How to Do Payroll in Delaware

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 with the State of Delaware. Delaware has a one-stop-shop website for business licensing and registration. If you need assistance with registering, please see the State of Delaware's guide on opening a business.
	Step 3: Set up your payroll process. Your payroll process begins by figuring out how to pay your employees and when. A business that is already established probably has a process that you inherit, but it may need to be altered to better fit your needs. You'll also need to decide when you'll collect and submit employee payroll forms and how early you need to begin processing payroll before payday. ☐ Set a pay schedule & a pay date ☐ Decide how you'll be paying each employee ☐ Choose how you'll calculate & process payroll
	Step 4: Collect employee payroll forms. This is easiest if you do it during onboarding. Forms include: ☐ Federal Form W-4 ☐ Delaware State DE-W4 ☐ 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 employee gross pay and taxes.

You can set up an Excel payroll template, use a calculator (our free time card calculator can perform basic time calculations), and/or sign up for a payroll service to help you handle your Delaware payroll.

- [ ] Calculate Gross Pay
- [ ] Calculate FICA, FUTA & Income Taxes to withhold/pay
- [ ] Perform any other payroll calculations, i.e., for expense reimbursement

Step 7: Document and store your payroll records. Keep your payroll records for all employees for at least three years or payroll tax records for four years, including those who are no longer with your company.

Delaware requires employers that have more than three workers to maintain records relating to hours and wages for at least three years. In addition, upon hiring, you must let each employee know in writing about their pay rate, pay date, and the location of payment.

- [ ] Decide how you'll store payroll records (paper file system, electronic folders, software)

Step 8. File payroll taxes with the federal and state governments. The IRS has forms and instructions on filing federal taxes, including unemployment. You can also **order official tax forms from the IRS**. For state taxes in Delaware, you remit your taxes on the following schedules: Eighth-monthly (eight times in a month), monthly, or quarterly.

- [ ] Pay Delaware state income taxes according to assigned schedule
- [ ] Pay Delaware state unemployment taxes
- [ ] Pay federal unemployment taxes

	Step 9: Complete year-end payroll reports. ☐ 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 Delaware state W-2 forms by Jan 31 ☐ File Delaware state W-2 forms by Jan 31 ☐ File Delaware WTH-REC by Jan 31 ☐ Distribute 1099 forms (for contractors) & file by Jan 31 ☐ File 1099-NEC form with IRS by Jan 31, and Form 1099-MISC & Form 1099-R by March 31