Overview

Paychex is committed to helping you prepare and plan for quarter-end. Please use this guide to help make sure you have a successful 2017 third quarter-end. We value your business and look forward to helping you with your payroll processing needs.

Processing Deadline

The deadline for reporting second quarter payroll information/changes to your payroll specialist is **8:00 p.m. ET, Friday, September 29, 2017**. If you work with an accountant, remind your CPA to report payroll adjustments before the deadline. If you need adjustments after the deadline, notify your payroll specialist immediately. We can reprocess tax returns after the deadline; however, there will be an additional charge and a processing delay.

Please review your third quarter information and report any of the following items to your payroll specialist on or before your final payroll of the quarter so that we can accurately calculate your payroll and tax deposit information:

- Payroll checks you issued in-house and have not reported
- Payroll checks you voided and have not reported
- Sick pay or disability payments made to your employees by a third party
Payroll Processing Reminders

To ensure timely processing and receipt of your payroll:

- Report your payroll by noon (based on your time zone) no later than two business days before your check date. If the reporting period includes a bank holiday, we must receive your payroll three business days prior to the check date.
- When faxing information to us, please use the fax payroll cover sheet we have provided. If you do not have a copy of this form, notify your payroll specialist.
- Please fax garnishment orders directly to the attention of the Garnishment Department to allow for timely receipt and processing at 800-668-7296 or mail them to:

  Garnishment Department  
  970 Lake Carillon Drive, Suite 400  
  Saint Petersburg, FL 33716

Processing Bonus Payrolls

Bonus checks can be processed with your regular payroll; but must be processed independently if a separate payroll journal is necessary, or if checks are issued with a date other than your normal payroll date. Schedule a reporting time with your payroll specialist if you need to process bonus checks separately.

**Note:** Bonus checks will be processed with the standard Internal Revenue Service (IRS) supplemental wage withholding tax of 25 percent. If the supplemental wages are more than $1,000,000 year-to-date, the tax should be withheld at 39.6 percent. If you have additional questions about specific deductions on a bonus check, please contact your payroll specialist for details.

Income Tax Withholding

We calculate federal income tax withholding based on marital status and withholding allowances, per IRS regulations (Publication 15). Your employees may not base withholding amounts on a fixed dollar amount or percentage; however, employees may specify a dollar amount to be withheld *in addition* to the amount of withholding based on filing status and withholding allowances claimed on Form W-4.
Negative Wages

Negative wages on returns are not accepted by federal or state tax agencies. Verify quarter-to-date wages when voiding checks to ensure voided payroll entries will not result in a negative wage situation for the current quarter. If you have questions, ask your payroll specialist.

Earning Records and Payroll Reports

You can safely access your payroll reports and customized Employee Earnings Records for each employee at your convenience, using a customized date range, through our Paychex Online Reports Service. On the left navigation bar, click the “Analytics and Report” tab then select “All Reports”. There will be a drop-down menu on the right side of the screen with a search bar to enter the name of the report. Enter Employee Earnings Record, select the report once it populates, click create report in the top right of the screen. You will then be able to customize it to fit your needs.

This report provides a wealth of information, including:

- Individual employee rates and salary history.
- Employment verification to help employees substantiate earnings within a period of time for mortgages and loans.
- Details about adjustments and amount information to reconcile deductions such as health insurance or retirement plan contributions.
- Wage information for completing workers’ compensation, disability, and unemployment claims.

Let your payroll specialist know if you would like to sign up for online access to this report. Or we can provide you with a printed copy of your Employee Earnings Records through secure email.

Fast, Easy Administration of Employee Benefits

Health & Benefits Online from Paychex provides you and your employees convenient, 24/7 access to benefits information. Employers can review enrollment information, access benefit plan summaries, request reports, and much more. Employees can elect initial benefit coverage, add or modify benefit elections after qualifying events, and maintain dependent information. Contact the benefits team at 800-741-6277, option 4, or email peo_benefitsteam@paychex.com to set up your health and benefits online account.
professional employer organization (PEO) services are sold and provided by paychex business solutions, llc. and its affiliates. the information in these materials should not be considered legal or accounting advice, and it should not substitute for legal, accounting, and other professional advice where the facts and circumstances warrant. it is provided for informational purposes only. if you require legal or accounting advice, or need other professional assistance, you should always consult your attorney, accountant, or other professional advisor to discuss your particular facts, circumstances, and business needs.

PAYCHEX PEO Quarter-End Guide

General Information

Paychex Website

For forms and additional information, you can go to the Paychex PEO website at https://online.paychex.com/smlogin/loginpaspbs.html. You are required to enter your branch number (0741) and client number (XXXXXXXX). This information is located in the upper left corner of your payroll reports. Use the Search function at the bottom of the page or select the Category and then scroll to the appropriate form to access it.

