



HINTONBURDICK
CPAs & ADVISORS

Financial Responsibility for Contractors Part 1: Payroll

Office Locations

Richfield, UT
Cedar City, UT
St George, UT
Mesquite, NV
Gilbert, AZ

Presented by

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Learning Objectives:

- How to process and meet payroll legal obligations
- Payroll regulatory requirements
- 1099 Contractors vs Employees

Fair Labor Standards Act & Equal Employment Opportunity Commission

- Fair Labor Standards Act establishes minimum wage and overtime requirements for employees
- Non-exempt employees must be paid overtime for all hours worked over 40 in any workweek
- Exempt employees do not receive overtime pay
- The Equal Employment Opportunity Commission investigates complaints against a business that involves race, color, religion, sex (including pregnancy), national origin, age (40 or older), disability or genetic information; businesses with 15 or more employees must comply

New Hires

- Complete Form I-9 for ALL employees to verify employment eligibility (federal); keep Form I-9 in the employees' files (form is not sent to any governmental agency)
- Complete New Hire Reporting (state) for ALL new and rehired employees within 20 day of employee's first day at work and sent to UT Department of Workforce Services
- DHS is expected to release a revised I-9 in late April/early May.

I-9 (Employee Section)



Employment Eligibility Verification
 Department of Homeland Security
 U.S. Citizenship and Immigration Services

USCIS
 Form I-9
 OMB No. 1615-0047
 Expires 10/31/2022

▶ **START HERE:** Read instructions carefully before completing this form. The instructions must be available, either in paper or electronically, during completion of this form. Employers are liable for errors in the completion of this form.

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers **CANNOT** specify which document(s) an employee may present to establish employment authorization and identity. The refusal to hire or continue to employ an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

Section 1. Employee Information and Attestation *(Employees must complete and sign Section 1 of Form I-9 no later than the first day of employment, but not before accepting a job offer.)*

Last Name (Family Name) ?		First Name (Given Name) ?		Middle Initial ?	Other Last Names Used (if any) ?	
Address (Street Number and Name) ?			Apt. Number ?	City or Town ?		State ? ZIP Code ?
Date of Birth (mm/dd/yyyy) ?	U.S. Social Security Number ?		Employee's E-mail Address ?		Employee's Telephone Number ?	

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following boxes):

<input type="checkbox"/> 1. A citizen of the United States ?	
<input type="checkbox"/> 2. A noncitizen national of the United States (See instructions) ?	
<input type="checkbox"/> 3. A lawful permanent resident ? (Alien Registration Number/USCIS Number): _____	
<input type="checkbox"/> 4. An alien authorized to work ? until (expiration date, if applicable, mm/dd/yyyy): _____ Some aliens may write "N/A" in the expiration date field. (See instructions)	
Aliens authorized to work must provide only one of the following document numbers to complete Form I-9: An Alien Registration Number/USCIS Number OR Form I-94 Admission Number OR Foreign Passport Number.	
1. Alien Registration Number/USCIS Number: ? _____ OR 2. Form I-94 Admission Number: ? _____ OR 3. Foreign Passport Number: ? _____ Country of Issuance: ? _____	QR Code - Section 1 Do Not Write in This Space

Signature of Employee ?	Today's Date (mm/dd/yyyy) ?
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Preparer and/or Translator Certification (check one): ?

I did not use a preparer or translator. A preparer(s) and/or translator(s) assisted the employee in completing Section 1.
(Fields below must be completed and signed when preparers and/or translators assist an employee in completing Section 1.)

I attest, under penalty of perjury, that I have assisted in the completion of Section 1 of this form and that to the best of my knowledge the information is true and correct.

Signature of Preparer or Translator ?		Today's Date (mm/dd/yyyy) ?	
Last Name (Family Name) ?		First Name (Given Name) ?	
Address (Street Number and Name) ?		City or Town ?	State ? ZIP Code ?

I-9 (Employer Section)



Employment Eligibility Verification
 Department of Homeland Security
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Section 2. Employer or Authorized Representative Review and Verification

(Employers or their authorized representative must complete and sign Section 2 within 3 business days of the employee's first day of employment. You must physically examine one document from List A OR a combination of one document from List B and one document from List C as listed on the "Lists of Acceptable Documents.")

