

Identifying the need for an Employee

Pro

- Increased opportunities for time off for you
- Expansion, increased income
- Providing jobs
- Having co-workers

Con

- Increased costs
- Increased complexity
- Difficulty finding someone as effective as you are

Use a budget to help determine if hiring employees makes sense to you. Contact us if you need assistance.

Ten Steps to Hiring Your First Employee

The good news is that business is booming. The bad news is there is only one of you. It is time to take the plunge and hire some help. There are many good sources of information about finding the right people, writing job descriptions, interviewing candidates, and managing people once they are on board. While those are all important issues, understanding your regulatory requirements as an employer is crucial to the success of your business. This guide lays out ten easy steps for new employers to follow to ensure compliance with key federal and state regulations.

Step 1: Obtain an Employer Identification Number (EIN)

Before hiring employees, you need to get an employment identification number (EIN) from the U.S. Internal Revenue Service. The EIN is often referred to as an Employer Tax ID or as Form SS4. The EIN is necessary for reporting taxes and other documents to the IRS. In addition, the EIN is necessary when reporting information about your employees to state agencies. To obtain an EIN, you can apply online or contact the IRS directly.

U.S. Internal Revenue Service Phone: 1-800-829-4933

[Guide to the Employer Identification Number](#)

[Apply for an EIN Online](#)

Step 2: Set up Records for Withholding Taxes

The IRS states that you must keep [records of employment taxes](#) for at least four years. Also, keep good records for your business to help you monitor the progress of your business, prepare your financial statements, identify source of receipts, keep track of deductible expenses, prepare your tax returns, and support items reported on tax returns.

Federal Income Tax Withholding (Form W-4)

Every employee must provide an employer with a signed withholding exemption certificate (Form W-4) on or before the date of employment. The employer must then submit Form W-4 to the IRS to ensure. For specific information on employer responsibilities regarding withholding of federal taxes, read the IRS' [Employer's Tax Guide](#).

Federal Wage and Tax Statement (Form W-2)

On an annual basis, employers must report to the federal government wages paid and taxes withheld for each employee. This report is filed using Form W-2, Wage and Tax Statement. Employers must complete a Form W-2 for each employee to whom they pay a salary, wage, or other compensation.

Employers must send Copy A of Forms W-2 (Wage and Tax Statement) to the Social Security Administration (SSA) by the last day of February (or last day of March if you file electronically) to report the wages and taxes of your employees for the previous calendar year. In addition, employers should send copies of Form W-2 to their employees by January 31 of the year following the reporting period.

Visit the Social Security Administration's [Employer W-2 Filing Instructions](#) and Information for further guidance and assistance.

Visit your California [state tax agency](#) for further information.

Step 3: Employee Eligibility Verification (Form I-9)

Federal law requires employers to verify an employee's eligibility to work in the United States. Within three days of hire employers must complete an Employment Eligibility Verification Form, commonly referred to as an I-9 form, and by examining acceptable forms of documentation supplied by the employee, confirm the employee's citizenship or eligibility to work in the United States. Employers can only request documentation specified on the I-9 form. Employers who ask for other types of documentation not listed on the I-9 form may be subject to discrimination lawsuits.

Employers do not file the I-9 with the federal government. Rather, an employer is required to keep an I-9 form on file for 3 years after the date of hire or 1 year after the date the employee's employment is terminated, whichever is later. The U.S. Immigration and Customs Enforcement (ICE) agency conducts routine workplace audits to ensure that employers are properly completing and retaining I-9 forms, and that employee information on I-9 forms matches government records.

[Download Form I-9 \(Employment Eligibility Verification\)](#)

All U.S. employers are responsible for completion and retention of Form I-9 for each individual they hire for employment in the United States, including citizens and non-citizens.

[Instructions for Completing the I-9: Handbook for Employers](#) - A comprehensive guide to completing Form I-9, Employment Eligibility Verification.

