize 0.6% (6% – 5.4%) as the FUTA tax rate, along with a FUTA wage base of \$7,000. The **state unemployment tax (SUTA)** rate, which varies from state to state, is assumed to be 3.4%, while the SUTA wage base (which also varies) is assumed to be \$8,500.

### Case in Point 1-1

## Examine the Paystub

In these examples, we further examine a number of paystub elements.

1. What is the difference between the *Period Ending Date* and the *Pay Date*?

The Period Ending date represents the final day for which the employee is being paid in the current paycheck. The Pay Date is the date on which the actual check is written.

2. Why are more allowances claimed for federal taxes (four) than for state and local (three)?

This can be due to a number of reasons, but the most likely is that an employee can claim a federal allowance for him/herself, but cannot do so in New York State (where this individual is employed) for state and local taxes. We will examine allowances further in the W-4 Form section later in this chapter.

3. Why are there three different earnings categories on the paystub?

Employers offer different pay rates for different types of hours worked. For example, employees typically earn 1.5 times more pay for overtime hours than for regular hours. Therefore, hours worked are broken down by type, so that the correct pay rate may be applied to each.

4. Is every displayed deduction withheld from all employee paychecks?

No. Certain deductions, such as federal income tax and Medicare tax, are *mandatory deductions* (i.e., they must be withheld from all paychecks), while others such as 401(k) and life insurance are *voluntary deductions* (the employee can elect to have them withheld). We will examine these deductions in detail in Chapter 3.

## The Fair Labor Standards Act

Before the paystub elements are calculated and the paycheck is distributed, an employer must ensure compliance with the **Fair Labor Standards Act (FLSA)**. The FLSA dictates a variety of regulations that the majority of employers must follow. The act, originally passed into law in 1938, has been amended many times. Among its most influential provisions are the establishment of a **federal minimum wage**, the mandating of 1.5 times regular pay (time and a half) for overtime hours, and the restriction of child labor.

### The Federal Minimum Wage

#### Historical Federal Minimum Wage Rates

Effective Date	Minimum Wage Rate
July 24, 2009	\$7.25
July 24, 2008	\$6.55
July 24, 2007	\$5.85
September 1, 1997	\$5.15
October 1, 1996	\$4.75
April 1, 1991	\$4.25
April 1, 1990	\$3.80

To comply with the FLSA, employers must be aware of the federal minimum wage. As of July 24, 2009, the United States Congress increased the federal minimum wage rate to \$7.25. Individual states have also passed their own minimum wage laws. When these state-enacted rates conflict with the federal rate of \$7.25, the higher wage rate takes precedence. Recent historical federal wage rates are as shown at left.

#### Exceptions to the Federal Minimum Wage

There are several exceptions to the current federal minimum wage rate. One is for *workers with disabilities*, who may be paid a lower minimum wage. This wage is a percentage of the current prevailing wage rate for a

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comparable position and is based on the productivity level of the employee with the disability.

*Full-time students* working for specific employers (colleges and universities, agriculture, and retail or service stores) may be paid 85% of the current minimum wage rate, and are limited to a maximum of 8 hours/day, 20 hours/week while school is in session.

*Young workers* (under 20 years old) may be paid \$4.25/hour for the first 90 days of employment, as long as they do not replace another employee. The pay reverts to the federal minimum after 90 days or after the employee turns 20, whichever comes first.

*Tipped employees* may be paid \$2.13/hour, as long as their tips, when added to this amount, equal or exceed the federal minimum wage. These employees must retain all their tips and regularly receive at least \$30 in tips per month. Any deficit (below the federal minimum wage rate) must be made up by the employer. Certain states provide greater benefits to tipped employees.

*Student learners* enrolled in a vocational school may be paid 75% of the federal minimum wage, as long as they remain in the educational program while employed. Employers must obtain an authorizing certificate from the U.S. Department of Labor to pay these reduced wages.

## Who Must Pay the Federal Minimum Wage?

The federal minimum wage applies to employees of all of the following:

- Businesses with gross revenues of at least \$500,000
- Federal, state, or local government agencies
- Hospitals
- Schools

Domestic workers, and a wide range of employees working for businesses engaged in interstate commerce, are also covered by the federal minimum wage.

**TIP!** The federal government allows a wide range of exemptions to the federal minimum wage and other provisions of the FLSA. The most notable exemptions are for executive, administrative, and professional employees.

## Calculating Overtime Wages

Per the FLSA, employees must be paid 1.5 times regular wages (time and a half) for all hours worked beyond the first 40 in any given workweek. Similar to the federal minimum wage, certain employees are exempted from this overtime-wage provision, including executive, administrative, and professional employees.

**WARNING!** The term *overtime* is often used to refer to a wide variety of working hours (such as hours worked on holidays, weekends, or evenings). It is important to recognize that the definition of overtime hours within the FLSA, and therefore the guideline that employers are legally required to follow, is narrowly defined as those hours worked beyond the first 40 during a single workweek.

To calculate overtime wages, a **workweek** is defined as any seven-day period designated by the employer. It must begin and end consistently each week, but it does not need to coincide with the standard calendar and can vary for different groups of employees.

## Child Labor Restrictions

The FLSA dictates the type of work that may be performed by children of various ages. Children younger than 14 years of age may perform only specific activities, such as performing arts, newspaper delivery, and working for their parents' sole proprietorships (certain business types are prohibited).

Children aged 14 and 15 may work in a variety of jobs outside of manufacturing and mining, but they are subject to extensive hour limitations. They may work for only three hours on a school day, 18 hours in a school week, eight hours on a nonschool day, and 40 hours in a nonschool week. They may work only between 7:00 a.m. and 7:00 p.m. (or 9:00 p.m. between June 1 and Labor Day). Certain children may take advantage of other special programs with more relaxed requirements.

Children aged 16 and 17 may work an unlimited number of hours.

**WARNING!** Under no circumstances may a child 17 years of age or younger work in a job classified as hazardous, including coal mining, explosives manufacturing, and roofing.

Children employed in agricultural jobs are subject to less stringent requirements, and children employed by their parents on a farm may perform any nonhazardous job duties.

### Case in Point 1-2

## Interpret the Fair Labor Standards Act

In this example, we'll review four independent employment circumstances and determine whether each employer complies with the Fair Labor Standards Act.

1. Robert is a tax advisor for a regional accounting firm in Macon, GA. During one long evening at the office, he uses his annual salary to calculate how much he earns on an hourly basis. He discovers that he is earning \$6.85/hour during the current year. Is Robert's employer violating the FLSA?

No, Robert's employer is not in violation of the FLSA. White-collar workers (executive, administrative, and professional employees) are exempted from the federal minimum wage requirements. Therefore, regardless of the number of hours Robert works, he is entitled only to his agreed-upon annual salary.

2. Maria is 15 years old, and she works each weekend during the school year as a roofer. She works seven hours each Saturday and five hours each Sunday. During nonschool weeks Maria works an additional eight hours per day, Monday through Wednesday. Is Maria's employer violating the FLSA?

Yes. Although Maria is working fewer than the maximum number of permissible hours, children aged 17 and younger may not work in a variety of hazardous professions, including roofing. Maria's employer is in violation of the FLSA.

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3. Kenneth works for a local diner. On a recent Wednesday he worked six hours, was paid \$2.13/hour by his employer, and earned \$29.46 in tips throughout the day (which he fully retained). In Kenneth's state, the federal and state minimum wages are identical. Is Kenneth's employer violating the FLSA?

Yes, Kenneth's employer is in violation of the FLSA. When employers use the tip credit provision to pay tipped employees \$2.13/hour, they're responsible for demonstrating that the combination of wages and tips exceeds the hourly federal minimum wage of \$7.25. Kenneth earned \$29.46 in tips, which when divided by the six hours he worked, yields \$4.91/hour. The sum of hourly wages (\$2.13) plus tips (\$4.91) is \$7.04, which is below the minimum wage of \$7.25. It is the employer's responsibility to pay Kenneth the difference of \$0.21/hour.

4. Tina is a full-time college student who works in her university's bookstore. She works six hours/day on Tuesday, Friday, and Saturday each week and is paid \$6.20/hour. Is Tina's employer violating the FLSA?

No, Tina's employer is not in violation of the FLSA. Full-time college students working for certain employers (including universities) may be paid 85% of the federal minimum wage. Tina's \$6.20/hour wage is higher than this 85% threshold.

## Circular E and Form SS-4

### On the Web

[irs.gov/pub/irs-pdf/p15.pdf](https://irs.gov/pub/irs-pdf/p15.pdf)



**Circular E** is an Employer's Tax Guide written and distributed free of cost by the U.S. Internal Revenue Service (IRS). Also referred to as *Publication 15*, Circular E provides employers with an excellent starting point when hiring employees. Becoming familiar with Circular E helps ensure that employers comply with all elements of the FLSA.

Among the benefits provided in Circular E are a list of due dates for payroll-related forms, tables used to calculate federal income tax withholding, and a summary of new payroll regulations.

**TIP!** You'll benefit from keeping a copy of Circular E as a reference guide, so be certain to obtain one as soon as possible.



If an employer has questions not addressed in the publication, the final pages of Circular E provide contact information.

## How To Get Tax Help

If you have questions about a tax issue, need help preparing your tax return, or want to download free publications, forms, or instructions, go to [IRS.gov](https://www.irs.gov) and find resources that can help you right away.

**Tax reform.** Major tax reform legislation impacting individuals, businesses, and tax-exempt entities was enacted in the Tax Cuts and Jobs Act on December 22, 2017. Go to [IRS.gov/TaxReform](https://www.irs.gov/TaxReform) for information and updates on how this legislation affects your taxes.

**Preparing and filing your tax return.** Go to [IRS.gov/EmploymentFile](https://www.irs.gov/EmploymentFile) for more information on filing your employment tax returns electronically.



**Getting answers to your tax questions.** On [IRS.gov](https://www.irs.gov), get answers to your tax questions anytime, anywhere.

- Go to [IRS.gov/Help](https://www.irs.gov/Help) for a variety of tools that will help you get answers to some of the most common tax questions.
- You may also be able to access tax law information in your electronic filing software.

**Getting tax forms and publications.** Go to [IRS.gov/Forms](https://www.irs.gov/Forms) to view, download, or print most of the forms and publications you may need. You can also download and view popular tax publications and instructions (including Pub. 15) on mobile devices as an eBook at no charge. Or you can go to [IRS.gov/OrderForms](https://www.irs.gov/OrderForms) to place an order and have forms mailed to you within 10 business days.

**Getting a transcript or copy of a return.** You can get a copy of your tax transcript or a copy of your return by calling 800-829-4933 or by mailing Form 4506-T (transcript request) or Form 4506 (copy of return) to the IRS.

### Resolving tax-related identity theft issues.

- The IRS doesn't initiate contact with taxpayers by email or telephone to request personal or financial information. This includes any type of electronic communication, such as text messages and social media channels.
- Go to [IRS.gov/IDProtection](https://www.irs.gov/IDProtection) for information.
- If your EIN has been lost or stolen or you suspect you're a victim of tax-related identity theft, visit [IRS.gov/IdentityTheft](https://www.irs.gov/IdentityTheft) to learn what steps you should take.

