

## Tools

### Hiring Your First Employee

You've established a business as a sole proprietor in the U.S. Virgin Islands. Even better - you're growing and need to hire your first employee. Below are the steps you need to take to comply with Federal and Territory laws.

#### 1. Federal Requirements - What You Must Do for Yourself as an Employer

- a. Obtain a Federal Employer Identification Number (EIN). The EIN gives your business a unique identifier instead of your social security number. [You can apply for an EIN here.](#)
- b. Enroll in the [Electronic Federal Tax Payment System \(EFTPS\)](#) to make Federal tax payments (social security, Medicare, and Federal withholding). Alternately, you can contact your bank to enroll in your bank's service to make tax payments under the Electronic Federal Tax Payment system.
- c. Complete and file [Federal Form 941-SS - "Employer's Quarterly Federal Tax Return - American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands"](#). This determines amounts you must deposit for social security and Medicare. It also determines if you deposit on a semi-weekly or monthly basis.
- d. Complete and file [Federal Form 940 - "Employers Annual Federal Unemployment Tax \(FUTA\) Return"](#). Together with the Territory unemployment tax system, the FUTA tax provides funds for paying unemployment compensation to workers who have lost their jobs, and cannot be deducted from employees' wages.
- e. Complete and file [Federal Form W-2VI - "U.S. Virgin Islands Wage and Tax Statement"](#) and [Federal Form W-3SS - "Transmittal of Wage and Tax Statement"](#). Anyone required to file Federal Form W-2VI must file Form W-3SS to transmit Copy A of these forms to the Social Security Administration (SSA).

Note: Additional information is available in [Publication 15, \(Circular E\), "Employer's Tax Guide"](#) which defines employees, wages, and supplemental wages (see Section 12 to review the exception for "Employers Reporting Wages for Employees in American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the U.S. Virgin Islands, or Puerto Rico"). Also [Publication 80, \(Circular SS\), "Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands"](#) which summarizes employer responsibilities to collect, pay, and report income, social security, and Medicare taxes.

#### 2. Federal Requirements - What You Must Do for Employees

- a. Your employee must complete [Federal Form I-9 - "Employment Eligibility Verification"](#).
- b. Your employee must fill out [Federal Form W-4](#) for income tax withholding.
- c. Hold onto these forms for your records.

#### 3. Territory Requirements - U.S. Virgin Islands - Bureau of Internal Revenue

- a. Complete and file [Territory Form 941 VI - "Employer's Quarterly Virgin Islands Tax Return"](#). This determines amount you must deposit for Territory withholding taxes. Use [Territory Form 501 VI - "Employer's Withholding Tax Deposit Coupon"](#) to make Territory withholding tax payments.

Note: Additional information is available on the [U.S. Virgin Islands - Bureau of Internal Revenue website](#). Also the "[Tax Structure Booklet of the U.S. Virgin Islands](#)" provides general information regarding taxation in the U.S. Virgin Islands.

#### 4. Territory Requirements - U.S. Virgin Islands - Department of Labor

- a. [Register with the Department of Labor](#) to determine if you are [liable for unemployment insurance contributions](#).
  - If so, register at the Virgin Islands Department of Labor (VIDOL) Unemployment Insurance Portal to file Employer's Quarterly Wage and Contribution Reports and deposit contributions.
- b. Establish and maintain a [workers' compensation insurance](#) policy.
  - All employers must obtain Government Insurance Coverage by purchasing an insurance policy through the Government Insurance Fund of the Virgin Islands.
- c. Within 20 days of the employee being hired, fill out a [New Hire Report](#).

#### 5. Paying Your First Paycheck

- a. Calculate the employee's wages due.
- b. Calculate Federal and Territory taxes to deduct from wage due. Refer to:
  - Federal Form 941-SS - "Employer's Quarterly Federal Tax Return" (step 1c)
  - Federal Form W-4 filled out by your employee (step 2b)
  - Territory Form 941 VI - "Employer's Quarterly Virgin Islands Tax Return" (step 3a)
  - Publication 15, (Circular E), "Employer's Tax Guide"
  - Publication 80, (Circular SS), "Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands"
- c. Deduct taxes from wages due.
- d. Sign and issue the paycheck.

#### 6. Mark your calendar

Semiweekly / Monthly

- Deposit Federal social security and Medicaid taxes via EPTPS.
- Deposit Territory withholding taxes via Territory Form 501 VI - "Employer's Withholding Tax Deposit Coupon" with the U.S. Virgin Islands - Bureau of Internal Revenue.

Note: To determine whether you are on a Semiweekly or Monthly deposit schedule refer to Publication 15, (Circular E), "Employer's Tax Guide" and Publication 80, (Circular SS), "Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands".

## Quarterly

- File Federal Form 941-SS - "Employer's Quarterly Federal Tax Return".
- File Territory Form 941 VI - "Employer's Quarterly Virgin Islands Tax Return".
- File Territory "Employer's Quarterly Wage and Contribution Report" and deposit contribution.
- Deposit Federal Unemployment Tax (FUTA) via EPTPS. \*

\* Note: Although Federal Form 940 covers a calendar year, you may have to deposit your FUTA tax before you file your return. If your FUTA tax is more than \$500 for the calendar year, you must deposit at least one quarterly payment.

## Annually

- File Federal Form 940 - "Employers Annual Federal Unemployment Tax (FUTA) Return".
- File Federal Form W-3SS - "Transmittal of Wage and Tax Statement" and Federal Form W-2 VI - "U.S. Virgin Islands Wage and Tax Statement", with a copy of the W-2 VI to each employee.

Businesses are encouraged to speak with an accountant and/or attorney to assure compliance. They can also help with best practices and policies for the hiring process, personnel issues, recordkeeping, and insurance.

Questions on the information above can be referred to:

U.S. Virgin Islands - Bureau of Internal Revenue

Telephone: St. Croix (340) 773-1040 / St. Thomas (340) 715-1040

Website: <http://bir.vi.gov/>

U.S. Virgin Islands - Department of Labor

Telephone: St. Croix (340) 773-1994 / St. Thomas (340) 776-3700

Website: <http://www.vidol.gov/>