[Small Business Guide to Immigration Regulations](#) - Provides a summary of immigration laws most important to small business owners, including information about completing the I-9 form.

Employers can use information taken from the Form I-9 to verify electronically the employment eligibility of newly hired employees through E-Verify. To get started [register with E-Verify](#) to virtually eliminate Social Security mismatch letters, improve the accuracy of wage and tax reporting, protect jobs for authorized workers, and help maintain a legal workforce.

Step 4: Register with Your States New Hire Reporting Program

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires all employers to report newly hired and re-hired employees to a state directory within 20 days of their hire or rehire date.

Visit the [New Hires Reporting Requirements page](#) to learn how to register with California's New Hire Reporting System.

Step 5: Obtain Workers' Compensation Insurance

Businesses with employees are required to carry Workers' Compensation Insurance coverage through a commercial carrier, on a self-insured basis, or through the state Workers' Compensation Insurance program. Visit your state's [Workers' Compensation Office](#) more information on your state's program. You will need this before you hire employees. You may also contact your local insurance agent or "commercial" agents such as State Fund 443-9721 for more information. The cost is based on a percentage of your labor and will need to be paid in advance.

Step 6: Unemployment Insurance Tax Registration

Businesses with employees are required to pay unemployment insurance taxes under certain conditions. If your business is required to pay these taxes, you must register your business with your state's workforce agency. The [State Taxes](#) page includes links to your state's agency.

Step 7: Obtain Disability Insurance (If Required)

Some states require employers to provide partial wage replacement insurance coverage to their eligible employees for non-work related sickness or injury. Currently, if your employees are located in any of the following states, you are required to purchase disability insurance: [California](#) - The Job Market - Employment Development Department

Step 8: Post Required Notices

Employers are required by state and federal laws to prominently display certain posters in the workplace that inform employees of

their rights and employer responsibilities under labor laws.

These posters available from free from federal and state labor agencies. Visit the Workplace Posters page for specific federal and state posters you will need for your business. California has specific required postings that you can [access here](#). You can also buy an all-in-one poster from the California Chamber of Commerce at <https://www.calchamber.com/hrcalifornia/Pages/hrcalifornia.aspx>.

Step 9: File Your Taxes

If you are new employer, there are new federal and state tax filing requirements that apply to you. Generally, each quarter, employers who pay wages subject to income tax withholding, social security, and Medicare taxes must file IRS Form 941, Employer's Quarterly Tax Return. Small businesses an annual income tax liability of \$1,000 or less may file IRS Form 944, Employer's Annual Federal Tax Return instead of Form 941.

You must also file IRS Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, if you paid wages of \$1,500 or more in any calendar quarter or you had one or more employees work for you in any 20 or more different weeks of the year. New and existing employers should consult IRS' [Employer's Tax Guide](#) to understand all their federal tax-filing requirements.

Visit California's agencies for more information:

[California Tax Service Center](#)

[Workers' Compensation Insurance](#)

[Unemployment Insurance Tax](#)

[Disability Insurance](#)

Step 10: Get Organized and Keep Yourself Informed

Being a good employer does not stop with fulfilling your various tax and reporting obligations. Maintaining a healthy and fair workplace, providing benefits, and keeping employees informed about your company's policies are key to your business' success. Here are some additional steps you should take after you have hired your employees:

Set up Recordkeeping

In addition to requirements for keeping payroll records of your employees for tax purposes, certain federal employment laws also require you to keep records about your employees. You may be subject to state record keeping requirements as well. Therefore, it is good practice to set up a sound, organized system for maintaining all personnel records. The following sites provide more information about federal reporting requirements:

[Tax Recordkeeping Guidance](#) - Resources and tools aimed at helping employers maintain their tax records.

[Labor Recordkeeping Requirements](#) - Employment laws such as the Occupational Safety and Health (OSH) Act, the Fair Labor Standards Act (FLSA) and the Family and Medical Leave Act (FMLA), have certain recordkeeping and/or reporting requirements.

