How to Do Payroll in Montana

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 Montana. You need your EIN, dates your employees started working in Montana, and general contact information, along with legal business and trade name or Doing Business As (DBA). Once approved, you can sign up for a TransAction Portal (TAP) account. ☐ Sign up for a TAP Account ☐ Register for an employer account number through the Montana Unemployment Insurance Division's website.

	Step 3: Set up your payroll process.
	
	Montana 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 ☐ Montana State Form MW-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. You must pay employees within 10 days of the pay period ending unless a time sheet is turned in late—so it's important to gather and approve work hours for all employees you're paying an hourly rate. ☐ 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 ☐ Pay employees using check, paycard, direct deposit, etc.
	Step 7: File payroll taxes with the federal and Montana state government. Follow the IRS instructions for federal taxes, including unemployment. • **Montana Income Taxes:** The state will send you the schedule for payments. However, you are welcome to pay withholdings every pay period if you prefer.

	● **State unemployment insurance taxes (SUTA):** You must pay these taxes online. ☐ Pay federal taxes ☐ Pay Montana state income taxes according to assigned schedule ☐ Pay Montana state unemployment taxes ☐ Pay federal unemployment taxes
	Step 8. Document and store your payroll records. Per Montana Rule 42.17.203, you must keep records for all of your employees, even those who have been terminated, for at least five years—a bit longer than the 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 ☐ Distribute Montana state W-2 forms by Jan. 31 ☐ File Montana state W-2 forms through TAP portal by Jan. 31 ☐ File Montana MW-3 by February 28 ☐ Distribute 1099 forms (for contractors) by Jan. 31 ☐ File 1099 form with IRS by February 28 if mailing, or March 31 if submitting electronically