Hiring Your First or Next Employee

The Ohio Small Business Development Center (SBDC) Program is funded in part through a cooperative agreement with the U.S. Small Business Administration. The SBDC program is also funded in part by the Ohio Development Services Agency. All services are extended to the public on a non-discriminatory basis. Language assistance services are available for limited English proficient individuals. Contact SBDC at (614) 466-2711 or visit sbdc.development.ohio.gov.

1st Stop Business Connection
Ohio Small Business Development Centers
Ohio Development Services Agency

77 S. High St.
Columbus, Ohio 43215
The Ohio Small Business Development Centers provide no-cost business counseling and assistance to individuals who are starting or growing their business. Each center is staffed with highly trained Certified Business Advisors to help small businesses and entrepreneurs develop and grow to increase sales and create jobs in their communities.

Services include:

- Business assessment evaluation.
- Cash-flow analysis.
- Financial projections development.
- One-on-one business counseling.
- Identifying sources of capital.
- Market feasibility and research.
- Marketing strategy development.
- Strategic business planning.
- Workshops and training programs.

Small Business Development Center advisors also can give you access to counselors who specialize in exporting or landing government contracts.

The Export Assistance Network provides help with:

- Export readiness assessments.
- International marketing plans.
- Market research.
- Export compliance education.
- Access to export financing.
- A specially trained intern to build or improve an export program.

The Procurement Technical Assistance Centers can help with:

- Bid preparation assistance.
- Bid-matching services.
- Military specifications.
- One-on-one training.
- Agency procurement histories.
- Training events.
- Assistance with certifications.
- Government outreach opportunities.

For more information or to find a Small Business Development Center near you, visit [sbdc.development.ohio.gov](http://sbdc.development.ohio.gov).

[If you need further assistance with any of the above topics, contact your local SBDC at sbdc.development.ohio.gov.](#)
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The Ohio Development Services Agency makes no representations as to the accuracy or any other aspect of information contained in links to third-party websites. If you have questions or comments about this document, email sbdcreports@development.ohio.gov.
Introduction

(a) How do you know if it is time to hire your first employee (or make an additional hire)?

☐ Are you turning down work?
☐ Have you identified a possible new revenue stream but lack time to pursue the lead?
☐ Are you receiving complaints?
☐ Can’t find time to do paperwork or send out invoices?

(b) Independent contractor or employee — how to choose

It is important to determine whether your workers are independent contractors or employees so you know if you are liable for workers’ compensation, certain taxes, unemployment compensation, etc.

1 Behavioral Control: Will you direct and control how the work is done?

2 Financial Control:

• To what extent will the worker be reimbursed for business expenses?
• To what extent will the worker invest in the facilities or material used to complete the work?
• How will you pay the worker? Weekly, monthly or when the work is finished?

3 Type of Relationship:

• Will there be a written contract describing your business relationship with the worker?
• Will the worker’s services be available to other businesses while working for you?
• Will you provide insurance, a pension plan, vacation and sick pay?
• How long will your relationship with the worker last?

Detailed information is available in the IRS’s Employer’s Supplemental Tax Guide (Publication 15-A).

It is recommended you talk with an attorney or an accountant to make a final decision as to the status of your workers.

You also can file Form SS-8 (Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding) and allow the IRS to determine if a specific individual is an independent contractor or employee.

If you need further assistance with any of the above topics, contact your local SBDC at sbdc.development.ohio.gov.
Step 1: Obtain an Employer Identification Number (EIN)

Before hiring your first employee, you need to get an employer identification number (EIN). The EIN is often referred to as an Employer Tax ID or Form SS-4. The EIN is necessary for reporting taxes and other documents to the IRS. In addition, the EIN is necessary when reporting information about your employees to state agencies.

Apply for EIN online at www.irs.gov or contact the IRS at 800-829-4933.

WHAT YOU NEED

All EIN applications (mail, fax, electronic) must disclose the name and Taxpayer Identification Number (SSN, ITIN or EIN) of the true principal officer, general partner, grantor, owner or trustor. This individual or entity, which the IRS will call the “responsible party,” controls, manages or directs the applicant entity and the disposition of its funds and assets. If there is more than one responsible party, the entity may list whichever party the entity wants the IRS to recognize as the responsible party.