Adopt Workplace Safety Practices

The Occupational Safety and Health Administration's (OSHA) [Quick Start](#) tool provides a clear, step-by-step guide that helps you identify many of the major OSHA requirements and guidance materials that may apply to your workplace.

Understand Employee Benefit Plans

If you will be providing benefits to your employees, you should become familiar with the uniform minimum standards required by federal law to ensure that employee benefit plans are established and maintained in a fair and financially sound manner. See the U.S. Department of Labor's Employment Law Guide chapter on [Employee Benefit Plans](#) for more information.

Learn Management Best Practices

While you *aren't* legally required to be a good manager, it sure helps when trying to recruit and retain good employees. The U.S. Small Business Administration's [Guide to Managing Employees](#) provides sound guidance on hiring, motivating, and directing employees.

Apply Standards that Protect Employee Rights

Complying with standards for employee rights in regards to equal opportunity and fair labor standards is a requirement. Following statutes and regulations for minimum wage, overtime, and child labor will help to avoid error and a lawsuit. See the Employment Law Guide's chapter on [Laws, Regulations and Technical Assistance Services](#) for information and FirstStep Employment Law Advisor for advice on federal requirements. Also, visit the [Equal Employment Opportunity Commission \(EEOC\)](#) and Fair Labor Standards Act (FLSA).

The Hiring Process

Recruiting:

Develop a clear idea of the ideal candidate. Create a job description. This should include information on job responsibilities and job related physical requirements. Once you have identified the traits you need in an employee, your next step is to identify the best ways to reach them. Where are they likely to see or hear about a job posting? Family and friends, online sites, the newspaper, university bulletin boards?

[CalJOBS](#) is the state job listing service. You can browse job-seekers resumes, or post your opening. It is free, and easy to use.

Both CR and HSU will post job listings for free in their Career Departments:

HSU: (707) 826-5473 (<http://www2.humboldt.edu/acac/>).

CR: (707) 476-4159

Applications:

Some businesses use applications, some ask for resumes, some do both. An application allows you to gather wage information and actual dates that often are not included on a resume. If an application is used, all requested information should be job related (generic application example).

Screening/Interviewing:

All Resumes and applications should be kept for 15 months from date of job posting. Generally, it is a good practice to interview more than one person for a position. Screen the applications based on your job description. Use objective, job related criteria to separate those applications you want to explore further with those who do not fit the job description. Some common reasons for not exploring an application further are; lack of availability, inappropriate salary history, lack of qualifications, incomplete application, etc.

Once you have picked the applicants you want to interview, call and set up appointments. Make sure you have 45 minutes to an hour of uninterrupted time with the applicant. Make sure all conversation is job related. Ask all applicants the same general questions. Maintain a polite professional demeanor. This is an excellent opportunity to manage expectations and make a good impression yourself. If there are hurdles for the successful applicant, like needing to be fingerprinted, ask now to ensure they are not surprised when you need this before they can work. Avoid making an immediate decision.

References:

Conduct reference checks on the applicant you are considering hiring. Call previous employers as opposed to personal references. Many employers are limited in what they can tell you about an applicant. Even these folks generally can verify dates of employment and tell you if the applicant is eligible for rehire. (See sample reference checks in previous link).

Job Offer:

Once you have a candidate you want to hire, you can make a job offer. Call them and check that they can physically do the job. If they are physically able to do the work, offer them the job. Ask them to bring their ID (as outlined on the second page of the I-9 form below) for their first shift as they will need it for the I-9 form.

Don't forget:

- A training plan that breaks the training process into manageable chunks with time for questions.
- An employee manual. [Download a sample template](#). There are numerous others on the web.

The SBDC can help with each step. Call the North Coast SBDC at 445-9720 with questions or if you want to work through it with a business counselor. The forms on this page are intended as samples only. Use them at your own risk. Make sure to consult with an HR expert regarding your specific situation, needs, and risks