AMERICA'S SBDC
ACCREDITED MEMBER
MONTANA

SBDC START-UP SERIES: HIRING EMPLOYEES

About the Montana SBDC

The Montana Small Business Development Center (SBDC) Network is a partnership between the Montana Department of Commerce, U.S. Small Business Administration, local economic development organizations and institutions of higher education.

The Montana SBDC Network consists of ten centers throughout the state that provide free, confidential, one-on-one business counseling and low-cost training programs to small businesses and entrepreneurs.

The SBDCs are dedicated to helping small businesses throughout Montana achieve their goals of growth, expansion, innovation and success. Our Network combines the resources of federal, state and local organizations with that of the education system and private sector to meet the specialized and complex needs of the small business community.

Visit www.sbdc.mt.gov and contact the SBDC nearest you to learn more about what counseling services and training programs are available in your area.

"I'm ready to hire my first employee. Where do I start?"

The following six steps will help you ensure that you are compliant with key federal and state employer regulations:

Step 1: Obtain an Employer Identification Number (EIN)

Before hiring your first employee, you need to get an employment identification number (EIN) from the U.S. Internal Revenue Service (IRS). The EIN is necessary for reporting taxes and other documents to the IRS and when reporting information about your employees to state agencies.

Step 2: Set up Records for Withholding Taxes

According to the IRS, you must keep records of employment taxes for at least four years. Keeping good records can also help you monitor the progress of your business, prepare financial statements, identify sources of receipts, keep track of deductible expenses, prepare your tax returns, and support items reported on tax returns. There are two types of withholding taxes you need for your business: 1) Federal Income Tax Withholding (IRS Form W-4), and Montana Income Tax Withholding.

Step 3: Verify Employee Eligibility

Federal law requires employers to verify an employee's eligibility to work in the United States. Within three days of hire, employers must complete IRS Form I-9, Employment Eligibility Verification, which requires employers to examine documents to confirm the employee's citizenship or eligibility to work in the U.S.

Step 4: Register with the Montana New Hire Reporting Program

In 1997, legislation was passed on both a national and statewide level which requires all employers to report the hiring of new employees. The New Hire Reporting Program allow employers to assist in the state's efforts to locate non-custodial parents using one of several reporting methods.

Step 5: Obtain Workers' Compensation Insurance

The Department of Labor and Industry is the regulatory agency for the workers' compensation system in Montana. Employers must provide workers' compensation insurance. Insurance may be purchased from insurers that are authorized in Montana and have workers' compensation included in their authority.

Step 6: Apply for a State Unemployment Insurance Account

Employers pay state unemployment insurance (UI) taxes. If you are an employer subject to the UI law, you are a "covered" employer and must pay UI taxes. Any employer whose total annual payroll for the calendar year equals or exceeds $1,000 is considered a "covered" employer and thus is subject to UI taxes.

For more information about hiring employees, visit:
http://www.sba.gov/content/hire-your-first-employee

MONTANA DEPARTMENT OF COMMERCE

SBA U.S. Small Business Administration

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Funded in part through a Cooperative Agreement with the U.S. Small Business Administration. All opinions, conclusions or recommendations expressed are those of the author(s) and do not necessarily reflect the views of the SBA.