How to Do Payroll in Washington, D.C.

Use this downloadable checklist to help you stay on track!

✔	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 [Federal Employee Identification Number](#) (EIN). Although it's not required, we also encourage you to enroll in the [Electronic Federal Tax Payment System](#) (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](#), the Combined Business Tax Registration Application. Once registered with the D.C. Office of Tax and Revenue ([OTR](#)), 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](#) 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](#), 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](#) after you register for your Employment Services number.

Fit Small Business

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
- ☐ Washington, D.C. Form D-4
- ☐ I-9
- ☐ Direct deposit authorization form

Step 6: Collect, review, and approve time sheets.

You'll need to collect timesheets for all hourly employees and non-exempt salaried workers. To do this, you have three options to use (check off which option you're electing to use for tracking purposes):

- ☐ A paper timesheet
- ☐ Free or low-cost 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 or via Excel)
- ☐ 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 (Schedule C) or corporation (Form 1120 or 1120-S). Additionally, employers must file an Employer Withholding Tax Return, either FR-900A (annual filing) or FR-900Q (monthly and quarterly filing) with the District of Columbia.

- ☐ Pay federal taxes
- ☐ Pay Washington, D.C. taxes

	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 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 forms (for contractors) by Jan. 31 ☐ File 1099 form with IRS by March 1 if mailing or March 31 if submitting electronically