

Payroll Compliance Checklist



Payroll compliance is crucial for businesses to avoid legal issues, fines, and more. To ensure your company meets all regulations from the federal, state, and local government, follow this payroll compliance checklist to reduce risk and maintain compliance.

Set up Payroll for New Hires

- Obtain completed tax forms (W4, I9, state-specific forms)
- Verify accuracy of employee personal and direct deposit information
- Enter employee information into payroll and HR software

Ensure Accurate Payroll Calculations

- Regularly audit employee pay rates, bonuses, and deductions
- Make note of any bank holidays that affect payroll processing
- » **PRO TIP:** Use payroll software and/or a professional service to minimize errors

Termination and Offboarding Compliance

- Meet state-specific final paycheck deadline requirements
- Confirm accurate payouts (final wages, severance, unused PTO)
- Share information about COBRA benefits

Manage Payroll Deductions and Benefits Compliance

- Withhold Medicare, social security, and any retirement contributions
- Deduct employee benefits (e.g. health insurance, 401k) and garnishments

Verify Employee Classification

- Ensure employees are classified as W2 or 1099
- Keep records of all contracts

Maintain Payroll Records and Documentation

- Store payroll records 4-7 years (follow IRS and DOL guidelines)
- Ensure records include all required information (wages/tips, employment dates, copies of tax forms, etc.)

Comply with Federal and State Tax Laws

- Confirm proper FICA/FUTA withholding
- Stay current on payroll tax requirements (federal, state, and local)
- Confirm and follow your payroll tax payment schedule

Meet Tax Filing Deadlines

- Confirm deadlines for year-end and quarterly filing
- Set reminders to ensure timely submission—and avoid late penalties

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Follow Wage and Hour Laws

- Comply with FLSA minimum wage and overtime requirements (or state, if applicable)
- Meticulously track employee hours

Comply with Pay Transparency and Reporting Requirements

- Provide employees with detailed pay stubs showing earnings and deductions
- Accurately track and record employee time
- Ensure compliance with pay transparency laws in job postings (if applicable)

Account for Remote and Multi-State Employee Requirements

- Determine which state's payroll tax laws apply for each remote employee
- Determine which regulations apply for employees who work across multiple states or localities
- Verify multi-state withholding
- Verify unemployment insurance compliance for multi-state or remote employees
- Confirm compliance with state specific sick leave laws

Handle Payroll Disputes and Employee Inquires

- Establish a clear process for payroll dispute resolution
- Document all resolution outcomes
- Ensure a timely correction for underpaid/overpaid wages

Stay Current on Regulatory Changes

- Regularly check for any updates to local, state, and federal labor laws
- Update payroll policies to align with the most current requirements
- Train payroll and HR teams on new compliance rules

Conduct Regular Internal Payroll Audits

- Schedule regular internal payroll audits to detect errors and compliance gaps
- Set a regular cadence for reconciling payroll reports and bank statements

Automate and Outsource Payroll

- Invest in reliable payroll software that automates regulation updates
- Automate recordkeeping, payments, and tax calculations
- Consider outsourcing payroll for expert management