

How to Do Payroll in Minnesota

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 Minnesota. To register for a Minnesota tax ID, you need your EIN, contact information, officers' names and Social Security numbers, and your NAICS code. ☐ Create an account with Minnesota e-Services to file payments. ☐ Create a Minnesota Unemployment Insurance Employer Account to file and pay state unemployment insurance taxes (SUTA).
	Step 3: Set up your payroll process. Minnesota has few rules about pay frequency, so you can set the best schedule for your business and workers. Semimonthly is the standard. You'll also need to decide how you'll pay employees—direct deposit is most convenient, but check and cash payments are acceptable as well. ☐ Decide how you'll process payroll and make the correct calculations and payments: Do payroll yourself, use Excel payroll templates, or 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 ☐ Minnesota State Form W-4MN ☐ North Dakota and Michigan residents need file a Form MWR if they'd like to be exempted. ☐ I-9 ☐ Direct deposit authorization form
	Step 5: Collect, review, and approve time sheets. It's important to track employee hours if you have hourly or nonexempt employees. Be sure overtime is accurately recorded, as this is taxed at a different rate. 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 and Minnesota state governments. Follow the IRS instructions for federal taxes, including unemployment. • Minnesota Income Taxes: If you paid less than \$500 in withholdings in the previous year, you can submit your returns as an annual filer by Jan. 31 of the following year, or by the last day of the month in which you exceed \$500.

	Otherwise, follow the quarterly schedule, just as you do for SUTA. Your payments, however, are due more frequently, depending on how much you owe. • State unemployment insurance taxes (SUTA): These payments are due quarterly. File them through the Employer Self-Service System. Log on to the Minnesota UI website to get instructions on file formats. ☐ File & Pay federal taxes ☐ File & Pay Minnesota state income taxes according to assigned schedule ☐ Pay Minnesota state unemployment taxes ☐ Pay federal unemployment taxes
	Step 8: Document and store your payroll records. Minnesota requires you to keep records on employees for at least three years. Information should include contact information for you and your employee, pay stub information, a record of free meals, and proof of age of minors. Federal law requires you to keep payroll tax records for at least four years. ☐ 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 ☐ Distribute Minnesota state W-2 forms by Jan. 31 ☐ File Minnesota state W-2 forms by Jan. 31; if you have more than 10 forms, file electronically ☐ Distribute 1099 forms (for contractors) by Jan. 31; if you have more than 10 forms, file electronically ☐ File 1099 form with IRS by Feb 28 if mailing, or March 31 if submitting electronically