How to Do Payroll in Hawaii

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 Hawaii, you must have a [Federal 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 [Electronic 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 in the Electronic Federal Tax Payment System (EFTPS) |
|  | **Step 2: Register with the state of Hawaii.**  In Hawaii, you will need to register with the [Hawaii Department of Taxation](https://hitax.hawaii.gov/_/) to process payroll and remit business taxes. You’ll also need to register for unemployment taxes through the [H awaii Department of Labor & Industrial Relations](https://labor.hawaii.gov/ui/employer-registration/).  Register with the Hawaii Department of Taxation  Register with the Hawaii Department of Labor & Industrial Relations |
|  | **Step 3: Set up your payroll process.**  You’ll need to decide [how often you’re planning to pay employees](https://fitsmallbusiness.com/pay-period/), if you need to track work hours, which payroll forms you need to collect and when, how you’ll perform payroll calculations, and so forth. To do this, you have three options (check off which option you’re electing to use for tracking purposes):  [Do payroll yourself](https://fitsmallbusiness.com/how-to-do-payroll/)  Use [Excel payroll templates](https://fitsmallbusiness.com/free-payroll-template/)  Sign up for a [payroll service](https://fitsmallbusiness.com/best-payroll-services/) |
|  | **Step 4: Collect employee payroll forms.**  The best time to collect payroll forms is during your new hire orientation. Required payroll forms for Hawaii employees will include:  Federal [Form W-4](https://www.irs.gov/pub/irs-pdf/fw4.pdf)  Hawaii [Form HW-4](https://files.hawaii.gov/tax/forms/2022/hw4_i.pdf)  [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/2022/05/Direct-Deposit-Authorization-Form.pdf) |

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|  | **Step 5: 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 6: Calculate payroll and pay employees.**  You can choose to [pay employees in a variety of different ways](https://fitsmallbusiness.com/different-ways-to-pay-employee/) (i.e., cash, check, direct deposit, pay cards).  Calculate Gross Pay  Calculate FICA, FUTA & Income Taxes to withhold/pay  Perform any other payroll calculations, i.e., for expense reimbursement |
|  | **Step 7: File payroll taxes with the federal government.**  The IRS has forms and instructions on filing federal taxes, including unemployment. You can also [order official tax forms from the IRS](https://www.irs.gov/businesses/online-ordering-for-information-returns-and-employer-returns).  Pay federal taxes - can be online using the [EFTPS](https://www.eftps.gov/) |
|  | **Step 8: File payroll taxes with the state of Hawaii.**  For Hawaii withholding taxes, you are required to remit every other week, monthly, or quarterly, depending on the amount you’re withholding. These payments are due on the 15th of the month.  Pay state taxes - can be online with the [Hawaii Department of Taxation](https://hitax.hawaii.gov/_/) |
|  | **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. Hawaii law requires companies to keep the following information for at least six years:  All check stubs and canceled checks  Cash receipts and disbursement records  Accounting records (e.g., payroll journal, general journal, and general ledger)  Copies of federal and state tax reports  Copies of payroll filings (W-2s and W-3s)  For each pay period: |

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|  | The beginning and ending dates of each pay period  Total amount and date paid for each pay period  The day in each week where the most employees worked and how many employees worked on that date  For each worker, the:  Biographical information (first and last name, Social Security number)  Hire information (hire, rehire, and/or return to work dates)  Termination information (termination date and reason)  Amount paid to each employee for each pay period and quarterly  Date and amount of supplemental payments (e.g., bonuses, gifts, and/or commissions)  Work location |
|  | **Step 10: Do year-end payroll tax reports.**  Every employer, regardless of which state your business is in, will need to complete [W-2s](https://fitsmallbusiness.com/how-to-fill-out-w2-form/) for all employees and [1099s](https://fitsmallbusiness.com/form-1099-reporting/) for independent contractors. By law, you must provide all employees and contractors with their annual tax form no later than January 31 of the following year.  Generated W-2s for all employees  Distributed to employees  Filed with appropriate government agencies  Generated 1099s for all contractors  Distributed to employees  Filed with appropriate government agencies |