**Making a tax payment.** The IRS uses the latest encryption technology to ensure your electronic payments are safe and secure. You can make electronic payments online, by phone, and from a mobile device using the IRS2Go app. Paying electronically is quick, easy, and faster than mailing in a check or money order. Go to

[IRS.gov/Payments](https://www.irs.gov/Payments) to make a payment using any of the following options.

- **Debit or credit card:** Choose an approved payment processor to pay online, by phone, and by mobile device.
- **Electronic Funds Withdrawal:** Offered only when filing your federal taxes using tax return preparation software or through a tax professional.
- **Electronic Federal Tax Payment System:** Best option for businesses. Enrollment is required.
- **Check or money order:** Mail your payment to the address listed on the notice or instructions.
- **Cash:** You may be able to pay your taxes with cash at a participating retail store.

**What if I can't pay now?** Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for more information about your options.

- Apply for an [online payment agreement \(IRS.gov/OPA\)](https://www.irs.gov/OPA) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the [Offer in Compromise Pre-Qualifier \(IRS.gov/OIC\)](https://www.irs.gov/OIC) to see if you can settle your tax debt for less than the full amount you owe.

**Understanding an IRS notice or letter.** Go to [IRS.gov/Notices](https://www.irs.gov/Notices) to find additional information about responding to an IRS notice or letter.

**Contacting your local IRS office.** Keep in mind, many questions can be answered on [IRS.gov](https://www.irs.gov) without visiting an IRS Tax Assistance Center (TAC). Go to [IRS.gov/LetUsHelp](https://www.irs.gov/LetUsHelp) for the topics people ask about most. If you still need help, IRS TACs provide tax help when a tax issue can't be handled online or by phone. All TACs now provide service by appointment so you'll know in advance that you can get the service you need without long wait times. Before you visit, go to [IRS.gov/TACLocator](https://www.irs.gov/TACLocator) to find the nearest TAC, check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab, choose the Contact Us option and click on "Local Offices."

**Watching IRS videos.** The IRS Video portal ([IRSVideos.gov](https://www.irs.gov/IRSVideos)) contains video and audio presentations for individuals, small businesses, and tax professionals.

**Getting tax information in other languages.** For taxpayers whose native language isn't English, we have the following resources available. Taxpayers can find information on [IRS.gov](https://www.irs.gov) in the following languages.

- [Spanish \(IRS.gov/Spanish\)](https://www.irs.gov/Spanish).
- [Chinese \(IRS.gov/Chinese\)](https://www.irs.gov/Chinese).
- [Vietnamese \(IRS.gov/Vietnamese\)](https://www.irs.gov/Vietnamese).
- [Korean \(IRS.gov/Korean\)](https://www.irs.gov/Korean).

## Employer Identification Number

### On the Web

[irs.gov/pub/irs-pdf/fss4.pdf](https://irs.gov/pub/irs-pdf/fss4.pdf)



To report employment taxes or provide employees with tax statements, which are both required if a company hires employees, a company must first obtain an **Employer Identification Number (EIN)**, also known as a Federal Tax Identification Number, by completing Form SS-4 (Application for Employer Identification Number). If a company intends to pay any employees, obtaining an EIN should be one of the first actions taken after it is formed.

**TIP!** An employer may also apply for an EIN via the Internet or telephone if a faster response is desired.

## Examine the Form: SS-4

Completion of Form SS-4 is necessary prior to remitting employee payroll.

<b>Form SS-4</b> (Rev. December 2017) Department of the Treasury Internal Revenue Service		<b>Application for Employer Identification Number</b> (For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.) ▶ Go to <a href="http://www.irs.gov/FormSS4">www.irs.gov/FormSS4</a> for instructions and the latest information. ▶ See separate instructions for each line. ▶ Keep a copy for your records.		OMB No. 1545-0003 EIN _____
<b>1</b> Legal name of entity (or individual) for whom the EIN is being requested				
Type or print clearly.	<b>2</b> Trade name of business (if different from name on line 1)		<b>3</b> Executor, administrator, trustee, "care of" name	
	<b>4a</b> Mailing address (room, apt., suite no. and street, or P.O. box)		<b>5a</b> Street address (if different) (Do not enter a P.O. box.)	
	<b>4b</b> City, state, and ZIP code (if foreign, see instructions)		<b>5b</b> City, state, and ZIP code (if foreign, see instructions)	
	<b>6</b> County and state where principal business is located			
<b>7a</b> Name of responsible party			<b>7b</b> SSN, ITIN, or EIN	
<b>8a</b> Is this application for a limited liability company (LLC) (or a foreign equivalent)? <input type="checkbox"/> Yes <input type="checkbox"/> No			<b>8b</b> If 8a is "Yes," enter the number of LLC members _____	
<b>8c</b> If 8a is "Yes," was the LLC organized in the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No				
<b>9a</b> Type of entity (check only one box). <b>Caution.</b> If 8a is "Yes," see the instructions for the correct box to check.				
<input type="checkbox"/> Sole proprietor (SSN) _____ <input type="checkbox"/> Partnership _____ <input type="checkbox"/> Corporation (enter form number to be filed) ▶ _____ <input type="checkbox"/> Personal service corporation _____ <input type="checkbox"/> Church or church-controlled organization _____ <input type="checkbox"/> Other nonprofit organization (specify) ▶ _____ <input type="checkbox"/> Other (specify) ▶ _____				
<input type="checkbox"/> Estate (SSN of decedent) _____ <input type="checkbox"/> Plan administrator (TIN) _____ <input type="checkbox"/> Trust (TIN of grantor) _____ <input type="checkbox"/> Military/National Guard <input type="checkbox"/> State/local government <input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government <input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal governments/enterprises <input type="checkbox"/> Group Exemption Number (GEN) if any ▶ _____				
<b>9b</b> If a corporation, name the state or foreign country (if applicable) where incorporated			State _____	Foreign country _____
<b>10</b> Reason for applying (check only one box)				
<input type="checkbox"/> Started new business (specify type) ▶ _____ <input type="checkbox"/> Banking purpose (specify purpose) ▶ _____ <input type="checkbox"/> Hired employees (Check the box and see line 13.) <input type="checkbox"/> Changed type of organization (specify new type) ▶ _____ <input type="checkbox"/> Compliance with IRS withholding regulations <input type="checkbox"/> Purchased going business <input type="checkbox"/> Created a trust (specify type) ▶ _____ <input type="checkbox"/> Other (specify) ▶ _____ <input type="checkbox"/> Created a pension plan (specify type) ▶ _____				
<b>11</b> Date business started or acquired (month, day, year). See instructions.			<b>12</b> Closing month of accounting year	
<b>13</b> Highest number of employees expected in the next 12 months (enter -0- if none). If no employees expected, skip line 14.			<b>14</b> If you expect your employment tax liability to be \$1,000 or less in a full calendar year and want to file Form 944 annually instead of Forms 941 quarterly, check here. (Your employment tax liability generally will be \$1,000 or less if you expect to pay \$4,000 or less in total wages.) If you do not check this box, you must file Form 941 for every quarter. <input type="checkbox"/>	
Agricultural _____ Household _____ Other _____				
<b>15</b> First date wages or annuities were paid (month, day, year). <b>Note:</b> If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year) _____				
<b>16</b> Check <b>one</b> box that best describes the principal activity of your business. <input type="checkbox"/> Construction <input type="checkbox"/> Rental & leasing <input type="checkbox"/> Transportation & warehousing <input type="checkbox"/> Health care & social assistance <input type="checkbox"/> Wholesale-agent/broker <input type="checkbox"/> Real estate <input type="checkbox"/> Manufacturing <input type="checkbox"/> Finance & insurance <input type="checkbox"/> Accommodation & food service <input type="checkbox"/> Wholesale-other <input type="checkbox"/> Retail <input type="checkbox"/> Other (specify) ▶ _____				
<b>17</b> Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.				
<b>18</b> Has the applicant entity shown on line 1 ever applied for and received an EIN? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," write previous EIN here ▶ _____				
<b>Third Party Designee</b>	Complete this section <b>only</b> if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.			
	Designee's name		Designee's telephone number (include area code)	
Address and ZIP code		Designee's fax number (include area code)		
Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.				Applicant's telephone number (include area code)
Name and title (type or print clearly) ▶ _____				Applicant's fax number (include area code)
Signature ▶ _____			Date ▶ _____	
<b>For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.</b>			Cat. No. 16055N	Form <b>SS-4</b> (Rev. 12-2017)

**Line 1:** Enter the full name of the individual requesting an EIN or the legal name of the business making the request.

**Line 2:** Complete this line if the request is being made by a business operating under a different name (a *Doing Business As*, or *DBA*, name) than is declared on line 1. Note that all sole proprietorships enter the business name here.

**Line 3:** This line is primarily used by estates and trusts, and may be left blank when the form is being completed for the purposes of remitting payroll.

**Lines 4a and 4b:** Enter the company's mailing address.

**Lines 5a and 5b:** Enter the company's physical address if different from line 4.

**Line 6:** Enter the county and state of the business's physical location.

**Lines 7a and 7b:** Enter the name and Social Security number (SSN) of the responsible person (individual who exerts control over the business).

**Lines 8a–8c:** Complete these lines only if the business was formed as a limited liability company (LLC).

**Line 9a:** Check the box that correlates with the type of business making the request.

**Line 9b:** Complete this section only if you selected one of the corporation options on line 9a.

**Line 10:** For payroll purposes, you will typically check either *Started new business* or *Hired employees*, depending on the circumstance.

**Line 11:** Enter the starting date or date the business was acquired. If the corporate form was changed, enter the effective date of the new ownership form.

**Line 12:** Enter the final month of the company's fiscal year. While this is commonly December, a company may end its fiscal year during any month.

**Line 13:** Enter an estimate of the number of each type of listed employee.

**Line 14:** For all businesses except those with the smallest annual payroll, do not check this box. When unchecked, a quarterly Form 941 will be required.

**Line 15:** For a new business, or for an existing business that has now hired employees, enter the first date on which wages are paid.

**Line 16:** Check the box that most closely represents the company's line of business. If checking *Other*, include a brief description.

**Line 17:** Provide a one- or two-sentence synopsis of the business.

**Line 18:** Check the appropriate box, and if a previous EIN was issued, include it here.

**Third Party Designee:** Complete this section only if you want an outside party (such as an outside accountant) to answer questions regarding the form on the company's behalf.

**Signature Line:** Fully complete all components within this section.

**TIP!** For a more thorough examination of the elements of Form SS-4 (or any other federal form), refer to the instructions provided by the IRS. A simple online search can quickly locate any desired IRS instructions.

### Case in Point 1-3

## Complete Form SS-4

In this example, we'll complete Form SS-4 for a newly formed company named Wood Furniture Builders, Inc., which creates custom wood furniture. It was started on August 26, 2019, as a sole proprietorship by its president, Samuel Williams (SSN 555-55-5555). His phone number is 516-555-5555, and his fax number is 516-555-5556. The company is located at 748 Negra Arroyo Lane, Massapequa, NY 11758 (in Nassau County), where it receives all mail. The company uses the calendar year as its fiscal year and expects to employ five individuals (earning an average of \$36,500/year) in the first 24 months of operations. Payroll is to be paid biweekly on Fridays, with the first pay date scheduled for September 6, 2019.