To properly submit a Form SS-4, the form and authorization should include the name, Taxpayer Identification Number and signature of the responsible party.

Third-party designees filing online applications are reminded of their obligation to retain a complete signed copy of the paper Form SS-4 and signed authorization statement for each entity application filed with the IRS. Nominees do not have the authority to authorize third-party designees to file Forms SS-4 and should not be listed on the Form SS-4.

If a nominee is used in the state formation process and the true responsible party has not yet been identified, the entity must identify that individual before applying for an EIN.
Federal Income Tax Withholding

Every employee must provide an employer with a signed withholding exemption certificate (Form W-4) on or before the date of employment.

**Employer’s Tax Guide**

Federal Wage and Tax Statement

Every quarter, employers must file Form 941-Employer’s Quarterly Federal Tax Return. You file your initial Form 941 for the quarter in which you first paid wages that are subject to Social Security and Medicare taxes or subject to federal income tax withholding. Then you must file for every quarter after that even if you have no taxes to report.

**For more information, visit: Instructions for Form 941**

Every year, employers must report to the federal government wages paid and taxes withheld for each employee. This report is filed using Form W-2, wage and tax statement.

**For more information, visit: IRS for W-2 and W-3**

Anyone required to file Form W-2 must file Form W-3 to transmit Copy A of Forms W-2. Employers must send Copy A of W-2 forms to the Social Security Administration by the last day of February to report wages and taxes of your employees for the previous calendar year. In addition, employers should send a copy of the W-2 forms to their employees by January 31 of the year following the reporting period.

**For more information, visit: IRS and Social Security**
www.SSA.gov/employer

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**Step 2: Set Up System to Withhold/Deposit/Report Taxes**

1. **WHAT YOU NEED**

Employees use the W-4 form to estimate the proper amount to be withheld. To determine the optimal withholding, employees should be advised to use the IRS Withholding Calculator on the IRS website at [www.irs.gov/individuals](http://www.irs.gov/individuals) for help in determining how many withholding allowances to claim on their W-4 forms.

Employees who have no federal income tax withheld must be notified that they may be able to claim a tax refund under the Earned Income Credit (EIC).

2. **Use Form 941 to report the following amounts:**
   - Wages you have paid.
   - Tips your employees reported to you.
   - Federal income tax you withheld.
   - Both employer’s and employee’s share of Social Security and Medicare taxes.
   - Additional Medicare tax withheld from employees.
   - Current quarter’s adjustments to Social Security and Medicare taxes (sick pay, tips, group-term life insurance).
   - In addition, provide your EIN, name, address and business (legal) name you used when you applied for your EIN.

For the W-2 wage and tax statement, provide the following: the employer’s identification number, name, address, ZIP code and control number on the W-2. Employers must report each employee’s Social Security number, wages, tips, commissions, dependent care benefits, as well as state, federal and Social Security taxes withheld.

   - Wages and taxes of your employees for the previous calendar year.

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If you need further assistance with any of the above topics, contact your local SBDC at [sbdc.development.ohio.gov](http://sbdc.development.ohio.gov).
Step 3: Federal Tax Deposit

In general, you must deposit federal income tax withheld and both the employer and employee Social Security and Medicare taxes. You must use Electronic Funds Withdrawal (EFT) to make all federal tax deposits. Generally, an EFT is made using the Electronic Federal Tax Payment System (EFTPS).

If you don’t want to use EFTPS, you can arrange for your tax professional, financial institution, payroll service or other trusted third party to make electronic deposits on your behalf. In making a payment with return, you may make a payment with Form 941 or Form 944 instead of depositing if certain criteria are met. There are two deposit schedules — monthly and semi-weekly — for determining when you deposit Social Security, Medicare and withheld income taxes.

For more information, visit:

IRS
Publication 15, Circular E
Employer’s Tax Guide,

Step 4: State Taxes

All employers with an office in Ohio or who are doing business in Ohio must withhold Ohio income taxes from their employees’ wages each pay period. This applies only to wages paid for work performed in Ohio.

Employers must complete the Application for Registering as an Ohio Withholding Agent (Form IT-1) and return it to the Ohio Department of Taxation. After you return the form, you will receive a coupon booklet to report and pay the tax withheld from your employees’ pay. You can also register by phone between 8 a.m. and 5 p.m. Monday through Friday.

