Paychex Reference Guide for Accountants

2015 Year-End · 2016 Taxbrief®
WHY PARTNER with PAYCHEX?

Let Us Count the Ways.

1. For over 12 years, the preferred payroll and retirement services provider for CPA.com™, an AICPA company.

2. Preferred provider of payroll services for members of the NAEA and affinity partner of payroll services for members of the NSTP.


4. Financially stable with no long-term debt.

5. 590,000 payroll clients, touching 1 in 15 U.S. private-sector workers every two weeks.

6. Moved $690 billion on behalf of clients in 236 million ACH transactions in FY 2015.

7. Largest provider of outsourced HR services in the U.S., serving more than 850,000 worksite employees.

8. 700,000 retirement services participants in 70,000 401(k) plans (1 of every 10 in the U.S.), with $23.5 billion in plan assets serviced.

9. Named seven times to the Ethisphere® Institute’s list of the World’s Most Ethical Companies.

10. Named one of the World’s Most Admired Companies by Fortune magazine.

Find out how thousands of accounting professionals enhance their role as their clients’ most trusted advisor by partnering with Paychex. Visit paychex.com/accounting-professionals or ask your Paychex sales representative.
Paychex is committed to providing the highest quality of service to you and your clients. This Reference Guide for Accountants has been created to help you and your clients prepare and plan for their business needs. It contains important year-end information and deadlines that should be verified for each client and critical 2016 payroll tax deposit rules, regulations, and deadlines. We value our business relationship with you and trust that this information will assist your clients with year-end processing and planning.

If you have any questions, please contact your sales representative. The content of this guide can also be viewed online at paychex.com/print/accounting-publications.

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This publication is designed to provide accurate information as of October 26, 2015, about the subject matter covered. It is furnished with the understanding that Paychex, Inc. is not engaged in rendering legal, accounting, or other professional advice. If legal advice or other expert advice is required, the service of a competent professional should be sought.

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Year-End Reminders

The year-end deadline to report information or changes for 2015 is December 31, 2015, or before the first payroll that has a 2016 check date is processed, whichever is earlier. Our office will be closed Friday, December 25, 2015, and Friday, January 1, 2016. For specific holiday processing schedules, call your local Paychex branch.

1. Verify that tax liabilities were collected for bonus checks.

Bonus checks may be processed with your client’s regular payroll, but must be processed independently if a separate payroll journal is necessary or the bonus payroll has a different date from the normal payroll date. Specify how the bonus checks are to be taxed and any adjustments that need to be withheld, as bonus checks may be handled differently from regular payroll checks.
2. Confirm employee names and addresses.

Have your clients review their lists of employee names and addresses and report changes to us by the year-end deadline. Ensure that your clients have the necessary federal and state withholding forms available when reporting new employees. Verify the correct name and social security number (SSN) for each employee. An SSN/name mismatch affects the employee’s social security wage benefits; wages reported on Form W-2 with a mismatch error will not be credited to that employee’s personal earnings record. Instead, the wages will be housed in a “suspense file” until the error is corrected. If the error is not corrected, the wages will never be credited to that individual.

Reminder/Note:
The IRS may charge employers a penalty of up to $100 for each return or Form W-2 that has a missing or incorrect SSN or federal employer identification number (FEIN). We cannot file your clients’ federal Forms W-2 electronically if a substantial percentage of the SSNs are missing and your clients have more than 10 employees. For security, all but the last four digits of the SSN are masked in any transaction.

3. Report other amounts on Form W-2, Box 14.

The IRS allows employers to use Form W-2, Box 14 (Other), to report certain adjustments to an employee’s pay (e.g., charitable contributions); these can be set up to print in Box 14. Use the following guidelines when choosing a title for the adjustment:

- Only the first five letters of the adjustment (earnings or deduction) will print in Box 14.
- Be descriptive. For example, “Misc” may not clearly substantiate a charitable contribution.
- The payroll contact can change your client’s adjustment title before processing their Forms W-2.


By law, third-party companies have until January 15, 2016, to furnish employers with a sick pay statement of any disability insurance benefits paid to employees during 2015. The statement must show the following information about each employee who was paid sick pay: employee name, employee SSN, sick pay paid to the employee, any federal income tax withheld, any employee social security tax withheld, and any employee Medicare tax withheld. If any client is notified with this information after reporting the last payroll of the year, they should call their payroll contact. If they have not already done so, please inform your clients to notify their insurance company that we will include third-party sick pay on the Forms W-2 that we prepare for them. Since third-party sick pay affects all fourth-quarter and year-end returns, including Forms W-2, the processing of returns will be delayed if sick pay is reported after the deadline date for year-end information. Clients can expect to receive their returns and Forms W-2 no later than February 1, 2016.
Again, the year-end deadline to report any changes for 2015 is December 31, 2015, or before the first payroll that has a 2016 check date is processed, whichever is earlier.

