

HIRING EMPLOYEES



Idaho State
University

Federal & State Requirements

- 1) **Correctly determine if individuals providing services are employees or independent contractors** by [visiting the IRS website](#). Click on “Business” tab, click on “Operating a Business”, and click on “businesses with employees”.
- 2) **Determine the official type of business that you are and [file the intent](#) with the state: sole proprietorship, LLC, partnership, S Corporation, or C Corporation.** You must wait for the sealed, official state document confirming that your request was filed before you can proceed any further.
- 3) **Establish and obtain an EIN (employer ID number)** by completing required paperwork on [the IRS website](#).
- 4) Using [Form IBR-1](#), businesses can simultaneously register with: 1) Idaho State Tax Commission, 2) Idaho Dept. of Labor and 3) Idaho Industrial Commission. This enables obtaining an employer account number, State Tax ID and a tax rate for payment of unemployment taxes. **All employers in State of Idaho must [obtain a withholding account number](#) and remit Idaho State income tax withheld from employee wages.** Refer to [this link](#) to determine when and how to submit a payment.
- 5) **Workman’s comp insurance for each employee** – talk to your insurance agent or the [Idaho State Insurance Fund](#). We can also give referrals. [File required forms](#) and pay workers compensation insurance premiums.
- 6) **Establish a payroll system**, either by purchasing [QuickBooks](#) or using an outside payroll service. **SBDC clients receive a discount for the online version of QuickBooks.**
- 7) **Obtain a completed [Form I-9 from the U.S. Citizenship and Immigration Services](#) for each employee** and verify the employment eligibility of each employee. Maintain completed records in a secure file for each employee. **At the same time, also obtain a completed [IRS Form W-4](#) from each employee** and keep on file for 4 years past termination. Verify the SSN and name as shown on the social security card.
- 8) **Set up a process for your business to withhold taxes from each employee, deposit/pay the taxes, and file the tax form** by looking for [IRS Publication 15-T \(Federal Income Tax Withholding\)](#). For each employee, 1) withhold federal income tax based on each employee’s Form W-4 and 2) withhold employee’s share of social security and Medicare taxes. Integrate this step into your payroll service or establish a way to manually process the withholdings.
- 9) **Register with [EFTPS](#) for all federal withholding taxes.** You’ll need to do this for the Department of Labor, as well as the Idaho withholding.
- 10) **Once a quarter, send what you withheld (due by the 15th of the month following the end of the quarter).**
- 11) **Reconcile those payments to the quarterly [Form 941, Idaho 910](#), workers compensation, and [IDOL 025](#).** Then, prepare the report and send any additional taxes due by the 31st of the month following the end of the quarter. File all new employees with the Department of Labor and with the IDOL 025.
- 12) **File the annual [940 \(FUTA\) Form](#) at the beginning of January.** Read instructions on [IRS website](#) about completing Form 940. File the 940 Forms and deposit taxes when due. [Idaho 926](#) is the other annual form. The Idaho 926 is an annual report that reconciles all the quarterly 910s. File your W-2’s at the same time to reconcile them to the 941’s, your 910, and your FUTA report. E-file all three reports [here](#).
- 13) **All employers in Idaho must display labor posters** in their place of business. These can be downloaded from the [Department of Labor’s website](#).



HIRING EMPLOYEES



Idaho State
University

Employee Onboarding

Orientation: Establish a consistent employee orientation to familiarize new hires with business practices and expectations.

Employee Handbook: [this link](#) will walk you through a series of questions about your business and create a free employee handbook.

Confidentiality Agreement: [this link](#) will ask you a series of questions about conducting business in Idaho and create an employee confidentiality agreement if suited to your business.

Safety Training: [this link](#) takes you to OSHA publications for different areas of work safety.

Mandatory Tax Schedule

MONTHLY

941 Tax: this is the Federal Withholding, Social Security, Medicare Tax (the employer matches SSI and Medicare). This is deposited either monthly or after every paycheck electronically. This is paid to the US Treasury through the [EFTPS system](#) electronically.

State Withholding: this is the State withholding and is not matched. It is paid to the Idaho State Tax Commission. The State send you coupons for this and is reported monthly also. You can also sign up and pay it online through [TAPS](#).

