

XpertHR Index Ranks States by Payroll Misery

California, New York and New Jersey Among Worst States for Payroll and Employment Tax Law Compliance; Tennessee, Florida and South Dakota Among Best

New Providence, NJ (April 14, 2014) –The states with the most complex and burdensome employment tax laws are California, New York, New Jersey, Hawaii, Maryland and Virginia, according to [XpertHR's new "Payroll Misery" Index](#), which analyzes the degree of burden placed upon employers by each state's payroll and employment tax laws.

"Many employers are overwhelmed by the complexity involved in managing employment-related tax and payroll compliance, but some state laws make the task even more burdensome than others," says Rena Pirsos, JD, Legal Editor, XpertHR. "And there are costly penalties and fines imposed by various federal and state agencies for failure to comply."

Several factors contribute to states such as California, New York and New Jersey ranking high on XpertHR's Payroll Misery Index: these states impose an income tax on wages that must be withheld from each employee's pay; they allow local governments to impose local income taxes on wages that must be withheld from employees' pay; and mandatory direct deposit is not permitted without prior employee consent.

"Today's employer has the distinction of being the nation's central tax collector," says Ms. Pirsos. "As a result, HR managers need to understand myriad complex issues and constantly changing requirements involved in payroll and employment tax law compliance in order to effectively oversee payroll processing."

In the states causing the least amount of payroll misery – Tennessee, Florida, and South Dakota – employers are not required to file a reconciliation return of wages paid and payroll taxes withheld; they aren't required to distribute additional notices to employees besides the annual Form W-2; and withholding for disability insurance or workers' compensation payroll tax is not required. Florida causes minimal pain to employers because it does not impose state or local income taxes, which removes some of the burden of tax withholding.

XpertHR conducted an in-depth comparison and analysis of state payroll and employment tax laws as they apply to private employers to determine an overall ranking of the worst and best states for compliance. They selected the 10 most common requirements an employer must comply with under each state's relevant laws and rated the relative degree of employer burden imposed by each requirement on various scales, resulting in a 50-state ranking of states based on payroll and employment tax burden.

[The best and worst states are:](#)

Best States:

1. Tennessee
2. Florida
3. South Dakota
4. Nevada, New Hampshire, Wyoming (tied)
5. Alaska and Oklahoma (tied)

Worst States:

1. California
2. New York
3. New Jersey
4. Hawaii
5. Maryland and Virginia (tied)

To receive a free copy of XpertHR's Payroll Misery report, visit

<http://www.xperthr.com/pages/best-and-worst-states-for-payroll-and-employment-tax-compliance-how-does-your-state-rate/>

About XpertHR

XpertHR's online service provides HR professionals with practical compliance tools and comprehensive guidance on federal, state and municipal law, helping employers stay current with evolving and complex employment law issues. XpertHR content is published in association with sister company LexisNexis. [XpertHR.com](http://www.xperthr.com) is a unique, easy-to-use solution organized around the day-to-day responsibilities of HR professionals. In addition to smart search features, you can browse through content by task, by topic, or by tool type to help you find just what you need in seconds. Our key features include the popular Employment Law Manual and Liveflo employment workflows.

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Editor's Note:

A Payroll Misery Index infographic is available for publication.

Please include a link to the full report <http://www.xperthr.com/pages/best-and-worst-states-for-payroll-and-employment-tax-compliance-how-does-your-state-rate/>

Media Contacts:

Beth Brody, fisher VISTA (For XpertHR)
beth@hrmarketer.com
609-397-3737

Reina O'Beck, fisher VISTA (for XpertHR)
robeck@fishervista.com
(650) 477-4839