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<tr>
<th>Action Items</th>
<th>Taxpay® Clients</th>
<th>Non-Taxpay Clients</th>
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<tr>
<td>If not already done, these items should be reported to your client’s payroll contact before the deadline:</td>
<td>• In-house payroll checks.</td>
<td>• In-house payroll checks.</td>
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<td>• Voided payroll checks.</td>
<td>• Voided payroll checks.</td>
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<td>• Third-party sick pay (disability payments).</td>
<td>• Third-party sick pay (disability payments).</td>
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<td>• Any tax deposits that were due but not remitted.</td>
<td>• Any tax deposits that were due but not remitted.</td>
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<td></td>
<td>• Tax deposits paid for an amount other than the amount reflected on the deposit notice.</td>
<td>• Tax deposits paid for an amount other than the amount reflected on the deposit notice.</td>
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<td>If additional 2015 payroll entries are reported after the deadline, Paychex will:</td>
<td>• Collect and deposit any additional liability that may be required, but will not be responsible for any penalties or interest as a result of a late payment.</td>
<td>• Generate a new or replacement deposit notice.</td>
</tr>
<tr>
<td>If any client voids 2015 payroll entries after the deadline date, we will:</td>
<td>• Prepare their federal tax return, Form 941 or 944, showing the overpayment, and request a refund for them.</td>
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<td></td>
<td>• Prepare any required state quarterly returns or annual reconciliations, showing the overpayment. We will either request a refund or apply the overpayment to the next state tax deposit, based on the state’s requirements.</td>
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</table>
Paychex Report Center
Access one location for more than 140 reports, giving you and your clients insightful information when you need it. Paychex Report Center gives you the power to customize reports, export data into a spreadsheet, or build a specific report you need from scratch. Please visit paychex.com/payroll-taxes/report-center.aspx to learn more.

In addition to receiving paper copies from Paychex, clients may access their employees’ Forms W-2/contractors’ Forms 1099 online; the forms are ready to file and print. If a client needs to make changes on their employees’ or contractors’ forms, the most current copy will update online for viewing and printing. Information is available 24/7 for convenience. Talk to your clients’ payroll contact for further information.

Employee Access Online
Your clients can offer their employees online access to view their Forms W-2, check stubs, retirement balances, health insurance information, and personal and payroll information from any browser or from free apps for smartphones or tablets. Convenient 24/7 online access reduces reliance on management for timely information.

Direct Deposit/Readychex®
If your clients use our Direct Deposit/Readychex Service, they should report payroll information during the holidays at least two banking days prior to the payroll check date to ensure availability of funds. Please have your clients call their payroll contact if they need to change their payroll appointment.

Payroll Delivery by Mail
We cannot guarantee timely USPS mail delivery during the holiday season. For a nominal charge, we can deliver your clients’ payrolls by courier, or we can hold payroll for pickup at our office. If a client would prefer to use one of these options, their payroll contact should be informed when their payroll is reported.

Employee W-2 Wage Summary
Each employee’s Form W-2 will include an Employee W-2 Wage Summary. This summary provides detailed earnings information and should answer many of the questions that your clients’ employees have about their W-2 information.
Beginning January 2016 for the 2015 tax year, employers with 50 or more full-time employees (including full-time equivalents) in the previous calendar year are termed “applicable large employers” and are required to submit informational reporting about the health care coverage they offer to their full-time employees and their dependents to the IRS on Forms 1094-C and 1095-C.

What Your Applicable Large Employer Clients Need to Know about the New Forms:

Form 1094-C – Employer Transmittal Form
• This form is filed with the IRS and provides a summary of the health insurance coverage an employer offers and employer-level data. This form helps the IRS determine whether an applicable large employer is subject to a potential ESR penalty and the proposed amount.

Form 1095-C – Employee Transmittal Form
• Applicable large employers are expected to complete this form and provide it to all full-time employees by February 1, 2016.
• This form reports information about health insurance coverage offered, if any, to full-time employees and their dependents and any safe harbors or other relief available to an employer.
• This form helps the IRS determine whether the company owes an ESR penalty and whether its full-time employees are eligible for the premium tax credit for coverage obtained through a public health insurance marketplace.

Filing Deadlines
• February 29, 2016 – File all Forms 1095-C with Form 1094-C with the IRS. If filing electronically, file by March 31, 2016.

Paychex Can Help
As your partner, Paychex is uniquely positioned to help your clients stay in compliance with ESR provisions by providing the technology and expertise to:

• Help determine if their business is an applicable large employer (ALE).
• Help calculate how many full-time employees (FTEs) they have based on IRS definitions.
• Determine if they need to offer additional benefits coverage.*
• Help prepare and file tax Forms 1094-C and 1095-C.

*For clients of Paychex Insurance Agency, Paychex Professional Employer Organization (PEO), or BeneTracSM.

