Protect Yourself and Your Business: Ensure Tax Deposits from Third Party Payroll

Most third party payroll companies work hard on your behalf. We would like to remind you, however, that ultimately it is your responsibility to ensure deposits are correct and made in a timely manner to the IRS, regardless if you use a third-party vendor. In fact, you may be liable for penalties and interest on your account if the third party fails to make timely payments. This year, the IRS issued Personal Identification Numbers (PINs) to employers to use to verify that third-party processors are depositing the correct funds.

From the IRS:

Beginning this year, when Payroll Service Providers enroll clients in EFTPS, an EFTPS Inquiry PIN will automatically be sent to the taxpayer. Taxpayers who have had activity on their EFTPS account over the prior 12 months will also receive Inquiry PINs. This Inquiry PIN allows the taxpayer access to monitor the EFTPS for transactions made on their behalf.

As recent news indicates, any company can run into trouble with IT security breaches or natural or other disasters. In fact the IRS recently issued a release regarding safeguarding tax records. In this release they urge employers who use payroll service providers to have a fiduciary bond in place.

From Prepare for Hurricanes, Natural Disasters by Safeguarding Tax Records:

IR-2014-71, June 5, 2014

Employers who use payroll service providers should ask the provider if it has a fiduciary bond in place. The bond could protect the employer in the event of default by the payroll service provider.

We urge you to protect yourself and your company by following these steps:

- Log into your EFTPS account using your PIN number and monitor your account for timely and correct deposits and to view your payment history.
- Protect yourself against fraudulent businesses and confirm your third party vendor has the appropriate liability coverage, and that this fidelity insurance coverage is specific to your business
- Review the third-party vendor’s policy on holding a fiduciary bond, and consider reviewing the vendor’s audited financial statements to make sure they are running a legitimate and stable business.
- Per the IRS: Employers who believe that a bill or notice received is a result of a problem with their payroll service provider should contact the IRS as soon as possible by calling the number on the bill, writing to the IRS office that sent the bill, calling 1-800-829-4933, or visiting a local IRS office
- Per the IRS: Employers should not change their address of record to that of the payroll service provider as it may significantly limit the employer’s ability to be informed of tax matters involving their business.
For more information, please contact:

Robbie Brower at 704.367.7023 or robbie.brower@dhgllp.com,
Gary Greer at 704.367.5884 or gary.greer@dhgllp.com, or
Elizabeth Murphy at 704.367.7030 or elizabeth.murphy@dhgllp.com.

About Dixon Hughes Goodman LLP: With more than 1,800 people in 11 states, Dixon Hughes Goodman is the largest certified public accounting firm based in the Southern U.S. and one of the top 20 in the nation. Visit www.dhgllp.com for more information.