

1

Processing a New Employee

Learning Objectives


After studying this chapter, you will be able to:

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

The Employee Paystub

- Paystubs list amounts not included in your check.
- Other information (company, pay period, employee information) is also found on the paystub.

Deductions		
Statutory	This Period	Year to Date
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
<u>Other</u>		
401(k)	\$32.20*	\$1,843.25
Life Insurance	\$10.00	\$500.00

 MY CONSTRUCTION COMPANY 1001 Fifth Avenue New York, NY 10022					Period ending: 12/3/2023 Pay date: 12/5/2023		
CLARK MITCHELL 547 Smith Street New York, NY 10033							
Earnings	Rate	Hours	This Period	Year to Date	Deductions		
Regular	\$14.00	40.00	\$560.00	\$28,000.00	Statutory	This Period	Year to Date
Overtime	\$21.00	4.00	\$84.00	\$6,615.00	Federal Income Tax	\$19.00	\$1,350.00
Holiday	\$30.00	0.00	\$0.00	\$2,250.00	Social Security Tax	\$39.93	\$2,285.63
Gross Pay			\$644.00	\$36,865.00	Medicare Tax	\$9.34	\$534.54
					NYS Income Tax	\$12.67	\$783.33

The Employee Paystub (cont.)

Using the Summary of Tax Rates

- Refer to these tax rates throughout the book:

TAX RATES BY TYPE	
Tax Type	Tax Rate
State income tax withholding	5%
Social Security (OASDI) tax	6.2%
Social Security wage base (threshold)	\$160,200
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

The Fair Labor Standards Act (FLSA)

Employers must ensure compliance with the Fair Labor Standards Act.

- It establishes a federal minimum wage.
- It establishes the overtime wages rate.
- It establishes child labor restrictions.

The FLSA contains many other provisions and allows a wide range of exemptions.

The Federal Minimum Wage

- U.S. Congress sets the federal minimum wage.

Effective Date	Minimum Wage Rate
July 24, 2009	\$7.25

- Individual states may also pass their own minimum wage laws.
- When state-established rates disagree with the federal rate, the larger wage prevails.

Exceptions to the Federal Minimum Wage

- Workers with disabilities
- Full-time students
- Young workers
- Tipped employees
- Student learners

Who Must Pay the Minimum Wage?

- The minimum wage applies to people employed by:
 - Large businesses (revenues of \$500,000+)
 - Governmental agencies (local, state, or federal)
 - Hospitals
 - Schools
- It also covers domestic workers and employees working for interstate commerce businesses.

Calculating Overtime Wages

- Hours worked over 40 in a workweek are paid at 1.5 times regular wages (“time and a half”).
- Certain employees are exempt, such as executive, administrative, and professional workers.

Child Labor Restrictions

Restrictions vary depending on age groups:

- **Under 14 years of age** – May only perform specific activities
- **Ages 14 and 15** – May work a variety of jobs but are subject to extensive hour limitations
- **Ages 16 and 17** – May work an unlimited number of hours

***WARNING!** No child under 17 may work
in a job classified as hazardous.*

Circular E

- An employer's tax guide written by the IRS
- Benefits provided include:
 - Due dates for payroll forms
 - Instructions for calculating tax withholding
 - A summary of regulations
 - IRS contact information
- Publication 15-T
 - Supplements Circular E
 - Contains complete tables for calculating federal income tax withholding

Form SS-4

Complete Form SS-4 to obtain an Employer Identification Number (EIN).

Form SS-4 (Rev. December 2019) Department of the Treasury Internal Revenue Service		Application for Employer Identification Number (For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.) ▶ Go to www.irs.gov/FormSS4 for instructions and the latest information. ▶ See separate instructions for each line. ▶ Keep a copy for your records.		OMB No. 1545-0003
		EIN		
Type or print clearly.	1 Legal name of entity (or individual) for whom the EIN is being requested			
	2 Trade name of business (if different from name on line 1)	3 Executor, administrator, trustee, "care of" name		
	4a Mailing address (room, apt., suite no. and street, or P.O. box)	5a Street address (if different) (Don't enter a P.O. box.)		
	4b City, state, and ZIP code (if foreign, see instructions)	5b City, state, and ZIP code (if foreign, see instructions)		
6 County and state where principal business is located				
7a Name of responsible party	7b SSN, ITIN, or EIN			

Hiring an Employee

- The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 enables better enforcement of child-support laws.
- Complete Form SS-5 to obtain a Social Security number.