If you have questions regarding how the ESR provisions may affect your Paychex clients, please contact our dedicated ESR team at 844-802-2248, or visit paychex.com/esr.
Taxable adjustments [for example, personal use of a company car (PUCC), or imputed value of group-term life insurance] should be reported with regular payroll whenever possible. This allows any required employee taxes to be withheld from wages. If taxable adjustments are reported without wages, your clients may be liable for the employee portion of taxes. Please keep this in mind when employees separate, either voluntarily or involuntarily, during the year.

If a client pays any part of an employee’s income tax or FICA withholding, the amount paid must be reported as additional taxable wages for the employee. Additional employment taxes, both employee and employer portions, are due on this added income.

If a client cannot report taxable adjustments with an employee’s last check, we can help them calculate the additional amount required to cover the employee FICA. This situation should be discussed with their payroll contact.

**Example:** Your client needs to report $100 as the imputed value of group-term life insurance in excess of $50,000.

- If your client reports the $100 with the employee’s last paycheck, $7.65* in employee FICA taxes is withheld from the employee’s wages. The client is only liable for the employer’s share of FICA. **Their total cost is $7.65.**

- If your client reports the $100 after the employee’s last check is issued, employee FICA cannot be withheld because no wages are being paid. Your client will be liable for both the employee and employer portions of FICA. They will need to report $8.28 as wages to cover employee FICA, and will also have to pay $8.28 for employer FICA. **Their total cost is $16.56.**

The IRS formula for calculating the additional wages is:

\[
\text{Total amount (gross)} = \frac{\text{taxable adjustment}}{1 - (\text{sum of all employee tax percentages})}
\]

Only FICA tax is required in the example, so:

**Step 1.**

\[
\text{Total amount (gross)} = \frac{100}{1 - .0765} = \frac{100}{.9235} = 108.28
\]

**Step 2.**

\[
\text{Total amount} - \text{taxable adjustment} = \text{additional wages}
\]

\[
(108.28 - 100) = 8.28
\]

*Note: The FICA rates in the example above reflect the 2015 federal rates. This includes the social security rate of 6.2% and the Medicare rate of 1.45%. The total rate is 7.65% for both employee and employer.
Important Tax Agency Notices

Report Cost of Coverage Under Employer-Sponsored Health Plan

The IRS requires that employers issuing 250 or more Forms W-2 in the previous year report the cost of coverage under an employer-sponsored group health plan on their employees’ Forms W-2. For Paychex to report these amounts on Forms W-2 for 2015, your clients must provide them to their payroll specialist/client service representative before the year-end reporting deadline.

IRS Federal Deposit Frequency Notices

Your client’s deposit frequency should be determined for 2016 by using the lookback period. Refer to IRS Notice 931 found at irs.gov for additional information about deposit rules and lookback period.

For clients who do not subscribe to our Taxpay® service, we will instruct them to make deposits based on the deposit frequency we calculate using their previous payroll liability. Their January tax deposit notice will state their 2016 federal deposit frequency.

EFTPS® Enrollment

For clients who are not on our Taxpay service, they can enroll with the Internal Revenue Service on their own using Form 9779, or visit eftps.gov. This will allow them to make a payment, and verify that payments are being posted properly to their account.

- It is ultimately the taxpayer’s responsibility to ensure that all taxes are being remitted to the IRS on time. Using a payroll service does not absolve the employer of this responsibility.

State Deposit and Electronic Funds Transfer (EFT) Requirement Notices

If a client receives a deposit-frequency notice or state notification of EFT requirements, please send us a copy of the document with their client number noted.

State Unemployment Insurance (SUI) Rate Update

Your clients should receive notification of their SUI tax rate for 2016. We need this rate to calculate their SUI tax and SUI expense correctly; please send us a copy of the document with their client number noted.

Paychex SUI service can perform the key administrative functions for your clients that are required for proper SUI tax-rate management. For more details visit our website. paychex.com/human-resources/sui.aspx.
Any taxable cash or non-cash benefit – for example, personal use of company cars – must be included on Form W-2.

Advise your clients to report these benefits before the last payroll for the year. Reporting taxable benefits with cash wages allows the appropriate withholding taxes to be deducted from an employee’s check. If these amounts are processed without wages, your clients may be required to pay the employee’s portion of social security and Medicare taxes.

Specific information about several types of benefits is provided below.

**Group-Term Life Insurance**

Advise your clients to report the value of group-term life insurance in excess of $50,000 before their last payroll for this year. The value is based on an IRS-published table that assigns a value for each $1,000 of excess coverage per month based on the employee’s age.

The value of group-term life insurance in excess of $50,000 that is included in total wages is FICA taxable, even if the insurance was provided through a cafeteria plan. As the employer, your client is liable for the employee FICA if they decide not to withhold it from the employee’s pay. If a client needs to report group-term life insurance information for a terminated or retired employee, please have them call their payroll contact to discuss their options.

