

QUICK-START GUIDE:

10 Steps to Master Restaurant Payroll



Payroll  **Mart**

INTRODUCTION

There's no shortage of things to worry about when you own and operate a restaurant: serving great food, providing outstanding customer service, hiring amazing staff members.

And payroll.

Yes, "making" payroll is a constant for owner-operators. Making payroll means having enough cash on hand to pay employees on a weekly basis — and it quickly becomes one of the biggest stresses in the business.

How can you turn that stress into a no-big-deal task each week? Take advice from those who have mastered the art of making payroll.

One of my mentors built a company that employed thousands. But he always remembered the lean years when he was just getting started. In those early days, he and his brother had no idea how to cover payroll each week. But they did it. They did it 40 years in a row without missing a single payday. Never letting his employees down was one of his proudest achievements.

How did he do it? I asked him that exact question, and he shared with me a series of tips. Continue reading to discover the steps to (and secrets behind) mastering payroll so you can focus on other important aspects of running a restaurant.

ESTABLISH YOUR BANK ACCOUNT

Starting a new restaurant is always an adventure. There's construction build-out, licensing, inspections and hiring. Delays are common and challenges are inevitable. But you must find time to establish your payroll systems and processes in the midst of this adventure.

The first step is relatively simple: You need a business bank account.

Choose a bank in your area that you trust. If you don't have an existing relationship with a local bank, ask people you know for recommendations.

Once you choose a bank and establish an account, ask your banker for what's called a "bank letter." The bank letter will include all of the information needed to build out your payroll systems and processes: your restaurant's legal name, your federal tax identification number, your bank account number, and your routing number. Your banker will also sign the letter.

Why is this the first step?

Because all payroll providers will ask for a voided check or a bank letter to get started. The bank letter is your key to taking future steps in the process.

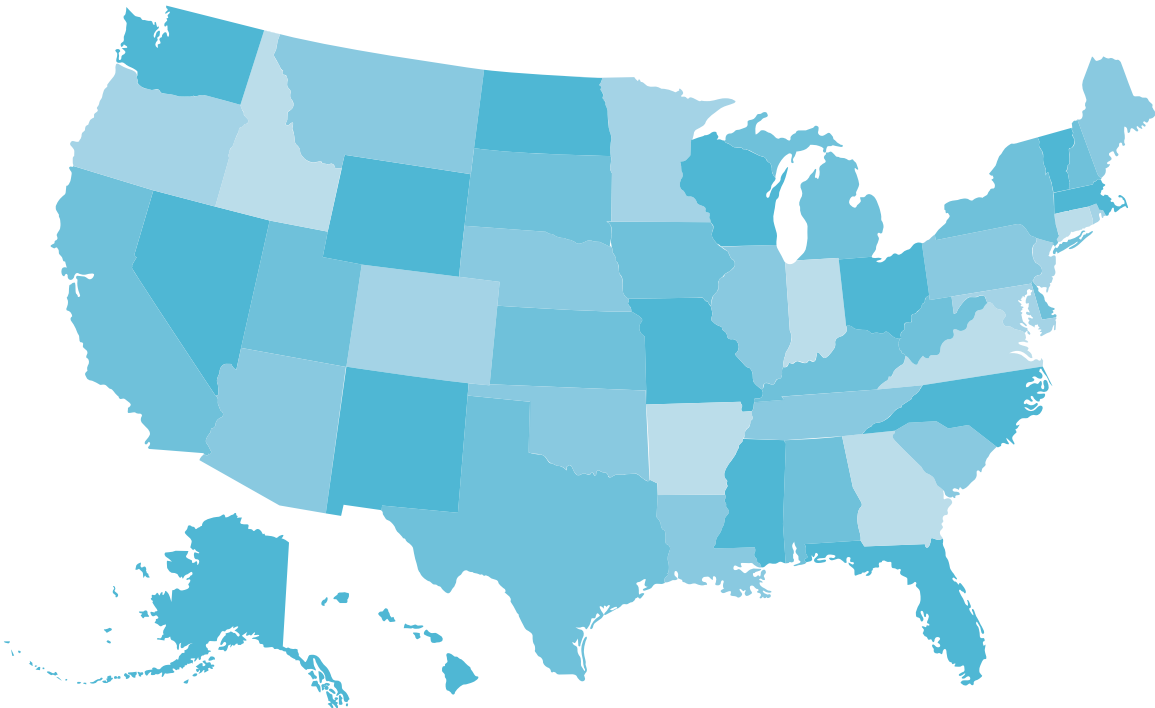


PROOF OF A FEDERAL & STATE TAX ID

You will likely need to show proof of your federal tax Identification number (FEIN), make sure you have a copy of the IRS SS-4 Form ready to submit to your payroll vendor.