For more information, visit:

Ohio Department of Taxation
http://www.tax.ohio.gov/employer_withholding.aspx
http://www.tax.ohio.gov/contact_us.aspx#143505-business or call 888-405-4039.

WHAT YOU NEED

• Both employer and employee federal income tax withheld, Social Security and Medicare taxes.

WHAT YOU NEED

Employers must complete the Application for Registering as an Ohio Withholding Agent (Form IT-1):
• Type of ownership.
• Date of first Ohio payroll.
• Legal name, trade name.
• Primary address, mailing address.
• Estimated employer withholding remittance amount.
• Permit numbers.
• Individual responsible for filing returns and making payment of Ohio and school district withholding taxes.
### Step 5: Local Taxes

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<td><strong>1. Municipal Income Tax</strong>&lt;br&gt;This tax is paid by residents of a city or village that has imposed a municipal income tax as well as nonresidents who work in such a municipality. This tax also applies to businesses that have earned net profits within the municipality. Also, withholding responsibilities generally apply to employers located within municipalities that have enacted a tax.</td>
<td><a href="www.tax.ohio.gov/municipalities/municipal_income_tax_forms.aspx">Ohio Department of Taxation</a></td>
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<td><strong>2. Municipal Income Tax — RITA</strong>&lt;br&gt;Approximately 40 percent of Ohio municipalities with an income tax utilize the Regional Income Tax Agency (RITA) to handle their municipal income tax collection and enforcement efforts.&lt;br&gt;Businesses are required to withhold municipal income tax from the wages of their employees working in any Ohio municipality – not just municipalities with income tax administered by RITA. There are some limited exceptions to this for transient workers.</td>
<td>[RITA](<a href="http://www.ritaohio.com/about/contact">www.ritaohio.com/about/contact</a> or call 440-922-3201)</td>
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<td><strong>3. Local Income Tax — School District Tax</strong>&lt;br&gt;In Ohio, school districts are permitted to levy an income tax subject to voter approval. As of January 2016, income taxes were in place in 191 school districts.&lt;br&gt;Employers that do business in Ohio are responsible for withholding state and school district income taxes from their employees’ pay.</td>
<td>[Ohio Department of Taxation](<a href="http://www.tax.ohio.gov/school_district_income.aspx">www.tax.ohio.gov/school_district_income.aspx</a> or call 888-405-4039)</td>
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<td><strong>4. Ohio Business Gateway</strong>&lt;br&gt;Effective January 1, 2015, employers are required to file state and school district income tax withholding returns and make payments of the withheld taxes through the Ohio Business Gateway.&lt;br&gt;The Ohio Business Gateway offers online, electronic filing for most Ohio municipalities with an income tax. Services for business income (net profits) taxes and employer withholding taxes are available by logging in at business.ohio.gov.</td>
<td>Additional information on all of the Gateway’s electronic filing services can be found at business.ohio.gov/efiling/ or by calling 888-405-4089 (Press 2).</td>
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If you need further assistance with any of the above topics, contact your local SBDC at [sbdc.development.ohio.gov](sbdc.development.ohio.gov).
Federal law requires employers to verify an employee's eligibility to work in the United States. Within three days of hire, employers must complete 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. Employers can request only documentation specified on the I-9 form.

Employers do not need to submit the I-9 form with the federal government but are required to keep it on file for three years after the date of hire or one year after the date of the employee's termination, whichever is later.

Employers can use information taken from the Form I-9 to electronically verify the employment eligibility of newly hired employees by registering with E-Verify at https://www.e-verify.gov.

Visit U.S. Citizenship and Immigration Services agency's I-9 website at www.uscis.gov to download the form and find more information or call 800-375-5283.

### Step 6: Employee Eligibility Verification

**WHAT YOU NEED**

1. U.S. Passport or Passport Card.
2. Permanent Resident Card or Alien Registration Receipt Card (Form I-551).
3. Foreign passport with I-551 stamp or temporary I-551 printed notation on machine-readable immigrant visa (MIRIV).
5. For nonimmigrant alien authorized to work for specific employer, foreign passport with Form I-94 or Form I-94A indicating nonimmigrant status.
6. Form I-20 or Form DS-2019.
7. Passport from Micronesia or Marshall Islands with Form I-94 or I-94A indicating nonimmigrant status.

