



DELAGET
SMARTER WINS



4

**restaurant
industry nuances
your payroll provider
must know**

Ebook

When it comes to outsourcing your QSR's payroll function, not all vendors are equipped to handle the unique nature of the restaurant industry.

You need a partner with expertise in every area of your back office, who knows the restaurant industry, and can share best practices from across the industry and even from across your brand. Before you get ready to renew or secure a contract with a payroll provider, **make sure the vendor you choose can manage the following four restaurant-specific payroll components.**





#1: Point of sale (POS) integration

Using a payroll vendor that integrates with your restaurant's POS can save you time, money, and many headaches. Without POS integration, multi-unit operators must manually collect and send data across their stores to the payroll provider. Manual processes and calculations like this can lead to costly errors.

According to a report by Nucleus Research, payroll clerical errors and poor recordkeeping average nearly 1.2% of total payroll costs. Automation eliminates human errors – and help reduce payroll costs.

Also, POS integration allows your payroll solution to scale as your company grows. Manually handling discrepancies across 5 or 6 stores may be manageable. But that process can get complicated quickly if and when your business expands.

Ask your potential vendor:

- ✓ Can your company integrate with my restaurant's POS system? If so, what is your process for exporting and merging POS data?
- ✓ What alerts do you have in place to monitor reporting errors or out-of-scope data?
- ✓ How do you work with brands to anticipate and react to changes, such as new POS or onboarding services? Have you worked with my brand specifically on changes like these?



#2: Borrowed employees

Restaurant franchises with the same owner often borrow employees to work shifts. For example, an employee may clock in 25 hours at one location and another 20 at a different store. While the time is less than 40 hours at each location, under the same owner, it adds up to 45 hours. Any restaurant owner that allows employees to work at more than one location must track their hours across their owned units. This can be a manual, time intensive, and confusing task without a vendor that understands and can implement the process. That's why it's important to select a payroll provider that can integrate with your POS and can export and merge data from all of your locations at once and not on a store by store basis.

Ask your potential vendor:

- ✓ **What is your process for working with multi-unit restaurants?**
- ✓ **Do you have experience tracking hours worked for borrowed employees? If so, what is your process for handling borrowed employees and the accompanying overtime hours?**
- ✓ **Do you have the flexibility to charge overtime expenses to either the home, borrowed, or worked location?**
- ✓ **Can you apply varied overtime calculations based on the state the employee works in?**



#3: Tip handling

Tippling rules and regulations can be a major payroll headache for restaurant owners. Operators who don't have a program in place to calculate tip allocations and minimum wage make up run the risk of making errors. And errors can lead to costly Department of Labor fines.

In fact, around 40% percent of small to medium sized businesses are fined for late or incorrect filings and payments. For example, Form 8027, a form that requires businesses to show gross receipts, charged tips, and the amount of tips employees reported, can be challenging for many restaurateurs to navigate. And to make matters worse, according to the National Restaurant Association, IRS officials have indicated in recent years that they're on the lookout for businesses that are required to file the form but fail to do so.

That's where an outsourced payroll service comes in. Their staff can answer all of your questions and keep you on top of every tip and payroll-related deadline. Working with a payroll vendor who understands tip nuances and requirements is key to making the payroll processes as streamlined, accurate, and error-free as possible.

Ask your potential vendor:

- ✓ Do you automate the calculation of tip allocations and minimum wage subsidies?
- ✓ Do you prepare my 8027 and 8846 forms?
- ✓ Do you know how to properly handle the payment and filing for 3121(q) notices?

#4: Bonuses and overtime

While bonuses are not specific to restaurants, the industry (and specifically franchisees) have been under increased scrutiny over the past few years to ensure compliance with a widely-ignored law regarding bonuses and overtime.

The law states that whenever a non-discretionary bonus is paid to employees who are eligible for overtime, an assessment of their wages must be made to see if additional overtime is due. The assessment must span the time frame for which the bonus was earned. Your payroll provider needs to understand and be up-to-date on the Fair Labor Standards Act (FLSA) and how it impacts your brand's bonus and overtime structure.

Ask your potential vendor:

- ✓ Do you have a way to recalculate the regular rate of pay and additional overtime due (according to FLSA laws) when bonuses are paid?
- ✓ Do you have the flexibility to tax bonuses at either the regular or supplementary rates?
- ✓ Can you send me the bonus checks to hand out instead of adding them to the employees' direct deposit?



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Sign up for a free outsourcing consultation!

Contact us to discuss your unique payroll needs and challenges, and we'll share how we've helped franchisees like yours run a more profitable and efficient operation.

[Contact us](#)