

## **Payroll Taxes Are Sacred So Don't Touch**

If your parish collects payroll taxes from employees, here's a warning: Don't borrow from the withholding tax fund. If that money isn't there when it's due, Uncle Sam will crack down hard.

It may be tempting to look at payroll tax money as an easy fix to a cash crunch. "I'll send it in later," you may think. But when it comes to bad ideas, this is one of the worst.

If the due date for making payroll tax deposits arrives and the money isn't sent ... the IRS will take action against the responsible parties. That money belongs to your employees and is meant to be held in a trust fund until deposited to pay income tax, Social Security and Medicare taxes.

Don't assume the parish or corporate veil will shield you or other corporate officers. Payroll taxes are one area where you cannot escape personal liability.

If there isn't enough money to pay the bill, the IRS can attach your parish bank accounts or assets. Will the government send violators to jail? Not usually. But if the IRS sees a pattern of repeated violations, it can launch a criminal investigation, which could lead to prison.

The repercussions can spread beyond the company. There are legal precedents that allow the IRS to collect from, say, banks and financial institutions that lend you money to pay those taxes.

The easiest way out of a payroll mess is to avoid getting into one in the first place. Some parishes hire an outside service to handle payroll duties. A good payroll service provider relieves you of an enormous burden by cutting the checks, making the deductions, taking care of the tax payments and handling recordkeeping. But don't be lulled into feeling like your payroll is on autopilot. Payroll needs regular monitoring. If a shortfall occurs, your parish, not the payroll provider, will bear the ultimate responsibility.

### ***How Hard Will an IRS Crackdown Be?***

*The fine used to be called the "100 Percent Penalty" until the tax agency tried to soften its image and renamed it the less ominous "Trust Fund Recovery Penalty." But the result is the same: An officer or other responsible employee can personally be assessed as much as 100 percent of the amount. And that doesn't include interest.*

*(Article written with the permission of Brady Martz & Associate, Certified Public Accountants)*