1. Complete lines 1 through 7 with basic information. Leave line 3 blank, as it is not applicable for a new business. Leave lines 5a and 5b blank, as the mailing address and physical address are identical.
2. Complete lines 8 through 10 using information provided about the business entity. Select "No" on line 8a, as this company is a sole proprietorship and not a limited liability company. As a result of this selection, lines 8b and 8c are left blank. Select "Sole Proprietor" on line 9a, and enter the company president's Social Security number beside this box. Leave line 9b blank, as this company is not a corporation. Select "Started new business" on line 10, and include the basic business description.
3. Lines 11 through 15 relate to the company's start date, fiscal year, and payroll. Enter the business start date of 8/26/2019 on line 11 and "December" on line 12, as the company follows a calendar year (operations are reported annually from January through December). The company's five employees don't qualify as agricultural or household employees; therefore enter "5" in the "Other" category on line 13. Employees are projected to earn an average of \$36,500 each per year, and therefore the company must file Form 941 quarterly. As a result, do not check the box on line 14. Enter the first pay date of 9/6/2019 on line 15.
4. Lines 16 through 18 provide information about the company's current and prior operations. Check "Manufacturing" on line 16. Line 17 contains a more extensive description of the business than was written on line 10. As this is a new business, and therefore has not previously applied for an EIN, check "No" on this line.
5. No third-party designee is referenced, so leave this section blank. Finally, Samuel Williams completed all information in the final section and has signed the form.

1

2

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4

5

<b>Form SS-4</b> (Rev. December 2017) Department of the Treasury Internal Revenue Service		<b>Application for Employer Identification Number</b> (For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.) ▶ Go to <a href="http://www.irs.gov/FormSS4">www.irs.gov/FormSS4</a> for instructions and the latest information. ▶ See separate instructions for each line. ▶ Keep a copy for your records.		OMB No. 1545-0003 EIN	
<b>1</b> Legal name of entity (or individual) for whom the EIN is being requested Samuel Williams					
<b>2</b> Trade name of business (if different from name on line 1) Wood Furniture Builders		<b>3</b> Executor, administrator, trustee, "care of" name			
<b>4a</b> Mailing address (room, apt., suite no. and street, or P.O. box) 748 Negra Arroyo Lane			<b>5a</b> Street address (if different) (Do not enter a P.O. box.)		
<b>4b</b> City, state, and ZIP code (if foreign, see instructions) Massapequa, NY 11758			<b>5b</b> City, state, and ZIP code (if foreign, see instructions)		
<b>6</b> County and state where principal business is located Nassau County, NY					
<b>7a</b> Name of responsible party Samuel Williams			<b>7b</b> SSN, ITIN, or EIN 555-55-5555		
<b>8a</b> Is this application for a limited liability company (LLC) (or a foreign equivalent)? . . . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			<b>8b</b> If 8a is "Yes," enter the number of LLC members . . . . . ▶		
<b>8c</b> If 8a is "Yes," was the LLC organized in the United States? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No					
<b>9a</b> Type of entity (check only one box). <b>Caution.</b> If 8a is "Yes," see the instructions for the correct box to check.					
<input checked="" type="checkbox"/> Sole proprietor (SSN) 555-55-5555			<input type="checkbox"/> Estate (SSN of decedent)		
<input type="checkbox"/> Partnership			<input type="checkbox"/> Plan administrator (TIN)		
<input type="checkbox"/> Corporation (enter form number to be filed) ▶			<input type="checkbox"/> Trust (TIN of grantor)		
<input type="checkbox"/> Personal service corporation			<input type="checkbox"/> Military/National Guard <input type="checkbox"/> State/local government		
<input type="checkbox"/> Church or church-controlled organization			<input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government		
<input type="checkbox"/> Other nonprofit organization (specify) ▶			<input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal governments/enterprises		
<input type="checkbox"/> Other (specify) ▶			Group Exemption Number (GEN) if any ▶		
<b>9b</b> If a corporation, name the state or foreign country (if applicable) where incorporated		State		Foreign country	
<b>10</b> Reason for applying (check only one box)					
<input checked="" type="checkbox"/> Started new business (specify type) ▶ Furniture Builders			<input type="checkbox"/> Banking purpose (specify purpose) ▶		
<input type="checkbox"/> Hired employees (Check the box and see line 13.)			<input type="checkbox"/> Changed type of organization (specify new type) ▶		
<input type="checkbox"/> Compliance with IRS withholding regulations			<input type="checkbox"/> Purchased going business		
<input type="checkbox"/> Other (specify) ▶			<input type="checkbox"/> Created a trust (specify type) ▶		
<input type="checkbox"/> Created a pension plan (specify type) ▶			<input type="checkbox"/> Created a pension plan (specify type) ▶		
<b>11</b> Date business started or acquired (month, day, year). See instructions. 08/26/2019			<b>12</b> Closing month of accounting year December		
<b>13</b> Highest number of employees expected in the next 12 months (enter -0- if none). If no employees expected, skip line 14.					
Agricultural 0		Household 0		Other 5	
<b>14</b> If you expect your employment tax liability to be \$1,000 or less in a full calendar year and want to file Form 944 annually instead of Forms 941 quarterly, check here. (Your employment tax liability generally will be \$1,000 or less if you expect to pay \$4,000 or less in total wages.) If you do not check this box, you must file Form 941 for every quarter. <input type="checkbox"/>					
<b>15</b> First date wages or annuities were paid (month, day, year). <b>Note:</b> If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year) . . . . . ▶ 09/06/2019					
<b>16</b> Check one box that best describes the principal activity of your business.					
<input type="checkbox"/> Construction		<input type="checkbox"/> Rental & leasing		<input type="checkbox"/> Health care & social assistance	
<input type="checkbox"/> Transportation & warehousing		<input type="checkbox"/> Accommodation & food service		<input type="checkbox"/> Wholesale-agent/broker	
<input type="checkbox"/> Real estate		<input checked="" type="checkbox"/> Manufacturing		<input type="checkbox"/> Finance & insurance	
<input type="checkbox"/> Other (specify) ▶		<input type="checkbox"/> Other (specify) ▶			
<b>17</b> Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided. Sale of custom-built furniture based on client-provided specifications					
<b>18</b> Has the applicant entity shown on line 1 ever applied for and received an EIN? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," write previous EIN here ▶					
<b>Third Party Designee</b> Complete this section <b>only</b> if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.					
Designee's name		Designee's telephone number (include area code)			
Address and ZIP code		Designee's fax number (include area code)			
Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.				Applicant's telephone number (include area code)	
Name and title (type or print clearly) ▶ Samuel Williams, President				516-555-5555	
Signature ▶ Samuel Williams				Applicant's fax number (include area code)	
Date ▶ 8/26/19				516-555-5556	
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.					
				Cat. No. 16055N	
				Form SS-4 (Rev. 12-2017)	

# Hiring an Employee

When a new employee is hired, a number of considerations must be made by both the employee and the employer. These considerations not only provide employers with information required to properly process payroll, but also enable them to comply with applicable federal and state laws.

## The Personal Responsibility and Work Opportunity Reconciliation Act of 1996

The **Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA)** significantly strengthened child support throughout the United States. This was achieved in various ways, including through the mandatory reporting of new employees within 20 days of hire, enabling better enforcement of child-support laws. Employers can satisfy the provisions of this act by submitting the newly hired employee's W-4 Form to the state. We'll examine the W-4 Form in more detail further ahead in this chapter.

**WARNING!** Some states have more stringent requirements than those required in the federal provisions for PRWORA.

### Form SS-5

#### On the Web

[socialsecurity.gov/online/ss-5.pdf](https://socialsecurity.gov/online/ss-5.pdf)



The W-4 Form requires the employee's Social Security number. Employees who don't have a Social Security card can obtain one by completing and submitting Form SS-5 to their local Social Security office.

**TIP!** Form SS-5 is also used to obtain a replacement Social Security card or to correct information in the Social Security record.

## Examine the Form: SS-5

Form SS-5 is completed by any employee who does not have a Social Security number.

SOCIAL SECURITY ADMINISTRATION				Form Approved OMB No. 0960-0066	
Application for a Social Security Card					
<b>1</b>	<b>NAME</b> TO BE SHOWN ON CARD	First	Full Middle Name	Last	
	FULL NAME AT BIRTH IF OTHER THAN ABOVE	First	Full Middle Name	Last	
	OTHER NAMES USED				
<b>2</b>	Social Security number previously assigned to the person listed in item 1			[ ][ ][ ] - [ ][ ] - [ ][ ][ ][ ][ ][ ]	
<b>3</b>	<b>PLACE OF BIRTH</b> (Do Not Abbreviate) City	State or Foreign Country	Office Use Only FCI	<b>4</b>	<b>DATE OF BIRTH</b> MM/DD/YYYY
<b>5</b>	<b>CITIZENSHIP</b> ( Check One )	<input type="checkbox"/> U.S. Citizen	<input type="checkbox"/> Legal Alien Allowed To Work	<input type="checkbox"/> Legal Alien Not Allowed To Work(See Instructions On Page 3)	<input type="checkbox"/> Other (See Instructions On Page 3)
<b>6</b>	<b>ETHNICITY</b> Are You Hispanic or Latino? (Your Response is Voluntary) <input type="checkbox"/> Yes <input type="checkbox"/> No	<b>7</b>	<b>RACE</b> Select One or More (Your Response is Voluntary) <input type="checkbox"/> Native Hawaiian <input type="checkbox"/> Alaska Native <input type="checkbox"/> Asian	<input type="checkbox"/> American Indian <input type="checkbox"/> Black/African American	<input type="checkbox"/> Other Pacific Islander <input type="checkbox"/> White
<b>8</b>	<b>SEX</b>	<input type="checkbox"/> Male <input type="checkbox"/> Female			
<b>9</b>	<b>A. PARENT/ MOTHER'S NAME AT HER BIRTH</b>	First	Full Middle Name	Last	
	<b>B. PARENT/ MOTHER'S SOCIAL SECURITY NUMBER</b> (See instructions for 9 B on Page 3)	[ ][ ][ ] - [ ][ ] - [ ][ ][ ][ ][ ][ ]			<input type="checkbox"/> Unknown
<b>10</b>	<b>A. PARENT/ FATHER'S NAME</b>	First	Full Middle Name	Last	
	<b>B. PARENT/ FATHER'S SOCIAL SECURITY NUMBER</b> (See instructions for 10B on Page 3)	[ ][ ][ ] - [ ][ ] - [ ][ ][ ][ ][ ][ ]			<input type="checkbox"/> Unknown
<b>11</b>	Has the person listed in item 1 or anyone acting on his/her behalf ever filed for or received a Social Security number card before? <input type="checkbox"/> Yes (If "yes" answer questions 12-13) <input type="checkbox"/> No <input type="checkbox"/> Don't Know (If "don't know," skip to question 14.)				
<b>12</b>	Name shown on the most recent Social Security card issued for the person listed in item 1	First	Full Middle Name	Last	
<b>13</b>	Enter any different date of birth if used on an earlier application for a card		MM/DD/YYYY		
<b>14</b>	<b>TODAY'S DATE</b> MM/DD/YYYY	<b>15</b>	<b>DAYTIME PHONE NUMBER</b> Area Code	Number	
<b>16</b>	<b>MAILING ADDRESS</b> (Do Not Abbreviate)	Street Address, Apt. No., PO Box, Rural Route No.			
	City	State/Foreign Country		ZIP Code	
<b>I declare under penalty of perjury that I have examined all the information on this form, and on any accompanying statements or forms, and it is true and correct to the best to my knowledge.</b>					
<b>17</b>	<b>YOUR SIGNATURE</b>	<b>18</b>	<b>YOUR RELATIONSHIP TO THE PERSON IN ITEM 1 IS:</b> <input type="checkbox"/> Self <input type="checkbox"/> Natural Or Adoptive Parent <input type="checkbox"/> Legal Guardian <input type="checkbox"/> Other Specify _____		
<b>DO NOT WRITE BELOW THIS LINE (FOR SSA USE ONLY)</b>					
NPN		DOC	NTI	CAN	ITV
PBC	EVI	EVA	EVC	PRA	NWR DNR UNIT
EVIDENCE SUBMITTED				SIGNATURE AND TITLE OF EMPLOYEE(S) REVIEWING EVIDENCE AND/OR CONDUCTING INTERVIEW	
				DATE	
				DCL DATE	

