

## Outsourcing Payroll Duties Can be a Sound Business Practice, but Know Your Tax Responsibilities as an Employer

Many employers outsource some of their payroll and related tax duties to third party payroll service providers. They can help assure filing deadlines and deposit requirements are met and greatly streamline business operations. Some of the services they provide are:

Administering payroll and employment taxes on behalf of the employer, where the employer provides the funds initially to the third-party—Reporting, collecting and depositing employment taxes with state and federal authorities.

Employers who outsource some or all of their payroll responsibilities should consider the following:

- The employer is ultimately responsible for the deposit and payment of federal tax liabilities. Even though the third-party is making the deposits, the employer is the responsible party. If the third-party fails to make the federal tax payments, the IRS may assess penalties and interest on the employer's account.
- The employer is liable for all taxes, penalties and interest due.
- The employer may also be held personally liable for certain unpaid federal taxes.
- If there are any issues with an account, the IRS will contact the employer.
- IRS correspondence is sent to the address of record so it is strongly suggested that the address not be changed to that of the payroll service

provider as it may significantly limit the employer's ability to be timely informed of tax matters involving their business.

■ For the employer's protection, the payroll service provider should be asked if they have a fiduciary bond in place. This could protect the employer in the event of default.

Employers should ask the service provider to enroll in and use EFTPS (Electronic Federal Tax Payment System), so the employer can confirm payments made on their behalf. EFTPS maintains a business's payment history for 16 months and can be viewed on-line after enrollment.

In addition, businesses should enroll in EFTPS to make any additional tax payments that their Third Party Provider is not making on their behalf. The IRS recommends employers verify EFTPS payments as part of their bank account reconciliation process. EFTPS is secure, accurate, easy to use and provides an immediate confirmation for each transaction.

The service is offered free of charge from the U.S. Department of the Treasury, and enables employers to make and verify federal tax payments electronically 24 hours a day, 7 days a week through the Internet, or by phone.

For more information, employers can enroll online at <http://www.eftps.gov>, or call EFTPS Customer Service at 800-555-4477 for an enrollment form.

There have been recent prosecutions of individuals and companies who have, acting under the

guise of a service provider, stolen funds intended for payment of employment taxes.

Remember, employers are ultimately responsible for the payment of income tax withheld and both the employer and employee portions of social security and Medicare taxes. **IRS**

SSA/IRS

## Reporter

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### CHANGE OF ADDRESS? OUT OF BUSINESS?

Notify the IRS. Send a letter to the IRS center to which you sent your business returns. Please include your Employer Identification Number (EIN).

Cincinnati IRS Center  
Cincinnati, OH 45999  
Ogden IRS Center  
MS:6273  
Ogden, UT 84207  
Attn: BMF Entity Control Unit

Outside US:  
Philadelphia IRS Center  
Philadelphia, PA 19255

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## You are Invited to Attend...

**What:** Social Security's  
National Payroll Reporting Forum

**Who:** Employers, payroll professionals, wage and tax submitters and others interested in the latest changes for the upcoming tax season, filing electronically, online social security number verification, and more.

**When:** May 11, 2006  
8:30 a.m. to 4:30 p.m.

**Where:** Wyndham Baltimore Inner Harbor  
101 West Fayette Street  
Baltimore, Maryland 21201

**How:** Attendance is free but pre-registration is required. Go to the following link and select National Payroll Reporting Forum to register for the forum and make hotel reservations:  
<http://www.socialsecurity.gov/employer>

The forum is sponsored jointly by Social Security and the Internal Revenue Service. The agenda will include time for Federal agencies and the business community to identify, discuss and resolve common wage and tax reporting issues. Invited agencies include: U.S. Citizenship and Immigration Services, the Department of Labor, and the Administration for Children and Families.

Plan to attend and have a voice in federal government initiatives that will affect the way YOU do business. **SSA**