

# 2018 Paychex Reference Guide for Accountants





# Paychex Promise

There are too many “what if” moments that can disrupt your clients’ business. The **Paychex Promise** helps assure that covering payroll will never be one of those moments they need to worry about.

- **Protects** against cash-flow interruptions
- **Extends** collection of payroll funds from your clients’ bank account up to seven days without interruption of services or insufficient fund charges
- **Enables** your clients to pay employees and remit taxes ... on time

## For More Information

877-838-7950 (Option 5)  
[paychexpromise@paychex.com](mailto:paychexpromise@paychex.com)  
[payx.me/our\\_promise](https://payx.me/our_promise)

**PAYCHEX**<sup>®</sup>  
Payroll | Benefits | HR | Insurance

# Overview

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 year-end needs. We value our business relationship with you and trust that this information will assist with your year-end processing and planning. More details regarding year-end information can be found in the Paychex Quarter/Year-End Reference Guide located at [payx.me/yend](https://payx.me/yend).

If you have any questions, please contact your sales representative. The content of this guide can also be viewed online at [payx.me/ye-guide](https://payx.me/ye-guide).

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### 2018 Year-End Reference Guide

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This publication is designed to provide accurate information as of October 2, 2018, 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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# Updates



## Tax Cuts and Jobs Act

This law reduces individual tax rates, eliminates personal and dependent exemptions, nearly doubles standard deduction amounts, and makes other changes that affect income tax withholding. The IRS urges all taxpayers to utilize the tools available on its website: **Withholding Calculator at: [irs.gov/individuals/irs-withholding-calculator](https://irs.gov/individuals/irs-withholding-calculator)**. The IRS recently announced that major changes to Form W-4 will be delayed until 2020.

## Qualified Equity Grants Under IRC Sec. 83(i)

The TCJA added Section 83(i), which allows qualified employers to offer an option to employees to defer income tax for qualified equity grants. For 2018, employers need to report the aggregate amount of deferred equity grants in Box 12 of Form W-2, Code HH.

The IRS also added Box 12, Code GG for employers with employees who are required to report the amount includible in gross income from these deferred equity grants for the calendar year.

Both the aggregated deferred amounts and the taxable income from these deferred equity grants will need to be reported to their Paychex payroll specialist to correctly process and report for Form W-2 requirements. See Form W-2 Instructions and IRS Publication 15-B for additional guidance.

## The Affordable Care Act (ACA) Update

There has been no repeal and replace of the Affordable Care Act (ACA). Your applicable large employer (ALE) clients still have coverage guidelines to meet to avoid potential assessment. ALEs must file the associated information returns accurately and in a timely manner to avoid significant penalties. The 2018 deadlines for ACA tax reporting are:

**January 31, 2019** – Furnish employees with Form 1095-C

**February 28, 2019** – File copies of Forms 1094-C and 1095-C (if filing on paper)

**April 1, 2019** – File copies of Forms 1094-C and 1095-C (if filing electronically)

## Paychex Can Help

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

- Analyze if they are an applicable large employer (ALE)
- Help calculate how many full-time employees (FTEs) they have based on IRS definitions
- Provide information about coverage adequacy and affordability to help determine if they might be at risk for a potential Employer Shared Responsibility (ESR) assessment\*
- Help prepare and file tax Forms 1094-C and 1095-C

If you have questions regarding how the ESR provisions might affect your Paychex clients, please contact our dedicated ESR team at **844-802-2248**, or visit **[payx.me/hcr](https://payx.me/hcr)**.

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

# Year-End Reminders

The year-end deadline to report information or changes for 2018 is Dec. 28, 2018, by 5 p.m. (local time of the processing office), or before the first payroll that has a 2019 check date is processed, whichever comes earlier. Our offices will be closed Tuesday, Dec. 25, 2018, and Tuesday, Jan. 1, 2019. For specific holiday processing schedules, call your local Paychex branch.

## Verify that tax liabilities were collected for bonus checks

Bonus checks are often processed with regular payroll, but they must be processed independently if a separate payroll journal is necessary or the bonus payroll has a different date from the normal payroll date. Verify with your clients how the bonus checks are to be taxed and any adjustments that need to be withheld, as bonus checks might be handled differently than regular payroll checks.