## Examine the Form: SS-5 (continued)

Most lines within Form SS-5 are self-explanatory. Those lines that warrant specific mention are as follows:

**Line 2:** Leave this blank if requesting a Social Security card for the first time.

**Lines 6 and 7:** These lines are optional and may be left blank.

**Lines 9b and 10b:** Complete these lines only when the application is for a child under the age of 18.

**Line 17:** If the application is for a child under the age of 18, the child’s parent or legal guardian may sign on behalf of the child.

When submitting Form SS-5, additional documentation is required to corroborate information about the applicant, such as the applicant’s age, identity, and U.S. citizenship (or immigration status). While the combination of a U.S. birth certificate and U.S. driver’s license suffices, other documents such as a final adoption decree, U.S. passport, or a current document from the Department of Homeland Security indicating immigration status can corroborate some details.

## Form W-4

### On the Web

[irs.gov/pub/irs-pdf/fw4.pdf](https://irs.gov/pub/irs-pdf/fw4.pdf)



Every employee must complete a W-4 Form (Employee’s Withholding Allowance Certificate), which provides the employer with information necessary to calculate both federal income tax withholding and applicable state income tax withholding. Completing the W-4 Form should be one of the first steps taken by a newly hired employee.

The employer retains the W-4 Form in its files. If his/her circumstances change, the employee may submit a new W-4 Form.

Line 5 of the W-4 Form requires the employee to indicate the number of tax allowances being claimed. The IRS provides a worksheet (attached to the top of the W-4 Form) that helps determine the appropriate number of allowances. This worksheet is retained by the employee.

The Personal Allowances Worksheet provides guidance on the tax allowances an employee may claim.

Personal Allowances Worksheet (Keep for your records.)	
<b>A</b> Enter "1" for yourself . . . . .	<b>A</b> _____
<b>B</b> Enter "1" if you will file as married filing jointly . . . . .	<b>B</b> _____
<b>C</b> Enter "1" if you will file as head of household . . . . .	<b>C</b> _____
<b>D</b> Enter "1" if: { • You're single, or married filing separately, and have only one job; or • You're married filing jointly, have only one job, and your spouse doesn't work; or • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. }	<b>D</b> _____
<b>E</b> <b>Child tax credit.</b> See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than \$71,201 (\$103,351 if married filing jointly), enter "4" for each eligible child. • If your total income will be from \$71,201 to \$179,050 (\$103,351 to \$345,850 if married filing jointly), enter "2" for each eligible child. • If your total income will be from \$179,051 to \$200,000 (\$345,851 to \$400,000 if married filing jointly), enter "1" for each eligible child. • If your total income will be higher than \$200,000 (\$400,000 if married filing jointly), enter "-0-" . . . . .	<b>E</b> _____
<b>F</b> <b>Credit for other dependents.</b> See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than \$71,201 (\$103,351 if married filing jointly), enter "1" for each eligible dependent. • If your total income will be from \$71,201 to \$179,050 (\$103,351 to \$345,850 if married filing jointly), enter "1" for every two dependents (for example, "-0-" for one dependent, "1" if you have two or three dependents, and "2" if you have four dependents). • If your total income will be higher than \$179,050 (\$345,850 if married filing jointly), enter "-0-" . . . . .	<b>F</b> _____
<b>G</b> <b>Other credits.</b> If you have other credits, see Worksheet 1-6 of Pub. 505 and enter the amount from that worksheet here. If you use Worksheet 1-6, enter "-0-" on lines E and F . . . . .	<b>G</b> _____
<b>H</b> Add lines A through G and enter the total here . . . . .	<b>H</b> _____



## Examine the Form: W-4

Form W-4 is completed by all employees upon their hiring.

Form <b>W-4</b> Department of the Treasury Internal Revenue Service		<b>Employee's Withholding Allowance Certificate</b>		OMB No. 1545-0074
<p>1 Your first name and middle initial</p> <p>Last name</p>		<p>2 Your social security number</p>		<p><b>2019</b></p>
<p>Home address (number and street or rural route)</p>		<p>3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate.            Note: If married filing separately, check "Married, but withhold at higher Single rate."</p>		
<p>City or town, state, and ZIP code</p>		<p>4 If your last name differs from that shown on your social security card, check here. You must call 800-772-1213 for a replacement card. <input type="checkbox"/></p>		
<p>5 Total number of allowances you're claiming (from the applicable worksheet on the following pages) . . . . .</p>		<p>6 Additional amount, if any, you want withheld from each paycheck . . . . .</p>		<p>5</p> <p>6 \$</p>
<p>7 I claim exemption from withholding for 2019, and I certify that I meet <b>both</b> of the following conditions for exemption.</p> <ul style="list-style-type: none"> <li>• Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and</li> <li>• This year I expect a refund of all federal income tax withheld because I expect to have no tax liability.</li> </ul> <p>If you meet both conditions, write "Exempt" here . . . . .</p>		<p>7</p>		
<p>Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.</p>				
<p>Employee's signature (This form is not valid unless you sign it.) ▶</p>		<p>Date ▶</p>		
<p>8 Employer's name and address (Employer: Complete boxes 8 and 10 if sending to IRS and complete boxes 8, 9, and 10 if sending to State Directory of New Hires.)</p>		<p>9 First date of employment</p>	<p>10 Employer identification number (EIN)</p>	

For Privacy Act and Paperwork Reduction Act Notice, see page 4. Cat. No. 10220Q Form **W-4** (2019)

The lines an employee enters on the W-4 Form are as follows:

**Line 1:** Enter their name and home address.

**Line 2:** Enter their Social Security number.

**Line 3:** Typically, check either "Single" or "Married." A married employee may obtain some tax advantages by checking "Married, but withhold at higher Single rate." A tax professional can provide advice as to when this is appropriate.

**Line 4:** This is commonly checked when an employee is recently married or divorced and has not yet changed his/her Social Security card to match the name reported on line 1.

**Line 5:** Complete the Personal Allowances Worksheet to determine the correct number of allowances. The final instructions indicate that, in some circumstances, employees should complete one of two additional worksheets that provide guidance for employees who intend to itemize deductions on their personal tax return, and for those who work a second job or whose spouse also works. Note that, as more allowances are reported, fewer taxes are withheld from the employee's pay.

**TIP!** The number of allowances claimed does not necessarily equal the number of exemptions reported on the employee's personal tax return.

**Line 6:** Employees may elect to withhold more from each paycheck by listing an additional amount. Although this is not usually necessary, it further reduces the employee's tax burden (and may lead to a refund) when the personal tax return is submitted.

## Examine the Form: W-4 (continued)

**Line 7:** The employee can enter “Exempt” here only when both listed conditions are met. For those who qualify, this entry prevents taxes from being withheld for federal withholding, thereby simplifying the personal tax return. In this instance, the employee must complete only lines 1–4 and 7.

**Signature Line:** The employee must sign and date the completed form before it is submitted to the employer.

**Lines 8–10:** These lines are completed by the employer only if the W-4 Form is submitted to the IRS. This is necessary when the IRS requests a specific W-4 Form to review an employee’s indicated allowances or exempt status.

### Case in Point 1-4

## Complete Form W-4

In this example, we’ll complete Form W-4 for Ryan Jackson (SSN 333-33-3332), a newly hired employee of Apex Textiles. Ryan is single; lives at 37 McDonald Lane, Nashville, TN 37204; does not want any additional withholding amounts; and is not exempt from federal income tax withholding. Ryan has no children and does not hold any other jobs. He claims his elderly father as an exemption on his personal tax return, and he therefore files as head of household. He also expects to have total income of \$65,000, and the only credit he will claim is a dependent care credit.

Form <b>W-4</b> Department of the Treasury Internal Revenue Service		<b>Employee’s Withholding Allowance Certificate</b> ▶ Whether you’re entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.		OMB No. 1545-0074 <b>2019</b>
<b>1</b>	1 Your first name and middle initial <b>Ryan</b>	Last name <b>Jackson</b>	2 Your social security number <b>333-33-3332</b>	
<b>2</b>	Home address (number and street or rural route) <b>37 McDonald Lane</b>		3 <input checked="" type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. <b>Note:</b> If married filing separately, check “Married, but withhold at higher Single rate.”	
<b>3</b>	City or town, state, and ZIP code <b>Nashville, TN 37204</b>		4 If your last name differs from that shown on your social security card, check here. You must call 800-772-1213 for a replacement card. <input type="checkbox"/>	
<b>4</b>	5 Total number of allowances you’re claiming (from the applicable worksheet on the following pages) . . . . .		5	<b>4</b>
	6 Additional amount, if any, you want withheld from each paycheck . . . . .		6 \$	
	7 I claim exemption from withholding for 2019, and I certify that I meet <b>both</b> of the following conditions for exemption. • Last year I had a right to a refund of <b>all</b> federal income tax withheld because I had <b>no</b> tax liability, <b>and</b> • This year I expect a refund of <b>all</b> federal income tax withheld because I expect to have <b>no</b> tax liability. If you meet both conditions, write “Exempt” here . . . . .		7	
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.				
Employee’s signature (This form is not valid unless you sign it.) ▶ <i>Ryan Jackson</i> Date ▶ <b>10/31/19</b>				
8 Employer’s name and address (Employer: Complete boxes 8 and 10 if sending to IRS and complete boxes 8, 9, and 10 if sending to State Directory of New Hires.)			9 First date of employment	10 Employer identification number (EIN)
For Privacy Act and Paperwork Reduction Act Notice, see page 4. Cat. No. 10220Q Form <b>W-4</b> (2019)				

1. Complete lines 1 through 4 with Ryan’s name, address, Social Security number, and single status. No provided information indicates that Ryan’s name is different from that on his Social Security card, so leave line 4 blank.
2. To complete line 5, use the Personal Allowances Worksheet to arrive at the proper number of allowances. Note that in the following worksheet, lines C and F display “1,” since Ryan files as head of household and expects to earn less than \$71,201 while claiming one eligible dependent. Because the allowances on the worksheet total 4, this figure is entered on line 5 of Form W-4.