Reporting Changes and Missing Information

Please review your company name, address, and federal and state identification (ID) numbers on your payroll reports. Notify your payroll specialist if any of this information has changed or is missing.

<table>
<thead>
<tr>
<th>Changing or Missing Information</th>
<th>Client Responsibility</th>
<th>Paychex Responsibility</th>
</tr>
</thead>
</table>
| Company's legal name changed.   | ❑ Provide us with name change documentation from the Internal Revenue Service (IRS).  
Federal, state, local, and state unemployment insurance (SUI) ID numbers, organization, or ownership did not change. | ❑ We will change the name only if we receive verification from the IRS. |
❑ It is your responsibility to complete Form 8822-B and file the form with the IRS. Send the original to the IRS and a copy to your payroll specialist.  
❑ Send the IRS confirmation of your address change to your payroll specialist. | ❑ We will change the address when you inform your payroll specialist or human resource generalist. |
| Business, state, and local agency address changed. | ❑ Refer to the state or local agency website where your business is located for procedures on how to change your address.  
❑ Complete and submit the appropriate paperwork with the state/local agency to change your business address. | ❑ We will change the address when you inform your payroll specialist or human resource generalist. |
Supplemental Wages over $1,000,000

Special rules apply if total supplemental wages paid to any employee exceed $1,000,000 during the calendar year; the excess amount is subject to withholding at 39.6 percent for 2017 – regardless of any other withholding rules and the employee’s Form W-4. If the supplemental wages you paid to an employee during the calendar year are less than or equal to $1,000,000, follow the regular withholding rules for supplemental wages.

- Notify your payroll specialist if your payroll includes a payment that will increase your employee’s supplemental wages paid year to date to over $1,000,000.

Reporting Taxable Adjustments for Separated Employees

Whenever possible, you should report taxable adjustments (for example, personal use of a company car or imputed value of group-term life insurance) with payroll. When you regularly report these adjustments, the required taxes are withheld from employee wages. If taxable adjustments are reported without wages, you may be liable for the employee portion of taxes.

- When employees leave the company (voluntarily or involuntarily), you need to report taxable adjustments with the employees’ last check; otherwise, you may be liable for the employee portion of taxes.

If you pay 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, must be withheld on this added income.

If you cannot report taxable adjustments on an employee’s last check, discuss it with your payroll specialist. We can help.
Fair Labor Standards Act (FLSA) Reminder

Commissions, certain bonuses, and some other types of non-hourly compensation may need to be included when calculating overtime under the FLSA and state wage laws. To include commissions, bonuses or other types of compensation into your overtime calculation, advise your payroll specialist. If you are uncertain whether to do so, consult your attorney or accountant.
State Unemployment Insurance (SUI) Rate

You should receive notification of your SUI tax rate for 2017 for the following states. We need this rate to calculate your SUI tax expense correctly. We do not automatically receive this information from the tax agency.

If you receive a SUI tax rate notice from one or more of the following states, write your client number on the notice and immediately fax it to 800-668-7296, or email a copy of the notice to your payroll specialist:

<table>
<thead>
<tr>
<th>State</th>
<th>State</th>
<th>State</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>Kansas</td>
<td>Nebraska</td>
<td>South Dakota</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Kentucky</td>
<td>Nevada</td>
<td>Tennessee</td>
</tr>
<tr>
<td>Connecticut</td>
<td>Maine</td>
<td>North Dakota</td>
<td>Vermont</td>
</tr>
<tr>
<td>Delaware</td>
<td>Massachusetts</td>
<td>Ohio</td>
<td>Washington</td>
</tr>
<tr>
<td>Illinois</td>
<td>Michigan</td>
<td>Pennsylvania</td>
<td>Wyoming</td>
</tr>
<tr>
<td>Indiana</td>
<td>Minnesota</td>
<td>Rhode Island</td>
<td></td>
</tr>
<tr>
<td>Iowa</td>
<td>Mississippi</td>
<td>South Carolina</td>
<td></td>
</tr>
</tbody>
</table>

Additional State Assessments

Due to financial insolvency, many states have indicated they may be assessing additional charges to repay interest on federal loans borrowed to pay state unemployment insurance benefits. For certain states, you may receive these notices directly from the state. If so, you are responsible for payment of these assessments directly to the state agency. For other states, you may receive a separate billing from Paychex Business Solutions (PBS); in such case, you will be billed based on an allocation of the assessed charges (you will receive a separate notification prior to being billed). These assessments will be due outside the normal SUI return process; as such you will be responsible for paying these assessments. Please contact your payroll specialist or human resource generalist if you have additional questions.

