

# Five Common Payroll Mistakes & Their Solutions



## Payroll is arguably the most essential yet taken for granted function in any organization.

Just like air, a well-set payroll process is ubiquitous and not so noticeable. You only know something is working well for the organization's good when not much attention is paid to it. It's a different story when payroll processes begin misbehaving or result in missing data, and then it can feel like World War III.

Knowing things like how long does an employer have to fix a payroll error, can help you correct issues in minimal time. In fact, these mistakes are avoidable with good education, proper planning and having the right tools.



# Common Payroll Mistakes

## 1. Misclassifying Employees

There are many things to note under the Fair Labor Standards Act (FLSA), which includes the provision of benefits and protections, like overtime pay and minimum wage, for most employees. However, independent contractors are left out of the party as they are not afforded these protections. Exempt and non-exempt employees also have different legal rights that shouldn't be mixed up.

It's not unheard of for companies to slip up and misclassify their employees as independent contractors or exempt when they're neither – and this error can be very costly if left uncorrected.

## 2. Messing Up Pay Figures

From overtime and commissions to deductions and PTO, companies must ensure pay is calculated correctly. For instance, different states may have different policies regarding working overtime. At the same time, the general rule for overtime wages is 1.5 times the regular wage for going beyond 40 hours in a workweek.

It's important to remain compliant with the law at all times. Not tracking properly is also a major contributor to miscalculated pay. If there is no tidy or reliable way to track hours or any time off, it's not surprising or unusual to overpay or underpay.

### But how long does an employer have to fix a payroll error?

Errors should be promptly corrected, and they shouldn't be taken for granted as they can help you escape penalties.

## 3. Missing Payroll Deadlines

Timing cannot be overemphasized when carrying out the payroll function.

As complex as the steps can get, it's not out of the ordinary to miss a deadline. It's highly important to know the pay frequency requirements for the state you're operating in. When it comes to payroll taxes, deadlines are no less important. Missing a tax deadline can cost your business a considerable amount with late fees, penalties, or even legal trouble. Knowing your timeline—both internal for paydays and external for taxes—is vital to a smooth payroll process.



## 4. Not Sending Tax Forms When You Should

The end of the year and the start of a new year is not a fun period for the payroll department. Even with all the stress of processing payments, taxes, and heavy workload, the truth is that you can't afford to forget to send out the necessary tax forms to your employees.

From W-2 forms to 1099s, it's crucial to send the correct forms to the right parties. Not doing this is both inconvenient and trouble-causing for your company. And the tax rate is not to be overlooked either as it's subject to change and needs to be updated regularly. By doing this, you will avoid owing taxes or making payroll corrections.

## 5. Failing To Keep Complete Records

It's best to be as thorough as possible, even if it seems overboard. The FLSA has stated that employers need to keep three years' worth of pay records. These records include everything from hours worked, and payment rates, to payroll dates and that's not all.

Audits are a common practice, and this data serves to keep your company safe when going through them. It has a hand in making the payroll process smooth, too. If you don't have complete records or information, you tend to make mistakes like miscalculating pay and misclassifying employees.

# Solutions For Common Payroll Errors

## 1. Invest In Solid Tools

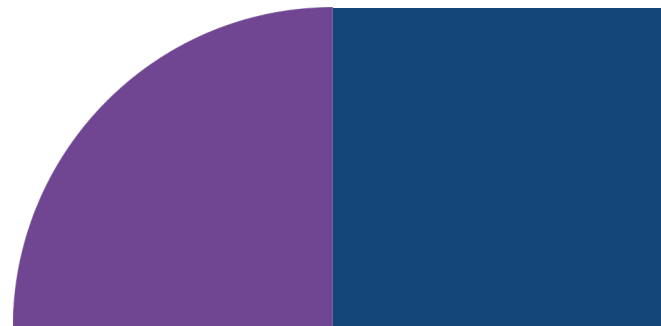
Invest in good payroll software that can work in synergy with your HR team and systems.

Software can help you:

- Manage and update employee information
- Avoid double-entry
- Generate useful reports
- Distribute pay stubs
- And file taxes

## 2. Keep Learning

While it's natural to make mistakes, many payroll errors happen because payroll professionals do not have good information or the correct information. Laws and policies are never static and constantly change. Stress the importance of staying in the loop with current regulations.



### 3. Run Reports Before Processing Payroll

With access to payroll software, why not get your money's worth and make good use of what it has to offer? Running important reports before processing payroll can help you prevent or correct mistakes before they become serious.

### 4. Have Thorough Guidelines

When handling the complex and sensitive task of payroll, you'll need a good checklist, even if you have good software. Thorough guidelines will help you assess each process and ensure accuracy. If you happen to make a payroll error, you'll need to act fast and report to the state and federal bodies if it's that serious.

Guidelines for keeping lists of new hires, changes made to pay, deduction changes and any other vital updates can help minimize errors.

### How EmPower HR Can Help?

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