How to Do Payroll in Minnesota

Use this downloadable checklist to help you stay on track!

✔	TASK
	Step 1: Set up your business as an employer. At the federal level, you need your Employer ID Number (EIN) and an account in the [Electronic Federal Tax Payment System](#) (EFTPS). ☐ Applied for a Federal Employer Identification Number (EIN) ☐ Enrolled for the Electronic Federal Tax Payment System (EFTPS)
	Step 2: Register with the State of Minnesota. To register for a Minnesota tax ID, you need your EIN, contact information, officers' names and Social Security numbers, and your NAICS code. ☐ Create an account with [Minnesota e-Services](#) to file payments. ☐ Create a [Minnesota Unemployment Insurance Employer Account](#) to file and pay state unemployment insurance taxes (SUTA).
	Step 3: Set up your payroll process. Minnesota has few rules about pay frequency, so you can set the best schedule for your business and workers. Semimonthly is the standard. You'll also need to decide [how you'll pay employees](#)—direct deposit is most convenient, but check and cash payments are acceptable as well. ☐ Decide how you'll process payroll and make the correct calculations and payments: [Do payroll yourself](#), Use [Excel payroll templates](#), Sign up for a [payroll service](#) ☐ Decide how often you'll pay employees and when you need to start the process ☐ Choose the methods of payment you will use to remit payment
	Step 4: Collect employee payroll forms.

This is easiest if you do it during onboarding. Forms include:

- ☐ Federal Form W-4
- ☐ Minnesota State Form W-4MN
- ☐ North Dakota and Michigan residents need file a Form MWR if they'd like to be exempted.
- ☐ I-9
- ☐ Direct deposit authorization form

Step 5: Collect, review, and approve time sheets.

It's important to track employee hours if you have hourly or nonexempt employees. Be sure overtime is accurately recorded, as this is taxed at a different rate.

Most small business owners create their own time sheets or use time and attendance software, some of which have free plans.

- ☐ A paper timesheet
- ☐ Free or low-cost time and attendance software
- ☐ A payroll service that has a time and attendance system

Step 6: Calculate payroll and pay employees.

You'll need to make several payroll calculations, including totaling hours worked (use our free timecard calculator to help), gross pay, paycheck deductions, tax withholdings, benefit premiums, etc. You'll also pay employees on schedule. An Excel payroll template or payroll software can help automate this step.

- ☐ Calculate Gross Pay
- ☐ Calculate FICA, FUTA, & Income Taxes to withhold/pay
- ☐ Perform any other payroll calculations, i.e., for expense reimbursement
- ☐ Calculate net payroll
- ☐ Decide to pay using check, paycard, direct deposit

Step 7: File payroll taxes with the federal and Minnesota state government.

Follow the IRS instructions for federal taxes, including unemployment.

- **Minnesota Income Taxes:** The state will send you the schedule for payments. However, you are welcome to pay withholdings every pay period if you prefer.

- **State unemployment insurance taxes (SUTA):** These payments are due quarterly. File them through the Employer Self-Service System. Log on to the [Minnesota UI website](#) to get instructions on file formats.

☐ File & Pay federal taxes
☐ File & Pay Minnesota state income taxes according to assigned schedule
☐ Pay Minnesota state unemployment taxes
☐ Pay federal unemployment taxes

Step 8. Document and store your payroll records.

Minnesota requires you to keep records on employees for at least three years. Information should include contact information for you and your employee, pay stub information, a record of free meals, and proof of age of minors. Federal law requires you to keep payroll tax records for at least four years.

☐ Decide how you'll store payroll records (paper file system, electronic folders, software)

Step 9. Do year-end payroll tax reports. Send the federal Forms [W-2s](#) (for employees) and [1099s](#) (for contractors) by Jan. 31 following the year for which you're reporting. You'll also need to send copies to the IRS along with a summary form for each.

☐ Distribute federal [Forms W-2](#) forms (for employees) by Jan 31
☐ File federal W-2 with IRS by Jan. 31; if you have <250 employees, you can file by Feb. 28
☐ Distribute Minnesota state W-2 forms by Jan. 31
☐ File Minnesota state W-2 forms by Jan. 31; if you have more than 10 forms, [file electronically](#)
☐ Distribute [1099](#) forms (for contractors) by Jan. 31; if you have more than 10 forms, [file electronically](#)
☐ File 1099 form with IRS by March 1 if mailing or March 31 if submitting electronically