Secondly, you will need a state tax identification number. This varies state-by-state, but most states use this number to register your business for unemployment and state income taxes. Visit the website of your state's taxing authority to get more details. In most cases, you can get your state tax ID online. You can also work with a third-party payroll expert who can help you get everything you need for state compliance.

What information is required? Again, it varies state-by-state, but you will likely need the business owner's personal information (like social security number, date of birth, percentage of ownership and address), as well as your date of incorporation, number of employees and estimated payroll amount. Be prepared with this information to make sure the process goes as quickly and smoothly as possible.



STATE TAX REGISTRATION LINKS

State	SUI Website	SIT Website
Alabama	Alabama SUI	Alabama SIT
Alaska	Alaska SUI Only Required	
Arizona	Arizona SUI & SIT	
Arkansas	Arkansas SUI	Arkansas SIT
California	California SUI & SIT	
Colorado	Colorado SUI & SIT	
Connecticut	CT SUI	CT SIT
Delaware	Delaware SUI & SIT	
DC Washington	DC Washington SUI & SIT	
Florida	Florida SUI	N/A
Georgia	Georgia SUI	Georgia SIT
Hawaii	Hawaii SUI & SIT	
Idaho	Idaho SUI & SIT	
Illinois	Illinois SUI & SIT	
Indiana	Indiana SUI	Indiana SIT
Iowa	Iowa SUI	Iowa SIT
Kansas	Kansas SUI	Kansas SIT
Kentucky	Kentucky SUI	Kentucky SIT
Louisiana	Louisiana SUI	Louisiana SIT
Maine	Maine SUI & SIT	
Maryland	Maryland SUI & SIT	
Massachusetts	Mass SUI	Mass SIT
Michigan	Michigan SUI	Michigan SIT
Minnesota	Minnesota SUI	Minnesota SIT
Mississippi	Mississippi SUI	Mississippi SIT
Missouri	Missouri SUI & SIT	

STATE TAX REGISTRATION LINKS





Montana	Montana SUI	Montana SIT
Nebraska	Nebraska SUI	Nebraska SIT
Nevada	Nevada SUI	N/A
New Hampshire	New Hampshire SUI	
New Jersey	New Jersey SUI & SIT	
New Mexico	New Mexico SUI	New Mexico SIT
New York	New York SUI & SIT	
North Carolina	North Carolina SUI	North Carolina SIT
North Dakota	North Carolina SUI	North Carolina SIT
Ohio	Ohio SUI	Ohio SIT
Oklahoma	Oklahoma SUI	Oklahoma SIT
Oregon	Oregon SUI & SIT	
Pennsylvania	Pennsylvania SUI & SIT	
Rhode Island	Rhode Island SUI	Current Federal Tax ID
South Carolina	South Carolina SUI	South Carolina SIT
South Dakota	South Dakota SUI & SIT	
Tennessee	Tennessee SUI & SIT	or by calling toll free 844-224-5818 and pressing option 1, then option 2 for Employer Taxes
Texas	Texas SUI	N/A
Utah	Utah SUI	
Vermont	Vermont SUI	Vermont SIT
Virginia	Virginia SUI & SIT	
Washington	Washington SUI	N/A
West Virginia	West Virginia SUI & SIT	
Wisconsin	Wisconsin SUI	Wisconsin SIT
Wyoming	Wyoming SUI & SIT	

CHOOSE A PAYROLL COMPANY



WHAT FEATURES SHOULD YOU LOOK FOR?

In addition to payroll support and payroll tax filing, these additional features may interest you:

-  Time labor management
-  Paperless onboarding
-  Applicant tracking and recruiting
-  Pay-as-you-go workers' compensation

There are countless payroll companies you can work with. You've likely heard of some of the larger providers like ADP, Gusto, SurePayroll, Paychex and others. But bigger isn't always better.

During your selection process, look for a payroll company that provides consistent and reliable support, especially during the startup phase. Also, ensure the provider has a solid reputation and quality reviews. There are many review sites that let you hear from users about their experiences with different payroll software. Finally, from a security perspective, ask providers to give you SSAE Type I & II reports. These reports demonstrate how the company has established and invested in their security protocols.

The security aspect is most important if you're using a smaller, lesser-known provider. The large, publicly traded payroll providers all have these practices in place. They are also subject to audit.

When comparing different providers' pricing, get three to four apples-to-apples proposals. That means getting pricing for the same term (monthly or yearly) and similar feature sets. Some providers will offer more expensive packages that include features you simply don't need as a startup restaurant.

REGISTER FOR WORKERS' COMPENSATION

Workers' compensation is a fact-of-life for restaurant owners and operators. You pay for workers' compensation insurance so that you're protected if and when someone is hurt as a direct result of working at your establishment.

As mentioned in the previous section, some payroll providers will offer workers' compensation insurance as an add-on service. That's great. But make sure you shop around to make sure you're getting the best deal.

