

## Common Misconceptions about Payroll Companies

Payroll companies provide useful and comprehensive services their clients in the aspects of tax filing and data management. However, some companies become complacent and believe that the services provided by their payroll companies goes beyond what they will actually do for you. Here are some of the common misconceptions we often hear from our clients regarding their payroll companies:

***Our payroll company understands the wage and hour laws and will pay our employees legally.***

Employers must themselves ensure they are paying the minimum wage in effect for the city, county or state the employee is working in. Here is a list of the local minimum wage rates in California:

City	Minimum Wage Rate
Berkeley	\$11/hour (\$12.53/hour effective October 1, 2016)
El Cerrito	\$11.60/hour effective July 1, 2016
Emeryville	\$13/hour for businesses with 55 or fewer employees (effective July 1, 2016)  \$14.82/hour for businesses with more than 55 employees (effective July 1, 2016)
Long Beach*	\$14.07/hour (effective July 1, 2016)
Los Angeles City	\$10.50/hour (effective July 1, 2016 for employers with 26 or more employees; requirement for smaller employers delayed until 2017)  \$15.37/hour (hotel workers)
Los Angeles County	\$10.50/hour (effective July 1, 2016 for employers with 26 or more employees; requirement for smaller employers delayed until 2017)
Mountain View	\$11/hour effective July 1, 2016(\$13/hour beginning January 1, 2017)
Oakland	\$12.55/hour
Palo Alto	\$11/hour
Pasadena	\$10.50/hour (effective July 1, 2016 for employers with 26 or more employees; requirement for smaller employers delayed until 2017)

Richmond	\$11.52/hour (\$12.30/hour effective January 1, 2017)
San Diego	\$10.50/hour effective approximately July 11, 2016(\$11.50/hour effective January 1, 2017)
San Francisco	\$13/hour effective July 1, 2016
San José	\$10.30/hour
Santa Clara	\$11/hour
Santa Monica	\$10.50/hour (effective July 1, 2016 for employers with 26 or more employees; requirement for smaller employers delayed until 2017) \$13.25/hour*
Sunnyvale	\$11/hour effective July 1, 2016 (\$13/hour effective January 1, 2017)

***Our payroll company will correctly accrue sick leave for our employees***

Recent changes in pay sick leave laws in Los Angeles and San Diego took effect on July 1, 2016. Many employers may believe that their payroll company automatically changed the accrual rates programmed in their systems to reflect the change in the ordinances.

**This is not the case** and employers need to make sure that their employees are accruing sick leave appropriately for where they are working. Here is a list of cities with Paid Sick Leave laws that differ from the California State Law:

City	City Website
Emeryville	<a href="http://www.ci.emeryville.ca.us/1024/Minimum-Wage-Ordinance">http://www.ci.emeryville.ca.us/1024/Minimum-Wage-Ordinance</a>
Los Angeles	<a href="http://clkrep.lacity.org/onlinedocs/2014/14-1371_ORD_184320_6-2-16.pdf">http://clkrep.lacity.org/onlinedocs/2014/14-1371 ORD 184320 6-2-16.pdf</a>
Oakland	<a href="http://www2.oaklandnet.com/Government/o/CityAdministration/d/MinimumWage/OAK051451">http://www2.oaklandnet.com/Government/o/CityAdministration/d/MinimumWage/OAK051451</a>
San Diego	<a href="http://docs.sandiego.gov/council_reso_ordinance/rao2014/O-20390.pdf">http://docs.sandiego.gov/council_reso_ordinance/rao2014/O-20390.pdf</a>
San Francisco	<a href="http://sfgov.org/olse/paid-sick-leave-ordinance-pslo">http://sfgov.org/olse/paid-sick-leave-ordinance-pslo</a>
Santa Monica	<a href="http://beta.smgov.net/strategic-goals/inclusive-diverse-community/minimum-wage-ordinance">http://beta.smgov.net/strategic-goals/inclusive-diverse-community/minimum-wage-ordinance</a>

***Our payroll company will correctly itemize pay statements.***

Employers must provide California employees with itemized wage statements clearly detailing how their pay is calculated. Payroll companies can list the required items on pay statements but will not necessarily do so unless the employer requests it. Items that must be included on pay statements are:

1. Gross wages earned;
2. Total hours worked by a nonexempt, hourly employee;
3. All deductions;
4. Net wages earned;
5. The inclusive dates for the period the employee is paid;
6. The name of the employee and the last four digits of his/her social security number or an employee identification number;
7. The employer's legal name and address;
8. Accrued Paid Sick Leave;
9. All applicable hourly rates in effect during the pay period and the corresponding number of hours worked at each hourly rate; and
10. For employees paid on a piece-rate basis, the number of piece rate units earned, regardless of time worked.

This information must be presented in a way that employees can easily read and understand the required information.

Assuming your payroll company is monitoring your compliance with California wage and hour laws can be an expensive and time-consuming mistake. Payroll companies are not law firms and they **will not notify you if you are not paying your employees properly**, calculating overtime correctly, or even ensure that the paystubs they generate for your employees comply with the law.

It is the employer's responsibility to ensure the employment laws are being complied with, and it is prudent to review these practices and audit the practices of your payroll company.

Lauren Sims is the author and a principal HR Consultant with eqHR Solutions.

When you require HR or Payroll advice or help navigating the ever-changing landscape of California and Federal Employment Laws and Regulations, call us for a no obligation consultation.

**[eqHR Solutions](#) is a leading human resources consulting firm, providing tactical and strategic human resources employment support, plus ADP payroll product training, for all size businesses in Southern California and the San Francisco / Bay area.**