PAYROLL **ACCOUNTING**

1

Processing a New Employee

LABYRINTH LEARNING®

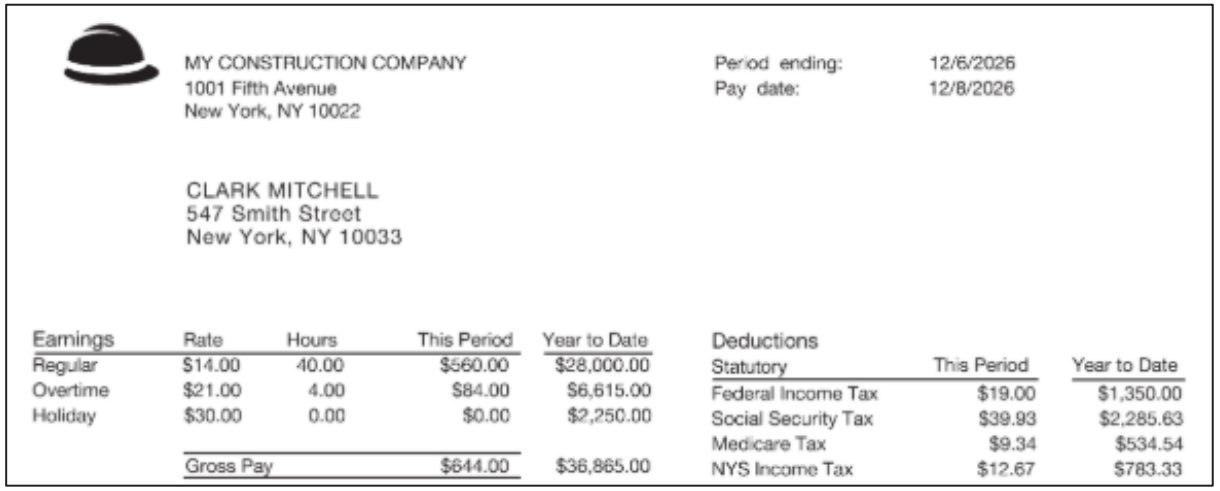
Learning Objectives

- 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
Other		
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: 12/6/2026
Pay date: 12/8/2026

CLARK MITCHELL
547 Smith Street
New York, NY 10033

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
Gross Pay			$644.00	$36,865.00

Deductions		
Statutory	This Period	Year to Date
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Medicare Tax	$9.34	$534.54
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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)	$184,500
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

- The US 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 a child's age:

- **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

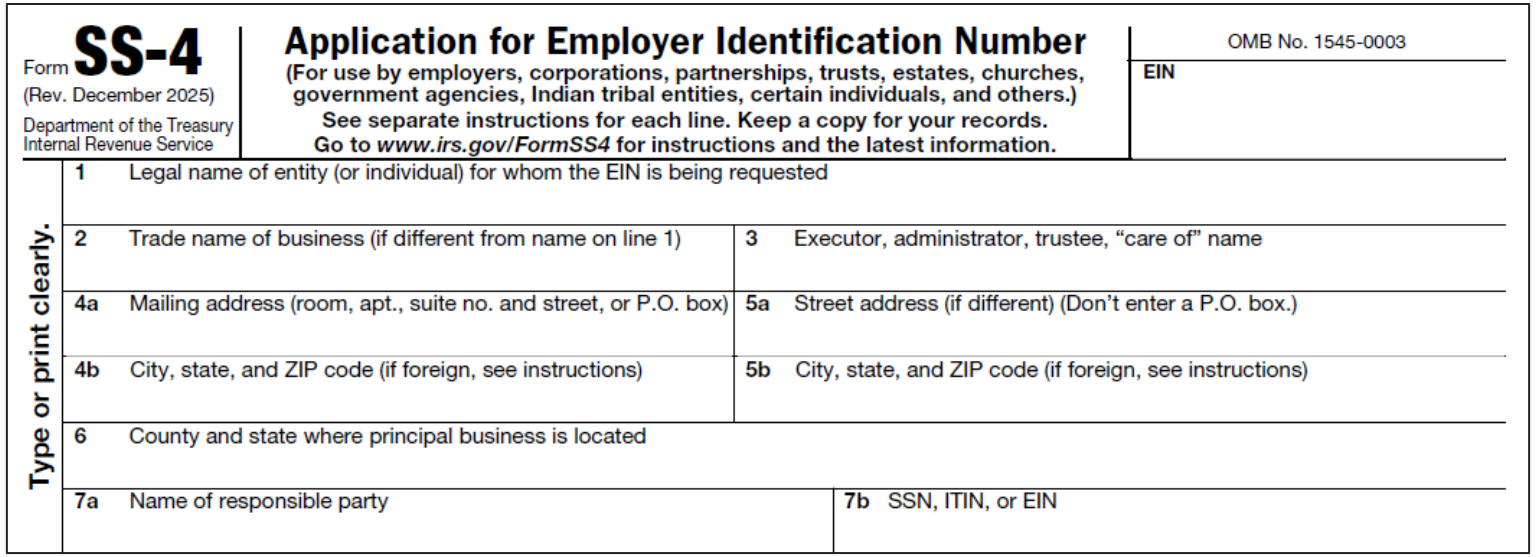
WARNING! No child under 17 may work in a job classified as hazardous.