Form **SS-5** (10-2021) UF

Use (11-2019) UF Until Stock Is Exhausted

SOCIAL SECURITY ADMINISTRATION

Page 5 of 5

OMB No. 0960-0066

Application for a Social Security Card

1	NAME	First	Full Middle Name	Last
	TO BE SHOWN ON CARD			
	FULL NAME AT BIRTH	First	Full Middle Name	Last
	IF OTHER THAN ABOVE			
	OTHER NAMES USED			

2	Social Security number previously assigned to the person listed in item 1	<div style="border: 1px solid black; width: 30px; height: 30px; display: inline-block;"></div> <div style="border: 1px solid black; width: 30px; height: 30px; display: inline-block;"></div> <div style="border: 1px solid black; width: 30px; height: 30px; display: inline-block;"></div>	<div style="border: 1px solid black; width: 30px; height: 30px; display: inline-block;"></div> <div style="border: 1px solid black; width: 30px; height: 30px; display: inline-block;"></div>	<div style="border: 1px solid black; width: 40px; height: 30px; display: inline-block;"></div> <div style="border: 1px solid black; width: 40px; height: 30px; display: inline-block;"></div> <div style="border: 1px solid black; width: 40px; height: 30px; display: inline-block;"></div> <div style="border: 1px solid black; width: 40px; height: 30px; display: inline-block;"></div>
----------	---	--	---	---

Form W-4

- Every employee must complete Form W-4.
 - It provides information necessary to calculate both federal income tax withholding and applicable state income tax withholding
- A revised Form W-4 was implemented in 2020.
 - New employees complete the current version.
 - Old employees do not need to complete the new version unless changing withholdings.

Form W-4		Employee's Withholding Certificate		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Give Form W-4 to your employer. Your withholding is subject to review by the IRS.		
Step 1: Enter Personal Information	(a) First name and middle initial		Last name	(b) Social security number
	Address			
	City or town, state, and ZIP code			
	(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly or Qualifying surviving spouse <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)			
Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov .				

Form W-4 (cont.)

- In the 2019 and earlier versions of Form W-4, the Personal Allowances Worksheet helps the employee determine the number of allowances to claim.
- These are then used within tax withholding tables to determine the appropriate amount of federal income tax withholding for each pay period.

Additional Hiring Considerations

- The Immigration Reform and Control Act of 1986
 - Intended to reduce illegal employment of foreign workers in the U.S.
- Form I-9
 - Completed by the employee; acceptable documents are verified by the employer
- E-Verify
 - Compares information from employee with that possessed by various government agencies

General Payroll Topics

Considerations prior to hiring employees:

- Obtain workers' compensation insurance
- Obtain payroll certifications
- Utilize payroll service providers
- Establish employee earnings records

Workers' Compensation Insurance

- Required by most states
- Provides financial assistance to employees injured on the job
- Paid for by the employer
 - Premiums are based on the relative risk associated with different job types.

Payroll Certifications

PayrollOrg (formerly The American Payroll Association) offers two certifications:

- The Fundamental Payroll Certification (FPC)
 - Establishes a baseline level of payroll competency
- The Certified Payroll Professional (CPP)
 - Designates a higher level of payroll mastery

Utilizing a Payroll Service

- Calculates employee net pay
- Generates paychecks
- Completes and files monthly, quarterly, and annual payroll tax forms

Employee Earnings Record

- Contains key employee and payroll information
- Summarizes annual payroll figures
- Facilitates completion of payroll tax forms

[illegible]