How to Do Payroll in Washington, D.C.

Use this downloadable checklist to help you stay on track!

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| ✔ | **TASK** |
|  | **Step 1: Set up your business as an employer.**  To register your business for withholding and unemployment taxes in Washington, D.C., you must have a [F ederal Employee Identification Number](https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online) (EIN). Although it’s not required, we also encourage you to enroll in the [E lectronic Federal Tax Payment System](https://www.eftps.gov/eftps/) (EFTPS), making it easy to pay your federal taxes online or over the phone.  Applied for a Federal Employer Identification Number (EIN)  Enrolled for the Electronic Federal Tax Payment System (EFTPS) |
|  | **Step 2: Register with Washington, D.C. for tax and unemployment.**  New businesses with employees in the District of Columbia must complete [Form FR-500](https://mytax.dc.gov/?link=FR500), the Combined Business Tax Registration Application. Once registered with the D.C. Office of Tax and Revenue ([OTR](https://otr.cfo.dc.gov/)), you will immediately be issued numbers for both your state tax and unemployment tax. |
|  | **Step 3: Register for an employment services number.**  Employers who pay wages in D.C. must register for an [employer account](https://essp.does.dc.gov/DOES%20ESSP%20Employer%20Landing%20Page.html) with the Department of Employment Services Self-Service Portal (ESSP). |
|  | **Step 4: Register your payroll provider.**  If your business uses a [third-party payroll provider](https://fitsmallbusiness.com/best-payroll-services/), you will be required to assign your agent as a third-party administrator and grant power of attorney (POA). This step can be done through the [ESSP](https://essp.does.dc.gov/DOES%20ESSP%20Employer%20Landing%20Page.html) after you register for your Employment Services number. |

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|  | **Step 5: Collect employee payroll forms.**  The best time to collect payroll forms is during your new hire orientation. Required payroll forms for Washington, D.C. employees will include:  Federal Form [W-4](https://www.irs.gov/pub/irs-pdf/fw4.pdf)  Washington, D.C. Form [D-4](https://www.justice.gov/crt/page/file/1335666/download)  [I-9](https://www.uscis.gov/sites/default/files/document/forms/i-9-paper-version.pdf)  [Direct deposit authorization form](https://fitsmallbusiness.com/wp-content/uploads/2022/11/Direct-Deposit-Authorization-Form.pdf) |
|  | **Step 6: Collect, review, and approve time sheets.**  You’ll need to collect timesheets for all hourly employees and [non-exempt salaried](https://fitsmallbusiness.com/exempt-vs-non-exempt-employees/)  [workers](https://fitsmallbusiness.com/exempt-vs-non-exempt-employees/). To do this, you have three options to use (check off which option you’re electing to use for tracking purposes):  A [paper timesheet](https://fitsmallbusiness.com/timesheet-templates/)  Free or low-cost [time and attendance software](https://fitsmallbusiness.com/best-time-and-attendance-software/)  A payroll service that has a time and attendance system |
|  | **Step 7: Process payroll and send payment to your employees**  In D.C., you must pay your employees at least twice a month on a regular schedule.  Calculate Gross Pay  Calculate FICA, FUTA, & Income Taxes to withhold/pay  Perform any other payroll calculations, i.e., for expense reimbursement  Calculate net payroll ([by hand](https://fitsmallbusiness.com/how-to-do-payroll/) or via [Excel](https://fitsmallbusiness.com/free-payroll-template/))  Decide to pay using check, paycard, direct deposit |
|  | **Step 8: File federal and DC payroll taxes.**  Your federal tax filing will depend on if your business is a sole proprietorship or LLC  ([S chedule C](https://www.irs.gov/pub/irs-pdf/f1040sc.pdf)) or corporation (Form [1120](https://www.irs.gov/pub/irs-pdf/f1120.pdf) or [1120-S](https://www.irs.gov/pub/irs-pdf/f1120s.pdf)). Additionally, employers must file an Employer Withholding Tax Return, either [FR-900A](https://otr.cfo.dc.gov/node/1636266) (annual filing) or [F R-900Q](https://otr.cfo.dc.gov/node/1636471) (monthly and quarterly filing) with the District of Columbia.  Pay federal taxes  Pay Washington, D.C. taxes |

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|  | **Step 9: Document and store your payroll records.**  As with any business record, you want to make sure you have a copy for at least three years. |
|  | **Step 10: Do year-end payroll tax reports.**  Distribute federal [Forms W-2](https://www.irs.gov/pub/irs-pdf/fw2.pdf) 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 Washington, D.C. state W-2 forms by Jan. 31  File Washington, D.C. state W-2 forms with Washington, D.C. Dept. of Revenue electronically if you have >250 employees) by Jan 31  File Washington, D.C. state W-2 forms with Washington, D.C. Dept. of Revenue via paper or electronically by Feb. 28 if you have <250 employees  Distribute [1099](https://www.irs.gov/pub/irs-pdf/f1099msc.pdf) forms (for contractors) by Jan. 31  File 1099 form with IRS by March 1 if mailing or March 31 if submitting electronically |