

Ten Steps to Hiring Your First Employee

A Guide for New Employers

The good news is that business is booming. The bad news is there's only one of you. It's time to take the plunge and hire some help. There are many good sources of information about finding the right people, writing job descriptions, interviewing candidates, and managing people once they are on board. While those are all important issues, understanding your regulatory requirements as an employer is crucial to the success of your business. This guide lays out ten easy steps for new employers to follow to ensure compliance with key federal and state regulations.

Step 1: Obtain an Employer Identification Number (EIN)

Before hiring employees, you need to get an employment identification number (EIN) from the U.S. Internal Revenue Service. The EIN is often referred to as an Employer Tax ID or as Form SS-4. The EIN is necessary for reporting taxes and other documents to the IRS. In addition, the EIN is necessary when reporting information about your employees to state agencies. To obtain an EIN, you can apply online or contact the IRS directly.

U.S. Internal Revenue Service

Phone: 1 (800) 829-4933

- [Guide to the Employer Identification Number](#)
- [Apply for an EIN Online](#)
- [Download EIN Form \(pdf\)](#)

Step 2: Set up Records for Withholding Taxes

The IRS states that you must keep [records of employment taxes](#) for at least four years. Also, keep good records for your business to help you monitor the progress of your business, prepare your financial statements, identify source of receipts, keep track of deductible expenses, prepare your tax returns, and support items reported on tax returns.

Keep all records of employment taxes for at least four years after filing the 4th quarter for the year. These should be available for IRS review. Records should include:

- Your employer identification number.
- Amounts and dates of all wage, annuity, and pension payments.
- Amounts of tips reported.
- The fair market value of in-kind wages paid.
- Names, addresses, social security numbers, and occupations of employees and recipients.
- Any employee copies of Form W-2 that were returned to you as undeliverable.
- Dates of employment.
- Periods for which employees and recipients were paid while absent due to sickness or injury and the amount and weekly rate of payments you or third-party payers made to them.
- Copies of employees' and recipients' income tax withholding allowance certificates (Forms W-4, W-4P, W-4S, and W-4V).
- Dates and amounts of tax deposits you made.
- Copies of returns filed.
- Records of allocated tips.
- Records of fringe benefits provided, including substantiation.

Federal Income Tax Withholding (Form W-4)

Every employee must provide an employer with a signed withholding exemption certificate (Form W-4) on or before the date of employment. The employer must then submit Form W-4 to the IRS to ensure. For specific information on employer responsibilities regarding withholding of federal taxes, read the IRS' [Employer's Tax Guide](#) and [Employees Withholding Allowance Certificate W-4 Form](#).

Local Income Taxes

Complete the [Employer Registration for Local Earned Income Tax Withholding](#) form, and submit the form to the appropriate Local Tax Collector(s) in order to register your business and obtain a local tax ID number.

Complete the [Residency Certification Form](#) for each employee, and save a copy in the employee's personnel file. This form allows the employee to verify that the employer is withholding the correct tax rates for the correct municipalities.

Use the [Address Search Application](#) to look up the relevant information (PSD Codes, EIT Rates, Tax Collectors, etc.) needed to complete the forms described in the following steps.

Quarterly remittances can be made to the appropriate Local Tax Collector(s) using the [Employer's Quarterly Earned Income Tax Return](#) form. Quarterly filings and remittances are due within 30 days after the end of each calendar quarter.

Within 30 days of the close of each calendar year, employers must complete and submit the [W2-R Annual Reconciliation Earned Income Tax Withheld From Wages](#) form to the appropriate Local Tax Collector(s).

For more information about Act 32, please refer to the [Act 32 Procedure Manual](#).

Federal Wage and Tax Statement (Form W-2)

On an annual basis, employers must report to the federal government wages paid and taxes withheld for each employee. This report is filed using Form W-2, Wage and Tax Statement. Employers must complete a Form W-2 for each employee to whom they pay a salary, wage, or other compensation.

Employers must send Copy A of Forms W-2 (Wage and Tax Statement) to the Social Security Administration (SSA) by the last day of February (or last day of March if you file electronically) to report the wages and taxes of your employees for the previous calendar year. In addition, employers should send copies of Form W-2 to their employees by January 31 of the year following the reporting period.

