

How to Do Payroll in Mississippi

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 with the State of Mississippi. If your business is new, you need to register on the Mississippi Secretary of State's website. Any company that pays employees in Mississippi must also register with the Department of Revenue. • Register with the Mississippi Secretary of State <i>If you have employees:</i> • Register with the Mississippi Department of Revenue
	Step 3: Set up your payroll process. 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 • Mississippi's Form 89-350 • 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 employee payroll and gross taxes. 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 ◦ Calculating Mississippi payroll by hand is NOT recommended. With a progressive income tax and business taxes, including unemployment, these calculations can be complex. Even innocent mistakes can cause costly fines and penalties. • Perform any other payroll calculations, i.e., for expense reimbursement
	Step 7: Pay wages and benefits. The best way to pay your employees is through direct deposit. But cash (not the best way) and paper check are also options. Mississippi does not have a state minimum wage so the federal minimum wage of \$7.25 per hour applies. • Decide to pay using check, paycard, direct deposit
	Step 8. Document and store your payroll records. Although Mississippi doesn't have any record retention guidelines, it is best practice 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. File Payroll taxes with the federal and state government. All Mississippi state taxes need to be paid to the applicable state agency on the schedule provided, usually quarterly, which you can do online at the Mississippi Tax Department's website. Federal tax payments can be made using the EFTPS on either a monthly or semi-weekly schedule. • File Federal taxes • File Mississippi State taxes
	Step 10: Complete year-end payroll 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. Federal: • File & Distribute W-2's for all employees • File & Distribute 1099's for all contractors State: • File Mississippi state W-2 forms by January 31st ○ If you have more than 10 forms, file electronically