DELAGET
SMARTER WINS

Payroll best practices for restaurant owners and operators

How to tackle unique payroll challenges faced by those in the quick service industry

Ebook

From tipping to overtime to employee sharing, there are many unique payroll challenges faced by those in the quick service industry.

In this guide, learn industry-tailored tips that will make your payroll processes more effective and efficient.

Paperwork: What to keep and for how long

It's no secret: When an employee is onboarded or terminated, the payroll department is heavily involved. And with those two processes comes paperwork – and lots of it.

Both state and federal regulations require employers to maintain an employee master file. This file is essential because without it, an employer has no way to verify whether an employee's claim for back pay is justified. And, without a designated location, making updates to necessary documents can be nearly impossible.

There are so many payroll laws to comply with in terms of recordkeeping. Many government agencies and regulations – including the Occupational Safety and Health Administration, the Fair Labor Standards Act, the International Register of Certificated Auditors, and more – dictate the kinds of records that restaurant operations need to keep. State agencies may have additional rules.

NOTE:

If your restaurant operation is home to more than 50 employees, you're required to complete new hire reporting, within 20 days of a hire. Be sure to centralize the address that you use to report from, rather than using a store address.

Garnishment paperwork that arrives at the restaurant may lay on a desk unattended or even be removed by the affected employee if proper security is not in place. Owners can help avoid these pitfalls by directing all paperwork to a central office address.

Paperwork: What to keep and for how long

Smart tip

Become familiar with state laws and make sure you have a central place to organize and store your master file, which should include:

- ✓ Basic employee data: name, address, gender, birth date, social security number, occupation, state where services are rendered

- ✓ Work specific data: new hire date, payment date, termination date (if needed), basic or hourly pay rate, additions/deductions from pay, pay frequency, hours worked per day and week, straight time hours, overtime hours, shift bonus

- ✓ Tax and payroll data: allowances claimed, marital status

- ✓ Data for payroll period and calendar year: total wages subject to federal, state, and local income taxes, total wages subject to social security tax and Medicare tax, total remuneration, total federal income tax withheld, total social security tax withheld, total Medicare tax withheld, tax paid by employer but not deducted from wages

Employee sharing and overtime

Staffing in the restaurant industry is unique because one employee may work at more than one location within a restaurant operation. This practice can complicate overtime calculations, adding extra work for payroll employees.

Employees may work in three or four di¬fferent locations – all in the same pay period. It's critical for employers to recognize when sharing has occurred and properly calculate the employee's overtime.

Smart tip

Develop an internal practice that outlines the payroll process for shared employees. Determine what store is the employee's "home" store and establish rules for where overtime expense should be charged to (the home store, the borrowed store, or the location where the overtime hours were actually worked).

Paying your employees – checks, direct deposits, and pay cards

There are several factors to consider when an employer is choosing their policy for distributing payroll funds, including:

- ✔ **Banking fees**

- ✔ **Employee convenience**

- ✔ **Fraud prevention**

- ✔ **Meeting legal requirements**

Since the restaurant industry employs a younger demographic, many employees don't have established bank accounts, and may prefer a live check or a paycard.

Live checks have become the victims of fraud and should be paired with positive-pay (or safe-pay) services through your bank to protect yourself.

Paycards are readily available at most convenience or department stores and can be treated just like any other direct deposit medium. In addition, employers may choose to "sponsor" a paycard program, but there are additional enrollment and reconciliation steps associated with sponsored programs which add time for the payroll and accounting departments.

Paying your employees – checks, direct deposits, and pay cards

Smart tip

Encourage some form of direct deposit to cut down on check fraud, but offer multiple pay-out options to meet the needs of your employees.

Tip handling (allocation, taxation, and garnishing)

For companies where tipping is customary, the IRS requires an annual 8027 report to reconcile tips reported against what they say 'should have been' reported. According the IRS, eight percent of all tippable sales must be reported as tips, or allocated to the tippable staff. If an employee is consistently reporting less than eight percent, it should be a signal to the restaurant manager that he or she may need more training. Or, it's a sign that the employee isn't truthfully reporting tips.

Under a 2013 ruling, automatic tips or service charges added to a customer's check by the restaurant must be treated as wages and taxed accordingly. In addition, any tips not given directly to the employee, but rather paid out on the employee's pay check, should be included in the available wage calculations for garnishment purposes.

Smart tip

For businesses that are looking for a way to still require or recommend certain tip amounts on larger bills, provide customers with 15, 18, and 20 percent tip calculations.

Communication in the workplace

The key to a high functioning payroll department is establishing the communication flow and understanding who's authorized to give the payroll department direction. If an employee gets a pay raise, or if a change needs to be made to his or her W-4, steps to complete those changes should be clear and documented.

Smart tip

Get your district managers involved so that there's sound understanding about what's going on at the store level. This will help with accountability and clarity throughout the payroll process.

DELAGET
SMARTER WINS

Thinking about outsourcing?

Then it's important you select the right vendor. One that knows the QSR industry inside and out. One that can integrate with your POS. One that offers you choices in how your business rules are applied.

Download "4 restaurant industry nuances your payroll provider must know" for 13 essential questions you need to ask your future vendor >>