**List A** Establishes both identity and employment authorization.

1. Driver’s license or state/U.S. possession ID card.
2. Government agency or entity ID card with photo, name, date of birth, gender, height, eye color and address.
3. School ID card with photo.
4. Voter’s registration card.
5. U.S. military card or draft record.
7. U.S. Coast Guard Merchant Marine card.
9. Canadian driver's license.
10. For those under 18 who cannot present above document: school record, report card, clinic record, doctor record, hospital record, day care record, nursery school record.

**List B** Establishes identity only. Needs one document from List C.

1. Social Security card (copy not acceptable) with no restrictions on it.
2. Birth Certificate Abroad issued by U.S. Department of State (Form FS-545).
5. Original or certified copy of birth certificate issued by a state, county, municipality or U.S. possession bearing official seal.
7. U.S Citizen Identification Card (Form I-197).

**List C** Establishes employment authorization only. Needs one document from List B.
Step 7: New Hire Reporting

Federal and state laws require all employers to report all employees who live or work in Ohio. The law was created to improve child support collection and reduce false unemployment and workers’ compensation claims.

Employers may submit the information in many ways, including: online electronic reporting or by mailing and/or faxing the New Hire Reporting Form 7048. The information must be received no later than 20 days from the date of hire.

For more information, visit:

Ohio New Hire Reporting Program

Step 8: Wage and Hour plus Required Posters

To make sure you are complying with Ohio’s regulation of hours, minors and wages, contact the Ohio Department of Commerce. Representatives can answer your questions and supply the required poster.

Businesses that gross more than $500,000 annually should contact the U.S. Department of Labor for information about the Fair Labor Standards Act.

Also, the federal government publishes the pamphlet “Handy Reference Guide to Fair Labor Standards Act.” You can request a copy from any local Federal Wage and Hour Office, listed in most telephone books under “U.S. Government, Labor Department, Wage and Hour Division” and found online at www.dol.gov/whd/regs/compliance/wh1282.pdf.

For more information, visit:

Ohio Department of Commerce, Bureau of Wage and Hour Reporting
www.com.state.oh.us/laws or call 614-644-2239.

 WHAT YOU NEED

• Employers must report the employee’s name, address, Social Security number, date of birth, date of hire and the state in which the employee works.

• Must display required poster.
Step 9: Unemployment Compensation

1. State “Contributions”

Employers of one or more workers (other than agricultural and domestic employers, who have special rules) must pay a state payroll tax, called “contributions,” on wages paid to employees. These payments support Ohio’s system of unemployment compensation benefits.

If you fit into any of the following categories, you must make unemployment contributions:
- Employ at least one worker in 20 different weeks during this year or last year.
- Pay $1,500 or more in wages during any quarter of this year or last year.

There are somewhat different requirements for domestic employment, agricultural employment, nonprofit organizations exempt from federal income tax under Section 501c3, public entities, employers subject to the Federal Unemployment Tax Act, and employers who have acquired a business from an employer who was subject to Ohio law at the time the change occurred.

For more information, visit:
Ohio Department of Job and Family Services, Unemployment Compensation
www.jfs.ohio.gov or call 614-466-2319 or 877-644-6562.

2. Federal Unemployment Tax Return (FUTA)

Together with state unemployment tax systems, the federal unemployment tax provides funds for paying unemployment compensation to workers who have lost their jobs. You must file Form 940 annually to report your federal unemployment tax for any year in which you paid wages of $1,500 or more in any quarter or for any year in which an employee worked for you in any 20 or more different weeks of the year.

Form 940 and instructions can be found at www.irs.gov or call the Business Specialty Tax Line at 800-829-4933.

WHAT YOU NEED

1. Highlighted below are two important pieces of information to help register a business and begin reporting.

1. Obtain an Employer Account Number
To receive an Unemployment Compensation tax account number and contribution rate immediately, visit the Employer Resource Information Center (ERIC) to register your account. You also can register by paper by completing a Report to Determine Liability (JFS-20100) and mail it to:
Ohio Department of Job and Family Services
Contribution Section
P.O. Box 182404
Columbus, Ohio 43218-2404.

