

[Your firm name and logo]

[Firm name]

[Firm address]

[Date]

[Client legal name]

[Client address]

EIN: [Client EIN]

Re: Payroll services engagement

Dear [Client contact name],

Purpose of this letter

This letter sets out the payroll services [Firm name] will provide to [Client legal name], what each of us is responsible for, and the terms of our work together. It starts on [start date] with the first pay date of [first pay date].

Services we will provide

We will: (a) calculate gross pay, withholding and net pay for each pay date on the calendar in Schedule A; (b) send the direct deposit file and pay statements; (c) make federal tax deposits through EFTPS; (d) prepare and file Form 941 each quarter and Form 940 each year; (e) prepare Forms W-2 and W-3, including the qualified overtime and tips amounts the forms call for, file them with the Social Security Administration and send employee copies; and (f) prepare and file the state withholding and unemployment returns listed in Schedule B.

New-hire reporting (optional)

We will report each new employee to the new hire registry of [state], using the details you send us under the client responsibilities clause below.

Services not included

Unless we agree otherwise in writing, we do not: determine whether a worker is an employee or a contractor; administer benefit plans or retirement contributions; process wage garnishments; file Forms 1099; correct returns for periods before [start date]; or give legal advice on employment law.

Reporting agent authorization

You will sign Form 8655 so that we can sign and file the returns listed in this letter, make deposits and payments for them, and receive copies of IRS notices about them. This authorization does not relieve you of your responsibility to make sure every return is filed and every deposit is made on time. We will remind you of this in writing at least once each quarter. We recommend that you enroll in EFTPS so you can see every deposit we make for you.

Your responsibility for employment taxes

As the employer, you remain responsible for your federal and state employment taxes, including any penalties and interest, even when we prepare, file or deposit for you. Please keep your own address of record with the IRS and your state agencies, and do not change it to ours.

Your responsibilities

You agree to: (a) send hours, pay rates, bonuses, deductions and terminations by [time] on the [number] business day before each pay date; (b) send each new hire's details and signed Form W-4 before their first

pay date; (c) determine the status of each worker as an employee or a contractor, and tell us which employees are owed overtime under the Fair Labor Standards Act and which roles are tipped occupations; (d) review the payroll register we send before each pay date and tell us of any error before [time]; and (e) forward every notice you receive from the IRS or a state agency within [number] business days.

Funding the payroll account

You will keep enough money in account [bank name, last four digits] to cover net pay, taxes and our fees by [time] on the [number] business day before each debit date. If the account is short, we will tell you the same day and will not release pay or tax deposits until it is funded. Penalties and interest that result from late funding or late information are your responsibility.

Data security

You will send payroll data only through [secure upload method], not by plain email. Only staff who work on your payroll will have access to it. We will keep it for [retention period] and tell you within [number] days if we learn of unauthorized access to it.

Fees

Our fee is [amount] per pay run, plus [amount] per employee per pay run, and [amount] for year-end Forms W-2. Off-cycle runs and corrections are billed at [rate]. We will debit our fees from [account] on [date] or invoice you, payable within [number] days.

Errors and corrections (optional)

If a penalty results from an error in our calculations or a deposit we failed to make on time after you funded the account, we will pay that penalty, up to [limit]. We are not responsible for penalties that result from information you sent late or incorrectly.

Term and termination

Either of us may end this engagement with [number] days' written notice. Unless we agree otherwise, we will complete the returns for the quarter in progress, and you will pay for work done to the end date. When the engagement ends, we will withdraw our Form 8655 authorization and send you your payroll records in [format].

Agreement

If this letter reflects your understanding, please sign below and return it with the signed Form 8655. This letter replaces any earlier agreement about these services.

Sincerely,

[Firm name]

[Partner name], [Title]

Signature: _____ Date: _____

Agreed and accepted by [Client legal name]:

[Signer name], [Title]

Signature: _____ Date: _____