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TIME TO CONSIDER
PAYROLL HELP?

Building Savvy

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DAVID ANDERSON AND JERRY SMITH

*Two Local Legends Team Up to
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A Homebuilding Industry Publication



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[savvy finance]



TIME TO CONSIDER PAYROLL HELP?

It doesn't take much for payroll and other expenses to get complicated, even if you're a small, family-run business.



By Steven Bankler, CPA

Maintaining control of your books and your payroll not only helps you avoid steep IRS penalties, but it can also help you find money you left on the table with unnecessary taxes or even uncover underlying employee mismanagement or fraud.

The IRS assesses about six million civil penalties amounting to over \$6 billion for employer payroll tax issues each year. Some of these violations are due to what the IRS considers a "willful" failure to pay, others are simply due to poor bookkeeping. Either way, the IRS can hold business owners and every other responsible party personally accountable to ensure those taxes are paid.

Payroll taxes most often become unmanageable in the following ways:

During rapid business growth.

When a business grows rapidly, the owner sometimes has no choice but to trust local branch or other middle management to stay on top of the books – often with little to no oversight. That can lead to big problems down the road. The IRS may still consider that the business owner "recklessly discarded" their responsibility to pay the payroll taxes in a timely manner to the IRS. Regardless, the penalties for nonpayment can add up at a debilitating rate.

With remote workers.

Technology allows for small businesses to manage remote workers quite successfully, but there are complications. Employees are generally subject to the income tax withholding of the state in which they work, not the state in which the employer is located. Unless your in-house payroll manager happens to be an expert in every state and jurisdiction's income tax laws, employing out-of-state workers can get very complicated very quickly. Add localized employment laws like overtime and discrimination rules, and the logistics of managing remote workers become exponentially more complicated.

Technology.

Moving to a paperless payroll system – which can include direct deposit, digital time sheets, automated tax filings, and other efficiencies – can save you and your employees time and effort. But it can also lead to data security issues and other oversights if not handled correctly.

Enlisting outside assistance, whether from a full-service payroll provider or a more traditional CPA or bookkeeping firm, can help you avoid payroll and other federal violations due to the above complications. However, it's important to work with a reputable firm with a great track record. That's because you are ultimately responsible for the tax liabilities. Unless you utilize the services of what the IRS considers a Certified Professional Employer Organization, if the third party fails to make payments, you'll be the one on the hook with the IRS.

Most of the time, employers are unaware that their bookkeeping or payroll is off until it's too late. Don't wait until the IRS comes knocking to find out you owe more than you thought. Who knows, you may even discover ways to save taxes and other expenses by enlisting outside help.

There are two easy ways to safeguard your outside payroll provider from falling behind. First, don't change your address of record to the provider even if they insist. If there are any issues

with your account, you'll want the IRS to notify you, not them (so you're not potentially left in the dark). Second, be sure your payroll provider uses EFTPS (Electronic Federal Tax Payment System). You should also register on the EFTPS system to get your own PIN and use that PIN to periodically verify payments.

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Steven Bankler has more than 40 years of experience in the accounting industry. Steven's expertise lies in consulting, planning, tax, and asset protection, as well as exit strategy services for closely held businesses. He also provides litigation support (both as a testifying expert witness and a consulting expert), business negotiations and estate planning. For past Building Savvy tax tips and to learn more about Steven Bankler, CPA, Ltd., visit www.bankler.com.

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