

Practical Accountant

Supplement: Payroll
Benefits of Outsourcing Payroll

By Don McLoughlin
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There are four reasons why your small business clients should stop processing their own payroll right now:

1. It takes more time than they may realize

Payroll management is more than writing checks every pay period; it is also properly calculating net pay, preparing quarterly and year-end tax forms, filing W-2s, and handling employee inquiries. Many small businesses underestimate the total time they devote to payroll-related tasks.

2. Compliance is hard work!

Tax laws and employment regulations are constantly changing and keeping up with these changes requires constant attention. Small businesses can easily fall out of compliance with a new law or regulation, resulting in costly fines.

3. There's nowhere to turn with questions

By and large, payroll is not a core competency for small business owners. By outsourcing, owners can access a team of experts to help with issues and answer questions regarding payroll, tax and HR.

4. It's easier to add additional benefits

Businesses that outsource their payroll can take advantage of other services that they might not otherwise be able to offer—such as retirement plans, premium payment programs for workers' compensation, direct deposit, and payment cards.

Once a small business owner decides to seek help, he or she will likely turn to his/her most trusted business advisor - you, their accountant - for advice on what to do next.

Accounting Firms Can Benefit from Outsourcing, Too

Accounting firms need to determine where payroll fits into their suite of services. Payroll can provide recurring revenue, yet it can be a lot of work and responsibility. With staffing tighter than ever, you and your firm need to think hard about how best to deploy resources.

If your clients ask for help and you really do not want to get involved with payroll, you can refer them to a major service bureau. From that point, small business owners can sign on for stand-alone payroll outsourcing or partner with a **Professional Employer Organization (PEO)** to handle all of the human resources functions via an off-site HR department.

However, if you do choose to provide payroll services, you can partner with an outsourcing service provider to gain access to software and service to make the job easier. Technology such as RUN powered by ADP Payroll for Accountants can be the behind-the-scenes engine for your payroll practice. Leveraging Software-as-a-Service (SaaS) technology, there is no software to install or special hardware; it is all done online and backed by ADP's service.

As a wholesale solution, RUN also gives you the flexibility to choose, on a client-by-client basis, how you want to handle payroll. For example, do you want to file taxes and print checks or have your outsourcing partner handle it for you? You can also assign clients to specific members of your firm, and choose whether to enter basic payroll data yourself or allow your clients to do it.

Ultimately, when it comes to payroll processing, you and your small business clients should evaluate all of the benefits and risks involved, and determine the best way to move forward for your individual businesses. If done correctly, outsourcing will provide advantages over do-it-yourself payroll; enabling you and your clients to run your businesses more effectively.

Don McLoughlin is Vice President of Marketing for ADP Small Business Services, the unit of ADP that services small businesses with 1 to 49 employees (www.smallbusiness.adp.com).

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