

2016

Year-End Preparation Packet

As 2016 comes to a close, we want to thank you for choosing Performance Payroll for your payroll, tax, HR, and time & attendance needs. This guide has important information for planning the close of 2016 and the beginning of 2017. We appreciate your timely attention to these matters. Your advanced planning ensures an excellent year-end close and a great start to the new year.

Everyone at Performance Payroll sincerely thanks you for the opportunity to work with your business throughout the year. We wish you and your family a happy holiday season. As always, we look forward to serving your payroll needs during 2017.

Important – With the new earlier filing deadlines of January 31st, all employers will need to have their 2016 payroll adjustments completed by 2PM Saturday, December 31st, 2016. This includes 3rd Party sick, voided checks, Fringe Benefits, ACA, etc. After this date, amendments will be required and additional billing will apply.

In an effort to help your 2016 year-end process run smoothly, we have prepared this packet full of important notices and reminders. The information on the following pages includes a helpful checklist, guidelines for fringe benefits, key holiday and payroll dates, and a year-end hold request.



Year-End Checklist

2016 will close with your last scheduled check date of the year. Please communicate and submit the following items by your last scheduled payroll:

- ✓ Verify all Federal and State identification numbers.
- ✓ Forward us any Federal or State filing deposit frequency notices.
- ✓ Forward all **2017 State Unemployment rate change notices**
- ✓ Verify employee demographic information is correct, i.e. social security numbers, correct name spelling, and address.
- ✓ Verify all manual and voided checks have been entered into the payroll system.
- ✓ Review and submit any applicable fringe benefits (i.e. housing, auto, group term life insurance, owners insurance, and CPA provided payroll).
- ✓ Review and submit Employer Sponsored Health Coverage cost to be reported in Box 12 on the W-2.
- ✓ Audit Third Party Sick Payments made to your employees during the 2016 year
- ✓ Schedule Bonus payrolls as early as possible so they can be added to your schedule.
- ✓ Validate ACA 1095 Preview has been reviewed and finalized by no later than 12-31-2016.
- ✓ Run W2 preview report to validate as much information as possible prior to 12-31-2016. All yearend adjustments must be completed by 12-31-2016.

Please Remember, if Performance Payroll receives additional information in January 2017 the following may result:

- 1. Late Tax Deposits**
- 2. Penalties and Interest**
- 3. A Delayed Receipt of W-2's**
- 4. Delayed ACA Reporting**

Additional Year-End Information

Third Party Sick Pay

IRS form 8922 is now required for employers who have **third party health care providers** handling the processing W-2's. Please see IRS publication 15-A Sick Pay reporting for further reference.

Federal law requires the reporting of sick pay payments made to employees from a third party, as well as any taxes withheld on those payments. These payments must be included on the employee's W-2 Form. Please verify with your carrier if they are furnishing the W-2 or if Performance Payroll must include the amount on your W-2's.

Be sure to obtain this information from the appropriate third party provider as soon as possible. These entries must be processed on or before your last 2016 payroll to ensure that your forms 941 and W-2 will be accurate. Additional charges will be applied if this information is received after your last payroll. A link to this form can be found on the Performance payroll website.

The filing of the 8922 is the responsibility of each employer.

Fringe Benefits

The Tax Reform Act of 1984 mandated that the value of certain non-cash fringe benefits be reported on the 941 and the employee's W-2. Taxable Fringe Benefits are included as wages, making them subject to Federal Income Tax, FICA, FUTA and possibly some State Income and Unemployment Tax.

Examples of two common Fringe Benefits include **Personal Use of Auto and Group Term Life Insurance**. The Internal Revenue Service has issued regulations defining what is considered a Taxable Fringe Benefit and how to arrive at its value. If you require advice on this, please contact your CPA, as Performance Payroll cannot legally advise you on this matter.

Additional W-2 Info

Pensions: The Retirement Plan box will be automatically checked if you have any plan funded via payroll deduction, such as a 401K, 403b, Simple IRA, SEP, etc.

Allocated Tips: After completing your 8027, if you determine sufficient tips were not reported, contact your Customer Service Representative to report an adjustment and add allocated tips for the affected employees.

Box 12DD: Employer Sponsored Health Care may required based on your number of employee's and full time equivalent employees.

Box 12W: Contains H.S.A. contributions from the employer as well as Pre-tax contributions made by the employee.

Box 13: Includes statutory employee, retirement plan and third-party sick pay.

Box 14: Is not mandatory and may be used for other information.

ACA Reporting

All employers identified as an Applicable Large Employer (ALE) are required to provide each employee **offered coverage** an ACA form 1094C or 1095C as applicable to each employee by January 31st of each year. Election cut off 12-15-2016.

Key Holiday and Payroll Dates

Bank Holidays

Please remember that the banks are closed on the following Federal Holidays:

- **Monday, December 26** – Christmas
- **Monday, January 2** – New Year's

Remember, if your payroll normally falls on a bank holiday/federal holiday, your check date will usually be moved back 1 day in observance of the holiday.

Performance Payroll Holiday Schedule

Please remember these Performance Payroll is closed on these days:

- **Friday, December 23** - Christmas Observed – Closed
- **Monday, December 26** – Christmas Observed - Closed
- **Monday, January 2** – New Year's Observed - Closed

Important Direct Deposit Information

If your check date falls on **Friday, December 23, 2016** we need your payroll information by 1:00 PM on Wednesday, December 21st.

If your check date falls on **Friday, December 30th, 2016** we need your payroll information by 1:00 PM on Wednesday, December 28th.

NOTE:

Check date determines tax reporting for all Federal, State, and Local agencies.

Preparing for 2017

REPORT CHANGES between now and the end of January for notices such as:

- ✓ **Deposit Frequency** – as company numbers grow, tax frequency can change.
- ✓ **Rate Changes** – typically employers receive notice of new unemployment tax rates.
- ✓ **Additional States or Localities** – provide us the new ID numbers.

** Please submit tax agency correspondence as soon as you receive these notifications.

- ✓ **New Overtime Exemption** - Be sure to review the new overtime exemption rules as listed on the US Department of Labor website.

<https://www.dol.gov/WHD/overtime/final2016/>