Employee Info from Section 1	Last Name (Family Name)	First Name (Given Name)	M.I.	Citizenship/Immigration Status
------------------------------	-------------------------	-------------------------	------	--------------------------------

List A Identity and Employment Authorization	OR	List B Identity	AND	List C Employment Authorization
Document Title		Document Title		Document Title
Issuing Authority		Issuing Authority		Issuing Authority
Document Number		Document Number		Document Number
Expiration Date (if any) (mm/dd/yyyy)		Expiration Date (if any) (mm/dd/yyyy)		Expiration Date (if any) (mm/dd/yyyy)
Document Title		Additional Information		QR Code - Sections 2 & 3 Do Not Write In This Space
Issuing Authority				
Document Number				
Expiration Date (if any) (mm/dd/yyyy)				
Document Title				
Issuing Authority				
Document Number				
Expiration Date (if any) (mm/dd/yyyy)				

Certification: I attest, under penalty of perjury, that (1) I have examined the document(s) presented by the above-named employee, (2) the above-listed document(s) appear to be genuine and to relate to the employee named, and (3) to the best of my knowledge the employee is authorized to work in the United States.

The employee's first day of employment (mm/dd/yyyy): _____ (See instructions for exemptions)

Signature of Employer or Authorized Representative	Today's Date (mm/dd/yyyy)	Title of Employer or Authorized Representative
Last Name of Employer or Authorized Representative	First Name of Employer or Authorized Representative	Employer's Business or Organization Name
Employer's Business or Organization Address (Street Number and Name)		City or Town
		State
		ZIP Code

PAYROLL

- Typically paid semi-monthly (24 x a year) or bi-weekly (26 x a year)
 - Earnings are reported on Form W-2 and given to employee by January 31st annually
 - Gross pay = paycheck BEFORE taxes and deductions
 - Net pay = paycheck after all taxes and deductions
 - Employers must report ALL new hires through the state New Hire Reporting System (SUTA requirement)
 - Quarterly payroll reports cover a 3-month period annually, e.g., January, February and March = first quarter
- 

Payroll Taxes

- Tax Rate is divided in half
 - $\frac{1}{2}$ paid by Employer
 - $\frac{1}{2}$ paid by Employee
 - Income tax must be withheld from employees' checks
 - Amount withheld is based on employees' IRS Form W-4
- 
- A decorative graphic element consisting of two overlapping, semi-transparent green triangles pointing towards the top right corner of the slide.

Social Security and Medicare Taxes

- Federal Insurance Contributions Act (FICA) = Taxes imposed on Employer and Employee to fund Social Security and Medicare
- Employer must withhold and report quarterly on Form 941
- SS withholding = 6.2% (employer & employee)
- Medicare withholding = 1.45% (employer & employee)
- Frequency of payments to the IRS may be monthly, quarterly or annually

Employee

• Hourly Wage	10.00
• Less payroll taxes	
• Federal withholdings	(1.50)
• State withholdings	(0.50)
• FICA	
• Social Security 6.2%	(0.62)
• Medicare 1.45%	(0.145)
Total 7.65%	
 <u>NET PAY</u>	 <u>\$7.23</u>

Employer

← no matching	
← no matching	
← matching SS	6.2% (0.62)
← matching Medicare	1.45% (0.145)
Total	7.65%

• OTHER EMPLOYER TAXES INCLUDE SUTA VARIES 0.3% TO 7.3%, FUTA .6%, W/C -VARIES

Form 941

Employer identification number (EIN) -

Name (not your trade name)

Trade name (if any)

Address

Number Street Suite or room number

City State ZIP code

Foreign country name Foreign province/county Foreign postal code

Report for this Quarter of 2022
 (Check one.)

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Go to www.irs.gov/Form941 for instructions and the latest information.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including: June 12 (Quarter 2), Sept. 12 (Quarter 3), or Dec. 12 (Quarter 4) 1

2 Wages, tips, and other compensation 2

3 Federal income tax withheld from wages, tips, and other compensation 3

4 If no wages, tips, and other compensation are subject to social security or Medicare tax Check and go to line 6.

	Column 1	Column 2
5a Taxable social security wages*	<input type="text"/>	<input type="text"/>
5a (i) Qualified sick leave wages*	<input type="text"/>	<input type="text"/>
5a (ii) Qualified family leave wages*	<input type="text"/>	<input type="text"/>
5b Taxable social security tips	<input type="text"/>	<input type="text"/>
5c Taxable Medicare wages & tips	<input type="text"/>	<input type="text"/>
5d Taxable wages & tips subject to Additional Medicare Tax withholding <input type="text"/>	<input type="text"/>	<input type="text"/>

5e Total social security and Medicare taxes. Add Column 2 from lines 5a, 5a(i), 5a(ii), 5b, 5c, and 5d 5e