You will need certain information to start shopping: the number of employees at your restaurant, job titles, estimated compensation, etc. Start on this as early as possible so it can be bound as soon as your payroll is established. You don't want to operate even a few days without this protection in place.

Also, make sure you're specifically getting pay-as-you-go workers' compensation. That means you pay the premium every time you run payroll.

WHAT DOES PAY-AS-YOU-GO MEAN?



Pay-as-you-go workers' compensation simply means you pay the premium each time you run payroll. This approach allows you to pay exactly what's reflected on your payroll for that period.

"Pay as You Go" means you pay the premium every time you run payroll



**PAY EXACTLY WHAT WAS
REFLECTED ON YOUR
PAYROLL FOR THAT PERIOD**



ASSIGN A POINT PERSON

As a business owner, you don't have time to manage and communicate with your payroll vendor. You'll want to assign a point person — a single point of contact — to handle that relationship. You have two options:

Delegate to a team member

If your team is big enough, you'll want to delegate this responsibility to someone who is capable of managing the vendor.

Hire a third-party

Smaller restaurant operations may want to hire a third-party bookkeeper or accountant to manage the relationship with the payroll provider.

It's worth saying again: This isn't something the owner-operator should focus on. Your time is better spent on other high-value tasks.

DOCUMENT YOUR EMPLOYEES

As you hire your staff members, start collecting the important documentation needed to get them set up in your payroll system. Ask for a W4 and a direct deposit authorization to start. Your payroll provider will need documentation for at least one employee to launch your system.

CREATE A SCHEDULE

Now you need to establish a schedule for making payments. You may have already provided this information during the sales process with your payroll provider. But, if you haven't, know that most restaurants pay their employees on a weekly basis — 52 times a year. There are pros and cons to this approach:



PROS

Employees love getting paid every week. A weekly cadence can help you recruit and retain top staff members.



CONS

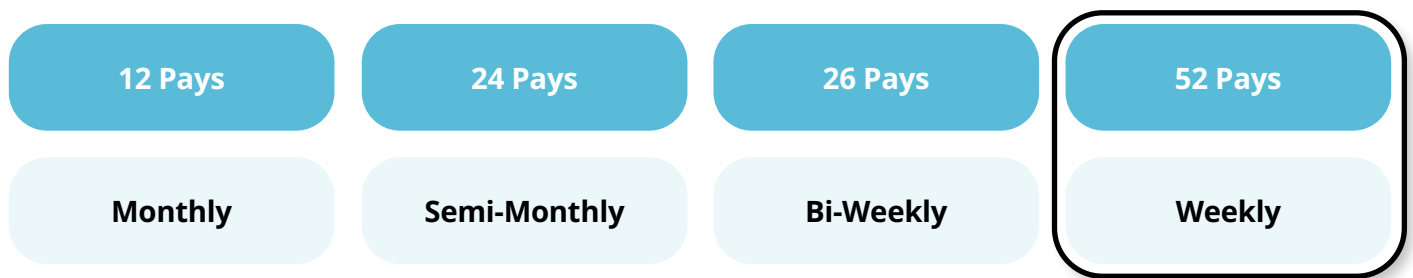
Most payroll providers charge a per-payroll fee. This naturally makes it more expensive to run payroll more often. Also, guaranteeing weekly payment puts more pressure on you to stay ahead with your cash on hand.



Staying ahead with cash on hand is always a challenge — especially when you've just started. Time is never on an owner-operator's side. You're trying to build a business, and payroll sneaks up on you week-after-week. Compounding matters is this: Most payroll providers want new businesses to submit their payroll at least 2 days before the check date.

If your payroll is simple, and if you have a dedicated bank account plus a line of credit, you can set up auto-pay.

But, if your payroll is more complicated, set up a recurring calendar reminder for 2 days before check dates. This allows you to ensure everything is good to go before payments start to run.



SETUP PAY-AS-YOU-GO FILES

Now that you're off and running, it's time to revisit workers' compensation. Contact your broker to let them know they need to bind your policy and begin the pay-as-you-go file setup process. Again, you don't want to go even a day without workers' compensation protection in place. The minute your first employee sets foot on the premises, there's a chance of an accident or injury. Make sure you have an active policy when that first employee arrives.

MAINTAIN CASH FLOW

My mentor put an emphasis on cash flow. If you manage it intelligently, you'll never miss a check date for your employees.

You already have a bank account from Step 1. Maintain a balance that's more than enough to cover your payroll each week, including taxes. Also, talk to your bank about a line of credit that can serve as protection. That is, if you don't have enough in your account to cover payroll, the line of credit kicks in and covers the shortfall. It's common in the restaurant business to use lines of credit for this type of protection. A line of credit ensures you never get the dreaded NSF — or non-sufficient funds.

