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**Karri Bishop • May. 11, 2017**



This month's focus is on payroll – what you need to know about payroll management within your own firm as well as information that will be helpful to you in guiding your clients with their payroll decisions. In addition to information about best practices how to make your payroll practice profitable, we reviewed many stand-alone payroll and 1099/W-2 software products as well as the payroll elements of your favorite accounting programs. You'll also find resources that can help you with specific payroll issues, and, sprinkled throughout this issue, there are tips

and tools to improve your payroll skills, including a guide for documenting

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Payroll can be a beast. Luckily, it's a beast that software can help tame. As cloud technology and regulatory standards continue to evolve, payroll software changes every year. This can make [choosing a payroll service](#) difficult. Not only do you need to know which payroll software is the best, but you also need to understand how to use [payroll software](#) effectively for your own business.

Here are seven best practices to help you answer these questions in 2017:

## 1. Abandon the paper trail for digital

Did you know that you should keep all records associated with an employee's payroll and taxes for at least three years? Even at a small company, that's a lot of paper. With the right payroll software in place, you can ditch all those filing cabinets in lieu of digital documentation and [paperless payroll](#). It's not only space-effective — it's more accurate and searchable.

## 2. Direct employees to direct deposit

[According to the electronics payment association NACHA](#), 82 percent of U.S. employees are paid via direct deposit. And of the few who aren't, nearly are all aware of the existence of the service. [Direct deposit benefits](#) both you and your employees. On your side, it eliminates the time and cost associated with writing and printing checks. On their side, it saves time and reduces the risk of misplacing a check. It's another step toward a paperless HR process that gives everyone involved a smoother experience. If you aren't doing so already, encourage your employees to go the direct deposit route. You can even use your software to demonstrate to those who are nervous just how simple it can be.

### 3. Be transparent

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### 4. But still, be confidential

Payroll transparency can do a great deal of good for your employees' relationship with HR. At the same time, individual employee's salaries, Social Security numbers, and banking information should always remain confidential. Payroll software organizes this information into a digital database, making it much more difficult to compromise that confidentiality.

### 5. Classify correctly

The Department of Labor has been tracking an increase in employee classification litigation for the past several years. Indeed, the [difference between exempt and nonexempt](#) employees can occasionally confuse even the most seasoned payroll veteran. This gets particularly dangerous when nonexempt employees are treated as exempt and not given the overtime pay to which they are entitled. Using payroll software automates the process of keeping track of employee classification and makes it easier than ever to record hours.

### 6. Tax on time

As much as they all dread tax season, your employees are also on the lookout for important tax information in order to get their refund process underway. This is particularly important for independent contractors whose 1099s can get lost in the shuffle of your full-time employees' paperwork. You can make sure everyone gets their paperwork on time by automating the system or even going paperless with payroll software.

### 7. Get up to speed

Every time a new employee arrives at your office, so does a mountain of paperwork.

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