

# **How to Choose the Perfect Payroll System for Your Business**

*Any small business owner or accountant will agree that payroll is tricky. Beyond calculating pay amounts and tracking time off and vacation days, there are intricacies of payroll that can be time-consuming. And doing it incorrectly can result in fees that prove costly to the company.*

*That's why many companies invest in a payroll software solution that handles many of these aspects for them. With plenty of options to choose from, determining which one will work best for you and your company is a process.*

*Ask yourself these questions when selecting a payroll solution.*

## ✓ **What kind of employees do you have?**

The type of employees you have, full-time, part-time, or contractors, should influence your search. Some systems are better for full-time employees, some are better for contractors, and many can accommodate both.

## ✓ **What does your payroll solution need to do?**

There are plenty of companies that offer payroll solutions with varying levels of services. The first step in determining which one is right for you is evaluating what payroll features your company requires (paid time off, W-2s or direct deposit) that the system would need to support.

Outside of the things the system would provide for employees, there are also administrative tasks that go into payroll, like filing taxes and monitoring for compliance.

Make a list of the features that your payroll software would need to have and identify which ones are absolutely necessary versus ones that are nice-to-have. Common features include:

### **Payroll Processing**

The most important feature of a payroll system is processing payroll. This calculates wages, taxes, overtime and deductions for things like health care and social security. It also accounts for time off, vacation time and sick days.

### **Tax filing**

Sometimes included and sometimes available as an add-on, this feature includes withholding employee taxes, filing quarterly tax reports and calculating local, state and federal taxes.

### **Integrations**

One of the benefits of using a payroll system is replacing tedious manual tasks with automated ones. This can include moving information from one system (for example, time sheets or sales commissions) into the payroll platform.

When researching platforms, first determine if information currently gathered in a particular system should remain that way or if the new solution will need to replicate that functionality. Or maybe it's a combination of the two.

If you need your new payroll solution to communicate with another system, this requirement should rank high in your search criteria. Try to find systems that already have vetted integrations between the solutions, if you can. This can be completed with custom API configurations but will almost certainly have budgetary and timeline ramifications.

### **New-hire reporting**

According to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, new hires must be reported to your state promptly after they gain employment. This specifically refers to employees, as opposed to contractors,

although some state legislation requires that contractors be reported as well.

Some payroll systems, like Workful, will auto-fill forms based on your data and handle this reporting for you, freeing up time and effort for the HR team.

Managing time off, vacation and sick leave  
This feature will calculate the amount of paid time off, vacation time accrued and sick days for each employee based on their employment agreement. Some systems even support employee requests and any approval processes that go into time off.

Make sure to document the steps in requesting and approving time off and include this in your search criteria for finding a payroll solution.

### **Direct deposit**

Direct deposit allows for paychecks to be deposited into a bank account, as opposed to printing a paper check. - although printing paper checks for bonus payments, for example, is often still available. This feature minimizes the manual effort of printing checks, stuffing envelopes and distributing those envelopes on pay day.

This has become the norm in many companies and often contributes to improving company morale as employees don't have to worry about delays in receiving payment or delays from their bank as deposits take time to post to their accounts. You should consider a software solution that prints checks as well as direct deposit in the situation that direct deposit is not an option.

### **Employee portals**

Many payroll solutions allow employees to log in and view details about their paychecks like pay stubs, W-2s and accrued time off. This feature can save time for payroll professionals as it eliminates the need for them to perform these functions which, especially during tax season, can become very time-consuming.

### **✓ What does a payroll solution cost?**

It can be difficult to make an informed decision about giving an employee a raise or bonus when your reports are scattered across



multiple programs. When you combine systems, reports about an employee's payroll, time off, and time worked are all in once place. You'll easily be able to cross-reference the data to make a more educated decision. Once you can clearly see how much you're spending on payroll, it is easier to determine if you can afford to give an employee a raise or non-monetary bonus, for example.

## ✓ Stay compliant

No matter what type of small business you have, you are required to comply with a long list of federal, state, and local regulations to ensure that you are operating legally.

From labor laws to taxes, there is a lot to keep track of, and for many small business owners, overtime is one of the most challenging laws to comply with.

Not only do you have to track your employees' time so that you know how much overtime was worked, you must also make sure that you're paying your staff time and a half for those extra hours. But when you combine timekeeping with payroll in a single platform, tracking your employees' overtime becomes much simpler and more accurate.

Combining HR and payroll can also help you stay compliant with payroll taxes. Not only will it calculate taxes for you, but it will figure your tax liability so you know how much to send to federal and state tax agencies.

When both systems are integrated, you don't have to worry that an employee's withholding information is out of date. If an employee hands you a recent W-4, you can quickly make the changes in your HR and payroll system; your employee may even update their own information. Their taxes will be calculated using the new W-4 information the next time you run payroll.

## ✓ What does a payroll solution cost?

The total price of payroll solutions varies and is largely depended on the list of features your company needs. Base prices range from \$25-\$85 per month and are usually structured one of two ways: a flat fee charged each pay period or charged monthly, regardless of how many times payroll is run

within that month. Most payroll services also charge between \$1 and \$15 per month for each employee either for processing or for additional features required by the company that do not come standard.

Don't make the assumption that everything you want comes with the base package. Many companies have multiple tiers of offerings with the base being the cheapest and the services and price going up from there. Some systems charge additional fees for things like integrating with time tracking software, filing taxes, sending W-2s, direct deposit or time tracking integration.

Once you have a list of features that you need from the software, cross-reference that list against the features included in a company's base offering. Then, find out how much it will cost to add on your additional features.

This is why it's helpful to have a list of necessary functionalities as well as wants when researching various systems.

Now that you have a better understanding of what payroll solutions offer, do a deep dive into your company to determine which system is right for you. This decision should not be hurried. Taking the time to thoroughly evaluate what features you need and comparing that to payroll solutions will prove worthwhile.

## CONCLUSION

Because these processes are so complex, and the penalty for doing them incorrectly is costly, there's a benefit to doing due diligence, internally and externally, to find the right payroll solution for your company.