## Confirm employee names and addresses

Have your clients review all 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. It is important to verify the correct name and social security number (SSN) for each employee. A mismatched name or number can affect the employee's social security wage benefits; wages

reported on Forms W-2 with mismatch errors 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.

## 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. Your clients should 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" might not clearly substantiate a charitable contribution.

- The Paychex payroll specialist can change your clients' adjustment title before processing their form 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 2018. If a client receives this information after reporting the last payroll of the year, they should call their Paychex payroll specialist. If they have not already done so, clients should notify their insurance company that we will include third-party sick pay on Forms W-2. Since this pay might 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 year-end deadline date. Clients can expect to receive their returns and Forms W-2 no later than **Jan. 31, 2019**.

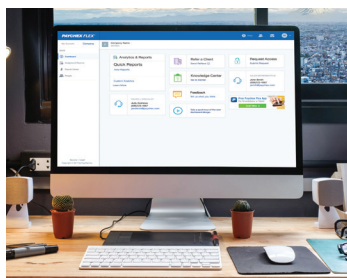
## Reminder:

The IRS may charge employers a penalty of **up to \$260 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.

# Year-End Reporting - Taxpay<sup>®</sup> and Non-Taxpay Clients

Again, the year-end deadline to report information or changes for 2018 is Dec. 28, 2018, by 5 p.m. local time of the processing office, or before the first payroll that has a 2019 check date is processed, whichever comes earlier.

Action Items	Taxpay Clients	Non-Taxpay Clients
If not already done, these items should be reported to your client's payroll specialist before the deadline:	<ul style="list-style-type: none"> <li>• In-house payroll checks</li> <li>• Voided payroll checks</li> <li>• Third-party sick pay (disability payments)</li> </ul>	<ul style="list-style-type: none"> <li>• In-house payroll checks</li> <li>• Voided payroll checks</li> <li>• Third-party sick pay (disability payments)</li> <li>• Any tax deposits that were due but not remitted</li> <li>• Tax deposits paid for an amount other than the one reflected on the deposit notice</li> </ul>
If additional 2018 payroll entries are reported after the deadline, Paychex will:	<ul style="list-style-type: none"> <li>• Collect and deposit any additional liability that might be required, but will not be responsible for any penalties or interest as a result of a late payment</li> </ul>	<ul style="list-style-type: none"> <li>• Generate a new or replacement deposit notice</li> </ul>
If any client voids 2018 payroll entries after the deadline date, Paychex will:	<ul style="list-style-type: none"> <li>• Prepare their federal tax return, Form 941 or 944, showing the overpayment, and request a refund for them</li> <li>• 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</li> </ul>	



## AccountantHQ

Don't waste time tracking down clients for year-end reports. View all your clients' accounts on AHQ. This single dashboard provides on-demand access and analytics to assist with strategic consultation and resources from the Accountant Knowledge Center (AKC). The AKC includes free self-study CPE courses, industry news, and other resources to assist accounting professionals.



## Year-End Reporting – Fringe Benefits

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 of the year. Reporting taxable benefits with cash wages allows the appropriate withholding taxes to be deducted from an employee's check. Common benefits your clients might have that should be reported:

- Group-Term Life Insurance
- Dependent Care Assistance
- Flexible Spending Account (FSA)
- Educational Assistance Program
- Deferred Compensation Plans
- Employer Contributions to Retirement Plans

For more details on the specific reporting requirements of the benefits above, please contact your Paychex representative or refer to the online *Paychex Quarter/Year-End Reference Guide* located at [payx.me/yend](https://payx.me/yend).

## Additional Reporting Requirements

### Taxable Adjustments for Separated Employees

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 might be liable for the employee portion of taxes. Please keep this in mind if employees separate from employment, whether 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, Paychex can help them calculate the additional amount required to cover the employee FICA. This situation should be discussed with their Paychex payroll specialist.

### Cost of Coverage Under Employer-Sponsored Health Plan

Do you have clients issuing 250 or more Forms W-2 for the previous year? The IRS requires them to report the cost of coverage for any employer-sponsored group health plan on Forms W-2. For Paychex to report these amounts for 2018, your clients must provide them to us before the year-end reporting deadline.