Alaska

SUI

The Alaska Department of Labor and Workforce Development requires employee occupational codes and geographic codes be entered on the Contribution Report Form TQ01C.

If these codes are not already on file, obtain both codes by referencing the Occupational Coding Manual at [http://live.laborstats.alaska.gov/erg/occmmanual.pdf](http://live.laborstats.alaska.gov/erg/occmmanual.pdf). Report these codes to your payroll specialist.
Arkansas

SUI

The Arkansas Department of Workforce Services requires the agency ID number on Arkansas returns.

Obtain your employer ID number by calling the Arkansas Department of Workforce Services at 501-682-2121. Report the ID number to your payroll specialist.

California

SUI

California requires employers that have 10 or more employees, file Forms DE 9 and DE 9C electronically and deposit your tax payments electronically. If you are required to file electronically, but file on paper, you may be assessed a penalty.

The California Employment Development Department requires that wages be reported on a separate Form DE 9C for employees who meet the following criteria:

- Religious Exemption - employees who file and are approved by the state for an exemption from state disability insurance (SDI) taxes under Section 2902 of the California Unemployment Insurance Code (CUIC).
- Sole Stockholder - an individual approved by the state who elects to be excluded from SDI coverage for benefits and taxes under Section 637.1 of the CUIC.
- Free Venture Program - youth employees who are incarcerated with the California Youth Authority.
- Joint Venture Program - adult employees who are inmates of the California Department of Corrections.

If you have employees who qualify, provide the names of current qualifying employees to your payroll specialist and report this information as you add new employees.
Illinois

SUI

Employers with 25 or more employees must file electronically on a quarterly basis.

Monthly Wage Reporting

Employers with 25 or more employees are required to file monthly wage reports during Month 1 and Month 2 of the quarter. Month 3 is included with the quarterly SUI and wage report.

Paychex will file all Illinois SUI clients with an ID monthly, regardless of an individual client’s threshold.

941/Retirement

New line items are being added to the Illinois Withholding Income Tax Return, Form IL-941, to verify an employer is compliant with the new Illinois Secure Choice Savings Program Act. This new Illinois law requires that all Illinois employers that meet certain criteria will be subject to offering employees the state’s Secure Choice Program for retirement savings. The general employer requirements include all of the following:

- Employer has more than 25 employees;
- Employer has been operating their business in the state of Illinois for 2 years or more;
- Employer does NOT offer a “qualified” retirement savings or pension plan to their employees.

In summary, an employer is exempt from the Secure Choice Program if they have less than 25 employees, have been in business less than 2 years, or already offer their employees a “qualified” retirement savings or pension plan.

Iowa

SUI

Iowa Workforce Development requires employers to report wages by Reporting Unit. If an employer has multiple worksite locations, wages should be reported separately by Reporting Unit number, or worksite. The Reporting Unit number used should be the number reported on the Multiple Worksite Report.

Employers with multiple worksites should report all Reporting Unit Numbers to their payroll specialist immediately.
Massachusetts

Employer Medical Assistance Contribution (EMAC)

All Massachusetts employers subject to SUI with more than five employees are responsible for the EMAC contribution as follows.

If the employer became liable to MA UI on or after October 1, 2014:

<table>
<thead>
<tr>
<th>Description</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newly-Liable Employers First, Second and Third Year (36 Months)</td>
<td>Exempt</td>
</tr>
<tr>
<td>Fourth Year</td>
<td>0.12%</td>
</tr>
<tr>
<td>Fifth Year</td>
<td>0.24%</td>
</tr>
<tr>
<td>Sixth Year and Subsequent Years</td>
<td>0.34%</td>
</tr>
</tbody>
</table>

If the employer became liable to MA UI prior to October 1, 2014:

<table>
<thead>
<tr>
<th>Description</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newly-Liable Employers First and Second Year (24 Months)</td>
<td>Exempt</td>
</tr>
<tr>
<td>Third Year</td>
<td>0.12%</td>
</tr>
<tr>
<td>Fourth Year</td>
<td>0.24%</td>
</tr>
<tr>
<td>Fifth Year and Subsequent Years</td>
<td>0.34%</td>
</tr>
</tbody>
</table>

All payments will be calculated using the SUI taxable wage base; the 2017 wage base is $15,000.

Nevada

SUI/ Modified Business Tax (MBT)

If you are subject to SUI tax in Nevada, we are required to file the Nevada Modified Business Tax return quarterly with the Nevada Department of Taxation. If you have employer contributions to health insurance/health benefits plans that are not being processed through us, this amount must be reported to your payroll specialist or tax team specialist prior to each quarter-end process. If employer contributions are not reported on time, it will be entered in the following quarter.