Visit the Social Security Administration's [Employer W-2 Filing Instructions and Information](#) for further guidance and assistance. [File W-2 Online](#) or [Download W-2 Form](#).

Pennsylvania State Payroll Taxes

Depending on the state where your employees are located, you may be required to withhold state income taxes. Visit the [PA Dept. of Revenue](#) for further information. For more detailed employer withholding tax information, please review the [Pennsylvania Employer Withholding Information Guide](#). Register for Pennsylvania employer withholding tax online through the [PA Open for Business Web site](#).

Step 3: Employee Eligibility Verification (Form I-9)

Federal law requires employers to verify an employee's eligibility to work in the United States. Within three days of hire employers must complete an Employment Eligibility Verification Form, commonly referred to as an I-9 form, and by examining acceptable forms of documentation supplied by the employee, confirm the

employee's citizenship or eligibility to work in the United States. Employers can only request documentation specified on the I-9 form. Employers who ask for other types of documentation not listed on the I-9 form may be subject to discrimination lawsuits.

Employers do not file the I-9 with the federal government. Rather, an employer is required to keep an I-9 form on file for 3 years after the date of hire or 1 year after the date the employee's employment is terminated, whichever is later. The U.S. Immigration and Customs Enforcement (ICE) agency conducts routine workplace audits to ensure that employers are properly completing and retaining I-9 forms, and that employee information on I-9 forms matches government records.

- [Download Form I-9 \(Employment Eligibility Verification\)](#)
All U.S. employers are responsible for completion and retention of Form I-9 for each individual they hire for employment in the United States, including citizens and non-citizens.
- [Instructions for Completing the I-9: Handbook for Employers](#)
A comprehensive guide to completing Form I-9, Employment Eligibility Verification.

Step 4: Register with Your States New Hire Reporting Program

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires all employers to report newly hired and re-hired employees to a state directory within 20 days of their hire or rehire date.

Visit the [New Hires Reporting Requirements](#) page to learn how to register with Pennsylvania's New Hire Reporting System.

Step 5: Obtain Workers' Compensation Insurance

Businesses with employees are required to carry Workers' Compensation Insurance coverage through a commercial carrier, on a self-insured basis, or through the Pennsylvania Workers' Compensation Insurance program. Visit Pennsylvania's [Workers' Compensation Office](#) more information on the program.

Step 6: Unemployment Compensation Insurance Tax Registration

In Pennsylvania you must register with the Commonwealth to create an Unemployment Compensation withholding tax account. Pennsylvania Open for Business allows users to register an enterprise electronically with the Commonwealth in two ways; an [online interactive interview](#) or a printed copy of the [PA-100 Enterprise Registration Form](#) that you can register by mail. The PA On-line Business Tax Registration (PA-100) will assist you in completing all applicable sections that pertain to your enterprise's individual registration needs. The On-line PA-100 may be used to register a new enterprise, add additional taxes or services, or to register a new enterprise that is acquiring all or part of an existing enterprise.

For more information you can also call The UC Tax Info Hotline at (866) 403-6163.

Step 7: Post Required Notices

Employers are required by state and federal laws to prominently display certain posters in the workplace that inform employees of their rights and employer responsibilities under labor laws. These posters available free from federal and state labor agencies.

Individual Poster Requirements

The requirements for posters you may need in your place of business are listed below, along with explanation on compliance.