5f Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions) 5f

6 Total taxes before adjustments. Add lines 3, 5e, and 5f 6

7 Current quarter's adjustment for fractions of cents 7

8 Current quarter's adjustment for sick pay 8

9 Current quarter's adjustments for tips and group-term life insurance 9

10 Total taxes after adjustments. Combine lines 6 through 9 10

11a Qualified small business payroll tax credit for increasing research activities. Attach Form 8974 11a

11b Nonrefundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021 11b

11c Reserved for future use 11c

*Include taxable qualified sick and family leave wages paid in this quarter of 2022 for leave taken after March 31, 2021, and before October 1, 2021, on line 5a. Use lines 5a(i) and 5a(ii) only for taxable qualified sick and family leave wages paid in this quarter of 2022 for leave taken after March 31, 2020, and before April 1, 2021.



Form 941

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Name (not your trade name)	Employer identification number (EIN)
----------------------------	--------------------------------------

Part 1: Answer these questions for this quarter. (continued)

11d Nonrefundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021, and before October 1, 2021 11d

11e Reserved for future use 11e

11f Reserved for future use

11g Total nonrefundable credits. Add lines 11a, 11b, and 11d 11g

12 Total taxes after adjustments and nonrefundable credits. Subtract line 11g from line 10 12

13a Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter 13a

13b Reserved for future use 13b

13c Refundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021 13c

13d Reserved for future use 13d

13e Refundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021, and before October 1, 2021 13e

13f Reserved for future use 13f

13g Total deposits and refundable credits. Add lines 13a, 13c, and 13e 13g

13h Reserved for future use 13h

13i Reserved for future use 13i

14 Balance due. If line 12 is more than line 13g, enter the difference and see instructions 14

15 Overpayment. If line 13g is more than line 12, enter the difference Check one: Apply to next return. Send a refund.

Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you're unsure about whether you're a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.

16 Check one: Line 12 on this return is less than \$2,500 or line 12 on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you're a monthly schedule depositor, complete the deposit schedule below; if you're a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.

You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.

Tax liability: Month 1

Month 2

Month 3

Total liability for quarter Total must equal line 12.

You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941. Go to Part 3.

You MUST complete all three pages of Form 941 and SIGN it.

Next

Form 940

Employer identification number (EIN) -

Name (not your trade name)

Trade name (if any)

Address

Number Street Suite or room number

City State ZIP code

Foreign country name Foreign province/county Foreign postal code

Type of Return
(Check all that apply.)

a. Amended

b. Successor employer

c. No payments to employees in 2022

d. Final: Business closed or stopped paying wages

Go to www.irs.gov/Form940 for instructions and the latest information.

Read the separate instructions before you complete this form. Please type or print within the boxes.

Part 1: Tell us about your return. If any line does NOT apply, leave it blank. See instructions before completing Part 1.

- 1a If you had to pay state unemployment tax in one state only, enter the state abbreviation 1a
- 1b If you had to pay state unemployment tax in more than one state, you are a multi-state employer 1b Check here. Complete Schedule A (Form 940).
- 2 If you paid wages in a state that is subject to CREDIT REDUCTION 2 Check here. Complete Schedule A (Form 940).

Part 2: Determine your FUTA tax before adjustments. If any line does NOT apply, leave it blank.

- 3 Total payments to all employees 3
- 4 Payments exempt from FUTA tax 4
- Check all that apply: 4a Fringe benefits 4c Retirement/Pension 4e Other
 4b Group-term life insurance 4d Dependent care
- 5 Total of payments made to each employee in excess of \$7,000 5
- 6 Subtotal (line 4 + line 5 = line 6) 6
- 7 Total taxable FUTA wages (line 3 - line 6 = line 7). See instructions 7
- 8 FUTA tax before adjustments (line 7 x 0.006 = line 8) 8

Part 3: Determine your adjustments. If any line does NOT apply, leave it blank.

- 9 If ALL of the taxable FUTA wages you paid were excluded from state unemployment tax, multiply line 7 by 0.054 (line 7 x 0.054 = line 9). Go to line 12 9
- 10 If SOME of the taxable FUTA wages you paid were excluded from state unemployment tax, OR you paid ANY state unemployment tax late (after the due date for filing Form 940), complete the worksheet in the instructions. Enter the amount from line 7 of the worksheet 10
- 11 If credit reduction applies, enter the total from Schedule A (Form 940) 11

Part 4: Determine your FUTA tax and balance due or overpayment. If any line does NOT apply, leave it blank.

