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ADVISORY

Do Your Best Payroll

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Randy Johnston • Oct. 14, 2019



In the gig economy, how important is payroll? Just as much as ever! While many firms make the majority of their profits from compliance work in tax and audit, the firms providing Client Advisory Services (CAS) have discovered that payroll can be a profitable component of an attractive service offering. Traditionally, CPA firms have outsourced payroll to providers like [ADP](#), [Paychex](#) and [Ceridian](#), as a strategy to reduce liability, ensure that payroll taxes, 941's and W2's were handled in a timely fashion and that employees were paid on time. Further, requirements of various jurisdictions required software, tax tables and deductions to be updated frequently, usually before every payroll.

Then, something significant happened. It became notably easier to update software and to make employee information more accessible because of the internet. Downloading updates to local installations or simply using centralized cloud resources meant that software and other items that had to be updated could be taken care of in a single location. Self-service employee portals became more common, and timekeeping was enabled from web browsers and mobile devices. While I could not easily locate the number of payrolls currently run in the United States, consider that payroll runs occur weekly, bi-weekly, semi-monthly, and monthly. The number of people involved per payroll vary widely from one to tens of thousands. Most CPA firms handle payrolls of one to thousands of employees for their clients. Further, contractors are frequently paid for their work and receive 1099's annually, but my recent research tells me that contractors are frequently treated like employees and workers are [misclassified](#) for a variety of reasons. One thing is for sure, millions of people in the U.S. receive a paycheck that is generated by a variety of systems.

So, How Do We Recommend and Pick the Right Payroll Strategy?

Philosophically, most CPA firms have recommended outsourcing payroll. That is part of how [ADP](#), [Paychex](#) and [Ceridian](#) built the size and scale of their current businesses. Other CPA firms decided to run [payroll service bureaus](#), use or run professional employer organizations ([PEOs](#)) and used a variety of products:

Payroll Service Bureau Software

- Apex – [Payroll Service Bureau Management](#)
- Arcoro – [Infinity HR](#)
- CyberPay – [AdaptaSoft](#)
- CYMA – [Payroll Service Bureau Software](#)
- Execupay Payroll Suite – [Execupay](#)
- [HK Payroll Services](#)

- [Polaris Payroll](#)
- Sage People – [HR and Payroll Services](#)
- Thomson Reuters – [myPay](#)
- UBCC – [Payroll Service Bureau](#)

While it is never our intent to tell you which products to use or consider, we do like to recommend products that are working well. Realistically, with payroll software for smaller businesses, there are dozens of choices and as a buyer it is hard to discern which one will work the best although we have additional choices [here](#). However, two approaches are clear: hosted (cloud) vs. in-house.

Hosted

- AccountantsWorld.com – [Payroll Relief](#)
- ADP – [ADP Payroll](#)
- ADP Accountant Community – [ADP Small Business Services](#)
- ADP – [run](#)
- Intuit – [Intuit Online Payroll](#)
- myPay Solutions – [Thomson Reuters](#)
- OnPay Payroll – [OnPay, Inc.](#)
- Optimum Suite – [Optimum Solutions](#)
- Patriot Software – [Online Payroll](#)
- PayChex – [Paychex, Inc.](#)
- Paycom Payroll Services – [Paycom](#)
- Paycor Payroll Services – [Paycor](#)
- Payroll Services – [Intuit](#)
- Paylocity WebPay – [Paylocity](#)
- Sage HRMS – [Sage](#)
- Sage Payroll Center – [Sage](#)
- SurePayroll (acquired by Paychex) – [SurePayroll](#)

In-House

- 1099 Etc. A-T-F Payroll – [AMS Payroll](#)
- Accounting CS Payroll – [Thomson Reuters](#)
- CenterPoint Payroll – [Red Wing Software](#)
- CYMA Payroll & Human Resources – [CYMA](#)
- Payroll for Windows & Mac – [CheckMark Payroll Software](#)
- QuickBooks Desktop Payroll – [Intuit](#)

- Sage 50cloud (formerly Peachtree Accounting) – [Sage](#)
- Payroll modules from accounting products such as Dynamics (GP=Great Plains, NAV=Navision), Open Systems TRAVERSE, etc.

More Commonly Used in CPA Firms

- AccountantsWorld.com – [Payroll Relief](#)
- ADP – [run](#)
- Intuit – [Intuit Online Payroll](#)
- myPay Solutions – [Thomson Reuters](#)
- OnPay Payroll – [OnPay, Inc.](#)
- Payroll CS – [Thomson Reuters](#)
- QuickBooks Desktop Payroll – [Intuit](#)
- SurePayroll (acquired by Paychex) – [SurePayroll](#)

While payroll is only one additional service offering, note that many of these software publishers also offer a human resources (HR) system, too. By the time most businesses reach 75 people, an HR system is helpful for compliance. Smaller businesses benefit from having integrated HR functions, too. Therefore, if you are looking at payroll as a client service offering, remember to consider if you ever expect to add HR and consider products that have additional HR functionality for future adoption.

Are there downsides and upsides to offering a payroll service?

Absolutely! Clearly there are compliance risks and deadlines that must be met. You can't do payroll for a few clients and be successful. We suggest that your vision should be to have at least ten clients, but realistically, having one hundred or more clients on payroll would be ideal. Remember to use lower cost people to provide the service, not more expensive CPAs. While the work of many people producing payrolls can be monitored by a few professionals, it is hard to make appropriate levels of profitability if a CPA professional is doing the payroll work.

Providing payroll services have some upsides, too. Clients tend to be very sticky when you are running payroll for them. Payroll produces year-round recurring revenue. Payroll services allow you to expand into other offerings including HR, expense reporting and management, bill pay, accounting and employee benefits. Further, a professional practice that includes payroll services can be sold at a 3.5-4.5 multiple, which is far higher than a typical firm produces today. While we'd prefer that you

stay in business, if you are planning an exit strategy, including payroll services can increase the price paid for your firm.

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