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accurately run payroll without fear of penalties.

Kaylee Riley • Dec. 18, 2017



Payroll Compliance Legislation and

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Payroll compliance legislation

All employers must follow payroll compliance legislation. While it might seem like a burden, it's extremely important. Why is payroll compliance legislation important? It makes sure employees are paid and treated fairly. And, legislation ensures that governments receive the funding they need for certain programs.

Below are payroll compliance laws you must follow.

FLSA

The Fair Labor Standards Act (**FLSA**) regulates minimum wage, child labor, **overtime laws**, and recordkeeping.

The FLSA sets the federal **minimum wage** at \$7.25. You must pay employees at least this much per hour. You might have to pay even more if your state or locality has a higher minimum wage.

The Act includes **child labor laws** to protect workers under the age of 18. It regulates the types of jobs children can do at certain ages, what times children can work, how many hours children can work, and how much you must pay children.

Because of the FLSA, many employees are entitled to extra wages when they work overtime. Overtime wages are 1.5 times an employee's regular rate of pay.

You must give overtime wages to nonexempt employees, but you don't need to give overtime wages to exempt employees. The FLSA sets the rules for determining **exempt vs. nonexempt** employees.

The FLSA requires you keep certain information about your employees on file. For example, you need to have the each employee's full name, Social Security number,

occupation, and details about their wages. For a full list of information you need to

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determine if the people who work for you are independent contractors or employees. Employees have certain rights that independent contractors don't have, such as overtime wages.

The economic realities test looks at six things:

1. Does the performed work relate to your business?
2. How permanent is the worker?
3. How much does the worker invest into doing the job?
4. How much control do you have over the worker?
5. Does the worker have opportunities for profit and loss?
6. How much skill and judgment does the worker need?

You cannot look at one part of the test by itself. You must consider all parts together.

Taxes

Federal legislation requires you hold several types of taxes from employee wages.

FICA taxes

The Federal Insurance Contributions Act (FICA) created federal programs for old-age, survivors, disability, and hospital insurance. These programs are funded by Social Security and Medicare taxes, sometimes referred to together as [FICA taxes](#).

FICA taxes have two parts: the employee withholding and the employer contribution. You will withhold part of Social Security and Medicare taxes from employee wages. And, you will contribute an equal part to meet full payroll tax compliance.

Federal income tax

You [withhold federal income tax](#) from employee wages. The federal government uses

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Top Payroll Blogs & Social Media

New York City Enacts “Freelance Isn’t Free Act.” Annemaria Duran, SwipeClock blog.

<http://bit.ly/2z1JUMR>

How to Set Personal Boundaries with Employees. HRPayrollSystems blog.

<http://bit.ly/2zS64o6>

Gap Between Rich and Poor Keeps Growing. MoneyTips blog.

<http://bit.ly/2mJUnui>

The Basics of Household Employee Taxes. SurePayroll blog.

<http://bit.ly/2zQxRW3>

Avoid These Traps when Disciplining Employees. ADP Blog.

<http://bit.ly/2AWkVL8>

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Payroll News

5 Year-End Payroll and Tax Issues for Small Businesses. Small business owners also need to keep a focus on several payroll and tax-related issues they will face by year-

end.

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5 Steps to Become a Better Leader. It's that time of year when many companies are doing annual reviews and employees are thinking about their own performance as well as their relationship with their team and their boss.

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What is a Tax Gross-Up for Payroll? There might be a time you want to pay an employee a specific amount. But, once you factor in taxes, that amount gets smaller. So how can you give an employee a certain net pay?

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Payroll

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