



Is Payroll Outsourcing Right for Small Businesses?

Once a business grows to have even one employee, the responsibilities of calculating, managing, and delivering payroll fall onto business owners. This can be complex and why many business owners choose a third-party provider to handle some, or all, of the payroll responsibilities. It can be tough to determine whether payroll outsourcing is right for a business, but many learn that the benefits of automating these tasks outweigh any perceived disadvantages. The following considerations can help determine if it's right for your business owners.

Both Sides of the Payroll Coin

There are several factors that contribute to a payroll outsourcing decision. On the one hand, business owners may feel that their small business can't absorb the added cost of paying someone else to manage payroll. On the other hand, taking the do-it-yourself (DIY) payroll approach can be time consuming and expose their company to unnecessary risks.

Cost Analysis for Outsourcing Payroll

Each year, roughly [40 percent of small business owners](#) incur an average of \$845 in IRS penalties. Payroll software can help ensure business owners prevent paying more than owed, avoid missing key tax filing deadlines, and their company withholds and reports the correct amount of taxes.

If a small business decides payroll outsourcing may be a more efficient path, the costs should be very straightforward. Choose a trustworthy payroll provider that clearly stipulates the monthly costs upfront, so your business owners can plan for payroll expenses each month. Reputable payroll providers will also offer various add-on packages, so small businesses will only need to pay for the services relevant to their organization.

Growing Workforces and Payroll Complexities

Many companies are embracing a [blended workforce](#), which has further changed the payroll process. As a business grows or becomes more complex — such as taking on freelancers or paying employees overtime — the odds of making errors can increase. A quality payroll system can help handle various classifications of workers, even if they have full- and part-time employees, independent contractors, as well as exempt, non-exempt, or employees. A payroll system can also help adhere to federal, state, and local rules around overtime pay in addition to tax filing requirements.

Today's regulatory environment, tax laws, and employment situations are extremely diverse. When shopping for a payroll system, look for software designed specifically for a small business. If your business owners expect their business will eventually grow, ask the payroll administrator if the software can scale with them.

Paychex offers payroll solutions to fit the needs of any size business, with features that make it efficient to manage all aspects of the payroll process. Contact your Paychex Rep to learn more today.