

# Getting on a Roll with Payroll

## What is payroll?

Payroll is simply the process through which employers pay people. The process looks different based on systems employers are using and where they live, but generally payroll involves keeping careful records to show employment laws were followed and regularly reporting to government agencies.

## Why can payroll be such a chore?

Processing payroll yourself requires staying on top of federal and state tax rates and making the correct deductions. If you hire employees from more than one state (say, college students looking for a summer job), then your task is more complicated. Each state has different tax rates, rules for remitting taxes, and agencies to report to. Mistakes can mean hefty fines from the IRS and/or the state agencies in charge of enforcement.

## Solutions to your payroll woes

Arguably the most effective way to reduce your paperwork burden is to **use a payroll service**. These do cost money, but in our experience the price can be well worth the time and effort that is saved for farmers and ranchers to use their unique skills elsewhere. When researching payroll services, start by asking peers what service they use. Not all payroll services serve agricultural businesses. For example, Gusto does not serve agricultural businesses, but Paychex does. There are also local bookkeepers and accountants in towns and cities across the country that will run payroll for a good price.

You may be a person with a DIY ethos and a love of details who chooses to **run payroll yourself**. If that's the case, seriously consider only hiring employees from one state. It will greatly reduce your administrative load. You can also get to know IRS Publication 51– the Agricultural Employer's Tax Guide. It will tell you what you need to know about federal tax mechanics, but note that you will still need to find state tax information.

There is also room for creativity and collaboration across farms to alleviate payroll burdens. In a year-long project with New Entry Sustainable Farming Project, we explored how to increase the supply of quality labor for farming businesses. **It is possible for multiple farms to create a cooperative or LLC and use this business entity to manage a shared labor pool.** Employees could work at any of the member farms as needed throughout the year. This experimental model could provide employers with reliable and skilled labor, and provide employees with a variety of learning experiences and year-round employment. For more information on this model, please read our [Farmers' Guide to Shared Labor Arrangements](#).