Personal Allowances Worksheet (Keep for your records.)	
<b>A</b> Enter "1" for yourself . . . . .	<b>A</b> <u>1</u>
<b>B</b> Enter "1" if you will file as married filing jointly . . . . .	<b>B</b> <u>0</u>
<b>C</b> Enter "1" if you will file as head of household . . . . .	<b>C</b> <u>1</u>
<b>D</b> Enter "1" if: { • You're single, or married filing separately, and have only one job; or • You're married filing jointly, have only one job, and your spouse doesn't work; or • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. } . . . . .	<b>D</b> <u>1</u>
<b>E Child tax credit.</b> See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than \$71,201 (\$103,351 if married filing jointly), enter "4" for each eligible child. • If your total income will be from \$71,201 to \$179,050 (\$103,351 to \$345,850 if married filing jointly), enter "2" for each eligible child. • If your total income will be from \$179,051 to \$200,000 (\$345,851 to \$400,000 if married filing jointly), enter "1" for each eligible child. • If your total income will be higher than \$200,000 (\$400,000 if married filing jointly), enter "-0-" . . . . .	<b>E</b> <u>0</u>
<b>F Credit for other dependents.</b> See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than \$71,201 (\$103,351 if married filing jointly), enter "1" for each eligible dependent. • If your total income will be from \$71,201 to \$179,050 (\$103,351 to \$345,850 if married filing jointly), enter "1" for every two dependents (for example, "-0-" for one dependent, "1" if you have two or three dependents, and "2" if you have four dependents). • If your total income will be higher than \$179,050 (\$345,850 if married filing jointly), enter "-0-" . . . . .	<b>F</b> <u>1</u>
<b>G Other credits.</b> If you have other credits, see Worksheet 1-6 of Pub. 505 and enter the amount from that worksheet here. If you use Worksheet 1-6, enter "-0-" on lines E and F . . . . .	<b>G</b> <u>0</u>
<b>H</b> Add lines A through G and enter the total here . . . . .	<b>H</b> <u>4</u>

For accuracy, complete all worksheets that apply.

- If you plan to **itemize** or **claim adjustments to income** and want to reduce your withholding, or if you have a large amount of nonwage income not subject to withholding and want to increase your withholding, see the **Deductions, Adjustments, and Additional Income Worksheet** below.
- If you have **more than one job at a time** or are **married filing jointly and you and your spouse both work**, and the combined earnings from all jobs exceed \$53,000 (\$24,450 if married filing jointly), see the **Two-Earners/Multiple Jobs Worksheet** on page 4 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 above.

3. Leave lines 6 and 7 (see page 18) blank, as Ryan doesn't want additional monies withheld from his paycheck and is not exempt from federal income tax withholding.
4. Sign and date the form below line 7.

# Additional Hiring Considerations

Before an individual can become an employee of any company, the employer must confirm that the prospective employee is permitted to work in the United States. The Immigration Reform and Control Act of 1986 (IRCA) outlines these regulations. All employees must complete Form I-9 (Employment Eligibility Verification) as part of the verification process.

## The Immigration Reform and Control Act of 1986

The **Immigration Reform and Control Act of 1986 (IRCA)**, which was passed on November 6, 1986, strengthened immigration law in the United States. As part of this legislation, employers became responsible for maintaining I-9 Forms for all employees. To complete these forms, employers must verify both the employee's identity and employment authorization. Completion of Form I-9 by all employers is intended to reduce the illegal employment of foreign workers in the United States.

# Form I-9

### On the Web

uscis.gov/system/files\_force/files/form/i-9-paper-version.pdf



Form I-9 (Employment Eligibility Verification) contains three sections. The first section is completed by the employee, while the employer completes either the second or third section, depending on the circumstances. The employee must complete Section 1 of Form I-9 no later than the first day of employment, but the employer has three business days from the first day of employment to complete Section 2 for new hires. Section 3, which is completed by the employer, is used only when an employee is rehired or when reverification of an employee’s eligibility is required (such as when a previously examined employee document has expired).

Attached to Form I-9 is a list of acceptable documents that an employee may furnish for the purpose of verification. Depending on the document(s) provided, an employer may need to review one or more of these and record information about them in Section 2. An employer may not specify which of the listed documents the employee must furnish, as all are acceptable. Additionally, an employer may not request that the employee complete Form I-9 prior to the acceptance of a job offer.

Employees may provide either one document from List A, or one from both List B and List C.


LISTS OF ACCEPTABLE DOCUMENTS All documents must be UNEXPIRED		
Employees may present one selection from List A or a combination of one selection from List B and one selection from List C.		
LIST A Documents that Establish Both Identity and Employment Authorization	OR	LIST B Documents that Establish Identity
<ol style="list-style-type: none"> <li>U.S. Passport or U.S. Passport Card</li> <li>Permanent Resident Card or Alien Registration Receipt Card (Form I-551)</li> <li>Foreign passport that contains a temporary I-551 stamp or temporary I-551 printed notation on a machine-readable immigrant visa</li> <li>Employment Authorization Document that contains a photograph (Form I-766)</li> <li>For a nonimmigrant alien authorized to work for a specific employer because of his or her status:                             <ol style="list-style-type: none"> <li>Foreign passport; and</li> <li>Form I-94 or Form I-94A that has the following:                                     <ol style="list-style-type: none"> <li>The same name as the passport; and</li> <li>An endorsement of the alien's nonimmigrant status as long as that period of endorsement has not yet expired and the proposed employment is not in conflict with any restrictions or limitations identified on the form.</li> </ol> </li> </ol> </li> <li>Passport from the Federated States of Micronesia (FSM) or the Republic of the Marshall Islands (RMI) with Form I-94 or Form I-94A indicating nonimmigrant admission under the Compact of Free Association Between the United States and the FSM or RMI</li> </ol>	AND	<ol style="list-style-type: none"> <li>Driver's license or ID card issued by a State or outlying possession of the United States provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address</li> <li>ID card issued by federal, state or local government agencies or entities, provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address</li> <li>School ID card with a photograph</li> <li>Voter's registration card</li> <li>U.S. Military card or draft record</li> <li>Military dependent's ID card</li> <li>U.S. Coast Guard Merchant Mariner Card</li> <li>Native American tribal document</li> <li>Driver's license issued by a Canadian government authority</li> <li>For persons under age 18 who are unable to present a document listed above:                             <ol style="list-style-type: none"> <li>School record or report card</li> <li>Clinic, doctor, or hospital record</li> <li>Day-care or nursery school record</li> </ol> </li> </ol>
		LIST C Documents that Establish Employment Authorization
		<ol style="list-style-type: none"> <li>A Social Security Account Number card, unless the card includes one of the following restrictions:                             <ol style="list-style-type: none"> <li>NOT VALID FOR EMPLOYMENT</li> <li>VALID FOR WORK ONLY WITH INS AUTHORIZATION</li> <li>VALID FOR WORK ONLY WITH DHS AUTHORIZATION</li> </ol> </li> <li>Certification of report of birth issued by the Department of State (Forms DS-1350, FS-545, FS-240)</li> <li>Original or certified copy of birth certificate issued by a State, county, municipal authority, or territory of the United States bearing an official seal</li> <li>Native American tribal document</li> <li>U.S. Citizen ID Card (Form I-197)</li> <li>Identification Card for Use of Resident Citizen in the United States (Form I-179)</li> <li>Employment authorization document issued by the Department of Homeland Security</li> </ol>

**Examples of many of these documents appear in Part 13 of the Handbook for Employers (M-274).**

**Refer to the instructions for more information about acceptable receipts.**

## Examine the Form: I-9

The employee completes Section 1 of Form I-9.

	<b>Employment Eligibility Verification</b> Department of Homeland Security U.S. Citizenship and Immigration Services	<b>USCIS</b> <b>Form I-9</b> OMB No. 1615-0047 Expires 08/31/2019										
<p><b>▶ START HERE:</b> Read instructions carefully before completing this form. The instructions must be available, either in paper or electronically, during completion of this form. Employers are liable for errors in the completion of this form.</p> <p><b>ANTI-DISCRIMINATION NOTICE:</b> It is illegal to discriminate against work-authorized individuals. Employers <b>CANNOT</b> specify which document(s) an employee may present to establish employment authorization and identity. The refusal to hire or continue to employ an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.</p>												
<b>Section 1. Employee Information and Attestation</b> <i>(Employees must complete and sign Section 1 of Form I-9 no later than the first day of employment, but not before accepting a job offer.)</i>												
Last Name <i>(Family Name)</i>		First Name <i>(Given Name)</i>		Middle Initial	Other Last Names Used <i>(if any)</i>							
Address <i>(Street Number and Name)</i>			Apt. Number	City or Town		State ZIP Code						
Date of Birth <i>(mm/dd/yyyy)</i>	U.S. Social Security Number		Employee's E-mail Address		Employee's Telephone Number							
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25px; height: 25px;"> </td> <td style="width: 25px; height: 25px;"> </td> <td style="width: 25px; height: 25px;"> </td> <td style="width: 25px; height: 25px;"> </td> </tr> </table>					<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25px; height: 25px;"> </td> <td style="width: 25px; height: 25px;"> </td> <td style="width: 25px; height: 25px;"> </td> <td style="width: 25px; height: 25px;"> </td> </tr> </table>						
<p><b>I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.</b></p> <p><b>I attest, under penalty of perjury, that I am (check one of the following boxes):</b></p> <p><input type="checkbox"/> 1. A citizen of the United States</p> <p><input type="checkbox"/> 2. A noncitizen national of the United States <i>(See instructions)</i></p> <p><input type="checkbox"/> 3. A lawful permanent resident (Alien Registration Number/USCIS Number): _____</p> <p><input type="checkbox"/> 4. An alien authorized to work until (expiration date, if applicable, mm/dd/yyyy): _____                  Some aliens may write "N/A" in the expiration date field. <i>(See instructions)</i></p> <p><i>Aliens authorized to work must provide only one of the following document numbers to complete Form I-9:                  An Alien Registration Number/USCIS Number OR Form I-94 Admission Number OR Foreign Passport Number.</i></p> <p>1. Alien Registration Number/USCIS Number: _____  <b>OR</b></p> <p>2. Form I-94 Admission Number: _____  <b>OR</b></p> <p>3. Foreign Passport Number: _____                  Country of Issuance: _____</p>												
Signature of Employee					Today's Date <i>(mm/dd/yyyy)</i>							
<b>Preparer and/or Translator Certification (check one):</b> <input type="checkbox"/> I did not use a preparer or translator. <input type="checkbox"/> A preparer(s) and/or translator(s) assisted the employee in completing Section 1. <i>(Fields below must be completed and signed when preparers and/or translators assist an employee in completing Section 1.)</i>												
Signature of Preparer or Translator						Today's Date <i>(mm/dd/yyyy)</i>						
Last Name <i>(Family Name)</i>			First Name <i>(Given Name)</i>									
Address <i>(Street Number and Name)</i>			City or Town		State	ZIP Code						
<div style="display: flex; justify-content: space-between; align-items: center;"> <span> <b>STOP</b></span> <span><i>Employer Completes Next Page</i></span> <span> <b>STOP</b></span> </div>												
Form I-9 07/17/17 N					Page 1 of 3							

## Examine the Form: I-9 (continued)

While completing *Section 1*, the employee should be mindful of the following:

- Other Names Used: Include any previously used maiden name.
- Address: Unless the employee commutes to work from a Canadian or Mexican location close to the border, this must be a United States address.
- Social Security number, email address, and telephone number are optional unless the employer utilizes E-Verify (an online federal government system that verifies employee eligibility), in which case a Social Security number is required. Write "N/A" if omitting the email address and telephone number.
- Remaining Checkboxes: Check the appropriate box related to citizenship/immigration status. Complete all requested information.
- Signature Line: Sign and date Form I-9.
- Preparer and/or Translator Certification: Completed by the preparer or translator only if the employee required assistance.

