

HIRING

SBDC STARTUP SERIES

“I’m ready to hire my first employee. Where do I start?”

The following six steps will help you comply with key federal and state employer regulations:

Step 1: Obtain an Employer Identification Number

Before hiring your first employee, you need to get an employer identification number from the IRS. The EIN is necessary for filing tax returns and other documents with 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: Federal Income Tax Withholding via 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 the national and state levels requiring all employers to report the hiring of new employees. The New Hire Reporting Program allows employers to assist in the state’s efforts to locate non-custodial parents.

Step 5: Obtain Workers’ Compensation Insurance

The Montana Department of Labor and Industry is the regulatory agency for the workers’ compensation system in Montana. Employers must provide workers’ compensation insurance, which 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

Any employer whose total annual payroll for the calendar year equals or exceeds \$1,000 is considered a covered employer subject to state unemployment insurance taxes.

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

ABOUT THE MONTANA SBDC

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The Montana Small Business Development Center Network is a partnership among the Montana Department of Commerce, the U.S. Small Business Administration, regional economic development organizations and institutions of higher education.

This network consists of 10 centers throughout the state that offer 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 grow, innovate and succeed. Our network combines the resources of federal, state and local organizations with the education system and private sector to meet the specialized and complex needs of the small business community.

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

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