- [Equal Employment Opportunity Poster](#)
Every employer covered by non-discrimination and EEO laws is required to post on its premises the "Equal Employment Opportunity is the Law" poster.
- [Fair Labor Standards Act Poster](#)
Every employer of employees subject to the Fair Labor Standards Act's minimum wage provisions must post, and keep posted, a notice explaining the Act in a conspicuous place in all of their establishments so as to permit employees to readily read it.
- [Family and Medical Leave Act \(FMLA\) Poster](#)
All covered employers are required to display and keep displayed a poster prepared by the DOL summarizing the major provisions of The Family and Medical Leave Act and telling employees how to file a complaint.
- [Notice to Workers Paid Special Minimum Wages](#)
Every employer of workers with disabilities under special minimum wage certificates authorized by the Fair Labor Standards Act, the McNamara-O'Hara Service Contract Act, and/or the Walsh-Healey Public Contracts Act shall display a poster prescribed by the DOL's Wage and Hour Division explaining the conditions under which special minimum wages may be paid.
- [Occupational Safety and Health Act Poster](#)
Employers subject to the Occupational Safety and Health Act are required to post a notice notifying employees of the protections of the Act.
- [Office of Labor-Management Standards Union Member Rights Poster](#)
The Labor-Management Reporting and Disclosure Act guarantees certain rights to union members, and imposes certain responsibilities on union officers to ensure union democracy, financial integrity and transparency. This poster, provided by the DOL's Management Standards, provides a summary of these rights and responsibilities.
- [Uniformed Services Employment and Reemployment Rights Act \(USERRA\) Poster](#)
Employers are required to provide to persons entitled to the rights and benefits under the Uniformed Services Employment and Reemployment Rights Act (USERRA), a notice of the rights, benefits and obligations of such persons and such employers under USERRA.

You can visit <http://www.dol.gov/elaws/posters.htm> to guide you through step by step instructions to determine what posters you need to display.

Step 8: File Your Taxes

If you are new employer, there are new federal and state tax filing requirements that apply to you.

Generally, each quarter, employers who pay wages subject to income tax withholding, social security, and Medicare taxes must file [IRS Form 941](#), Employer's Quarterly Tax Return. Small businesses an annual income tax liability of \$1,000 or less may file [IRS Form 944](#), Employer's Annual Federal Tax Return instead of Form 941. For more information refer to [IRS Form 941 Instructions](#) and [IRS Form 944 Instructions](#).

You must also file [IRS Form 940](#), Employer's Annual Federal Unemployment (FUTA) Tax Return, if you paid wages of \$1,500 or more in any calendar quarter or you had one or more employees work for you in any 20 or more different weeks of the year. [IRS Form 940 Instructions](#)

New and existing employers should consult IRS' [Employer's Tax Guide](#) to understand all their federal tax filing requirements.

Visit the [Employer Withholding Information Guide for Payroll Services](#) for specific tax filing requirements for employers.

Step 9: Get Organized and Keep Yourself Informed

Being a good employer doesn't stop with fulfilling your various tax and reporting obligations. Maintaining a healthy and fair workplace, providing benefits, and keeping employees informed about your company's policies are key to your business' success. Here are some additional steps you should take after you've hired your employees:

- **Set up Recordkeeping**

In addition to requirements for keeping payroll records of your employees for tax purposes, certain federal employment laws also require you to keep records about your employees. You may be subject to state recordkeeping requirements as well. Therefore, it's good practice to set up a sound, organized system for maintaining all personnel records. The following sites provide more information about federal reporting requirements:

- [Tax Recordkeeping Guidance](#)
Resources and tools aimed at helping employers maintain their tax records.
- [Labor Recordkeeping Requirements](#)
Employment laws such as the Occupational Safety and Health (OSH) Act, the Fair Labor Standards Act (FLSA) and the Family and Medical Leave Act (FMLA), have certain recordkeeping and/or reporting requirements.

[IRS Pub 553: Starting a Business and Keeping Records](#) has additional information about record keeping rules. As a business, you want to ensure that you keep track of all supporting documents, such as:

- Itemized receipts
- Paid bills
- Invoices
- Cash register tapes
- Bank deposit slips
- Account statements
- Cancelled checks
- [Form 1099](#)

- **Adopt Workplace Safety Practices**

The Occupational Safety and Health Administration's (OSHA) [Quick Start](#) tool provides a clear, step-by-step guide that helps you identify many of the major OSHA requirements and guidance materials that may apply to your workplace.

- **Understand Employee Benefit Plans**

If you will be providing benefits to your employees, you should become familiar with the uniform minimum standards required by federal law to ensure that employee benefit plans are established and maintained in a fair and financially sound manner. See the US Department of Labor's Employment Law Guide's chapter on [Employee Benefit Plans](#) for more information.