**Dependent Care Assistance**

On Form W-2, Box 10 (Dependent Care Benefits), employers are required to report the total amount of dependent care benefits paid or incurred for the employee, including any amount in excess of the $5,000 exclusion. If a client provided dependent care services to employees under an employer-sponsored program before their last payroll for the year, please advise them to report the benefits paid or furnished to their payroll contact.

**Flexible Spending Accounts (FSA)**

Contributions to a health FSA are made pretax and are used to pay eligible out-of-pocket health and dental costs such as copayments, deductibles, eye care expenses, contact lenses and solutions, braces, prescription drugs, certain over-the-counter items prescribed by a physician, and hospital care. Contributions to dependent care FSAs are also pretax and can be used to help pay for child care and approved dependent adult care expenses. Salary reduction contributions to a health FSA are limited to $2,550 for 2015 and 2016. Now is the time to have your clients’ employees sign up for next year’s FSAs. If a client wants to set up an FSA, please have them call their payroll contact or visit paychex.com.
Deferred Compensation Plans

In general, amounts deferred to section 457 plans and non-qualified deferred compensation plans with a substantial risk of forfeiture become taxable for FICA and FUTA when the employee becomes vested (the employee’s substantial risk of forfeiture lapses). This is not necessarily in the same year that the wages were earned.

When an employee becomes vested, please provide the payroll contact with the following information:

- The date the employee became vested.
- The amount of employee and employer current year contributions before the vested date.
- The total amount of employee and employer current year contributions for prior years.
- The amount of employee FICA collected on the employee and employer contributions.

When a vested employee receives a distribution, please report the following information:

- The distribution amount.
- Whether this is a partial or full distribution.
- The amount of federal tax withheld on the distribution.
- Whether the distribution is attributed to employee or employer contributions.
Educational Assistance Program
The exclusion for employer-provided educational assistance under a qualified section 127 plan for 2015 is:
- Non-job-related undergraduate and graduate courses are exempt up to $5,250.
- All job-related education assistance reimbursements are exempt from withholding and employer taxes if they qualify as a working-condition fringe benefit.

If your clients have not already reported these reimbursements with their payroll, please advise them to report all reimbursements before their last payroll for the year.

Employer Contributions to Retirement Plans
Employer contributions to retirement plans may be taxable in your state. Please consult your plan administrator for further taxability information.

If your clients are not already reporting these contributions with their payroll, please have them report all such contributions before their last payroll for the year. We need this information to make sure Box 13 of Form W-2 is correctly marked and reported to the IRS and Social Security Administration (SSA).
Electronic/Magnetic Media Filing

**Federal Forms W-2/W-3**

The IRS requires employers with 250 or more Forms W-2 to file them electronically. Any employer who is required to file electronically and fails to do so may incur a penalty.

Paychex will electronically file employer federal Forms W-2 and W-3 to the SSA for all clients. Your clients will still receive paper copies of employee Forms W-2 for their employees to file with their individual tax returns. We will include a Form W-3 facsimile in your clients’ January tax packages.

Please be aware of the following:

We will not be able to file Forms W-2 and W-3 electronically if:

- We do not have a valid federal employer identification number (FEIN);
- Your client has more than ten employees and a substantial percentage of the social security numbers (SSN) are missing or invalid; or
- Your client has fewer than 250 employees and leaves our service on or before December 31, 2015.

**Employee Name**

An employee name and address listing to assist in verifying employee names, addresses, and SSNs is available from your client’s payroll contact. The employee’s name shown on the employee address listing should be the same name that is on the employee’s social security card. If a suffix to the employee’s name (Jr., Sr., etc.) appears on the employee’s social security card, it may appear on the Form W-2. The SSA, however, prefers that a suffix does not appear on Form W-2.

- Titles should not appear on Form W-2. Titles or academic degrees (Dr., RN, etc.) make it difficult for the SSA to determine the employee’s registered name with the SSA.
- If an employee’s name has changed, continue to use the old name until the employee has obtained a social security card with the new name. Employees can report name changes to the SSA by calling 800-772-1213. Notifying an employer is not enough; the employee must notify the SSA to update the permanent record.

Did You Know?

Our new Paychex FlexSM integrated platform provides you and your clients access to 24/7 phone support from our industry-leading payroll specialists. You can take advantage of this extended and dedicated service any time you call your local branch after normal business hours!

**IMPORTANT:**

**Form W-2 Information**

**Employee Name**

An employee name and address listing to assist in verifying employee names, addresses, and SSNs is available from your client’s payroll contact. The employee’s name shown on the employee address listing should be the same name that is on the employee’s social security card. If a suffix to the employee’s name (Jr., Sr., etc.) appears on the employee’s social security card, it may appear on the Form W-2. The SSA, however, prefers that a suffix does not appear on Form W-2.

