SMB leaders need to spend more time on business-critical activities and less on admin tasks. Payroll services solutions can help.

Banish Payroll Headaches with Outsourcing Options

Payroll administration looms large. Almost a quarter of SMB owners spend six hours or more a month on payroll administration, and IRS statistics show that 40 percent incur penalties averaging $850 every year. For the businesses themselves, even minor missteps in this area can have major consequences.

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returns, there is no leeway with payroll taxes. If you submit your forms late, the meter on interest and penalties starts running immediately. “It can add up quickly,” Meller warns. In fact, late filing can result in a triple whammy of penalties—for failure to file, failure to deposit, and failure to pay. They can add up to an additional 30 percent or more of your tax liability, and both federal and state filings are subject to them.

REFOCUS ON YOUR BUSINESS

Many SMB owners are not aware of the significant amount of administration and recordkeeping involved with processing payroll. “Due to the impact payroll has on the business and every one of its employees, those recurring tasks are a priority each pay period and have the potential to delay other mission-critical work,” says Tom Gearity, senior vice president of traditional employment solutions at Insperity. “A significant advantage of sourcing payroll to an external provider is the ability to maintain focus on growing the business.”

Whether you have one or 1,000 employees, the size of the business doesn’t necessarily change the level of complexity involved, and repercussions from missteps in this area can be wide-ranging. “Most people think of payroll as the process of issuing paychecks and a year-end W2, but that is only part of the payroll functions,” Meller says. Employers must also file monthly or quarterly reports with the IRS and state tax agencies, and money must be transferred from the business to the appropriate taxing agencies on a regular basis. Miscalculations on those payments could end up triggering interest and penalty fees at the end of the year. “Failing to implement a consistent payroll process that keeps up with regulatory changes can have a real and lasting effect on the success of a small business, in particular,” says John Cumbee, general manager at SurePayroll, a Paychex company. “Missing a payday is a sure way to lose employee trust and confidence. It’s also worth noting that for the average small business, every dollar counts—and payroll penalties can result in thousands of dollars in fines that can cripple the bottom line and put the business in jeopardy.”

Even midsize businesses with dedicated HR professionals lose time and money on in-house payroll and non-strategic HR functions. A 2017 Paychex, Inc. survey found that HR professionals spent an average of 11 hours per week processing payroll, 4.9 hours processing employee benefits, and 1.8 hours managing time off. “Assuming a 40-hour work week and an annual salary of approximately $98,000, this equates to more than $41,000 paid to manage the administrative functions of payroll and payroll-related tasks,” notes Mark Bottini, senior vice president of sales at Paychex. “Imagine those resources allocated to tasks more strategically oriented toward business growth—like attracting and retaining top talent.”

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applying for SMB owners, outsourcing this burden is generally a simple proposition. “There are so many payroll and payroll-related outsourcing options, many available through a single provider,” Bottini says. “There is no one-size-fits-all approach for businesses because not all businesses are the same. The best thing for business owners to do is to work with a provider who has the ability to deliver solutions that are tailored to their needs, scalable and flexible to move and grow with them, and offer them the greatest value for the solutions provided.”

TIMING IS EVERYTHING

Startup businesses should think about engaging an outsourced payroll services provider from day one. Existing businesses looking to switch from a do-it-yourself approach to an outside provider, or from an existing provider to a new one, should consider the timing. “While you can switch payroll services at any time throughout the year, the start of a new quarter or calendar year is generally the easiest time,” Cumbee explains. That approach will minimize the amount of manual data entry required to document prior wages. “If you plan to switch in the middle of a quarter, you will want to ask if your new provider will offer assistance in entering prior-to-service wages,” he advises.

SMBs going through the selection process for a payroll services provider should start by assessing their own needs in this area and making a list of must-have and nice-to-have features, Gearty suggests. Be sure to ask candidates about the specific services they provide, related fee structures, the type and scope of available support, and what kind of help will be provided in implementing the solution, he adds. The solution’s underlying technology and accessibility from both desktop and mobile devices are other important considerations, Bottini says, as are the provider’s depth of experience and its ability to identify and respond to changing compliance regulations.

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Mark Bottini, Senior Vice President of Sales at Paychex.

Cumbee notes that the payroll services market is going through an evolution, with many players moving toward bundled human capital management (HCM) solutions, which are needed by midsize and large companies but may not be the best fit for micro or small businesses. Matching your needs to the services you pay for maximizes cost-effectiveness. There are many good reasons for SMBs to contract with a payroll services provider. Not only can you reduce your exposure to missed filing deadlines and the penalties they trigger, you’ll also free up time to devote to more business-strategic activities and benefit from increased employee satisfaction and morale.