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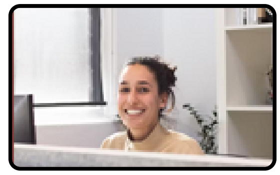
Business Owners Accounting Tips

APR 2026



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Employees and Potential Penalties

Many small businesses have employees. But the smaller the business, the more likely it is that legally required actions will not be followed, which can result in penalties and accrued interest. Here are situations to consider.

Form I-9: Employment Eligibility Verification
This form verifies that a person is legally authorized to work in the United States.

- Failure to properly complete, verify, or retain Form I-9 (Employment Eligibility Verification) results in steep civil penalties for employers, ranging from **$288 to $2,861 per paperwork violation** in 2026.
- Knowingly hiring or continuing to employ unauthorized workers can result in fines of **$716 to $28,619 per violation**, along with potential debarment or criminal prosecution.

Form W-4: Employee's Withholding Certificate
If an employee fails to submit a Form W-4, **Employers** must treat them as single with zero withholding allowances and calculate taxes accordingly.

- Employee Penalties: **Employees** who submit false information or fail to provide a valid W-4 may face a **$500 civil penalty**.
- Employer Liability: The **employer is liable for the taxes** that should have been withheld, plus interest.
- Trust Fund Recovery Penalty (TFRP): The IRS can impose a penalty equal to **100% of the unpaid income tax and FICA taxes** if the failure is considered willful.
- Criminal Penalties: Willful failure to collect, account for, or pay over taxes can result in felony charges, with fines up to **$10,000 and imprisonment for up to 5 years**.

Montana MW-4: Employee's Withholding Certificate

If an employee fails to submit a Form W-4, **Employers** must treat them as single with zero withholding allowances and calculate taxes accordingly.

- Employee Penalties: **Employees** who purposely fail to file a return may be liable for additional **penalties of 15% per month, up to 75% of the tax due**.
- Employer Penalties: **Employers** that fail to withhold or report properly may incur interest, penalties, and *individual liability for corporate officers*.
- **Under withholding penalties include 5% of the outstanding tax per month, up to 25% of the total tax due.**
- **Interest charges are compounded daily on outstanding taxes, with an 8% per annum rate for 2025**.

Montana New Hire Reporting Form

This form informs the State that a new employee exists, thereby preparing the State to receive Income Tax withholding, State Unemployment Tax, and State Unemployment Administration fees.

- Montana employers must **report new hires within 20 days of hiring.**
- Failure to do so may result in penalties or fines of up to **$500 per unreported employee** in cases of conspiracy.

Background Checks

Background checks are tailored screenings used primarily for hiring, tenant screening, or security clearance to verify a person's history. Key types include criminal records, employment/education verification, credit checks, motor vehicle reports, drug testing, and social media reviews.

- Failing to obtain written consent from the person being checked violates the federal Fair Credit Reporting Act (FCRA), which can result in lawsuits, punitive damages, and fines of **$100 to $1,000 per violation**.
- Employers may also face class-action lawsuits, legal fees, and regulatory action from the FTC or state agencies.

Direct Deposit Approval

Payroll direct deposit requires voluntary employee consent in Montana.

- Under Montana law, employers cannot force employees to accept wages via direct deposit or pay cards. **Consent must be obtained in writing** or electronically before initiating electronic payments.
- An employer who fails to comply with Montana wage payment laws regarding direct deposit is **guilty of a misdemeanor** and must pay the employee a penalty of up to 1**10% of the wages due** and unpaid.
- Additionally, Employers may be subject to fines from the Montana Department of Labor and Industry (DLI).

Call us to discuss how we can be of assistance

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