

Hiring a Fiscal Agent

To many of us, the idea of withholding, depositing and reporting employment taxes seems complicated and time-consuming. If this is the case with you, you may wish to hire a fiscal agent to handle all your tax-related issues.

A fiscal agent can manage all your payroll functions including paycheck distribution, withholding, reporting employment taxes and miscellaneous employee deductions. However, keep in mind that even if you contract these services from a fiscal agent, you will still be considered the official employer of your employees, and will be held responsible for the appropriate handling of these issues.

Specifically, a fiscal agent can perform the following functions:

- Issue paychecks with the necessary pay stubs indicating earnings and withholding
- Withhold and deposit the necessary federal and state employment taxes (income, FICA, FUTA, SUTA).
- File federal and state quarterly and/or annual reports.
- Complete and distribute W-2 forms for each employee and a W-4 transmittal at the end of the tax year.
- Provide, in some cases, direct deposit options to employees.

Finding and Arranging for a Fiscal Agent

There are several ways to find a fiscal agent.

First, ask for recommendations from friends or colleagues; perhaps they have used or know of a fiscal agent in the local area.

Second, look in your phone book's yellow pages under "Payroll Services", "Accounting", "Bookkeeping", or "Taxes". Some agencies provide these services statewide or even nationally, so chances are you will be able to find several from which to choose.

While services do vary, setting up an account with a fiscal agent is simple. Different agents may ask for different information, but you should be prepared with the following details:

- Your Employer Identification Number
- Your employees' W-4 Forms
- Your federal and state tax deposit coupon books
- The number of hours each employee works
- Each employee's rate of pay
- Any additional deductions your employees wish to have taken from their paychecks.

Generally, you will be asked to provide adequate funds for each payroll outlay, including taxes. From this amount your fiscal agent will make the necessary employment withholdings, deposits and file the necessary reports, including W-2 forms.

Below is an example what you may be charged FONT for the services of a fiscal agent. Please remember fees and rates vary from agency to agency and from year to year, so be sure to get accurate and timely estimates before entering into an agreement with a fiscal agent.

- Set up payroll account 4.50 (one time charge)
- New employee set up charge 10.00 (for each new employee)
- First 10 checks issued 1.50 each
- Next five checks issued 1.00 each
- Reaming checks issued .85 each

Example: Using the above sample rates, you set up an account with your fiscal agent for three new employees who are paid twice per month. Your cost for the first month of fiscal services would be:

- Set up payroll account 4.50 (one time charge)
- New employee set up charge 3.00 (\$1.00 X 3 employees)
- Paycheck issuance charge 9.00 (\$1.50 per check 2 paychecks per month X 3 employees)
- Total monthly service charge \$16.50

Of course, charges for following months would be less because there would be no account set-up charges and no new employee set-up charges.

Screening a fiscal agent is lot like screening potential employees, but your primary concern should be the agent's fees, their experience level, and the range of services they provide. Look for someone who understands your situation, has the necessary experience, and whose fees are within your budget.

Once you have found an agent that is right for you, they will need to submit, in writing, an application and authorization to the Director of Internal Revenue Service Center (for Minnesota: IRS Center, Kansas City, MO, 64999). This application and authorization is an important step. It notifies the IRS that your fiscal agent is authorized and required to act on your behalf in fiscal and tax matters, and it should be accompanied by federal form 2678 Employer Appointment of Agent. Once the IRS Service Center Director approves this application, a letter of authorization will be sent to your agent. The authorization is effective the date the letter is postmarked.

To see a copy form 2678>Employer Appointment of Agent, go to <http://www.irs.gov>, and enter 2678 in Search Forms and Publications for, click on Go.

Before the agent starts working with you, you may wish to outline with them in writing, their fees, the functions they will perform, and what information you will need to provide them. Remember, the job your fiscal agent will be performing is important; it is equally important that you share a clear understanding of the relationship.

FIER Directory & Rates

See the Fiscal Intermediary/Employer of Record Directory and the Fiscal Intermediary/Employer of Record Rates for more information.