Upon receiving verifying documents from the employee, the employer completes Section 2 of Form I-9.

Employee Info from Section 1		Last Name (Family Name)	First Name (Given Name)	M.I.	Citizenship/Immigration Status		
<b>List A</b> Identity and Employment Authorization		<b>OR</b>		<b>List B</b> Identity	<b>AND</b>	<b>List C</b> Employment Authorization	
Document Title	Issuing Authority	Document Number	Expiration Date (if any)(mm/dd/yyyy)	Document Title	Issuing Authority	Document Number	Expiration Date (if any)(mm/dd/yyyy)
Document Title	Issuing Authority	Document Number	Expiration Date (if any)(mm/dd/yyyy)	Additional Information		QR Code - Sections 2 & 3 Do Not Write in This Space	
Document Title	Issuing Authority	Document Number	Expiration Date (if any)(mm/dd/yyyy)	<b>Certification:</b> I attest, under penalty of perjury, that (1) I have examined the document(s) presented by the above-named employee, (2) the above-listed document(s) appear to be genuine and to relate to the employee named, and (3) to the best of my knowledge the employee is authorized to work in the United States.			
<b>The employee's first day of employment (mm/dd/yyyy):</b> _____ (See instructions for exemptions)							
Signature of Employer or Authorized Representative			Today's Date (mm/dd/yyyy)		Title of Employer or Authorized Representative		
Last Name of Employer or Authorized Representative		First Name of Employer or Authorized Representative		Employer's Business or Organization Name			
Employer's Business or Organization Address (Street Number and Name)				City or Town		State	ZIP Code

While completing *Section 2*, the employer should be mindful of the following:

- Complete the List A column or the List B and C columns only, based on employee-submitted documents. Although you may photocopy documents (in which case, you must do so for all employees), you must complete this section.
- Some acceptable documents for List A are combination documents (such as a foreign passport and Form I-94), which necessitates recording the information for each document.
- Certification section: The individual reviewing documents on behalf of the employer must complete and sign the certification.
- The IRS provides multiple versions of Form I-9. Depending on the version you use, some items within this section may be populated by “N/A” by default. If so, these entries are replaced when data is entered.

Section 3 of Form I-9 is completed by the employer only in certain circumstances.

<b>Section 3. Reverification and Rehires</b> (To be completed and signed by employer or authorized representative.)			
<b>A. New Name (if applicable)</b>			<b>B. Date of Rehire (if applicable)</b>
Last Name (Family Name)	First Name (Given Name)	Middle Initial	Date (mm/dd/yyyy)
<b>C. If the employee's previous grant of employment authorization has expired, provide the information for the document or receipt that establishes continuing employment authorization in the space provided below.</b>			
Document Title		Document Number	Expiration Date (if any) (mm/dd/yyyy)
I attest, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.			
Signature of Employer or Authorized Representative		Today's Date (mm/dd/yyyy)	Name of Employer or Authorized Representative

Form I-9 07/17/17 N Page 2 of 3

If *Section 3* must be completed, the employer should be mindful of the following:

- New Name and Date of Rehire: Leave these sections blank if not applicable.
- Date of Rehire: This section is applicable only if the employee is rehired within three years of completing the original I-9 and if the information on the original form remains valid.
- Document Section: List B documents never require reverification. Complete this section based on the employee's List A or List C document if either reverification is necessary (previously submitted document has expired) or the employee is rehired within three years of completing the original I-9 and a previously submitted document has expired.
- Signature Line: If Section 3 is completed, it must be signed and dated by the individual completing the section on behalf of the employer.

**TIP!** The “Handbook for Employers,” which may be found at [uscis.gov/i-9-central/handbook-employers-m-274](https://uscis.gov/i-9-central/handbook-employers-m-274), provides further guidance on the completion of Form I-9.

## E-Verify

Most employers are not required to use the online E-Verify system, which enables employers to verify employment eligibility quickly, securely, and accurately. However, using this free system offered by the federal government can provide reassurance that employees are eligible to work in the United States.

The system operates by comparing information provided by the employee with information contained in records from both the Social Security Administration and the United States Department of Homeland Security. While matching information typically results in an “Employment Authorized” response, any discrepancies result in a “Tentative Nonconfirmation (TNC).” When a TNC response is received, the employee is given an opportunity to resolve the discrepancy.

**WARNING!** Receiving a Tentative Nonconfirmation does not necessarily mean that an employee is unauthorized to work. A variety of reasons (such as accidentally including incorrect information on Form I-9) can result in a TNC for an eligible employee. The employee has eight workdays to take action to correct the TNC.

### Case in Point 1-5

## Complete Form I-9

In this example, we will complete Sections 1 and 2 of Form I-9 based on the information provided below:

1. Warren Franklin (SSN 901-23-4444) has requested assistance in completing the employee portion of Form I-9. Warren was born on April 2, 1981, is a United States citizen, and (although you are providing him with assistance) completes the employee section of Form I-9 himself on his first day of employment (7/15/2019). He lives at 212 Steeple Place, Madison, WI 53704.





**Employment Eligibility Verification**  
**Department of Homeland Security**  
 U.S. Citizenship and Immigration Services

**USCIS**  
**Form I-9**  
 OMB No. 1615-0047  
 Expires 08/31/2019

▶ **START HERE:** Read instructions carefully before completing this form. The instructions must be available, either in paper or electronically, during completion of this form. Employers are liable for errors in the completion of this form.

**ANTI-DISCRIMINATION NOTICE:** It is illegal to discriminate against work-authorized individuals. Employers **CANNOT** specify which document(s) an employee may present to establish employment authorization and identity. The refusal to hire or continue to employ an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

**Section 1. Employee Information and Attestation** (Employees must complete and sign Section 1 of Form I-9 no later than the first day of employment, but not before accepting a job offer.)

Last Name (Family Name) Franklin		First Name (Given Name) Warren		Middle Initial	Other Last Names Used (if any)	
Address (Street Number and Name) 212 Steeple Place			Apt. Number	City or Town Madison	State WI	ZIP Code 53704
Date of Birth (mm/dd/yyyy) 04/02/1981	U.S. Social Security Number 901-23-4444	Employee's E-mail Address N/A			Employee's Telephone Number N/A	

1

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following boxes):

1. A citizen of the United States

2. A noncitizen national of the United States (See instructions)

3. A lawful permanent resident (Alien Registration Number/USCIS Number): N/A N/A

4. An alien authorized to work until (expiration date, if applicable, mm/dd/yyyy): N/A  
 Some aliens may write "N/A" in the expiration date field. (See instructions)

Aliens authorized to work must provide only one of the following document numbers to complete Form I-9:  
 An Alien Registration Number/USCIS Number OR Form I-94 Admission Number OR Foreign Passport Number.

1. Alien Registration Number/USCIS Number: N/A  
**OR**  
 2. Form I-94 Admission Number: N/A  
**OR**  
 3. Foreign Passport Number: N/A  
 Country of Issuance: N/A

QR Code - Section 1  
 Do Not Write In This Space

Signature of Employee *Warren Franklin* Today's Date (mm/dd/yyyy) 07/15/2019


**Preparer and/or Translator Certification (check one):**  
 I did not use a preparer or translator.  A preparer(s) and/or translator(s) assisted the employee in completing Section 1.  
 (Fields below must be completed and signed when preparers and/or translators assist an employee in completing Section 1.)

I attest, under penalty of perjury, that I have assisted in the completion of Section 1 of this form and that to the best of my knowledge the information is true and correct.

Signature of Preparer or Translator		Today's Date (mm/dd/yyyy)	
Last Name (Family Name)		First Name (Given Name)	
Address (Street Number and Name)		City or Town	State ZIP Code

STOP Employer Completes Next Page STOP

- Warren’s employer (Chapman Industries; 91784 Buttress Court, Madison, WI 53704) uses the E-Verify system to determine employment eligibility. Warren provides his U.S. passport (issued by the U.S. Department of State, #000022222, expires 03/13/2023) to his employer (Dexter Hall, President), who completes the form on Warren’s first day of employment.



**Employment Eligibility Verification**  
**Department of Homeland Security**  
 U.S. Citizenship and Immigration Services

**USCIS**  
**Form I-9**  
 OMB No. 1615-0047  
 Expires 08/31/2019

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**Section 2. Employer or Authorized Representative Review and Verification**  
*(Employers or their authorized representative must complete and sign Section 2 within 3 business days of the employee's first day of employment. You must physically examine one document from List A OR a combination of one document from List B and one document from List C as listed on the "Lists of Acceptable Documents.")*

<b>Employee Info from Section 1</b>	Last Name (Family Name) <b>Franklin</b>	First Name (Given Name) <b>Warren</b>	M.I.	Citizenship/Immigration Status <b>1</b>
-------------------------------------	--	--	------	--

List A Identify and Employment Authorization	OR List B Identity	AND List C Employment Authorization
Document Title U.S. Passport	Document Title N/A	Document Title N/A
Issuing Authority U.S. Department of State	Issuing Authority N/A	Issuing Authority N/A
Document Number 000022222	Document Number N/A	Document Number N/A
Expiration Date (if any)(mm/dd/yyyy) 03/13/2019	Expiration Date (if any)(mm/dd/yyyy) N/A	Expiration Date (if any)(mm/dd/yyyy) N/A
Document Title N/A	<div style="display: flex; justify-content: space-between;"> <div style="width: 60%;">Additional Information</div> <div style="width: 35%; border: 1px solid black; padding: 5px;">                     QR Code - Sections 2 &amp; 3                      Do Not Write In This Space                 </div> </div>	
Issuing Authority N/A		
Document Number N/A		
Expiration Date (if any)(mm/dd/yyyy) N/A		
Document Title N/A		
Issuing Authority N/A		
Document Number N/A		
Expiration Date (if any)(mm/dd/yyyy) N/A		

**Certification:** I attest, under penalty of perjury, that (1) I have examined the document(s) presented by the above-named employee, (2) the above-listed document(s) appear to be genuine and to relate to the employee named, and (3) to the best of my knowledge the employee is authorized to work in the United States.