For Paychex PEO to properly prepare the Nevada Modified Business Tax return, please report employer-paid health care amounts that are not being processed through us prior to the quarter-end deadline.
If You Are Required to Remit the Nevada Commerce Tax

In 2015, Nevada implemented a new Commerce Tax which is an annual tax imposed on the Nevada gross revenue of each entity doing business in the state. The Commerce Tax applies to businesses with gross revenue of 4 million dollars or more in a fiscal tax year. The Commerce Tax is not a payroll tax and Paychex will not be preparing or filing these returns; however, eligible employers can now take a credit towards their Modified Business Tax (MBT); Paychex does report this tax for you and will support this new tax credit.

MBT Tax Credit

Who is eligible for the Nevada Commerce tax credit? You may be eligible for a tax credit to your MBT tax if your business has 4 million dollars in annual fiscal year revenue and pays $50,000 or more in wages each quarter.

What is the tax credit towards the MBT? 50 percent of the Commerce Tax paid by your business for the previous Nevada fiscal tax year may be used as a tax credit towards MBT. The Nevada fiscal tax year is July 1 through June 30, including the last two quarters of one year and the first two quarters of the next.

Can you give me an example?

<table>
<thead>
<tr>
<th>Fiscal Year for Commerce Tax</th>
<th>When to take the MBT Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 - third and fourth quarters 2016 and first and second quarters 2017</td>
<td>Third and fourth quarters 2017 and first and second quarters 2018</td>
</tr>
</tbody>
</table>

What if my credit is more than my MBT tax? The credit carries over from quarter to quarter, but must be used in the first four quarters after the fiscal tax year. In the previous example, if you still had a credit after second quarter 2017 for fiscal year 2016, you would lose the rest of the credit.

What will Paychex do once I send you the credit amount? Paychex will apply the credit to your MBT payment and carry the amount over as necessary. It is important that you report the credit to us as soon as possible so we can apply it to the applicable quarters.

Can I get a refund instead of applying the credit to my MBT tax payment? No, the credit must be applied to current or future tax due.

Where can I get more information about this tax credit? You can access a frequently asked questions document on the agency’s website at [http://tax.nv.gov/uploadedFiles/taxnvgov/Content/FAQs/Commerce_Tax_FAQs.pdf](http://tax.nv.gov/uploadedFiles/taxnvgov/Content/FAQs/Commerce_Tax_FAQs.pdf).

MBT Credit – You must report the tax credit to Paychex PEO, the agency doesn’t send this information directly to Paychex.
South Carolina

State Withholding

The South Carolina Department of Revenue requires that all employees who will receive Forms W-2 have a complete address. Clients with employees missing any part of the address (street address, city, state, or zip code) can’t be included on the W-2 magnetic media filed by Paychex at year-end. If any employees with year-to-date wages are missing an address component, please update it immediately.

Vermont

SUI

Employers with more than four employees are required to report and pay an employer’s health care contribution premium that is based on a calculated number of uncovered full-time equivalent employees (FTEs) multiplied by a rate of $151.12.

- Report the number of uncovered FTEs to your payroll contact.

Note: Additional information about the health care contributions is available at the Vermont Department of Labor website at [www.labor.Vermont.gov](http://www.labor.Vermont.gov)

Washington

SUI/Workers' Compensation

Washington Employment Security, as well as Washington Labor & Industries (L&I), requires that the number of hours worked by all employees (including salaried employees) be reported. Washington Employment Security also requires social security numbers for all employees to be reported. Returns filed without this information are subject to penalty.

- Review the last timesheet from your payroll package for missing or incorrect SSNs.
- If you are new to Paychex this quarter, verify the number of weeks worked listed for each employee on the timesheet
- Report any missing or incorrect information to your payroll contact.
Notify your payroll contact if your employees are subject to one or more of these fees:

<table>
<thead>
<tr>
<th>Employees Who</th>
<th>Fee per Week</th>
<th>Employers Were Notified By</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work in Charleston</td>
<td>$2.50</td>
<td>The City Collector</td>
</tr>
<tr>
<td>Work in Fairmont</td>
<td>$2.00</td>
<td>The Division of Finance</td>
</tr>
<tr>
<td>Work in Huntington</td>
<td>$5.00</td>
<td>The Division of Finance</td>
</tr>
<tr>
<td>Work in Madison</td>
<td>$1.25</td>
<td>City of Madison</td>
</tr>
<tr>
<td>Work in Morgantown</td>
<td>$3.00</td>
<td>The Division of Finance</td>
</tr>
<tr>
<td>Work in Parkersburg</td>
<td>$2.50</td>
<td>The City Collector’s Office</td>
</tr>
<tr>
<td>Work in Weirton</td>
<td>$2.00</td>
<td>The Division of Finance</td>
</tr>
</tbody>
</table>