2. Reporting Requirements
Employers are required to submit a complete Quarterly Tax Return each quarter. Quarterly reports must be filed online. The reports can be filed either through the Employer Resource Information Center (ERIC) at eric.ohio.gov or the Ohio Business Gateway at business.ohio.gov. The due dates for filing quarterly reports are:
First quarter - April 30
Second quarter - July 31
Third quarter - October 31
Fourth quarter - January 31

Should you need to file prior to receiving an employer account number, complete the Quarterly Tax Return (JFS-20125) when due.

2. Information needed on Form 940:
- EIN.
- Type of return (amended, successor, no payments to employees, business closed).
- Name.
- Trade name.
- Address.
- Payment of state unemployment tax in one state only or more.
- Paid wages in state subject to credit reduction.
- Total payments to all employees.
- Payments exempt from FUTA tax.
- Total payments made to employees in excess of $7,000.
- Any FUTA wages excluded from state unemployment tax.
- Amount of FUTA tax liability for each quarter; total tax liability for the year.
- Any third-party designee.
Step 10: Employer Responsibilities Under OSHA

Under the Occupational Safety and Health Act, employers have a responsibility to provide a safe workplace. This is a short summary of key employer responsibilities:

- Provide a workplace free from serious recognized hazards and comply with standards, rules and regulations issued under the OSH Act.
- Examine workplace conditions to make sure they conform to applicable OSHA standards.
- Make sure employees have and use safe tools and equipment and properly maintain this equipment.
- Use color codes, posters, labels or signs to warn employees of potential hazards.
- Establish or update operating procedures and communicate them so that employees follow safety and health requirements.
- Employers must provide safety training in a language and vocabulary workers can understand.
- Employers with hazardous chemicals in the workplace must develop and implement a written hazard communication program and train employees on the hazards they are exposed to and proper precautions (a copy of safety data sheets must be readily available). See the OSHA page on Hazard Communication.
- Provide medical examinations and training when required by OSHA standards.
- Post the OSHA poster (or the state plan equivalent) at a prominent location within the workplace informing employees of their rights and responsibilities.
- Report to the nearest OSHA office all work-related fatalities within eight hours and all work-related inpatient hospitalizations, all amputations and all losses of an eye within 24 hours. Call the toll-free number: 1-800-321-OSHA (6742); TTY 1-877-889-5627. (Employers under federal OSHA’s jurisdiction were required to begin reporting by Jan. 1, 2015. Establishments in a state with a state-run OSHA program should contact their state plan for the implementation date.)
- Keep records of work-related injuries and illnesses. Note: Employers with 10 or fewer employees and employers in certain low-hazard industries are exempt from this requirement.
- Provide employees, former employees and their representatives access to the Log of Work-Related Injuries and Illnesses (OSHA Form 300).

On February 1, and for three months, covered employers must post the summary of the OSHA log of injuries and illnesses (OSHA Form 300A).

- Provide access to employee medical records and exposure records to employees or their authorized representatives.
- Provide to the OSHA compliance officer the names of authorized employee representatives who may be asked to accompany the compliance officer during an inspection.
- Do not discriminate against employees who exercise their rights under the Act. See the “Whistleblower Protection” webpage.
- Post OSHA citations at or near the work area involved. Each citation must remain posted until the violation has been corrected or for three working days, whichever is longer. Post abatement verification documents or tags.
- Correct cited violations by the deadline set in the OSHA citation and submit required abatement verification documentation.
- OSHA encourages all employers to adopt an Injury and Illness Prevention Program.

For more information on the following:
All About OSHA*
OSHA Inspections*
Top Ten OSHA Standards Cited

Visit:
Occupational Safety and Health Administration
www.OSHA.gov or call 800-321-6742 (OSHA).

If you need further assistance with any of the above topics, contact your local SBDC at sbdc.development.ohio.gov.
Step 11: Workers’ Compensation

Ohio’s Workers’ Compensation Insurance Fund is a no-fault program designed to protect the employees and employers when a work-related injury, occupational disease or death occurs.

