

How to Do Payroll in North Carolina

Use this downloadable checklist to help you stay on track!

✓	TASK
	Step 1: Set up your business as an employer. To register your business for withholding and unemployment taxes in North Carolina, you must have a Federal Employee Identification Number (EIN). Although it's not required, we also encourage you to enroll in the Electronic Federal Tax Payment System (EFTPS), making it easy to pay your federal taxes online or over the phone. ☐ Applied for a Federal Employer Identification Number (EIN) ☐ Enrolled for the Electronic Federal Tax Payment System (EFTPS)
	Step 2: Obtain a Withholding Identification Number from the North Carolina Department of Revenue. Each new employer paying wages in North Carolina must register for a Withholding Identification Number by filling out a Form NC-BR and submitting it to the North Carolina Department of Revenue. ☐ Registered for a Withholding Identification Number with the NC DOR
	Step 3: Register for Unemployment Tax with the North Carolina Division of Employment Security (DES). Your small business must register with the NC DES. Once registered, you'll be issued a North Carolina unemployment insurance number (Employer Tax Account Number) automatically. ☐ Registered with the NC DES
	Step 4. Set up your payroll process. You'll need to decide how often you're planning to pay employees, if you need to track work hours, which payroll forms you need to collect and when, how you'll perform payroll calculations, and so forth. To do this, you have three options (check off which option you're electing to use for tracking purposes): ☐ Do payroll yourself ☐ Use Excel payroll templates

	☐ Sign up for a payroll service
	Step 5: Collect employee payroll forms. The best time to collect payroll forms is during your new hire orientation. Required payroll forms for North Carolina employees will include: ☐ W-4 ☐ I-9 ☐ Direct deposit Authorization Form ☐ NC-4 Tax Withholding Form
	Step 6: Collect, review, and approve time sheets. You'll need to collect timesheets for all hourly employees and non-exempt salaried workers. To do this, you have three options to use (check off which option you're electing to use for tracking purposes): ☐ A paper timesheet ☐ Free or low-cost time and attendance software ☐ A payroll service that has a time and attendance system
	Step 7: Calculate payroll (including taxes) and pay employees. You will need to calculate: ☐ Payroll tax payments ☐ Employee paycheck amounts ☐ Paid time off balances You can choose to pay employees in a number of different ways (i.e., cash, check, direct deposit, pay cards.) Federal taxes should be remitted through the EFTPS.
	Step 8: File payroll taxes with federal and North Carolina state governments. Based on your withholding frequency, you must file Form NC-5 (monthly and quarterly withholding filers) or Form NC-5Q (semiweekly withholding filers). You can file your taxes online with the North Carolina Department of Revenue. The form you'll use for federal tax filing depends on if your business is a sole proprietorship or LLC (Schedule C) or corporation (Form 1120 or 1120-S).
	Step 9: Document and store your payroll records. North Carolina requires employers to keep payroll records for at least three years. These records must contain the employee's name, address, job title, amount paid each payroll, and daily and weekly hours worked. It is important to retain records for all employees, including those who are no longer with your company. If you need help with which records to keep, see our article on retaining payroll records.

	Step 10: Process annual payroll reports. Every employer, regardless of which state your business is in, will need to complete W-2s for all employees and 1099s for independent contractors. By law, you must provide all employees and contractors with their annual tax form no later than January 31 of the following year.

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| | <ul style="list-style-type: none">☐ Generated W-2s for all employees<ul style="list-style-type: none">☐ Distributed to employees☐ Filed with appropriate government agencies☐ Generated 1099s for all contractors<ul style="list-style-type: none">☐ Distributed to employees☐ Filed with appropriate government agencies |
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