

How to Do Payroll in Texas

Use this downloadable checklist to help you stay on track!

✓	TASK
	<p>Step 1: Set up your business as an employer.</p> <p>To register your business for withholding and unemployment taxes in Texas, 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.</p> <ul style="list-style-type: none"><input type="checkbox"/> Applied for a Federal Employer Identification Number (EIN)<input type="checkbox"/> Enrolled in the Electronic Federal Tax Payment System (EFTPS)
	<p>Step 2: Register with the state of Texas.</p> <p>In Texas, you will need to register with the Texas Workforce Commission.</p> <ul style="list-style-type: none"><input type="checkbox"/> Register with the Texas Workforce Commission
	<p>Step 3: Set up your payroll process.</p> <p>You'll need to decide how often you're planning to pay employees, 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):</p> <ul style="list-style-type: none"><input type="checkbox"/> Do payroll yourself<input type="checkbox"/> Use Excel payroll templates<input type="checkbox"/> Sign up for a payroll service
	<p>Step 4: Collect employee payroll forms.</p> <p>The best time to collect payroll forms is during your new hire orientation. Required payroll forms for Texas employees will include:</p> <ul style="list-style-type: none"><input type="checkbox"/> Federal Form W-4<input type="checkbox"/> I-9<input type="checkbox"/> Direct Deposit Authorization Form
	<p>Step 5: Collect, review, and approve time sheets.</p>

	<p>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):</p> <ul style="list-style-type: none"> <input type="checkbox"/> A paper timesheet <input type="checkbox"/> Free or low-cost time and attendance software <input type="checkbox"/> A payroll service that has a time and attendance system
	<p>Step 6: Calculate payroll and pay employees.</p> <p>You can choose to pay employees in a variety of different ways (i.e., cash, check, direct deposit, pay cards).</p> <ul style="list-style-type: none"> <input type="checkbox"/> Calculate Gross Pay <input type="checkbox"/> Calculate FICA, FUTA, & Income Taxes to withhold/pay <input type="checkbox"/> Perform any other payroll calculations, i.e., for expense reimbursement
	<p>Step 7: File payroll taxes with the federal government.</p> <p>The IRS has forms and instructions on filing federal taxes, including unemployment. You can also order official tax forms from the IRS.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Pay federal taxes - can be online using the EFTPS
	<p>Step 8: File payroll taxes with the state of Texas.</p> <p>For Texas withholding taxes, you'll need to pay based on the combined withholdings, which could mean you file annually, quarterly, monthly, or three days after your payroll run. All payments can be made online through Unemployment Tax Services.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Pay state taxes - can be online with Unemployment Tax Services
	<p>Step 9: Document and store your payroll records.</p> <p>As with any business record, you want to make sure you have a copy for at least three years. Texas law requires companies to keep the following information for at least three years:</p> <ul style="list-style-type: none"> <input type="checkbox"/> All check stubs and canceled checks <input type="checkbox"/> Cash receipts and disbursement records <input type="checkbox"/> Accounting records (e.g., payroll journal, general journal, and general ledger) <input type="checkbox"/> Copies of federal and state tax reports <input type="checkbox"/> Copies of payroll filings (W-2s and W-3s) <input type="checkbox"/> For each pay period: <ul style="list-style-type: none"> <input type="checkbox"/> The beginning and ending dates of each pay period <input type="checkbox"/> Total amount and date paid for each pay period

	<ul style="list-style-type: none"> <input type="checkbox"/> The day in each week where the most employees worked and how many employees worked on that date <input type="checkbox"/> For each worker, the: <ul style="list-style-type: none"> <input type="checkbox"/> Biographical information (first and last name, Social Security number) <input type="checkbox"/> Hire information (hire, rehire, and/or return to work dates) <input type="checkbox"/> Termination information (termination date and reason) <input type="checkbox"/> Amount paid to each employee for each pay period and quarterly <input type="checkbox"/> Date and amount of supplemental payments (e.g., bonuses, gifts, and/or commissions) <input type="checkbox"/> Work location
	<p>Step 10: Do year-end payroll tax reports.</p> <p>Every employer, regardless of which state your business is in, will need to complete W-2s for all employees and 1099s 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.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Generated W-2s for all employees <ul style="list-style-type: none"> <input type="checkbox"/> Distributed to employees <input type="checkbox"/> Filed with appropriate government agencies <input type="checkbox"/> Generated 1099s for all contractors <ul style="list-style-type: none"> <input type="checkbox"/> Distributed to employees <input type="checkbox"/> Filed with appropriate government agencies