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Every year, small businesses spend countless hours trying to figure out payroll – and they often get it wrong. According to the U.S. Small Business Administration, approximately **45 percent of businesses** incur IRS penalties each year – many of them payroll related. In addition to having to deal with corrections, they have to pay average penalties of \$845.

Sometimes fees are required because the usual suspects like late filings and math

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position to understand what's going on with your clients' businesses. For busy business owners, you will also show how indispensable you can be by taking yet another big burden off their back. With that said, offering mistake-free payroll services requires staying on top of the special payroll circumstances that different clients may have to navigate.

Processing payroll usually involves the basic steps of paying employees, withholding and paying taxes, then filing Form 941 each quarter and providing W-2 and 1099 forms each January. But when do you need to file Form 943? When is overtime not simply time and a half? And what the heck is a parsonage allowance? Here's a refresher on the special payroll requirements in five common industries.

## Restaurants

The restaurant industry presents a few unique payroll challenges stemming from the fact that employees typically receive tipped wages. Tipped wages can be confusing, and not all payroll providers are good at handling them.

Because many restaurant employees receive tips, they're subject to a lower minimum wage threshold than other workers. The applicable minimum wage will vary from state to state, and you need to make sure your clients (or their payroll providers) allow them to enter a minimum wage that's below the federal standard. Another common area for mistakes is calculating overtime with tipped wages. **Overtime hours are based on the minimum wage rate**, *not* the tipped minimum wage. Many payroll providers get this calculation wrong, which can lead to trouble with both the IRS and Department of Labor (DOL).

## Nonprofit Organizations

Nonprofits have unique payroll needs because they're exempt from some of the major filing requirements that other companies face. Unlike for-profit organizations,



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quarter for their nonfarm employees (like office staff and delivery drivers), but they must make annual [Form 943](#) filings for their agricultural employees, too.

The DOL also allows farm and agriculture workers to be paid minimum wages below the federal standard, so it's important that any payroll software you use allows you to input figures under the minimum wage. Many farm businesses also pay some workers in piecemeal wages (for example, \$1 per bushel of crops), further complicating payroll.

Finally, the farm and agriculture industry employs many day laborers and temporary residents from other countries who are working under H-2A visas through a special work permit process. That means your payroll provider needs to be able to process their tax filings as well, not just those of full-time W-2 employees and 1099 contractors.

## Construction

Unlike other businesses with predictable, year-round operations, the construction industry functions around discrete jobs that last for varying amounts of time. A construction business needs to be able to do job costing – allocating a given worker's time between projects, attributing billing and expenses to their proper jobs. One of the best ways to do that is to integrate payroll systems with the timecard and timekeeping systems the company uses. Confirming that your payroll provider offers those integrations can go a long way toward simplifying payroll services for your construction clients.

## Church and Clergy

Like other nonprofits, churches and clergy have different tax and payroll requirements than other organizations. They, too, are exempt from paying FUTA taxes and filing the corresponding Form 940. Ministers are also exempt from paying

Social Security and Medicare taxes (but [they should be directed to pay into the Social](#)

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size-fits-all solution when it comes to processing payroll, and not every payroll provider is up to the task of handling every niche. If you want to do the job right and be equipped to serve all your clients, it's worth doing your research to make sure you're delivering the value your clients expect from you.

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Payroll

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