**The employee's first day of employment (mm/dd/yyyy):** 07/16/2018 (See instructions for exemptions)

Signature of Employer or Authorized Representative <i>Dexter Hall</i>	Today's Date(mm/dd/yyyy) <b>07/15/2019</b>	Title of Employer or Authorized Representative President
Last Name of Employer or Authorized Representative Hall	First Name of Employer or Authorized Representative Dexter	Employer's Business or Organization Name Chapman Industries
Employer's Business or Organization Address (Street Number and Name) 91784 Buttress Court		City or Town Madison
		State WI
		ZIP Code 53704

Form I-9 11/14/2016 N

Page 2 of 4

2

# General Payroll Topics

Additional considerations must be made prior to, or concurrent with, the hiring of employees. Among these are the acquisition of workers' compensation insurance and the establishment of an employee earnings record for each employee. Other payroll topics that warrant consideration include the decision to use a payroll services provider, or whether a payroll professional should pursue a specialized payroll certification.

## Workers' Compensation Insurance

### On the Web

[dol.gov/owcp/dfec/regs/compliance/wc.htm](https://www.dol.gov/owcp/dfec/regs/compliance/wc.htm)



Most businesses are required by their state to obtain **workers' compensation** insurance, which provides financial assistance to employees injured during the course of their employment. In most instances, employers may satisfy this requirement either by purchasing it from a state-operated fund or private insurance carrier, or by becoming authorized by the state to be self-insured.

Insurance premiums paid by employers are based on the relative risk associated with different job types. For example, the premium required for an employee working in an office setting is far less than that required for an employee who chops down trees. Depending on the state, benefits that employees receive are used to pay medical bills, make up for lost wages, compensate for permanent injury, and/or provide an employee's beneficiaries with a death benefit.

## Payroll Certifications

For those who pursue a career in payroll, obtaining a professional certification can lead to enhanced job opportunities as well as to promotions. The American Payroll Association offers payroll professionals the opportunity to earn two different professional certifications:



- The Fundamental Payroll Certification (FPC) establishes that an individual has a baseline level of payroll competency. This is the lower-level certification offered by the American Payroll Association.
- The Certified Payroll Professional (CPP) designates a higher level of payroll mastery, and the examination can be taken only upon the satisfaction of specific criteria. These criteria involve both the length of time worked in the payroll profession and the payroll courses completed.

## Utilizing a Payroll Service

As you'll discover throughout this textbook, payroll can be a complicated topic. While it's possible for a business to handle all of its payroll-related tasks, many instead choose to hire a **payroll service**. These services (some of the most prominent include Paychex and Intuit) can calculate employee net pay; generate employee paychecks; complete and file all monthly, quarterly, and annual payroll tax forms; and provide many additional services. Given the potential penalties associated with mishandling payroll (which can be levied at both the federal and state levels), and the amount of time spent on payroll tasks, many companies decide that a payroll service is worth the added expense.

## Employee Earnings Record

An **employee earnings record** should be established upon the hiring of each employee. This record contains both key employee information (name, Social Security number, marital status, etc.) and payroll information for a given year. By providing a summary of annual payroll figures for a single employee, the employee earnings record facilitates completion of a variety of payroll tax forms.

Most businesses use computerized payroll systems, which automatically generate these records. However, understanding the components of the employee earnings record, and the manner in which it is generated, is vital. Therefore, we'll work with manual versions of the employee earnings record throughout multiple chapters.

An employee earnings record displays a summary of payroll information for a single employee.

<b>Employee Earnings Record</b>																			
Name _____				Marital Status _____															
Address _____				Fed. Withholding Allow. _____															
SS# _____				State Withholding Allow. _____															
Pay Period Ending	<i>Earnings</i>							<i>Deductions</i>									Check Number	Net Pay	
	Regular Hours Worked	Regular Pay Rate	Regular Wages	Overtime Hours Worked	Overtime Pay Rate	Overtime Wages	Gross Pay	Federal Withholding Tax	State Withholding Tax	Social Security Tax	Medicare Tax	Retirement Contribution	Life Insurance	Charitable Contribution	Additional Withholding				

## Case in Point 1-6 Create an Employee Earnings Record

In this example, we will establish an employee earnings record for Stacey Rodriguez, a newly hired employee of Acme Safe Co. Stacey (SSN 333-44-5555) is single; lives at 1986 Series Drive, Reno, NV 89509; and claims one allowance for both her federal and state taxes. She has agreed to a regular wage rate of \$9.25/hour and an overtime wage rate of \$13.88, both of which will initially be applied to her first week of employment, ending on 7/19/2019.

**Employee Earnings Record**

<b>Name</b>	<u>Stacey Rodriguez</u>	<b>Marital Status</b>	<u>Single</u>
<b>Address</b>	<u>1986 Series Drive</u> <u>Reno, NV 89509</u>	<b>Fed. Withholding Allow.</b>	<u>1</u>
<b>SS#</b>	<u>333-44-5555</u>	<b>State Withholding Allow.</b>	<u>1</u>

Pay Period Ending	Earnings							Deductions									
	Regular Hours Worked	Regular Pay Rate	Regular Wages	Overtime Hours Worked	Overtime Pay Rate	Overtime Wages	Gross Pay	Federal Withholding Tax	State Withholding Tax	Social Security Tax	Medicare Tax	Retirement Contribution	Life Insurance	Charitable Contribution	Additional Withholding	Check Number	Net Pay
7/19/19		\$ 9.25			\$ 13.88												

1. Complete the top portion of the employee earnings record. This section is unlikely to change frequently and therefore does not need to be listed for every pay period.
2. Fill in those items for the first pay period that have already been determined. The majority of columns, such as Regular Hours Worked and Social Security Tax, are left blank. These items cannot be determined until after the first pay period has ended (i.e., after 7/19/2019).

# Self-Assessment

Complete the Self-Assessment as directed by your instructor, whether that is in the book, the Learning Resource Center ([labyrinthlab.com/lrc](http://labyrinthlab.com/lrc)), or your eLab course, if applicable.

## True/False Questions

1. An employee's paycheck displays the gross pay amount. *True False*
2. Certain employees are not subject to the federal minimum wage of \$7.25. *True False*
3. The federal minimum wage rate takes precedence, regardless of whether it is the same as the applicable state minimum wage rate. *True False*
4. The Internal Revenue Service charges users a nominal fee for Circular E. *True False*
5. Form SS-4 is used by an employer to apply for an Employer Identification Number. *True False*
6. The provisions of the Personal Responsibility and Work Opportunity Reconciliation Act can be satisfied through the submission of the W-4 Form to the state. *True False*
7. Form SS-5 (Application for a Social Security Card) should be submitted to the employee's local Social Security office. *True False*
8. Form I-9 (Employment Eligibility Verification) is completed entirely by the employer. *True False*
9. E-Verify is an online system that allows employers to verify a prospective employee's employment eligibility status. *True False*
10. Workers' compensation insurance costs the same regardless of the type of work performed by the insured employees. *True False*

## Multiple Choice Questions

11. Which of the following cannot be found on a standard paystub?
  - A. Employee address
  - B. Prior year's gross wages
  - C. Overtime hours worked (if any)
  - D. Pay date
12. Which of the following groups may not be paid less than the federal minimum wage?
  - A. Tipped employees
  - B. Full-time students
  - C. State government workers
  - D. Executive employees
13. The Fair Labor Standards Act requires that, for non-exempt employees, the overtime hourly pay rate be at least what percentage of the regular hourly pay rate?
  - A. 75%
  - B. 100%
  - C. 150%
  - D. 200%

14. Which of the following jobs may be held by an individual younger than 18 years of age?
  - A. Roofer
  - B. Explosives manufacturer
  - C. Coal miner
  - D. Landscaper (bagging leaves)
15. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) was designed to strengthen what?
  - A. Child support programs
  - B. Workers' compensation coverage
  - C. Federal minimum wage rates
  - D. Immigration law
16. Which of the following is not requested on Form SS-5?
  - A. Father's Social Security number
  - B. Ethnicity
  - C. Number of allowances
  - D. Place of birth
17. The Immigration Reform and Control Act (IRCA) was signed into law in what year?
  - A. 1960
  - B. 1974
  - C. 1986
  - D. 1990
18. Which of the following is insufficient for the purposes of verifying employment eligibility on Form I-9?
  - A. Driver's license and Native American tribal document
  - B. Voter's registration card and U.S. Coast Guard Merchant Mariner card
  - C. Military dependent's ID card and an unrestricted Social Security card
  - D. United States passport
19. The workers' compensation insurance requirement may typically be satisfied through all of the following methods except:
  - A. Submitting applicable state forms verifying that all full-time employees have approved an uninsured status.
  - B. Becoming authorized by the applicable state to be self-insured.
  - C. Purchasing workers' compensation insurance from a state-operated fund.
  - D. Purchasing workers' compensation insurance from a private insurance carrier.
20. An employee earnings record typically displays each of the following except?
  - A. State withholding allowances
  - B. Employee signature
  - C. Overtime pay rate
  - D. Marital status

# Practice Set A

The IRS forms and Excel templates needed for these assignments are included in the Student Exercise Files download for this course. If directed to do so, complete these assignments in Homework Grader.

## PSa 1-1 Define Paystub Elements

Define the following items found within a typical paystub:

1. Paycheck
2. Gross pay
3. Deductions
4. Net pay

## PSa 1-2 Identify Compliance with the Fair Labor Standards Act

Examine the following independent circumstances and identify whether each complies with the Fair Labor Standards Act:

1. A hospital employee is paid \$6.95/hour.
2. A full-time student who works for a local college earns \$7.20/hour for working four hours/day, four days/week, during the school year.
3. An administrative (office) employee earns an annual salary which, when divided by total hours worked during the year, is the equivalent of \$6.68/hour.
4. An employee at a local bakery begins working on June 1. He turns 20 on October 14 and earns \$4.25/hour during his first six months of employment.
5. A student learner in a qualified vocational program earns \$5.50/hour. The employer has not yet applied for an authorizing certificate.
6. A federal government employee earns \$7.48/hour.



## PSa 1-3 Use the Internet to Explore Circular E

Examine Circular E to answer a series of questions. (Recall that Circular E is found at: [irs.gov/pub/irs-pdf/p15.pdf](https://www.irs.gov/pub/irs-pdf/p15.pdf).)

1. How long should an employer retain records of employment taxes?
2. What form should be both furnished to employees and filed with the IRS by January 31 each year?
3. Define the term *payroll period*.
4. Must income tax withholding be handled differently for part-time workers than for full-time workers?
5. If payday falls on a Friday for a semiweekly depositor of Social Security, Medicare, and withheld income taxes, by what day of the following week must taxes be deposited?

## PSa 1-4 Complete Form SS-4

Complete Form SS-4 for a newly formed company.

1. Adam's Diner is a new eatery that was formed as a sole proprietorship by its owner, Adam Spruce (SSN 777-77-7777), on January 21, 2019, and serves only locally sourced foods. As a result of having started a new business, the company files Form SS-4 so that it may begin distributing payroll checks as of January 25, 2019. The diner is located at 95 Main Street, Atlanta, GA 30311 (it is in Fulton County and is the only address associated with the business), and both its telephone and fax number are 478-555-8129. The company uses the calendar year as its fiscal year and expects to employ four people (earning an average of \$19,900/year) throughout the first 12 months of operations. Payroll is to be paid weekly on Fridays, with the first pay date scheduled for Friday, January 25, 2019. Form SS-4 is completed on the date of formation of the company. The company does not assign a third-party designee.