- **Learn Management Best Practices**

While you aren't legally required to be a good manager, it sure helps when trying to recruit and retain good employees. The US Small Business Administration's [Guide to Managing Employees](#) provides sound guidance on hiring, motivating, and directing employees.

- **Apply Standards that Protect Employee Rights**

Complying with standards for employee rights in regards to equal opportunity and fair labor standards is a requirement. Following statutes and regulations for minimum wage, overtime, and child labor will help to avoid error and a lawsuit. See the Employment Law Guide's chapter on [Laws, Regulations and Technical Assistance Services](#) for information and [FirstStep Employment Law Advisor](#) for advice on federal requirements. Also, visit the [Equal Employment Opportunity Commission](#) (EEOC) and [Fair Labor Standards Act](#) (FLSA).

Step 10: Provide Employees with Written Notice of Health Care Coverage Options

Background. Beginning Jan. 1, 2014, individuals and employees of small businesses will have access to affordable health care coverage through a new competitive private health insurance market called the “Health Insurance Marketplace” (the Marketplace). The Marketplace offers “one-stop shopping” to find and compare private health insurance options. Open enrollment for health insurance coverage through the Marketplace begins on Oct. 1, 2013. Section 1512 of the Affordable Care Act created a new Fair Labor Standards Act (FLSA) section 18B that requires employers to provide written notice to employees about health insurance coverage options available through the Marketplace.

New guidance on notice requirement. The new EBSA guidance fleshes out the notice requirement as follows:

- **Who must provide notices.** Notices must be provided by any employers to whom the FLSA applies. Generally, this means an employer that employs one or more employees who are engaged in, or produce goods for, interstate commerce. For most firms, a test of not less than \$500,000 in annual dollar volume of business also applies.
- **To whom must notices be provided.** Employers must provide a notice to each employee, regardless of plan enrollment status (if applicable), or of part-time or full-time status. Employers do not have to provide a separate notice to dependents or other individuals who are, or may become, eligible for coverage under any available plan, but who are not employees.
- **Form and content of notice.** The notice must be provided in writing in a manner calculated to be understood by the average employee. The notice must include information regarding the existence of a new Marketplace, as well as contact information and a description of the services provided by the Marketplace. In addition, the notice must: (1) inform the employee that the employee may be eligible for a premium tax credit under Code Sec. 36B if the employee purchases a qualified health plan (QHP) through the Marketplace, and (2) include a statement informing the employee that if the employee purchases a QHP, the employee may lose the employer contribution (if any) to any health benefits plan offered by the employer, and that all or a portion of such contribution may be excludable from income for federal income tax purposes.
- **Timing and delivery of notice.** Employers must provide the notice to each new employee at the time of hiring **beginning Oct. 1, 2013**. For 2014, the Department of Labor (DOL) will consider a notice to be provided at the time of hiring if the notice is provided within 14 days of an employee's start date. For employees who are current employees before Oct. 1, 2013, employers must provide the notice no later than **Oct 1, 2013**. The notice may be provided by first-class mail. Alternatively, a notice may be provided electronically if it meets the requirements of EBSA's electronic disclosure safe harbor (see Labor Reg. 2520.104b-1(c)).

Model notice. There is model language for the notice on EBSA's website. There is one model for employers who do not offer a health plan, and another model for employers who offer a health plan to some or all employees. Employers may use one of these models, as applicable, or a modified version, provided the notice meets the content requirements in ERISA Technical Release 2013-02.

- If Business does not offer Health Insurance Benefits:
 - <https://www.dol.gov/sites/default/files/ebsa/laws-and-regulations/laws/affordable-care-act/for-employers-and-advisers/model-notice-for-employers-who-do-not-offer-a-health-plan.pdf>
- If Business does offer Health Insurance Benefits:
 - <https://www.dol.gov/sites/default/files/ebsa/laws-and-regulations/laws/affordable-care-act/for-employers-and-advisers/model-notice-for-employers-who-offer-a-health-plan-to-some-or-all-employees.pdf>