Payroll Compliance Checklist

This practical checklist helps you manage the complex, multitiered federal, state, and local payroll tax obligations and highlights essential tasks to keep you organized and compliant throughout the year.

NOTE: *Labor laws and regulations are constantly evolving. Consult with your HR professional to ensure you're aware of the latest requirements established at the federal, state, and local levels.*

Worker Classification

- Confirm each worker's status as an independent contractor or nonexempt or exempt employee
- Review classification at least annually or whenever job roles change
- Maintain documentation supporting classification decisions (e.g., IRS Form SS-8 if needed)

Tax Filing Deadlines

- Track and meet all federal, state, and local payroll tax due dates
- Set reminders for quarterly and annual filings (Forms 941, 940, W-2, W-3, 1099-NEC, etc.)
- Confirm state-specific deadlines for income tax withholding and SUTA

Payroll Tax Deposits

- Determine your deposit schedule (monthly or semiweekly) based on the IRS lookback period
- Ensure timely deposits of:
  - Federal income tax withheld
  - Employer and employee portions of FICA (Social Security and Medicare)
  - State and local taxes withheld
  - FUTA and SUTA
- Reconcile deposits with payroll register and bank account records

Multistate and Local Tax Compliance

- Register for state tax accounts (income tax, SUTA) in **every state where employees work**
- Confirm local tax obligations (e.g., city income tax, transit taxes)
- Monitor remote employees' impact on tax nexus and registration requirements
- Stay informed about reciprocity agreements between states

Wage Base & Rate Management

- Update wage bases annually for:
  - Social Security
  - FUTA
  - SUTA (state-specific)
- Verify current SUTA rate and experience rating each year
- Adjust payroll software to reflect new rates before the first payroll of the year

Tax Form Accuracy

- File accurate and timely forms 941 (quarterly) and 940 (annually)
- Distribute W-2s to employees and 1099-NECs to contractors by January 31
- File Forms W-3 and 1096 with SSA/IRS as required
- Retain copies of all filings and confirmations for at least four years

Recordkeeping

- Maintain payroll records, timesheets, and tax filings for the minimum required retention period (usually at least four years)
- Store employee withholding certificates (Form W-4)
- Keep documentation for fringe benefits and pretax deductions

Staying Updated

- Monitor IRS and state tax authority updates regularly
- Subscribe to relevant newsletters or alerts for tax law changes
- Schedule an annual payroll compliance review with HR or the finance team

Using a PEO or Payroll Provider

- Confirm your provider files taxes on your behalf (and monitor these filings)
- Review provider service agreement for liability terms
- Regularly reconcile provider reports with internal records

G&A Partners
Time to grow.