## PSa 1-5 Complete Form W-4

Assist a friend in completing Form W-4. As part of this process, you will also assist him in completing the Personal Allowances Worksheet.

1. David Valentine (SSN 888-88-8888) is single; lives at 752 Amusement Court, St. Louis, MO 63108; does not want any additional withholding amounts; and is not exempt from federal income tax withholding. David has no children or dependents, does not hold any other jobs, does not take advantage of any credits on his tax return, and files as single on his tax return. Note that this Form W-4 is not being sent to the IRS.

## PSa 1-6 Complete Form I-9

Complete both Sections 1 and 2 of Form I-9.

1. Thomas Quinn (SSN 999-99-9999) has requested assistance in completing the employee portion of Form I-9. Thomas was born on November 13, 1972, is a United States citizen, and (although you are providing him with assistance) completes the employee section of Form I-9 himself on his first day of employment (7/15/2019). He lives at 950 Harvard Place, Newport, RI 02840.

**34** Payroll Accounting Chapter 1: Processing a New Employee

2. Thomas's employer (Carpet Warehouse; 8114 Princeton Avenue, Newport, RI 02840) utilizes the E-Verify system to determine employment eligibility. Thomas provides his U.S. passport (issued by U.S. Department of State, #000055555, expires 8/11/2025) to his employer (Barry Coleman, HR Manager), who completes the form on Thomas's first day of employment.

**PSa 1-7 Create an Employee Earnings Record**

Create an employee earnings record for a new employee.

1. Patrick Workman (SSN 123-45-6789) begins working for Fishing Experts Co. on Monday, 6/17/2019. He lives at 817 Remote Lane, Bentonville, AR 72712; is single; and claims two federal and two state withholding allowances. He earns \$9.00/hour in regular wages and \$13.50/hour in overtime wages, and payroll is paid every Monday for the weekly pay period ending the previous Friday.

**Practice Set B**

The IRS forms and Excel templates needed for these assignments are included in the Student Exercise Files download for this course. If directed to do so, complete these assignments in Homework Grader.

**PSb 1-1 Identify the Appropriate Paystub Section**

Identify the standard paystub section (Company and Pay Period Information, Employee Information, Current and Year-to-Date Earnings, Amounts Withheld [Deducted] from Employee Pay, Paycheck, or Net Pay) that corresponds to each item below. Note that a paystub section may contain more than one of the items listed.

1. Overtime hours worked
2. Period ending date
3. Marital status
4. Gross pay
5. Social Security tax amount
6. Check number
7. Federal income tax amount

**PSb 1-2 Determine Compliance with Child Labor Restrictions**

Determine the youngest age (if any) at which an employee may perform each of the job duties below:

1. Milking cows on a parent's farm.
2. Taking measurements for roof construction.
3. Working as a teller at a grocery store on Monday, Tuesday, and Wednesday from 4:00 p.m. to 7:00 p.m.

4. Performing as lead actor in a local play.
5. Stocking shelves at a convenience store during the school year on Saturday and Sunday from 6:00 a.m. to 3:00 p.m.

### PSb 1-3 Use the Internet to Explore Circular E

Examine Circular E to answer the following questions. (Recall that Circular E is found at: [irs.gov/pub/irs-pdf/p15.pdf](https://www.irs.gov/pub/irs-pdf/p15.pdf).)

1. What phone number may an individual with disabilities call in order to ask a federal tax question?
2. If a husband and wife jointly run a business, is it treated as a sole proprietorship, partnership, or corporation for tax purposes?
3. If wages are not paid in money (cash or check), is an employer obligated to remit federal income tax withholding, Social Security, Medicare, and FUTA taxes based on these wages?
4. Identify three examples of fringe benefits provided to employees that are not taxable.
5. May an employer substitute their own version of Form W-4 for the IRS-published version? If so, are there any restrictions on this policy?

### PSb 1-4 Complete Form SS-4

Complete Form SS-4 for an insurance agency.

1. Local Insurance Corp. is an agency that was formed as a corporation by its founder, Jane Detworth (SSN 111-11-1111), on May 1, 2019, and operates under the name JD Insurance. The company specializes in homeowner's insurance, and as a result of having started the new business, it files Form SS-4 so that it may begin distributing payroll checks as of May 31, 2019. It is located at 2 State Avenue, Tuscaloosa, AL 35405 (it is in Tuscaloosa County and is the only address associated with the business). It was incorporated in the state of Alabama. The company will file Form 1120S each year. Its telephone number is 205-555-9991, and its fax is 205-555-8000. The fiscal year runs from May through April, and it expects to employ three people (each earning an average of \$30,000/year) throughout the first 12 months of operations. Payroll is to be paid semimonthly on the 15th and on the final day of the month, with the first pay date scheduled for Friday, May 31, 2019. Form SS-4 is completed on the date of formation of the company. The company does not assign a third-party designee.

### PSb 1-5 Complete Form W-4

Assist a friend in completing Form W-4. As part of this process, you will also assist him in completing the Personal Allowances Worksheet.

1. Billy Darling (SSN 343-43-4343) is single; lives at 40 Tabasco Lane, Minneapolis, MN 55423; and is not exempt from federal income tax withholding. Billy files as single on his tax return, does not take advantage of any credits on his tax return, has one job, and has no children or dependents. Note that this Form W-4 is not being sent to the IRS.

## PSb 1-6 Complete Form I-9

Complete both Section 1 and Section 2 of Form I-9.

1. Alan Strawberry (SSN 111-11-1111) has requested assistance in completing the employee portion of Form I-9. Alan was born on January 4, 1965, is a Lawful Permanent Resident (USCIS #555-555-555), and (although you are providing him with assistance) completes the employee section of Form I-9 himself on his first day of employment (8/26/2019). He lives at 214 Indian Lane, Billings, MT 59107.
2. Alan's employer (Uniform Specialists; 12 Pent Drive, Billings, MT 59107) utilizes the E-Verify system to determine employment eligibility. Alan provides his Permanent Resident Card (issued by U.S. Citizenship and Immigration Services, expires 11/28/2021) to his employer (Joel Weiner, Director of Personnel), who completes the form on Alan's first day of employment. The document number displayed on the Permanent Resident Card is #xyz5555544444.

## PSb 1-7 Complete an Employee Earnings Record

Create an employee earnings record for a new employee.

1. Brian Price (SSN 252-52-5252) begins working for Costume Creativity on 12/11/2019. He lives at 8888 Searcher Boulevard, Wheeling, WV 26003; is married; and claims three federal withholding allowances and two state withholding allowances. He earns \$12.50/hour in regular wages and \$18.75/hour in overtime wages, and payroll is paid twice/month, on the 15th day and final day of the month for the pay period ending that day.

# Continuing Payroll Problem

The IRS forms and Excel templates needed for these assignments are included in the Student Exercise Files download for this course. If directed to do so, complete these assignments in Homework Grader.

## CPP 1-1 Start a New Business and Assist a New Employee

Complete Form SS-4 for TCLH Industries, a manufacturer of cleaning products. You will then work with Zachary Fox, a new employee, to ensure that all necessary payroll forms are completed.

1. Complete Form SS-4 for TCLH Industries. The company was formed on January 1, 2019, as a corporation (which files Form 1120S and was incorporated in North Carolina) by Michael Sierra (CEO; SSN 232-32-3232) and David Alexander (President; SSN 454-54-5454). Day-to-day operations, such as the filing and signing of federal and state forms, are handled by the CEO, whose phone number and fax number are 919-555-7485 and 919-555-2000, respectively. The company is located at 202 Whitmore Avenue, Durham, NC 27701 (in Durham County), where it receives all mail. The company uses the calendar year as its fiscal year, and expects to employ four individuals (earning an expected average of \$90,000/year) throughout the first 18 months of operations. Payroll is to be paid weekly on Thursdays, with the first pay date scheduled for Thursday, January 10, 2019 (for the one-week period ending the prior Sunday). The company does not assign a third-party designee.
2. Complete the W-4 Form for Zachary Fox, a new employee who is hired on December 9, 2019. Zachary (SSN 121-21-2121) is married (and files as married filing jointly); lives at 1483 Independence Road, Durham, NC 27701; does not want any additional withholding amounts; and is not exempt from federal income tax withholding. Zachary (who expects to earn approximately \$67,000 this year) has one child, does not hold any other jobs, and his spouse earns \$68,200/year. He does not file as head of household and does not have other dependents or other credits. Note that this Form W-4 is not being sent to the IRS and that to accurately complete Form W-4, you should first fill out the Personal Allowances Worksheet.
3. Complete the I-9 Form for Zachary Fox (SSN 121-21-2121), a new employee who lives at 1483 Independence Road, Durham, NC 27701. He requests assistance in completing the employee portion of the form. Zachary was born on February 27, 1977, is a United States citizen, and (although you are providing him with assistance) completes the employee section of Form I-9 himself on his date of hire. TCLH Industries, which is located at 202 Whitmore Avenue, Durham, NC 27701, utilizes the E-Verify system to confirm employment eligibility. Zachary provides his driver's license number (NYS, 888 888 888, expires 2/27/2023) and Social Security card (issued by the Social Security Administration) to his employer, who completes the form on Zachary's date of hire (December 9, 2019). All forms are signed by the CEO of the company, Michael Sierra.
4. Establish an employee earnings record for Zachary Fox (SSN 121-21-2121), beginning with the first pay period after his date of hire (12/9/2019). Zachary, who lives at 1483 Independence Road, Durham, NC 27701, claims the same number of federal and state withholding allowances, earns regular wages of \$28/hour, and earns overtime wages of \$42/hour. Each weekly pay period of TCLH Industries runs from Monday through Sunday.

# Critical Thinking

## CT 1-1 Examine the E-Verify System

The E-Verify system, although not mandatory for most employers, is an important tool that should be utilized regularly. For this system to yield beneficial results, the employer must fully understand how it functions. In this exercise, you will study and report on the functionality of the E-Verify system.

Open a new Microsoft Word document (or use a comparable document program) and save the file as **PA01-CT1-[Your Last Name]-E-Verify**. Use the Internet to research the E-Verify process (hint: The E-Verify system is on the United States Citizenship and Immigration Services website). Write at least three paragraphs in which you discuss the E-Verify enrollment process, the E-Verify verification process, and the steps an employee should take in the event of a Tentative Nonconfirmation.

Submit your final file based on the guidelines provided by your instructor.

## CT 1-2 Research Major Payroll Services

Understanding the differences between available payroll services can allow an organization to select the service that is most suitable for its needs. In this exercise, you will research four major payroll services and list two benefits of utilizing each.

Open a new Microsoft Word document (or use a comparable document program) and save the file as **PA01-CT2-[Your Last Name]-PayrollService**. Use the Internet to identify major payroll services, and select four of the most prominent. Research the services provided by each, and write at least one paragraph for each in which you identify two ways that the payroll service distinguishes itself from its competitors. Lastly, write one paragraph in which, based on these characteristics, you select your preferred payroll service and discuss why you made this selection.

Submit your final file based on the guidelines provided by your instructor.