- Titles should not appear on Form W-2. Titles or academic degrees (Dr., RN, etc.) make it difficult for the SSA to determine the employee’s registered name with the SSA.
- If an employee’s name has changed, continue to use the old name until the employee has obtained a social security card with the new name. Employees can report name changes to the SSA by calling 800-772-1213. Notifying an employer is not enough; the employee must notify the SSA to update the permanent record.
**Electronic/Magnetic Media Filing**

**Employee Address**
The address for each employee should be verified.

**Employee Social Security Number**
A listing of missing or invalid SSNs is provided to your clients upon request. The SSA may impose a penalty for missing or incorrect SSNs. An SSN is invalid if:

- It is all ones or all threes.
- It is 123456789.
- The first three digits are 000, 666, 900-999; the middle two digits are 00; or the last four digits are 0000.

If an invalid SSN is identified, ask the employee to provide the social security card for verification. If the number is invalid, instruct the employee to contact the local SSA office.

For more information regarding invalid social security numbers, go to socialsecurity.gov and search invalid SSNs.

**Social Security Administration Note**
The SSA has cautioned payroll service providers to watch for duplicate Form W-2 reporting. Duplicate filing occasionally occurs when clients transfer from one payroll service provider to another mid-year. Paychex will prepare and file Forms W-2 for tax year 2015 for all your clients who are on our service at the end of the year. In addition, if specifically requested and paid for, we will prepare Forms W-2 for your clients who were on our service in 2015 but left before the end of the calendar year.

**Federal Form 1099-MISC/Form 1096**
The IRS requires payers with 250 or more Forms 1099-MISC to file electronically. A payer who is required to file electronically and fails to do so may incur a penalty.

Paychex will electronically file payer federal Forms 1099-MISC and 1096 for all active clients. Your clients will still receive paper copies of their payer reference copy and payee Forms 1099-MISC. We will include a Form 1096 facsimile in your clients’ January tax packages.

We will not be able to file Form 1099-MISC electronically if:

- We do not have a valid EIN for your client; or
- Your client has fewer than 250 employees, and leaves our service on or before December 31, 2015.

**Federal Form 8027/8027-T for Restaurant Clients**
There are additional tip reporting requirements for large food or beverage establishments. Paychex will file Forms 8027 and 8027-T to report tip allocations on behalf of your clients with our Tax Equity and Fiscal Responsibility Act (TEFRA) service.

**Declining Electronic/Magnetic Media Filing**
If any client would prefer to file employer Forms W-2 or 1099-MISC on their own, they must complete a form that is available from their payroll contact.

Clients who use the Taxpay service through December 31, 2015, cannot decline electronic/magnetic media filing.

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**REMINDER**
The Internal Revenue Service may charge employers a penalty of up to $100 for each return or Form W-2 that has a missing or incorrect SSN or FEIN.
**State Forms W-2/1099-MISC**

Paychex will electronically file state Forms W-2 on magnetic media for clients who use our Taxpay service through December 31, 2015, and clients who are required to electronically file their information on magnetic media. Visit our website at [paychex.com/magnetic](http://paychex.com/magnetic) for more information. Paychex will electronically file state Forms W-2 on magnetic media for all clients who have employees in the states listed below, regardless of whether or not they use our Taxpay service:

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<th>Alabama</th>
<th>Mississippi</th>
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<td>Arkansas</td>
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<td>Colorado</td>
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<td>Michigan</td>
<td>West Virginia</td>
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<td>Minnesota</td>
<td>Wisconsin</td>
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**Reminder:** If we process only a portion of your client’s payroll and they are required to electronically file state information on magnetic media, their payroll contact should be notified. We will not be able to electronically file Forms W-2 and 1099-MISC on magnetic media on your clients’ behalf if:

- We do not have a valid state identification number for them; or
- They have fewer than 250 employees, and leave our service on or before December 31, 2015.

Certain states require a valid social security number for each employee for electronic/magnetic media filing. We will electronically file Forms 1099-MISC on magnetic media for any client who meets the state and local requirements listed on our website at [paychex.com/magnetic](http://paychex.com/magnetic), under Paychex Reference Guide for Accountants.
Paychex Report Center

This single location for more than 140 Paychex reports about your clients’ businesses, including payroll, benefits, and human resource solutions; lets you:

• Have 24/7 access to insightful information: payroll reports, retirement plan summaries, employee data, and much more.

• Customize many reports by date range.

• Mark the most-used reports as favorites for quick, future access.

• Export reports in a variety of formats, including PDF, XLS, tab-delimited, and CSV.

• Build custom reports from scratch using Paychex Report Writer.

Visit paychex.com/payroll-taxes/report-center.aspx to learn more.

