

# How much are payroll errors

**Costing** your business?



## Misclassification of Employees

### Cost

On a \$50,000 salary, this could amount to nearly \$9,972 in IRS penalties alone, excluding state taxes and other legal expenses.

### Tip

Regularly review employee job descriptions and responsibilities to ensure they align with the IRS criteria for an independent contractor or an employee and update classifications accordingly.



## Late Payroll Tax Deposits

### Cost

A deposit delayed by more than 15 days could cost up to 10% of the unpaid taxes, which on a \$10,000 tax bill could result in a \$1,000 penalty.

### Tip

Utilize automated payroll systems with tax reminders and direct deposit scheduling to ensure payroll taxes are always paid on time.



## Inaccurate Paycheck Amounts

### Cost

For a payroll error affecting \$50,000, the cost could be around \$1,000, excluding potential lawsuit expenses or damage to employee relations.

### Tip

Establish thorough payroll review processes and ensure reconciliation checks are in place before finalizing and distributing paychecks.



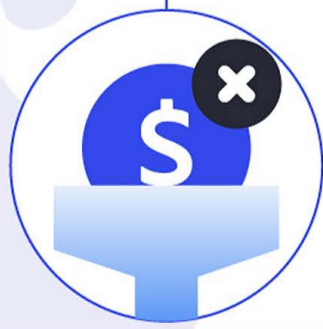
## Failure to Maintain Records

### Cost

An employer fails to keep required records for ten employees, the potential federal fines could total up to \$11,000, plus any associated state penalties and legal costs.

### Tip

Use digital record-keeping solutions that comply with legal requirements and routinely audit your records to ensure they are up to date and easily accessible.



## Incorrect Tax Filings

### Cost

For a reported income of \$50,000, penalties could range from \$10,000 for an honest error to \$37,500 if deemed fraudulent by the IRS.

### Tip

Implement payroll software that includes tax filing features and automates calculations to reduce the risk of human error.