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We are hiring an employee,  
now what?

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## A Guide on Ag Payroll in KS

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We are hiring an employee,  
now what?

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- 1) Items Prior To & During Hiring
  - 2) Calculating a Paycheck
  - 3) Payroll Reporting & Deposits
  - 4) Fringe Benefits**



## Tax Forms and Publications



- IRS:
  - <http://www.irs.gov/formspubs/>
    - Select form number or topical index
  
- Kansas:
  - Department of Revenue (KDOR)
    - <http://www.ksrevenue.org/forms-btreg.htm>
  - Department of Labor (KDOL)
    - [www.dol.ks.gov](http://www.dol.ks.gov)

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## Fringe Benefits



- Benefits are a form of compensation
- Typically benefits must be made to **all** employees meeting minimum qualifications, for example full time employees.
- May Include:
  - Health Insurance
  - Personal Use of Work Vehicle
  - Retirement Benefits
  - Many Other Possibilities

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## Fringe Benefits



- Subject to Medicare and Social Security taxes unless otherwise exempted
- Subject to FUTA and state unemployment taxes if employer is subject to these taxes
- If one employee is offered a benefit, all employees of that class may need to be offered the same benefit

7

## Health and Accident Benefits



- Exempt from Medicare and Social Security Tax
- May or may not include employee's spouse and children
- May be insured or non-insured

7.1

## Health and Accident Benefits



For greater than 2% shareholders in an S-Corp

- Value of health benefits are added to gross wages on W-2
- Not subject to Social Security and Medicare

7.1

## Health Savings Accounts



- Employer contributions to employee's HSA are deductible to employer
- Exempt from Social Security and Medicare
- Owned by the employee
- Employer may not remove contributions

7.2

## Health Savings Accounts



- Contributions for partners are treated as guarantee payments
- Contributions for greater than 2% shareholders in an S-Corp must be added to gross wages, but not subject to Social Security and Medicare taxes

7.2

## Group Life Insurance



Up to \$50,000 of employee group term life insurance is

- Exempt from wages
- Not subject to Social Security
- Not subject to Medicare

7.3

## Lodging and Housing



Lodging is exempt from income, Social Security and Medicare taxes only if

- ❑ Provided at employer's business premises
- ❑ Provided for the convenience of the employer
- ❑ Accepted by employee as a condition of employment

Housing provided to a greater than 2% shareholder in an S-Corp must be included in income

7.4

## De Minimus (Minimal) Benefits



### ■ De minimus benefits

- ❑ Exempt from social security, Medicare and income taxes

### ■ Examples

- ❑ Occasional meals
- ❑ Occasional personal use of company vehicle
- ❑ Occasional entertainment or sporting event tickets
- ❑ Holiday gifts, except for cash
- ❑ Cash equivalents, such as gift cards, are subject to taxes

7.5

## Transportation



- Generally taxable to the employee
- Two methods to calculate benefit
  - Lease value of vehicle to employee
    - Refer to IRS publication 15 B
  - Standard mileage rate for personal miles

7.6

## Qualified Non-Personal Use Vehicles



- Use of these vehicles for commuting to and from home and for de minimus use is excludible from income
- Examples
  - Vehicles designed to have loaded gross weight of over 14,000 lbs
  - Tractors and other special farm use vehicles

7.6

## Qualified Non-Personal Use Vehicles



- Pickups under 14,000 lbs qualify if they are modified in such a way that makes other than de minimus personal use unlikely
  - Installation of hydraulic lift gate
  - Installation of permanent tanks or drums
  - Installation of raised beds
  - Installation of welders
  - Flatbeds???

7.6

## Meals



Excludible from income if

- Provided on the employer's premises
- Provided for the convenience of the employer
- Must be a substantial reason to provide meals
  - Short meal periods
  - Provide meals when proper meals otherwise unavailable

7.7

## Meals



- If half of the meals provided employees are excludible, than all meals are excluded from income
- Occasional (de minimus) meals are excluded from income
- Meals provided to greater than 2% shareholders in an S-Corp must include the value of such meals in income

7.7

## Educational Assistance



- Educational assistance of up to \$5,250 is excludible from an employee's income if it includes
  - Books
  - Supplies
  - Equipment
  - Tuition
  - Equipment and supplies are not eligible if employee can keep them after the course
  - Books may be kept by the employee

7.8

## Formal Educational Assistance Programs



- Must not favor highly compensated employees
  - Own more than 5% of the business in the previous year
  - Earned more than \$100,000 in the previous year
- May not pay more than 5% of benefits to owners or shareholders annually
- Program may not allow employees to receive cash in lieu of educational benefits

7.7

## Commodity Wages



- Not subject to Social Security and Medicare
- Value on date of transfer reported on employees W-2
- Employee must control commodity after transfer
  - Employer may not sell on employee's behalf
  - If employer sells for employee, subject to Social Security and Medicare

7.9

## Commodity Wages



- Although all wages can be paid in commodities, it is not recommended
- Great for bonuses to reward employees in good years or for extra effort