

# How to Do Payroll in Vermont

Use this downloadable checklist to help you stay on track!

✓	TASK
	<p><b>Step 1: Set up your business as an employer.</b></p> <p>At the federal level, you need your Employer ID Number (EIN) and an account in the <a href="#">Electronic Federal Tax Payment System</a> (EFTPS).</p> <ul style="list-style-type: none"><li><input type="checkbox"/> Applied for a Federal Employer Identification Number (EIN)</li><li><input type="checkbox"/> Enrolled for the Electronic Federal Tax Payment System (EFTPS)</li></ul>
	<p><b>Step 2: Register your business with the State of Vermont.</b></p> <p>If your business is new, you need to register on the <a href="#">Vermont Secretary of State's</a> website. Any company that pays employees in Vermont must also register with the <a href="#">Vermont Department of Taxes</a></p> <ul style="list-style-type: none"><li><input type="checkbox"/> Register with the Vermont Secretary of State (if your business is new)</li><li><input type="checkbox"/> Register with the Vermont Department of Taxes</li></ul>
	<p><b>Step 3: Create your payroll process.</b></p> <p>Your payroll process begins by figuring out <a href="#">how to pay your employees</a> and when. An already established business probably has a process that you inherit, but it may need to be altered to better fit your needs. You'll also need to decide when to collect and submit employee payroll forms and how early you need to begin processing payroll before payday.</p>
	<p><b>Step 4: Collect employee payroll forms.</b></p> <p>This is easiest if you do it during onboarding. Forms include:</p> <ul style="list-style-type: none"><li><input type="checkbox"/> Federal Form <a href="#">W-4</a></li><li><input type="checkbox"/> Vermont State <a href="#">Form W-4VT</a></li><li><input type="checkbox"/> <a href="#">I-9</a></li><li><input type="checkbox"/> <a href="#">Direct deposit authorization form</a></li></ul>

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

If you have hourly or nonexempt employees, you'll need a way to [track employee work hours](#). 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 employee gross pay and taxes.**

[Calculating payroll by hand](#) is not recommended. Tax calculations can become complex, and even innocent mistakes can cause costly fines and penalties. You can set up an [Excel payroll](#) template, use a calculator (our [free time card calculator](#) can perform basic time calculations), and/or sign up for a [payroll service](#) to help you handle your Vermont payroll.

- Calculate Gross Pay
- Calculate FICA, FUTA & Income Taxes to withhold/pay
- Perform any other payroll calculations, i.e., for expense reimbursement

**Step 7: Pay employee wages, benefits, and taxes.**

The best way to pay your employees is through [direct deposit](#). But [cash](#) and [paper checks](#) are also options for small businesses. You can pay your federal and [Vermont state taxes online](#). If you use a benefits provider, it should work with you to make deductions simple, automatic, and electronic.

- Pay employee wages each pay period
- Pay Vermont state income taxes according to assigned schedule
- Pay Vermont state unemployment taxes
- Pay federal unemployment taxes

**Step 8. Document and store your payroll records.**

[Vermont requires businesses](#) to keep record of all hours worked and wages paid to each employee for at least two years, a bit shorter than the [federal recordkeeping requirements](#) (three years for payroll records and four years for payroll tax documents).

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

**Step 9. File payroll taxes with the federal and state government.**

All Vermont state taxes need to be paid to the applicable state agency on the schedule provided, usually quarterly, which you can do online at the [Vermont Department of Taxes](#) website.

- Pay federal taxes
- Pay Vermont state income taxes according to assigned schedule
- Pay Vermont state unemployment taxes
- Pay federal unemployment taxes

**Step 10: Complete year-end payroll reports.**

- 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 Vermont state W-2 forms by Jan. 31
- File Vermont state W-2 forms by Jan. 31 (file with the state of VT electronically via the [online tax system](#) if you have >25 w2 and 1099s altogether)
- File Vermont MW-3 by February 28
- Distribute [1099](#) forms (for contractors) & file by Jan. 31 (file with the state of VT electronically via the [online tax system](#) if you have >25 w2 and 1099s altogether)
- File 1099 form with IRS by March 1 if mailing or March 31 if submitting electronically