Save Time and Stay Connected with Paychex Flex℠ Mobile

You can access Paychex information 24/7, giving you more time to focus on your business, with free smartphone access for Paychex clients and their employees.

Employer access to:

• Payroll hours.

• Employee data.

• Reports such as the Cash Requirements Report and Payroll Journal.

• Retirement plan administrator views.

• Employee contact list with one-click email and call capabilities.

Employee access to:

• W-2s and check stubs.

• Retirement balances with investment performance, and ability to transfer between investment options.

• 401(k) loan balances and activity.

• FSA balances and reimbursement activity.

• Personal profile.

• Retirement plan changes.

• Time-off balances.

• Health and benefits information.

Customize Your Access

Customize your favorite activities for easy access. Choose what you want to see on your home screen, eliminating time-consuming navigation.

Paychex Online App for Tablets

Everything that can be done in the full version of Paychex Flex you can do using your Apple® iPad® or Android™ powered tablet. This easy-to-use app is changing the way businesses do payroll by allowing access to all Paychex online applications via one secure login and making your tablet a powerful management tool by providing on-the-go connectivity.
Verify these items with your Paychex clients before the end of 2015:

Has this information been reported?
- All in-house payroll
- Voided checks
- Employee pension information
- Group-term life adjustments
- Tax deposits made for an amount other than the amount on the deposit notice
- Tip allocations for TEFRA
- Compensation adjustments paid to employees that need to be included on employee Form W-2 (e.g., charitable contributions, union dues)
- Other amounts in Form W-2, Box 14
- Taxable cash and non-cash fringe benefits (e.g., personal use of a company car)
- Third-party sick pay insurance benefits
- Educational assistance reimbursements
- Any dependent care services provided to employees under an employer-sponsored program
- Identification numbers for every tax agency

Has this information been verified?
- Employees’ names and addresses
- Employees’ social security numbers (SSNs)
- Form 1099 payees’ SSNs or taxpayer ID numbers
- Identification numbers for state and local agencies on each return

Additional Reminders: Bonus Payrolls
- Bonus checks can be run with the client’s regular payroll. If a different check date or period-end date is desired, the bonus checks must run as a separate payroll.
- Clients can temporarily override the direct deposit coding on bonus checks so their employees can receive “live” bonus checks.
- For clients using Taxpay or PAYEFT, we automatically pay deposits incurred by bonuses (even if checks are not generated by Paychex) as part of the service, as long as the information is reported by the year-end deadline date.
- If you are using a Paychex 401(k) plan offered through Paychex Retirement Services, we will automatically deduct any 401(k) contributions from the bonus checks of the employees participating in the plan. According to the plan, bonus pay is defined as compensation, and therefore must be reflected on Form W-2.

Year-End Deadline Date
- The year-end deadline date for clients to report changes for 2015 is December 31, 2015, or before your client’s first payroll that has a 2016 check date is processed, whichever is earlier.
- If payroll adjustments are necessary after the year-end deadline date, Paychex can reprocess tax returns; there is, however, an additional charge and a processing delay. If you anticipate the need for payroll adjustments, please contact Paychex immediately so returns can be processed at no additional charge.

Funding Responsibilities
- Processing large payroll liabilities may require funding Direct Deposit/Readychex® and/or Taxpay liabilities by a secure wire method. Clients will be contacted by Risk Management after their payroll is processed when a wire is required.
For self-employed individuals, the 2016 social security wage base is $118,500 with the social security tax rate remaining at 12.4%. There is no Medicare wage limit, and the Medicare tax rate remains at 2.9% (3.8% for those individuals earning over $200,000). The tax applies to the net earnings from self-employment.

### 2016 FICA Limits

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security (OASDI)</td>
<td>$118,500</td>
<td>$118,500</td>
</tr>
<tr>
<td>Wage Base</td>
<td>No Limit</td>
<td>No Limit</td>
</tr>
<tr>
<td>OASDI Percentage</td>
<td>6.2%</td>
<td>6.2%</td>
</tr>
<tr>
<td>HI Percentage</td>
<td>1.45% (2.35% for individuals earning over $200,000)</td>
<td>1.45% (2.35% for individuals earning over $200,000)</td>
</tr>
<tr>
<td>Maximum OASDI Withholding</td>
<td>$7,347</td>
<td>$7,347</td>
</tr>
<tr>
<td>Maximum HI Withholding</td>
<td>No Limit</td>
<td>No Limit</td>
</tr>
<tr>
<td>Maximum FICA Withholding</td>
<td>No Limit</td>
<td>No Limit</td>
</tr>
</tbody>
</table>

### Federal Tax Payments

Effective January 1, 2011, federal taxes must be paid via Electronic Federal Tax Payment System (EFTPS) unless you owe $2,500 or less with your quarterly Form 941. Details for enrolling in EFTPS, are available at eftps.gov.

The Paychex Taxpay service offers an easy solution for EFTPS payroll tax enrollment and depositing. For more information visit paychex.com.

