



FARM COMMONS

Payroll Taxes Tipsheet

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DISCLAIMER: This guide does not provide legal advice or establish an attorney client relationship between the reader and author. Always consult an attorney regarding your specific situation.

How much can I pay workers before I need to pay attention to payroll tax, etc.?

It can seem like a maze to navigate all the various payroll tax requirements when hiring farm employees. Payroll taxes include state and federal income tax withholdings, state and federal unemployment taxes, and federal social security and Medicare tax withholdings and contributions. How do you know when to pay what?

Both state and federal laws provide farm labor exemptions for certain payroll tax requirements if specified thresholds are met. However, such exemptions only apply for wages earned for agricultural labor. Diversified farms assigning non-agricultural labor tasks—such as packing other farmers’ produce, hosting on-farm events and agritourism, selling at farmers’ markets, and such—will need to pay attention as lower thresholds generally apply for these non-agricultural activities. Use the following charts to help you identify whether and when payroll tax obligations kick in for your farm workers.

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Agricultural Labor versus Non-Agricultural Labor

Whether work is “agricultural labor” under the law is not always intuitive. That’s because it’s based on legal definitions, which don’t always reflect practical life. The following provides some guidelines as to what types of tasks are likely to be considered agricultural labor and non-agricultural labor for purposes of determining when certain payroll tax thresholds kick in. Note that a farm might have some workers performing tasks that are considered agricultural labor while other workers are performing tasks that are considered nonagricultural labor. What’s more, a single worker could be performing some agricultural labor tasks and some nonagricultural labor tasks! This is when it can get tricky. In general, assigning non-agricultural labor tasks triggers requirements for paying payroll taxes quicker.

What types of tasks are considered agricultural labor and non-agricultural labor?

Agricultural Labor	Work done on a farm in connection to farming operations
	<ul style="list-style-type: none"> • Growing and harvesting of crops • Raising of livestock or poultry • Preparing unmanufactured farm products for market and delivery to market • Handling product where less than half comes from another farm (e.g., aggregating and packing products from another farm into a CSA box)
Non-agricultural Labor	Work done off farm or tangential to agricultural production
	<ul style="list-style-type: none"> • Sales at a farmers' market • Marketing activities such as pitching products to restaurants and grocery stores • Planning and hosting agritourism or on-farm events such as dinners, weddings, and potlucks • Making value-added products • Handling product where 50% or more comes from another farm (e.g., aggregating and packing products from another farm into a CSA box)

When must you begin withholding income taxes?

	Minnesota	Wisconsin	Federal
Agricultural Labor	A farm must begin withholding state income tax and remit the withheld portion to the state when either of the following happens: when the farm pays one person \$150 or more in wages per year OR has a total annual payroll of \$2,500 or more	Withholding is not required if the wages are compensation for agricultural labor.	A farm must begin withholding federal income tax and remit the withheld portion to the IRS when either of the following happens: when the farm pays one person \$150 or more in wages per year OR has a total annual payroll of \$2,500 or more.
Non-agricultural Labor	If the farm assigns non-agricultural labor, the farm is required to withhold and remit income taxes for those wages.		

When must you begin paying unemployment taxes?

	Minnesota	Wisconsin	Federal
Agricultural Labor	<p>Farms must pay state unemployment insurance taxes if (see also federal):</p> <ol style="list-style-type: none"> 1. The farm paid cash wages of \$20,000 or more to farmworkers during any calendar quarter (January through March, and so forth) of the current or previous year, OR 2. The farm employed FOUR or more farmworkers during at least some part of a day (whether or not at the same time) during any 20 or more weeks (consecutive or not) of the current or previous year in the calendar year. 	<p>Farms must pay Wisconsin state AND federal unemployment insurance taxes if:</p> <ol style="list-style-type: none"> 1. The farm paid cash wages of \$20,000 or more to farmworkers during any calendar quarter (January through March, and so forth) of the current or previous year, OR 2. The farm employed TEN or more farmworkers during at least some part of a day (whether or not at the same time) during any 20 or more weeks (consecutive or not) of the current or previous year in the calendar year. 	
Non-agricultural Labor	<p>If the farm employee spends less than 50% of his or her time on non-agricultural labor tasks, unemployment insurance tax will not be required. If the farm employee spends 50% or more on such tasks, the farm must pay unemployment insurance tax on all wages paid to that employee during that period.</p>	<p>In Wisconsin, if a farm assigns non-agricultural labor the farm must pay unemployment insurance tax for those wages.</p>	<p>If the farm enterprise assigns non-agricultural labor, the farm must pay the federal unemployment insurance tax when the total annual payroll for the farm reaches \$1,000.</p>

When must you begin withholding and paying federal social security and Medicare taxes?

Agriculture Labor	<p>A farm must begin withholding social security and Medicare taxes (FICA) and remit the withheld portion to the IRS when either of the following happens: when the farm pays one person \$150 or more in wages per year OR has a total annual payroll of \$2,500 or more. A farm must also begin paying its contribution of social security and Medicare taxes when this same threshold is met. The employee's tax is deducted from wages. The employer's tax is paid by the employer and may not be deducted from wages. The current tax rate for social security is 6.2% for the employer and 6.2% for the employee, or 12.4% total. The current rate for Medicare is 1.45% for the employer and 1.45% for the employee, or 2.9% total.</p>
Non-agricultural Labor	<p>If the farm assigns non-agricultural labor, the farm is required to withhold and remit the employee's tax and pay the employer's contribution for those wages.</p>

For more detailed information on payroll tax obligations, including how and when to file and remit the required tax documents and payments to the state and federal agencies, check out Farm Commons' state specific checklists:

- [Hiring a Farm Employee in Minnesota: Tax and Paperwork Checklist](#)
- [Hiring a Farm Employee in Wisconsin: Tax and Paperwork Checklist](#)