

Hiring Your First Employee: Ten Things You Must Do

Start off on the right foot when you become an employer.

1. Obtain an employer identification number. When you hire employees, you must get an employer identification number (EIN) to use on tax returns and other documents you submit to the IRS. To get an EIN, you must file IRS Form SS-4. You can download the form from the IRS website at www.irs.gov.

2. Register with your state's labor department. Once you bring on employees, you will have to pay state unemployment compensation taxes. These payments go to your state's unemployment compensation fund, which provides short-term relief to workers who lose their jobs. Go to <http://workforcesecurity.doleta.gov/map.asp> for a list of state unemployment insurance tax agencies.

3. Set up a payroll system to withhold taxes. You'll need to withhold a portion of each employee's income and deposit it with the IRS, and also make Social Security and Medicare tax payments to the IRS. For more information, get IRS Publication 15, Circular E, *Employer's Tax Guide* from the IRS website at www.irs.gov. (You may also have to withhold taxes for your state. For more information, check with your state's tax agency; you can find links to each state's agency at the website of the Federation of Tax Administrators at www.taxadmin.org.)

4. Get worker's compensation insurance. You must have workers' comp coverage to protect workers who might suffer on-the-job injuries. For more information on workers' compensation laws, see *Everyday Employment Law: The Basics*, by attorneys Lisa Guerin and Amy DelPo (Nolo).

5. Adopt workplace safety measures. Virtually every employer must comply with the requirements of the Occupational Safety and Health Act (OSHA) by, among other things, providing a workplace free of hazards, training employees to do their jobs safely, notifying government administrators about serious workplace accidents, and keeping detailed safety records. For information on these rules, go to website of the Occupational Safety and Health Administration at www.osha.gov.

6. Post required notices. Several government agencies require employers to post notices providing information on worker rights for their employees. For information on required federal posters, go to the Department of Labor website at www.dol.gov. Use the online "Poster Advisor" to determine which posters you must display in your workplace. In addition, you must comply with your state department of labor's poster requirements. A list of state departments of labor is included on the federal Department of Labor's website.

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7. Set up personnel files. For each employee you hire, create a file in which to keep job-related documents, such as job applications, employment offers, IRS Form W-4, performance evaluations, and sign-up forms for employee benefits. Medical records should be kept in a separate, confidential file, in a locked cabinet. And you should store I-9 Forms, which document an employee's immigration status, in a separate file as well. For more information on developing a system for storing and maintaining personnel records, including state-by-state rules about employee access to their files, see [*The Employer's Legal Handbook*](#), by Fred Steingold (Nolo).

8. Create an employee handbook. Although not required, it is an excellent idea to have a handbook describing your business's employee policies and making it clear that employment is at will unless an employee has signed a written employment contract. A great resource is [*Create Your Own Employee Handbook: A Legal & Practical Guide*](#), by Lisa Guerin and Amy DelPo (Nolo).

9. Set up employee benefits. If your business has established employee benefit programs such as health insurance or a 401(k) plan, you'll need a sign-up procedure so employees can enroll, name their dependents, and select options.

10. File IRS Form 940-EZ each year. You must file this form to report your federal unemployment tax for any year in which you paid wages of \$1,500 or more in any quarter or for any year in which an employee worked for you in any 20 or more different weeks of the year. (You must use IRS Form 940 instead of Form 940-EZ if you paid unemployment contributions to more than one state or if you did not pay all of your unemployment contributions by January 31.) You can find both forms at www.irs.gov.

Required for Each New Employee Hired

√ **Report the employee to your state's new hire reporting agency.** The new hire reporting program requires employers to report information on new employees for the purpose of locating parents who owe child support. For more information, go to the Administration for Children & Families website at www.acf.dhhs.gov, which also provides the name and address of your state's new hire reporting agency.

√ **Fill out Form I-9, Employment Eligibility Verification.** U.S. Citizenship and Immigration Services (USCIS, formerly known as the INS) requires employers to use this form to verify that every employee they hire is eligible to work in the United States. (You don't have to file this form with the USCIS, but you must keep it in your files for three years and make it available for inspection by officials of the USCIS.) You can obtain the form online at www.uscis.gov.

√ **Have the employee fill out IRS Form W-4, Withholding Allowance Certificate.** On

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this form, employees tell you how many allowances they are claiming for tax purposes, so that you can withhold the correct amount of tax from their paychecks. (You don't have to file the form with the IRS.) You can find this form at www.irs.gov.

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