Overview

Paychex is committed to helping you prepare and plan for year-end. Please use this guide to help make sure you have a successful 2016 year-end. The guide contains reminders about payroll that occur only at the end of the year so they are easy to forget from year to year. We value your business and look forward to helping you with your payroll processing needs for fourth quarter and year-end.

New for 2016 – Earlier Employer W-2/1099-MISC Filing

In an effort to reduce fraud, a provision in the Consolidated Appropriations Act passed by Congress has changed the filing deadlines for employer copies of Forms W-2/1099-MISC. Starting in tax year 2016, the deadline for filing Forms W-2 to the Social Security Administration and 1099-MISC to the Internal Revenue Service will be January 31 of the following year, rather than February 28 as it was in the past. This new deadline is for all employer W-2/1099-MISC returns, both electronic and paper returns.

The 2016 employer W-2/1099-MISC filing deadline is Tuesday, January 31, 2017.

The following deadlines are not changing for the 2016 tax year:

- Employees must file their personal income tax returns by April 17, 2017. (April 15 is a Saturday in 2017.)
You will need to report any fringe benefits, like personal use of a company car or group-term life benefits, to Paychex by Friday, December 30, 2016. You will also need to report third-party sick pay benefits by this date.

If you can’t meet this deadline, the information won’t be included on the original W-2s/1099-MISCs we file with the agency. Paychex will then need to reprocess and re-file these returns at an additional cost.

Please let your CPA or tax advisor know about these dates and the additional fees associated with late reporting.

Many states are following the federal early W-2 filing deadline; refer to the State Filing section to see how your state is affected.

Year-End Reminders

The deadline for reporting fourth quarter and year-end payroll information or changes to your payroll contact is Friday, December 30, 2016 or before your first payroll with a January 2017 check date, whichever is earlier. If any adjustments are needed after the deadline, please let your payroll contact know immediately. We can reprocess the tax returns, including employee Forms W-2, after the deadline; however, there will be an additional charge and a processing delay.

Note: If you work with an accounting professional, please remind them to report payroll-related adjustments on or before the deadline.

Year-End Checklist

- Verify that tax liabilities were collected for bonus checks

Bonus checks can be processed with your regular payroll, but must be processed independently if a separate payroll journal is necessary or the bonus payroll has a different date than the regular payroll. 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.

- Confirm employee names and addresses

Report employee information changes by the assigned due date. Ensure you have necessary federal and state withholding forms when reporting new employees. Verify employee names and social security numbers (SSNs). A 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 earnings statement. Instead, the wages will be housed in a “suspend file” until corrected. If the error is not corrected, the wages will never be credited to the employee.
Note: The Internal Revenue Service (IRS) may charge employers a penalty of up to $260.00 for each return or Form W-2 that has a missing or incorrect SSN or federal identification number. We cannot file your federal Forms W-2 electronically if a substantial percentage of the SSNs are missing and you have more than 10 employees. For security purposes, all but the last four digits of the SSN are masked in any transaction.

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 (earning or deduction) will print in Box 14.
- Be descriptive. For example, “Misc” may not clearly substantiate a charitable contribution.
- Your payroll contact can change your adjustment title before processing your Forms W-2.

Report Third-Party Sick Pay (Disability Payments)

Third-party companies are required to furnish employers with a sick pay statement of any disability insurance benefits paid to employees during 2016. 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 you have not already done so, please notify your insurance company that we will include third-party sick pay on the Forms W-2 that we prepare for you. Since third-party sick pay may affect quarter-end 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 January 31, 2017.

Fourth Quarter/Year-End Reporting

Check to see if you have any items to report. Report any fourth quarter payroll changes before the year-end deadline. On or before your final payroll of the quarter, report in-house checks, voided checks, or sick/disability payments to employees by a third party.

If you report any additional 2016 payroll entries after the deadline, we will collect and deposit any additional liability that may be required for federal withholding, federal unemployment (FUTA), and state unemployment insurance (SUI); however, Paychex will not be responsible for any penalties or interest assessed by tax agencies as a result of a late payment.
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**Taxpay® Clients**

If you report any voided 2016 payroll entries made after the deadline date, we will prepare your federal tax return (Form 941/944) showing the overpayment and request a refund. Paychex will also prepare any required state quarterly returns or annual reconciliations showing the overpayment and will either request a refund or apply the overpayment to the next state tax deposit, based on the state’s requirements.

Report any tax deposits related to bonus payrolls. We will automatically make tax deposit(s) related to your bonus payroll. To avoid an overpayment through duplicate deposits, let your payroll contact know if you have already made or intend to make the tax deposit for a bonus payroll. Agencies refund overpayments directly to employers; Paychex cannot refund a duplicate payment.

**Quarter-End Collections**

Paychex provides Taxpay clients with an Outstanding Tax Liabilities (OTL) Report in each quarter-end tax package. This report lists the dates that your quarterly taxes will be remitted to the appropriate tax agencies by Paychex and indicates whether additional taxes will be credited to or debited from your account. The OTL Report contains two sections:

1. **Outstanding Tax Liabilities for Quarter-end.** This section provides advance notification of any collections Paychex will make from your account. The tax amounts shown in this section will be debited from your bank account on **Friday, January 20, 2017**. Tax rate changes or state FUTA credit reductions are the most common reasons we may need to make an adjustment to your account. Please ensure that sufficient funds are available in your account before January 20, 2017, so Paychex can remit your tax payment on time.

2. **Tax Deposits made by Paychex for you.** This section lists any tax amounts that were previously collected by Paychex throughout the quarter and the date Paychex will remit them to the corresponding tax agency.

**Non-Taxpay Clients**

Check to see if you have any items to report. Report any fourth quarter payroll changes before the year-end deadline. If you have not already done so, report in-house checks, voided checks, any tax deposits that were due but not remitted, tax deposits paid for an amount other than the amount reflected on the deposit notice, and sick/disability payments to employees by a third party.

December 2016