

Fact Sheet #22 Payroll and Workers

Getting an Employee Identification Number (EIN)

Unless you are a sole proprietor without employees, you will need to file IRS [Form SS4](#) and Massachusetts [Form TA 1](#) to get an EIN. As an employer, you will be withholding from your employees' paychecks federal and state income tax, social security tax, and workers compensation tax. Periodically, you will deposit the amounts withheld with the state and the IRS.

Hiring an Employee or an Independent Contractor

Hiring labor in Massachusetts imposes high liabilities and paperwork burdens on the employer. Because of this, employers may be tempted to classify their workers as independent contractors. However, a person is only an independent contractor when they are legitimately an individual in business for themselves and for hire to the general public. If there is any ambiguity on the status of the individual, courts generally interpret the individual as being a worker.

If you need help making a decision on whether an individual is a worker or an independent contractor, file IRS [Form SS-8](#) Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding.



Hiring Forms

[I-9 Employment Eligibility Verification](#) –

Employers must keep an I-9 form from the US Citizenship and Immigration Service on file for all employees. The I-9 requires copies of documentation (a driver's license and social security card for most), however, the employer is not required to verify if these documents are valid.

Payroll Service

Given the complexities and liabilities of properly administering payroll, it is recommended that small employers hire a payroll service from a local accounting firm. Though expensive, this frees the employer from the liabilities of missing a form deadline, improperly handling a payroll withholding account, and the need to stay current with the various labor forms and regulations at both the state and federal level.

Reference Publications

- IRS Publication 51, [Agricultural Employer's Tax Guide](#), explains federal regulations and contains a calendar of when forms need to be filed throughout the year.
- For information specific to Massachusetts, see the Department of Revenue's [Guide to Employer Tax Obligations](#).

Which Forms to File

Which specific forms your farm is required to file depends upon the farm size and the specifics of your operation. It is recommended that you seek the advice of a payroll specialist and read the two reference publications listed above to determine which forms are required for your operation.

If you decide to do payroll on your own, a list of forms you should become familiar with follows. This is by no means a comprehensive list of the forms your operation needs to be compliant.

It is recommended that you file Massachusetts forms electronically using the WebFile for Business [application](#).



Payroll Forms

Form SS-4 Application for Employer Identification Number (EIN) – Your business must obtain an EIN if you have employees or will file for other taxes such as excise taxes.

Form 1110-A Massachusetts Employer's Status Report – You must register with the Massachusetts [Department of Unemployment Assistance](#) (DUA) by submitting Form 1110. Follow the link above or call (617) 626-5050 to get the form. As an agricultural employer, you are subject to the law if you paid total cash wages of \$20,000 or more in any calendar quarter, or you employed 10 or more individuals on any day in each of 20 weeks in a calendar year. See the DUA [website](#) for details.

W-2 – Form stating wages and withholdings made for an employee throughout the year. A copy is sent to the employee, the Social Security Administration, the IRS, the Massachusetts Department of Revenue, and to county/local governments that have an income tax.

W-4 – Form filled out when an employee starts so that their employer knows to withhold the correct amount of taxes.

Form WR-1 Massachusetts Employer’s Quarterly Report of Wages Paid

Form 940 Employer’s Annual Federal Unemployment (FUTA) Tax Return

- Required if you had cash wages greater than \$20,000 or employed 10 or more workers throughout the day for 20 or more weeks in the year.

Form 941 Employers Quarterly Federal Tax Return – Required to report wages paid, tips received, federal taxes withheld, Social Security and Medicare withholding, and advance EIC payments for non-farm workers.

Form 943 Employers Annual Federal Tax Return for Agricultural Employees

- like Form 941, but for farms.

Form 945 Annual Return of Federal Income Tax Withheld – Used to report income tax withheld for non-payroll wages.

Form 1099 – Must be furnished to people who received \$600 or more in casual or contract compensation throughout the year (where the employer did not pay employment taxes for the worker).

Form 4029 Application for Exemption From Social Security and Medicare

Taxes and Waiver of Benefit – Certain members of religious organizations (in agriculture, generally Amish or Mennonite) may file this form to exempt themselves (and their employer) from Social Security and Medicare taxes.