The 2 Things You Need From Your Bank:



A dedicated bank account: Maintain a balance above what you need to cover weekly payroll (including taxes).



A line of credit: It's common for restaurants to have lines of credit that kick in to cover any payroll shortfalls.

Believe it or not, some restaurants still attempt to manage the filing process for their payroll taxes. They think this approach improves their cash flow position, allowing them to hold onto their money rather than having it automatically deducted from each employee's paycheck.

And the IRS has made this easier than it once was thanks to the Electronic Federal Tax Payment System (EFTPS). But let me tell you from experience: It is simply not worth the angst and added stress to handle this on your own. You may hold onto more of your cash in the short-term, but you're opening yourself up to all sorts of long-term issues.

Let the payroll experts handle this for you. By experts, I mean a reliable payroll company that is audited and that has a long-standing history and reputation.

TRACK EMPLOYEE HOURS

Tracking employee hours is by far the most time-consuming component of payroll. This is especially true if you run a business with a large or seasonal workforce.

Two things can help you significantly reduce the amount of time spent entering and/or importing hours into a payroll system:

**ELECTRONIC
TIME CARDS**

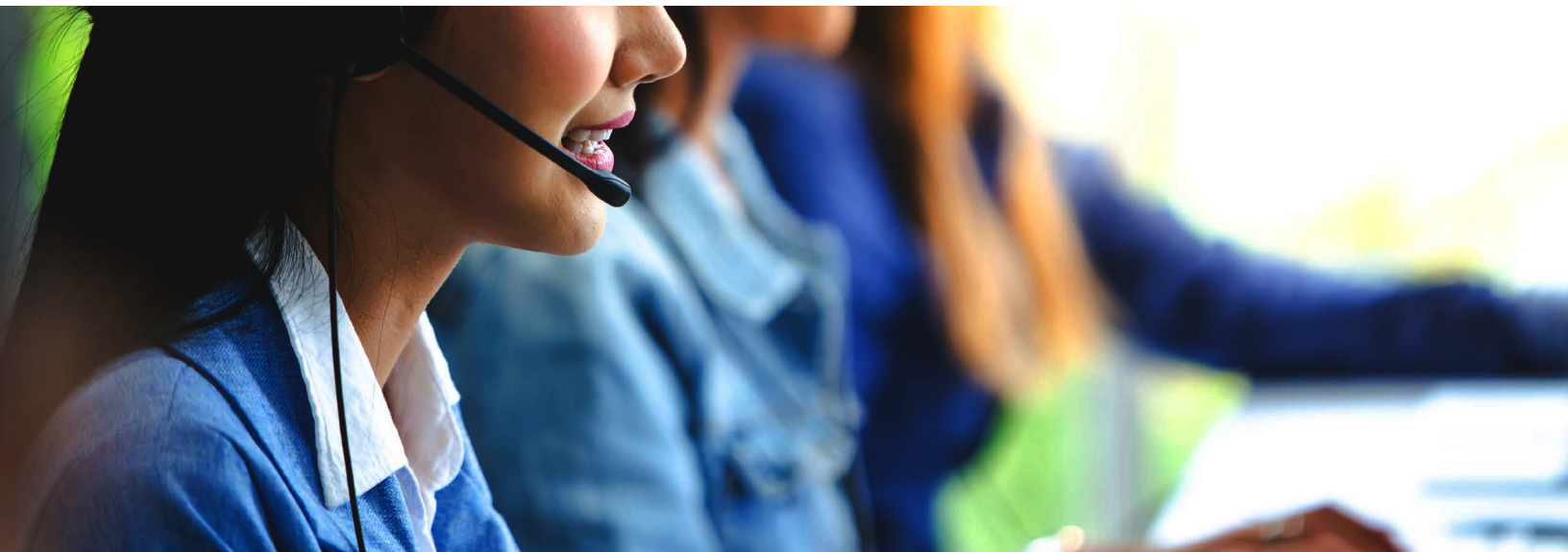
**AN INTEGRATED
TIME LABOR MANAGEMENT
SYSTEM**



Your employees will be punching in and out at their computer, mobile app, and/or at a time clock. The employee's time will be captured on their electronic timesheet for that pay period. Your payroll platform will automatically pull hours worked into the payroll queue where it waits for managerial approval.

Once the payroll period has closed and managers approve the electronic timesheets, you will be able to run the payroll.

Do yourself a big favor and get rid of paper timesheets and/or manually tracked time. Modern technology like integrated payroll and time systems are affordable and well worth the investment in accuracy and time saved.



BONUS: HAVE A BACKUP PLAN

You won't always be able to run payroll. While you may be around most of the time, you will get sick, you will take vacation, and you will otherwise be unavailable to handle this essential task.

So have a backup plan. Ask a trusted employee or a third-party expert (like a bookkeeper) to use your account and submit payroll in the event you're unable to for whatever reason.