In Ohio, all employers with one or more employees must have workers’ compensation coverage. It’s the law. Coverage for Ohio employers and their employees (i.e., employees whose contract of hire was completed within the borders of Ohio and where the supervising office of the employer is located in Ohio) becomes effective when the Ohio Bureau of Workers’ Compensation receives a completed application and the $10 minimum security deposit. Independent contractors and subcontractors also must obtain coverage for their employees. If you do not have an existing policy with BWC and you are a new employer starting a business or if you have acquired all of an existing business, visit https://www.bwc.ohio.gov/employer/services/EmployerMCOLookup/nlbwc/employemcolookup0.aspx.

If you are self-employed, a partner in a business or an officer of a family farm corporation, you are not automatically covered. You may elect coverage for yourself by selecting yes in the elective coverage section.

To begin coverage, employers file the Application for Coverage (Form U-3) with the Ohio Bureau of Workers’ Compensation. The BWC also encourages you to apply online through its website:

Ohio Bureau of Workers’ Compensation
www.bwc.ohio.gov/employer/forms/coverage
or call 800-644-6292.

Step 12: Ohio Civil Rights Commission

The state’s anti-discrimination laws are enforced by the Ohio Civil Rights Commission (OCRC). The laws apply to employers with four or more employees in Ohio. Among the various requirements, employers must post the “Fair Employment Practices” poster in a highly visible area in each workplace. The OCRC also has several publications available at no cost.

For more information, visit:

Ohio Civil Rights Commission
https://crc.ohio.gov or call 614-466-2785.
Step 13: Employer Required Federal Posters

Employers are required to display certain posters in the workplace that inform employees of their rights and employer responsibilities under labor laws.

To determine which posters you need to post, visit Ohio Department of Job and Family Services’ website.

For more information, visit:

Ohio Department of Job and Family Services
https://www.odjfs.state.oh.us/forms/num/JFS02745/pdf

Based on industry and size, you may be subject to other posting requirements. Please visit the U.S. Department of Labor’s website for details.

https://www.dol.gov

WHAT YOU NEED

Department of Labor workplace posting requirements vary by statute; that is, not all employers are covered by each of the department’s statutes and thus may not be required to post a specific notice. Business owners are advised to visit the Workplace Poster page to determine if any of the following posters should be displayed:

- Health Protection
- Equal Employment Opportunity
- Fair Labor Standards Act (FLSA)
- Employee Right For Workers With Disabilities/Special Minimum
- Your Rights Under The Family And Medical Leave Act
- Uniformed Services Employment And Reemployment Rights Act
- Notice To All Employees Working On Federal Or Federally Financed Construction Projects (Davis-Bacon Act)
- Notice To Employees Working On Government Contracts (Service Contracts Act)
- Displaced Employee Rights On Successor Contracts
- Employee Polygraph Protection Act
- Migrant And Seasonal Agricultural Worker Protection Act
- Notification Of Employee Rights Under Federal Labor Laws
Step 14: Employee Personnel Files

In addition to payroll records of employees for tax purposes, certain federal employment laws also require you to keep records about your employees. Personnel files should be password protected and/or in a locked cabinet with limited access to personal information in your care.

For more information, visit:

Society for Human Resource Management
www.shrm.org/about-shrm/Pages/Contact-Us.aspx or call 800-283-SHRM (7476).

Also:

- Tax Recording Guidance
- Labor Recordkeeping Requirements
- Occupational Safety and Health Act Compliance
- Employment Law Guide (employee benefits)
- Apply Standards that Protect Employee Rights
- Department of Labor’s Employment Law Guide
- EEOC and Fair Labor Standards Act

WHAT YOU NEED

- Job description.
- Resume and/or application form.
- Background check documentation.
- Offer letter with pay details.
- Pay and compensation.
- I-9 employee eligibility verification.
- Copy of driver’s license.
- Form 7048 new hire reporting.
- W-4 employee withholding request.
- IT-4 employee withholding exemption certificate (employee and school district).
- Health insurance acceptance or waiver.
- Delivery receipt for employee manual.
- Drug test results.
- Training record.
- Attendance record.
- Records relating to promotions, demotions, transfers, layoffs.
- Child support/garnishments.
- Quarterly payroll reports.
- Family and medical leave policy.
- Disability policy.
- Letters of recognition.
- Warnings, counseling, disciplinary notices.
- Performance evaluations.
- Litigation documents.
- Workers’ comp claims.
- Investigation records.
- Requests for employment/payroll verification.
- Termination records.