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 2025)
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.)
See separate instructions for each line. Keep a copy for your records.
Go to *www.irs.gov/FormSS4* for instructions and the latest information.

OMB No. 1545-0003

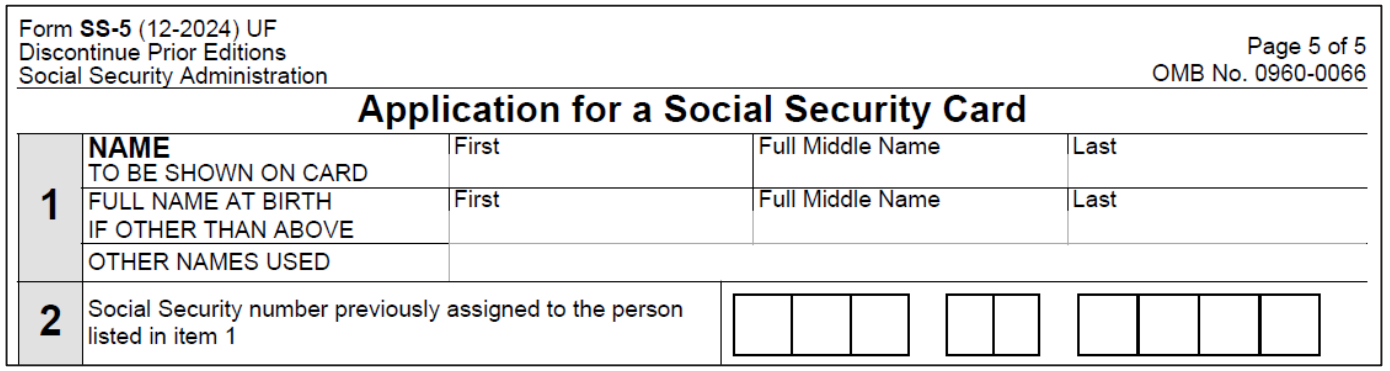
EIN

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** (12-2024) UF
Discontinue Prior Editions
Social Security Administration

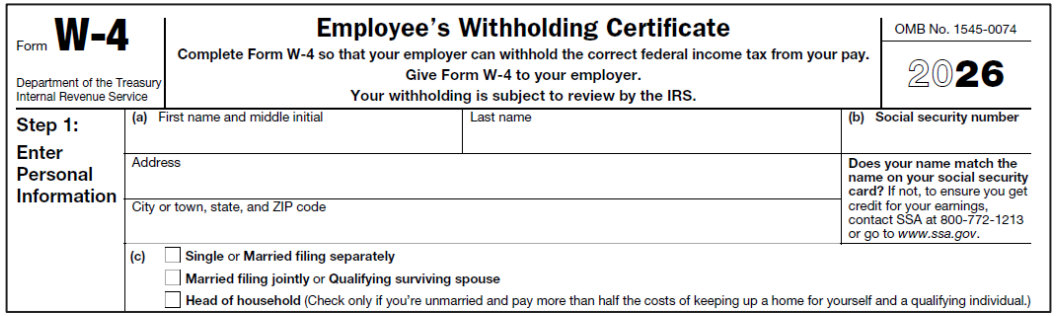
Page 5 of 5
OMB No. 0960-0066

Application for a Social Security Card

1	**NAME** 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			
2	Social Security number previously assigned to the person listed in item 1			

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**

Department of the Treasury
Internal Revenue Service

Employee's Withholding Certificate

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.

OMB No. 1545-0074

2026

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

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*.

(c) ☐ **Single** or **Married filing separately**
☐ **Married filing jointly** or **Qualifying surviving spouse**
☐ **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.)

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 the completion of payroll tax forms

Employee Earnings Record

Name _____ Marital Status _____

Address _____ Fed. Withholding Allow. _____

_____ State Withholding Allow. _____

SS# _____

	Earnings							*Deductions*									
Pay Period Ending	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