Sales Tax – this is Sales Tax on all your sales and is paid monthly to ID Tax Commission. State sends coupons that you need to fill out every month.

QUARTERLY

Fill out [941 Tax Form](#) and [Idaho Form 910](#) by end of following month after each quarter.

Fill out [Dept. of Labor Form: this is State Unemployment tax](#) – employer pays this.

Workman's Comp: Employer should arrange payment schedule with insurance provider.

YEARLY

940 (FUPA): employer pays – fill out form by the end of January

W-2's and W-3: [W-2 Forms](#) need to be given to all employees by end of January and copies of those and [W-3 Form](#) needs to be [filed with IRS](#) and Idaho State Tax Commission with a [967 Form](#).

1099 Forms: need to be sent to all 1099 vendors by end of January, as well as filed with the IRS and the Idaho State Tax Commission.

To engage services, please call Ann Swanson, Southeast Idaho
SBDC Director at (208) 282-4402 or email swanann@isu.edu.



The Idaho Small Business Development Center (Idaho SBDC) is partially funded by the U.S. Small Business Administration. It operates in partnership with the SBA, Boise State University, and other funding sources. The support given by SBA through such funding does not constitute an expressed or implied endorsement of the co-sponsor's or participant's opinions, products or services. All programs are offered on a nondiscrimination basis. Reasonable accommodations for persons with disabilities will be made, if requested at least two weeks in advance. Contact Kim Sherman-Labrum, 208.426.1612. Reproduction by permission. Updated 9/24/20.

HIRING EMPLOYEES



Idaho State
University

Tax Form Glossary

EFTPS = the Electronic Federal Tax Payment System tax payment service is provided free by the U.S. Department of the Treasury. After you've enrolled and received your credentials, you can pay any tax due to the Internal Revenue Service (IRS) using this system

Employer Identification Number (EIN) = a unique number that is assigned to a business entity so that it can be easily referenced by the Internal Revenue Service

Form IBR-1 = this form is the Idaho Business Registration application where you can request the appropriate business permits needed

Form I-9 = this form is required to verify the identity and employment authorization of individuals hired for employment in the United States. All U.S. employers must properly complete a Form I-9 for each individual they hire for employment in the United States

Form W-4 = an IRS tax form that is required to be filled out by each employee so that employers know the correct amount of tax to withhold from each employee's paycheck based on several factors

Form 910 = File this form for every filing period (e.g., monthly, quarterly). If you have no withholding to report, you must file a "zero" Form 910, either electronically or through the mail (but not both).

Form 940 = this form is used to report annual Federal Unemployment (FUTA) taxes. Most employers pay both a federal and state unemployment tax. Only employers pay FUTA tax. Do not collect or deduct FUTA tax from employee wages

Form 941 = this form is the Employer's Quarterly Federal Tax Return, where employers use this form to report income taxes, social security tax, or Medicare tax withheld from employee paychecks. From there, employers use this to pay their portion of social security or Medicare tax

Idaho Form 926 = an annual report that reconciles all the quarterly 910s

IDOL 025 = this is the Idaho Department of Labor's quarterly unemployment insurance form

Internal Revenue Service (IRS) = the U.S. government agency responsible for the collection of taxes and enforcement of tax laws

State Withholding Number = this number is entered onto state tax forms to report state income taxes withheld from employees' pay

Tax Liability = the total amount that you owe in taxes

Tax Refund = payment back to the taxpayer when the taxpayer pays more tax than they owe

Unemployment Insurance = a federal program where eligible unemployed workers receive cash benefits for a specified period of time. These benefits are paid out of funds derived from employer, employee and government contributions

Withholding Tax = the amount of an employee's pay withheld by the employer and sent directly to the government as partial payment of income tax

Withholding Tables = charts that help employers figure out how much income to withhold from their employees. This is usually in the form of federal income tax, Social Security and Medicare. Federal Income Tax Withholding tables can be found [here](#).

Workers compensation = type of business insurance that provides benefits to employees who suffer work-related injuries or illnesses. Specifically, this insurance helps pay for medical care, wages from lost work time and more