This section includes 2016 payroll tax deposit rules, regulations, and deadlines. For additional information on any of the topics discussed in this Taxbrief®, please consult IRS Publication 15 (Circular E), Employer’s Tax Guide or Publication 509, Tax Calendars. Both of these publications are available at irs.gov.

2016 Tax Facts

Access important federal and state payroll and retirement rate information to customize for your firm in the areas you choose!

paychex.com/print/tax-facts
Federal Tax Deposit Rules

It is the employer’s responsibility to determine the correct frequency that they should be using to deposit federal taxes.

1. An employer is a **monthly depositor** for 2016 if the aggregate amount of employment taxes reported for the period July 1, 2014 to June 30, 2015 is $50,000 or less, unless a daily deposit is required as explained in Rule 3 on this page. Deposits are due on the 15th of the following month. If the 15th falls on a holiday or weekend, the due date is extended to the next banking day.

   *Note:* New businesses deposit using the monthly deposit rule, unless a daily deposit is required under Rule 3.

2. An employer is a **semi-weekly depositor** for 2016 if the aggregate amount of employment taxes reported for the period July 1, 2014 to June 30, 2015 exceeds $50,000. Deposits for payments made on Wednesday, Thursday, and/or Friday are due on or before the following Wednesday. Deposits for payments made on Saturday, Sunday, Monday, and/or Tuesday are due on or before the following Friday. In the event of a holiday, employers have three banking days from the end of the semi-weekly period to deposit.

   *Note:* Semi-weekly depositors with an accumulated unpaid liability of $100,000 or more during the deposit period must deposit within one banking day of the payroll check date, as stated in Rule 3.

3. Employers with an accumulated unpaid liability of $100,000 or more during the deposit period must deposit within one banking day of the payroll check date. When a monthly depositor is subject to this rule, that employer immediately becomes a semi-weekly depositor for the rest of 2016 and for 2017. Also, any monthly depositor who had a deposit of $100,000 or more between January 1, 2015 and December 31, 2015 is considered a semi-weekly depositor for the rest of 2016 and for 2017.

4. Form 941 employers with accumulated liability of less than $2,500 for the entire quarter may deposit or remit the amount with a timely filed Form 941, *Employer’s Quarterly Federal Tax Return*.

