
We are hiring an employee,
now what?

A Guide on Ag Payroll in KS

Lynn Hennigan
Extension Ag Economist
KS Farm Management Assoc., NE
785-742-2169 office
hennigan@ksu.edu



We are hiring an employee,
now what?

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- 1) Items Prior To & During Hiring
 - 2) Calculating a Paycheck**
 - 3) Payroll Reporting & Deposits
 - 4) Fringe Benefits



Tax Forms and Publications



- IRS:
 - <http://www.irs.gov/formspubs/>
 - Select form number or topical index

- Kansas:
 - Department of Revenue (KDOR)
 - <http://www.ksrevenue.org/forms-btreg.htm>
 - Department of Labor (KDOL)
 - www.dol.ks.gov

1

Pay Period Length



- Select a pay period to fit the natural flow of your operation
- Some common options:
 - Weekly
 - Bi-Weekly
 - Semi-Monthly
 - Monthly
 - Quarterly

4.1

Gross Wage per Pay Period



- Calculation will differ between Salary & Hourly Employees
 - Salary: based on an annualized gross salary.
 - Annual Salary is divided by number of annual pay periods to determine gross for each paycheck
 - Example: semi-monthly pay period
 - $\$33,000 / 24 \text{ periods} = \$1,375.00$ gross per pay period

2.5

Gross Wage per Pay Period



- Calculation will differ between Salary & Hourly Employees
 - Hourly: based on a gross wage rate per hour.
 - Hours in a pay period multiplied by wage rate determines gross for each paycheck
 - Example: semi-monthly pay period
 - $110 \text{ hrs} * \$12.50 \text{ per hour} = \$1,375.00$ gross for this pay period

2.5

Net Wage per Pay Period Calculation



Gross wage per pay period

Less pre-tax deductions

Equals Taxable Gross Wage

Less Social Security & Medicare Tax withholding

Less Federal Income Tax withholding

Less State Income Tax withholding

Less post-tax deductions

Equals Net Wage

4.3

Pre-Tax Deductions



- Some benefits reduce the gross taxable wage to an employee, examples of these benefits follow:

- Athletic facilities
- Retirement planning services
- Dependent care assistance
- Educational assistance
- Working condition benefits
- Employee stock options
- Some retirement plans
- Accident and health benefits
- Term life insurance coverage
- Health Savings Accounts (HSAs)
- Lodging on your business premises
- Meals
- Achievement awards
- Moving expense reimbursements

4.7

Social Security & Medicare Tax Withholding



- Social Security (SS) tax and Medicare (Med) tax are matching taxes. Half is held from the employee's wages and half is paid by the employer.

- Social Security tax
 - Rate is 6.2% for the both the employer and employee on the first \$102,000 (*indexed for inflation*) of wages paid to the employee.

- Medicare tax
 - Rate is 1.45% for both the employer and employee on all wages paid to the employee.

4.4

Resource: IRS publication 51 (Circular A), Ag Employer's Tax Guide

Calculating Social Security & Medicare Tax Withholding



- **Combined SS & Med withholding rate 7.65%**

- Calculation:
 - Taxable Gross Wage*0.0765 = SS & Med Tax Withholding
 - Example: \$1375.00*0.0765= \$105.19

4.4

Resource: IRS publication 51 (Circular A), Ag Employer's Tax Guide

Federal Income Tax Withholding



- Four pieces of required information:
 - 1) Is the employee married or single?
 - 2) Type of payroll period
 - 3) Taxable gross wage for pay period
 - 4) Number of withholding allowances

- The W-4 form that the employee fills out annually and at hire tells the employees marital status and the number of allowances.

- Use IRS publication 51 (Circular A), Ag Employer's Tax Guide to look up the amount to withhold.

4.5

Resource: IRS publication 51 (Circular A), Ag Employer's Tax Guide

Looking up Federal Income Tax Withholding



- In IRS publication 51 (Circular A), Ag Employer's Tax Guide, there are numerous tables to look up the specific withholding amount.

- Example:
 - W-4 says the employee is married and claiming 3 allowances.
 - Payroll is Semi-Monthly
 - Gross Taxable Wage is: \$1375.00
 - Tables in IRS Pub. 51 (Cir. A) determine to withhold \$60.00

4.5

Resource: IRS publication 51 (Circular A), Ag Employer's Tax Guide

Looking up State Income Tax Withholding



- Same as federal, but use Kansas Department of Revenue Tables and the K-4 form.
- Example:
 - K-4 states the employee is married, claiming 3 allowances, and wants \$10 extra withheld from each paycheck.
 - Payroll is Semi-Monthly
 - Gross Taxable Wage is: \$1375.00
 - Tables in Kansas Withholding guide determine to withhold \$32.00 + \$10.00 extra = \$42.00

4.6

Resource: Kansas Withholding Tax Guide

Post-Tax Deductions



- Some benefits reduce the net wage, but are still taxable to an employee. Examples of these benefits follow:
 - Wage garnishment
 - Court-ordered child support
 - Any employee requests (be sure signed authorizing document is retained)

4.7

Net Wage per Pay Period: Example



Gross wage per pay period	\$1,375.00
<u>Less pre-tax deductions</u>	<u>- 0.00</u>
<i>Equals Taxable Gross Wage</i>	\$1,375.00
Less Social Security & Medicare Tax withholding	- 105.19
Less Federal Income Tax withholding	- 60.00
Less State Income Tax withholding	- 42.00
<u>Less post-tax deductions</u>	<u>- 0.00</u>
<i>Equals Net Wage</i>	\$1,167.81