- 12 Total FUTA tax after adjustments (lines 8 + 9 + 10 + 11 = line 12) 12
- 13 FUTA tax deposited for the year, including any overpayment applied from a prior year 13
- 14 Balance due. If line 12 is more than line 13, enter the excess on line 14.
 • If line 14 is more than \$500, you must deposit your tax.
 • If line 14 is \$500 or less, you may pay with this return. See instructions 14
- 15 Overpayment. If line 13 is more than line 12, enter the excess on line 15 and check a box below 15
- You **MUST** complete both pages of this form and **SIGN** it. Check one: Apply to next return. Send a refund.



Form 940

page 2

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Name (not your trade name)	Employer identification number (EIN)
	-

Part 5: Report your FUTA tax liability by quarter only if line 12 is more than \$500. If not, go to Part 6.

16 Report the amount of your FUTA tax liability for each quarter; do NOT enter the amount you deposited. If you had no liability for a quarter, leave the line blank.

16a 1st quarter (January 1 – March 31)	16a	
16b 2nd quarter (April 1 – June 30)	16b	
16c 3rd quarter (July 1 – September 30)	16c	
16d 4th quarter (October 1 – December 31)	16d	
17 Total tax liability for the year (lines 16a + 16b + 16c + 16d = line 17) 17		Total must equal line 12.

Part 6: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

Yes. Designee's name and phone number
Select a 5-digit personal identification number (PIN) to use when talking to the IRS.

No.

Part 7: Sign here. You MUST complete both pages of this form and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that no part of any payment made to a state unemployment fund claimed as a credit was, or is to be, deducted from the payments made to employees. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign your name here Print your name here
Print your title here
Date Best daytime phone

Paid Preparer Use Only Check if you are self-employed

Preparer's name PTIN
Preparer's signature Date
Firm's name (or yours if self-employed) EIN
Address Phone
City State ZIP code

Form W-2

22222		VOID <input type="checkbox"/>	a Employee's social security number		For Official Use Only OMB No. 1545-0008	
b Employer identification number (EIN)			1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code			3 Social security wages		4 Social security tax withheld	
			5 Medicare wages and tips		6 Medicare tax withheld	
			7 Social security tips		8 Allocated tips	
d Control number			9		10 Dependent care benefits	
e Employee's first name and initial		Last name	Suff.	11 Nonqualified plans		12a See instructions for box 12
f Employee's address and ZIP code			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
			14 Other		12c	
					12d	
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement

2023

Department of the Treasury—Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Copy A—For Social Security Administration. Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page

Independent Contractors

- Proper classification of workers is very important
- See <https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee>
- Misclassification of an employee as an independent contract can result in penalties, loss of contractor's license and payment of back taxes
- Employers must provide a Form 1099 to all Independent Contractors by January 31st annually

Employee vs Contractor

IRS Test

- Behavior: Control worker's job
 - Key factors: Instructions about doing work, evaluation, criteria and training.
- Financial: Who controls the economics of the worker?
 - Works for multiple companies.
 - Provides own tools.
 - Travel cost reimbursement eligibility
 - Payment based on hours worked



Employee vs Contractor cont'd

- Type of Relationship:
 - Evidence of paid sick and vacations days and retirement benefits
 - Hired for indefinite compared to specific time period or project.
 - Contract stating the employee is an independent contractor isn't determinative.

IRS Practices

- Prohibited from re-classifying contractors as employees if the business qualifies for Section 530 relief
 - Company has always treated the worker as a 1099 contractor
 - Reasonable basis for treating them as contractors and not employees
- IRS's Voluntary Classification Settlement program
 - Company can voluntarily correct errors
 - Pay modest penalty
 - Receive audit protection
 - Treat workers as employees in the future and issue W-2's.
- DOL will share misclassification with the IRS

Employer Identification Number (EIN)

