

# Small business compliance checklist

If you run a small business, there's a lot you need to do that doesn't directly support your daily operations. You may not have an expert in payroll, tax or human resources on staff, but you need to be able to handle these things expertly to comply with local, state and federal regulations. The following is an overview of some of the things you will need to address to help keep your small business in compliance.\*

But first, **what do we mean by "compliance"?** Compliance is adhering to requirements from local, state and federal jurisdictions. Among other things, small businesses need to manage their compliance obligations relating to payroll, tax, benefits, hiring and recordkeeping.

## Payroll

Payroll is one of the most important areas of compliance for your business and you need to pay attention to laws such as:

- Wage and hour laws, which govern minimum wage, overtime pay, and recordkeeping practices, among other things

- Equal pay laws

- Regulations governing how employees are paid

## Tax

Small businesses have the same tax responsibilities as larger businesses, including:

- Income taxes

- Employment taxes

- State taxes

- Sales tax

- Franchise tax

- Gross receipts tax

## Benefits

Small businesses are required to provide and offer certain benefits<sup>†</sup> to employees, depending on the size of the business.

**Workers' compensation** — Employers in most states must provide workers' compensation, which provides certain benefits to employees who are injured or become ill on the job. Workers' comp is regulated by state, so be sure to find out the requirements for your business to avoid penalties in your state.

**Unemployment insurance** — The [Federal Unemployment Tax Act \(FUTA\)](#) requires you to pay taxes toward both federal and state unemployment funds.

**Disability insurance** — Certain states require you to provide disability insurance for employees who get injured or become ill in a non-work related incident.

**Health insurance** — If you have more than 50 full-time employees, the [Affordable Care Act \(ACA\)](#) requires you to provide health insurance to your employees.

**COBRA benefits** — If you offer health insurance and have 20 or more employees, you are required by [Consolidated Omnibus Budget Reconciliation Act \(COBRA\)](#) to offer former employees the health insurance coverage they had for 18 months after discontinuation of employment. There are requirements for offering COBRA in a timely manner to avoid a lapse in coverage.

**Leaves of absence** — Be aware of state and federal laws that require you to offer employees certain types of paid and unpaid leave.

## Recordkeeping

The federal Fair Labor Standards Act (FLSA) requires employers to keep certain employee payroll records. You must keep these records confidential and in a secure location for at least three years. Some states have additional record keeping requirements, so be sure to adhere to those as well. Employee payroll records must include:

- Employee's full name and Social Security Number
- Total hours worked each week
- The basis on which an employee's wages are paid
- The employee's regular hourly pay rate
- Total daily or weekly straight-time earnings
- Total overtime earnings for each week

This is not a comprehensive list of retention requirements. For information on other types of record keeping required and retention length, see the [U.S. Department of Labor website](#).

## Hiring

While recruiting and hiring may be simpler in smaller organizations, you still need to observe certain guidelines, including:

Ensure that your hiring practices comply with [Equal Employment Opportunity Commission \(EEOC\)](#).

All new employees must complete a [Form I-9](#) to verify employment eligibility. In addition, some states now require [E-Verify](#).

For more information, see our [Hiring Guide for Small Business](#).

## New COVID-related regulations and tax credits

For updates on COVID-related legislation that impacts payroll, tax filing and employee leaves of absence for small businesses, please visit our [ADP Employer Preparedness Toolkit: Coronavirus Disease \(COVID-19\)](#).

## How ADP® can help

As a small business owner, you spend the majority of your time making sure your business is profitable and growing. Worrying about payroll, tax and other compliance requirements takes time away from your business, and is probably not where you want to focus your energy. Leveraging the services of a payroll provider that has proven expertise in tax and human resources can help your small business with its compliance needs while freeing you up to run your business.

 [Learn more about how ADP can help.](#)

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