# Important Tax Agency Notices

## IRS Federal Deposit Frequency Notices

Your clients' deposit frequency should be determined for 2019 by using the lookback period. Refer to IRS Notice 931 at [irs.gov](https://www.irs.gov) for additional information about deposit rules and lookback periods.

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 2019 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](https://www.eftps.gov). This will allow them to make a payment, and verify that payments are being posted properly to their account.

Clients on our Taxpay® service may also enroll in the Electronic Federal Tax Payment System® (EFTPS) to 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 2019. We need this rate to calculate their SUI tax and SUI expense correctly. Please send us a copy of the document with the client number noted.

\*The IRS requires us to notify our Taxpay clients that although Paychex is designated as the Reporting Agent on Form 8655 (Reporting Agent Authorization), this does not relieve our clients from liability if tax payments and/or returns are not remitted by the due date. The IRS recommends that clients enroll in and use EFTPS to ascertain whether an agent has made all required deposits on time. Most state agencies provide ways to verify tax payments as well, so contact your state agency for this information. Please be assured that Paychex makes every effort to remit tax payments and returns on time. If any issues do arise, we work with your clients and the agency to resolve the situation.



# Electronic/Magnetic Media Filing

## Federal Forms W-2/W-3

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

Paychex will electronically file employer federal Forms W-2 and W-3 to the Social Security Administration (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 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 10 employees and a substantial percentage of the social security numbers (SSN) are missing or invalid
- Your client has fewer than 250 employees and leaves our service on or before Dec. 28, 2018.

**NOTE:** Incomplete employee information (name, address, SSN) could result in inaccurate or non-filing for certain agencies.

## 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 2018 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 2018 but left before the end of the calendar year.

## Employee Access Online

Your clients can offer their employees on-demand access to view their Forms W-2, check stubs, retirement balances, and personal and payroll information. With convenient 24/7 access from any browser, mobile device or tablet, employees no longer have to rely on management for timely information.

## Federal Form 1099-MISC/Form 1096

The IRS requires payers with 250 or more Forms 1099-MISC to file electronically. A payer who 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 FEIN for your client; or
- Your client has fewer than 250 employees and leaves our service on or before **December 28, 2018**.

## 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 Dec. 28, 2018, cannot decline electronic/magnetic media filing.

# Did You Know?

Our Paychex Flex® 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.



## 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.

## 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 Dec. 28, 2018, and clients who are required to electronically file their information on magnetic media.

For a list of states where Paychex files for all clients regardless of whether they use our Taxpay® service, please see the *Paychex Quarter/Year-End Reference Guide* located at: [payx.me/yend](http://payx.me/yend).

**Reminder:** If we process only a portion of your clients' 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 employees than the state agency requirement, and leave our service on or before December 28, 2018.

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 in the *Paychex Quarter/Year-End Reference Guide* located at: [payx.me/yend](http://payx.me/yend).

# 2018 Year-End Checklist

Please verify these items with your Paychex clients before the end of the year:

## 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 who 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)
- ☐ Clients' Forms W-2 delivery address
- ☐ 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, providing the information is reported by the year-end deadline date.
- If your clients 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 2018 is Dec. 28, 2018, by 5 p.m. local time of the processing office, or before your clients' first payroll with a 2019 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 your clients anticipate the need for payroll adjustments, they should contact Paychex immediately so returns can be processed at no additional charge.

## Funding Responsibilities

- Processing large payroll liabilities might require funding Direct Deposit/Readychex and/or Taxpay® liabilities by a secure wire method. Clients will be contacted after their payroll is processed when a wire is required.





# It's Simple, Really

Paychex provides the tools, technology, and expertise to help you become your clients' most trusted advisor.

- **Integration** with leading accounting software – QuickBooks® Online, Sage Intacct®, and Xero™ – helps reduce errors and enhance efficiency.
- **AccountantHQ** helps manage all your clients' payroll and HR on a single dashboard.
- **Services** that are flexible and technology that is scalable.

With the time you save, create more opportunities to better serve your clients.

**For More Information: [payx.me/empower-the-pros](https://payx.me/empower-the-pros) • 877-534-4198**