The 9-digit number the IRS uses to ID employers = your business' SSN

00-0000000



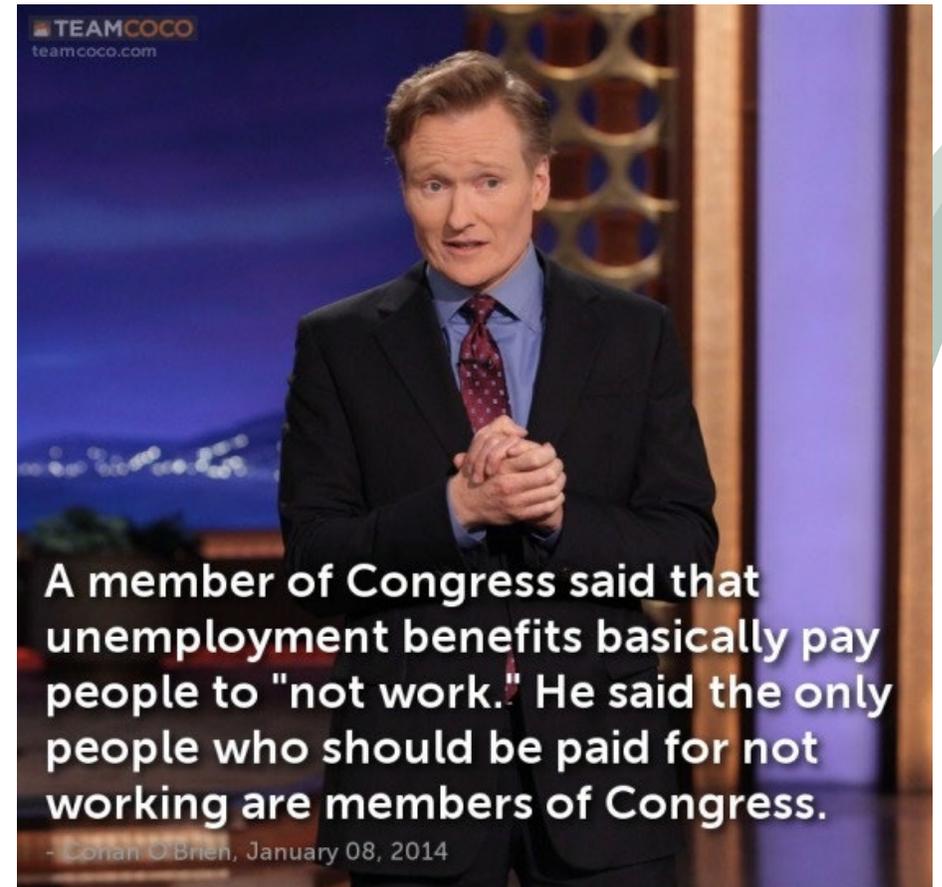
"What are the last four digits of your Social Security number?"

Workers' Comp Insurance Requirements

- **REQUIRED for All Contractors!**
 - Penalties assessed for noncompliance
 - Offsets employees' financial loss due to workplace accident/illness
 - UT Employers must carry a no-fault policy for ALL employees (FT & PT)
 - General Contractor must collect certificates of insurance for each Sub
 - Failure to do so shifts liability of the Sub to the General
- 
- A large, light green triangle is positioned in the bottom right corner of the slide, pointing towards the top right.

Unemployment Insurance

- A federal-state partnership designed to provide temporary assistance to unemployed workers
- Fully funded by employers and paid to federal and state (FUTA & SUTA)
- Applicant must be able and willing to accept full time employment
- The 2022 (FUTA) federal unemployment tax rate is .6%
 - The FUTA tax is **6% (0.060) on the first \$7,000 of income for each employee.** Most employers receive a maximum credit of up to 5.4% (0.054) against this FUTA tax for allowable state unemployment tax. Consequently, the effective rate works out to 0.6% (0.006).
- The Utah (SUTA) 2022 rate varies
 - The Utah Unemployment Tax Rate for NEW businesses is **0.3%** on the first \$41,600 in wages paid to each employee in a calendar year.
- Businesses need to pay Federal Unemployment Tax commonly called FUTA Tax.



Payroll Information

1. SS and Medicare Taxes = FICA
2. Employer and Employee each pay 6.2%
3. Form 940 must be completed Annually
4. Independent Contractors must be given a 1099 by January 31st annually
5. Form I-9 is used to verify employee eligibility
6. An employee paid bi-weekly receives 26 paychecks a year
7. Workplace posters are required even for 1 employee
8. All employees must receive a Form W-2 by January 31st
9. Non-exempt employees receive overtime for all hours worked over 40 in a workweek

Payroll Information Continued...

10. The second quarter payroll covers April, May, and June
11. Net pay is an employee's check after taxes and deductions
12. SSA = Social Security Administration
13. Payroll withholding amounts are determined via Form W-4
14. Form 941 is file quarterly to report SS, Medicare and Withholding
15. Exempt employees do not receive overtime pay; they are exempt from the FLSA OT rules
16. Employee Federal withholding taxes are matched by the employer
17. The 2022 Federal UI rate is .6%
18. The Medicare withholding rate for employer/employee is 1.45%

Running a Business is Like Working Construction



Some practices are more stable than others.



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