

How to Do Payroll in Rhode Island

Use this downloadable checklist to help you stay on track!

✓	TASK
	Step 1: Set up your business as an employer. At the federal level, you need your Employer ID Number (EIN) and an account in the Electronic Federal Tax Payment System (EFTPS). ☐ Applied for a Federal Employer Identification Number (EIN) ☐ Enrolled for the Electronic Federal Tax Payment System (EFTPS)
	Step 2: Register your business in Rhode Island. You can register for both income withholding and unemployment insurance tax accounts online using the RI Division of Taxation Combined Online Registration Service. You will receive a withholding account ID and a withholding deposit schedule during the online registration process. Your RI Employer Unemployment number will be sent via mail 3-5 days after registering. ☐ Register for your employment tax accounts RI Division of Taxation Combined Online Registration Service.
	Step 3: Set up your payroll. Whether you're going to do payroll yourself or use a payroll software, you'll need to determine a payroll process that is compliant with Rhode Island law and that works for your business. This includes deciding when and how you'll pay employees, how you'll collect and submit payroll forms when necessary, how and when to verify employee time worked, etc. ☐ Decide how you'll process payroll and make the correct calculations and payments: Do payroll yourself, Use Excel payroll templates, Sign up for a payroll service ☐ Decide how often you'll pay employees and when you need to start the process ☐ Choose the methods of payment you will use to remit payment
	Step 4: Collect employee payroll forms.

	This is easiest if you do it during onboarding. Forms include: ☐ Federal Form W-4 ☐ Rhode Island State Form RI W-4 ☐ I-9 ☐ Direct deposit authorization form
	Step 5: Collect, review, and approve time sheets. If you have hourly or nonexempt employees, you'll need a way to track employee work hours. Most small business owners create their own time sheets or use time and attendance software, some of which have free plans. ☐ A paper timesheet ☐ Free or low-cost time and attendance software ☐ A payroll service that has a time and attendance system
	Step 6: Calculate payroll and pay employees. You'll need to make several payroll calculations, including totaling hours worked (use our free timecard calculator to help), gross pay, paycheck deductions, tax withholdings, benefit premiums, etc. You'll also pay employees on schedule. An Excel payroll template or payroll software can help automate this step. ☐ Calculate Gross Pay ☐ Calculate FICA, FUTA, & Income Taxes to withhold/pay ☐ Perform any other payroll calculations, i.e., for expense reimbursement ☐ Calculate net payroll ☐ Decide to pay using check, paycard, direct deposit
	Step 7: File payroll taxes with the federal government and state of Rhode Island. Federal tax payments must be made via EFTPS. Generally, you have to deposit federal income tax withheld and both employer and employee Social Security and Medicare taxes based on the schedule assigned to your business by the IRS. The IRS can assign you to one of the following depositing schedules: monthly or semiweekly. Make all state tax payments directly to Rhode Island's Division of Taxation. ☐ Pay federal taxes ☐ Pay Rhode Island state income taxes according to assigned schedule ☐ Pay Rhode Island state unemployment taxes ☐ Pay federal unemployment taxes

	Step 8. Document and store your payroll records. You'll need to keep records on employees for a few years, per federal recordkeeping requirements (three years for payroll records and four years for payroll tax documents). ☐ Decide how you'll store payroll records (paper file system, electronic folders, software)
	Step 9. Do year-end payroll tax reports. Send the federal Forms W-2s (for employees) and 1099s (for contractors) by Jan. 31 following the year for which you're reporting. You'll also need to send copies to the IRS along with a summary form for each. ☐ Distribute federal Forms W-2 forms (for employees) by Jan 31 ☐ File federal W-2 with IRS by Jan. 31; if you have <250 employees, you can file by Feb. 28 ☐ Distribute Rhode Island state W-2 forms by Jan. 31 ☐ File Rhode Island state W-2 forms by Jan. 31, electronically if you have >25 employees ☐ File Rhode Island RI W-3 by Jan. 31 ☐ Distribute 1099 forms (for contractors) by Jan. 31 ☐ File 1099 form with IRS by March 1 if mailing or March 31 if submitting electronically