5. Form 944 employers with accumulated liability of less than $2,500 for the entire year may deposit or remit the amount with a timely filed Form 944, *Employer’s Annual Federal Tax Return*.
<table>
<thead>
<tr>
<th>Form</th>
<th>Period</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>940, Deposit of Unemployment Taxes</td>
<td>For companies with an accumulated unpaid liability over $500 through December 2015</td>
<td>February 1</td>
</tr>
<tr>
<td>940, Annual Federal Unemployment Tax Return</td>
<td>For tax year 2015 with undeposited taxes of $500 or less</td>
<td>February 1</td>
</tr>
<tr>
<td>941, Quarterly Federal Tax Return</td>
<td>For fourth quarter 2015 (10/1 - 12/31)</td>
<td>February 1</td>
</tr>
<tr>
<td>944, Annual Federal Tax Return</td>
<td>For tax year 2015 with undeposited taxes of $2,500 or less</td>
<td>February 1</td>
</tr>
<tr>
<td>941, Quarterly Federal Tax Return</td>
<td>For fourth quarter 2015 (10/1 - 12/31) if all taxes were deposited when due</td>
<td>February 10</td>
</tr>
<tr>
<td>944, Annual Federal Tax Return</td>
<td>For tax year 2015 if all taxes were deposited when due</td>
<td>February 10</td>
</tr>
<tr>
<td>940, Annual Federal Unemployment Tax Return</td>
<td>For tax year 2015 if all taxes were deposited when due</td>
<td>February 10</td>
</tr>
<tr>
<td>1096, Annual Summary and Transmittal of U.S. Information Returns with Forms 1099</td>
<td>For tax year 2015 Note: The electronic filing due date is March 31</td>
<td>February 29</td>
</tr>
<tr>
<td>8027, Employer’s Annual Information Return of Tip Income and Allocated Tips, and if required, Form 8027-T Transmittal</td>
<td>For tax year 2015 Note: The electronic filing due date is March 31</td>
<td>February 29</td>
</tr>
<tr>
<td>W-3, Transmittal of Income and Tax Statements with Forms W-2 (Copy A)</td>
<td>For tax year 2015</td>
<td>February 29</td>
</tr>
<tr>
<td>940, Deposit of Unemployment Taxes</td>
<td>For companies with an accumulated unpaid liability over $500 through March 2016</td>
<td>May 2</td>
</tr>
<tr>
<td>941, Quarterly Federal Tax Return</td>
<td>For first quarter 2016 (1/1 - 3/31)</td>
<td>May 2</td>
</tr>
<tr>
<td>941, Quarterly Federal Tax Return</td>
<td>For first quarter 2016 (1/1 - 3/31) if all taxes were deposited when due</td>
<td>May 10</td>
</tr>
<tr>
<td>940, Deposit of Unemployment Taxes</td>
<td>For companies with an accumulated unpaid liability over $500 through June 2016</td>
<td>August 1</td>
</tr>
<tr>
<td>941, Quarterly Federal Tax Return</td>
<td>For second quarter 2016 (4/1 - 6/30)</td>
<td>August 1</td>
</tr>
<tr>
<td>941, Quarterly Federal Tax Return</td>
<td>For second quarter 2016 (4/1 - 6/30) if all taxes were deposited when due</td>
<td>August 10</td>
</tr>
<tr>
<td>940, Deposit of Unemployment Taxes</td>
<td>For companies with an accumulated unpaid liability over $500 through September 2016</td>
<td>October 31</td>
</tr>
<tr>
<td>941, Quarterly Federal Tax Return</td>
<td>For third quarter 2016 (7/1 - 9/30)</td>
<td>October 31</td>
</tr>
<tr>
<td>941, Quarterly Federal Tax Return</td>
<td>For third quarter 2016 (7/1 - 9/30) if all taxes were deposited when due</td>
<td>November 10</td>
</tr>
<tr>
<td>940, Deposit of Unemployment Taxes</td>
<td>For companies with an accumulated unpaid liability over $500 through December 2016</td>
<td>January 31, 2017</td>
</tr>
<tr>
<td>940, Annual Federal Unemployment Tax Return</td>
<td>For tax year 2016 with undeposited taxes of $500 or less</td>
<td>January 31, 2017</td>
</tr>
<tr>
<td>941, Quarterly Federal Tax Return</td>
<td>For fourth quarter 2016 (10/1 - 12/31)</td>
<td>January 31, 2017</td>
</tr>
<tr>
<td>944, Annual Federal Tax Return</td>
<td>For tax year 2016 (1/1 - 12/31)</td>
<td>January 31, 2017</td>
</tr>
<tr>
<td>941, Quarterly Federal Tax Return</td>
<td>For fourth quarter 2016 (10/1 - 12/31) if all taxes were deposited when due</td>
<td>February 10, 2017</td>
</tr>
<tr>
<td>940, Annual Federal Unemployment Tax Return</td>
<td>For tax year 2016 if all taxes were deposited when due</td>
<td>February 10, 2017</td>
</tr>
</tbody>
</table>
Semi-Weekly Deposit Due Dates

Employers should calculate accumulated tax liability. If the unpaid liability is $100,000 or more, then the deposit is due within one banking day of the payroll check date. A monthly depositor who accumulates $100,000 or more is required to follow the semi-weekly rule for the rest of 2016 and for 2017.

Paychex will not observe the following holiday: Emancipation Day - April 15, 2016.
### Monthly Deposit Due Dates

<table>
<thead>
<tr>
<th>First Quarter</th>
<th>Second Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Month Tax Liability Incurred</strong></td>
<td><strong>Due Date</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Month Tax Liability Incurred</strong></td>
<td><strong>Due Date</strong></td>
</tr>
<tr>
<td>September 2016</td>
<td>October 15, 2016</td>
</tr>
</tbody>
</table>

### Quarterly Deposit Due Dates

If an employer is unsure that liability will be less than $2,500 for a quarter, it would be prudent to deposit in accordance with the monthly deposit rule. When accumulated liability is $2,500 or more in a quarter, an employer is subject to deposit penalties if monthly deposits were not made.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Period</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>For employers who accumulated less than $2,500 in federal taxes during the first quarter (1/1 – 3/31)</td>
<td>May 2, 2016 Remit with Form 941</td>
</tr>
<tr>
<td>2</td>
<td>For employers who accumulated less than $2,500 in federal taxes during the second quarter (4/1 – 6/30)</td>
<td>August 1, 2016 Remit with Form 941</td>
</tr>
<tr>
<td>3</td>
<td>For employers who accumulated less than $2,500 in federal taxes during the third quarter (7/1 – 9/30)</td>
<td>October 31, 2016 Remit with Form 941</td>
</tr>
<tr>
<td>4</td>
<td>For employers who accumulated less than $2,500 in federal taxes during the fourth quarter (10/1 – 12/31)</td>
<td>January 31, 2017 Remit with Form 941</td>
</tr>
</tbody>
</table>
Paychex Flex℠ is one integrated platform for your clients’ employee needs — recruiting/onboarding, payroll, HR, benefits administration, time and attendance, and retirement — combined with a service model that gives clients choice over how, when, and where they are served. For your firm this means:

• A single partner solution for all your clients, large and small.
• Access to all your clients’ data on one secure platform.
• Choice in how and when to access client data, reports, and extracts.

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