

Bookkeeping Tips

Your liability as a bookkeeper

Because bookkeepers often have a lot more personal liability than they may realize, we offer all new members a free special report, *The Bookkeeper's Guide to Internal Controls* (www.aipb.org/member_benefits2.html). Here is one of a number of ways that this report helps you to protect yourself from liability:

Problem: An employer is responsible for withholding federal and state taxes—but the employee to whom withholding is delegated could be held personally liable for monies withheld but not paid. Personal liability for the taxes can be imposed upon the person “responsible” for paying them to the government, including, in certain cases, a bookkeeper or payroll clerk.

Internal Revenue Code (IRC) Sec. 6672(a), referred to as the “100% penalty” is used to recover employer payroll taxes from bookkeepers responsible for withholding and paying them. Even check-signing authority *not* involving payroll or payroll taxes can trigger personal liability if the signer's job includes paying creditors and tax authorities deem that such funds “came from” payroll taxes withheld and therefore “belong” to them.

If the IRS thinks it can't recover from a firm, it may sue the employee. The IRS may even sue the employee before (or instead of) attempting to recover from the firm because anyone responsible for withholding and paying taxes is as liable as the employer.

Solution: Don't be the only signature on checks. Authority to sign a check represents authority to disburse funds and can trigger personal liability if withheld taxes are not paid. You are protected against the liability of “final authority” if your firm requires that all checks must have a second signature of a supervisor or corporate officer *after* you have signed it.

Note: If you have to sign paychecks, temporarily (an owner is out of town) or permanently (you are at a remote location), your only protection may be to have your employer give someone else “final authority.”

This tip comes from *The Bookkeeper's Guide to Internal Controls*, yours free upon joining. This special report also shows you how to protect yourself if you sign other kinds of company checks or withhold taxes on paychecks. It explains how to protect yourself against inadvertent disclosure and other kinds of liability. And it gives you many ways to protect your company or clients.

BOOKKEEPING TIPS is a free e-letter published by The American Institute of Professional Bookkeepers (www.aipb.org). To subscribe: Send a blank email to bookkeepingtips-on@aipb.org

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The American Institute of Professional Bookkeepers (AIPB), is the national association for bookkeepers, currently with 30,000 active members

AIPB was founded in 1987 for the following purposes:

- To recognize bookkeeping as a profession—and bookkeepers as professionals

(continued)

- To make sure that each member has the latest bookkeeping, accounting and tax information
- To answer members' everyday bookkeeping and accounting questions on the telephone at no charge.
- To provide bookkeepers with low-cost continuing professional education.
- To return the membership fees of any bookkeeper who is dissatisfied with the benefits of membership