

1. Can you afford it? (the math first)

- ☐ True cost = salary x 1.25 (lean) to x 1.4 (with benefits). A \$50k hire costs \$62.5-70k/year.
- ☐ Employer FICA is fixed at 7.65% (6.2% Social Security up to \$184,500 + 1.45% Medicare, no cap).
- ☐ Add FUTA (\$42/yr max), SUTA (new employer ~2-4%, state wage base), workers' comp (office ~0.3-1%, trades 5-15%+), payroll software (~\$550/yr).
- ☐ Revenue test: the role must generate or protect 2-2.5x its true cost. If the math needs 'fully ramped' to work, wait.

2. Legal setup (before you post the job - about 1 week)

- ☐ EIN - free at IRS.gov, ~10 minutes online, issued immediately. No payroll without it.
- ☐ State employer registration - income tax withholding + unemployment (SUTA) accounts.
- ☐ Workers' compensation insurance - required in nearly every state before day one (Texas excepted).
- ☐ Payroll software (Gusto, QuickBooks Payroll, ADP Run) - handles withholding, deposits, new hire reports, W-2.
- ☐ Remote hire in another state? Register as an employer THERE too (withholding + unemployment).

3. Day one paperwork (deadlines in days, not weeks)

- ☐ Form I-9 - Section 1 by day one; examine original documents, Section 2 within 3 business days. Heaviest penalties.
- ☐ Form W-4 - on or before day one, effective with first paycheck. No W-4 = default single rate.
- ☐ State withholding form - 43 states have their own; the federal W-4 is not enough.
- ☐ State new hire report - all 50 states, within 20 days of hire (payroll software usually files it).
- ☐ E-Verify if your state requires it. Keep all employment tax records 4+ years.
- ☐ Preboard digitally: W-4, state form, direct deposit, house rules go out with the offer letter.

4. Hire well, then the first 90 days

- ☐ Job post = outcomes, not duties: what they own + what success looks like in 90 days.
- ☐ Paid work sample (2-4 h, \$200-500) on a real problem. Better than any interview question.
- ☐ References: ask 'Would you hire this person again?' The pause is the answer.
- ☐ Decide in 2 weeks, 3 rounds max. A bad hire costs 30-50% of a year's salary (DOL).
- ☐ One-page operating sheet: hours, communication norms, approvals, handoffs.
- ☐ Weekly 30-min one-on-one for the first quarter. Judge at day 90 against the job post outcomes.

Employee or contractor? The IRS decides, not the contract.

If you set hours, provide tools, and direct the work, that is an employee. Misclassification = back taxes on employer FICA + penalties + state exposure. When in doubt, hire the employee.