

2021 HR Compliance Checklist



As you begin 2021, it's important to make sure you're complying with ongoing regulations and implement any required changes related to newly enacted legislation. To help your company stay up to date, the experts at Paychex have created this 2021 HR Compliance Checklist.

Taxes and Payroll

Verify Employee Information

- Validate employee addresses. Incorrect information could delay receipt of important information (like W-2 forms) for some workers and create waste for your business with the printing and mailing.
- Check your records for employees who left the company during the year to make sure their status was correctly updated.

Double Check W-2s

- Verify all Social Security numbers or federal employer identification numbers (FEIN). At the end of the year, missing or incorrect numbers could result in a penalty by the IRS of up to \$270 for each return of W-2.
- Include any taxable cash or non-cash benefits — e.g., use of a company car — on W-2.
- Tip for 2021: If your business doesn't already do so, consider establishing a secure online portal for employees to obtain their check stubs and W-2s. This may help minimize labor and paper waste, and increase security of sensitive information.

Prepare Documents Required for Tax Filings

- CARES Act retention credit — This tax credit was created to support employers who paid their staff throughout the pandemic, up to 50% of \$10,000 in wages paid by companies affected by COVID-19. Qualified wages must have been paid between March 20, 2020 and January 1, 2021.
- FFCRA tax credit provisions — [A dollar-for-dollar tax credit](#) is available to refund employers for qualifying wages covering sick and family leave time paid to employees affected by COVID-19.
- FICA & FUTA forms — Make a note of filing deadlines.
- IRS Payroll Tax Holiday — If your company chose to defer Social Security Payroll Taxes according to the President's Executive Order, be aware of the new payment deadlines in early 2021.
- Affordable Care Act (ACA) requirements — Companies affected by ACA must prepare and distribute 1095-C forms to employees.
- Independent Contractor Payments — In addition to preparing employee tax forms, make sure that qualifying independent contractors receive their correct statements for tax purposes. Beginning in 2020, you must now report these amounts using form [1099-NEC](#).

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Benefits

Review Coverage Plans and Health Insurance Policies

- Group Health Plan Renewal — Many group health insurance policies renew on Dec. 1 or Jan. 1. Review coverage plans and pricing to determine if changes are needed.
- ACA Requirements — Review the stipulations of the Affordable Care Act for ongoing compliance, including:
- Employer Shared Responsibility (ESR) provision which requires companies employing the equivalent of 50 or more employees to offer affordable and adequate medical coverage.
- IRS 2021 Employer Health Plan Affordability Threshold change — The amount to qualify for minimum essential coverage will be raised to [9.83% of household income](#) beginning January 1, 2021.
- Open Enrollment — It's never too soon to look ahead. Prepare communications with employees and schedule informational meetings.
- FSA Plans — If you plan to establish a flexible spending account, allowing employees to set aside pre-tax money for medical or dependent care expenses, your business needs to set up the plan and employees need to enroll before the new year.
- FFCRA paid sick and family leave wages related to COVID-19 — Gather information on employees who took advantage of FFCRA paid leave during 2020 to file for the year-end tax credit.
- Review healthcare plan filing requirements & deadlines

Gather Payroll Records

Gather payroll records if your workers' compensation policy mirrors the calendar year. An auditor may want to review payroll records in accordance with its policy period.

Compensation

Discretionary Bonuses

If your business awards discretionary bonuses, work with your payroll provider to issue the checks, either as a separate line item or in separate checks (additional bonus taxation may apply).

Review FLSA Updates

If your applicable state or local minimum wage rate is increasing as of Jan. 1, ensure the updated rate is reflected in your employees' pay as of the effective date. Also, review the [DOL guidance](#) on COVID-19 and the FLSA in the following areas to ensure compliance:

- Telework — non-exempt employees are to be compensated for all hours worked, including those worked away from the primary worksite. Companies must pay for all hours actually worked and provide employees with time-tracking procedures when they are out of the office.
- Exempt Employees — as declared by a federal, state, or local authority these employees may temporarily perform non-exempt employee duties during the COVID-19 public health emergency and retain their exempt status as long as they continue to be paid on a salary basis and at a minimum of \$684 per week.
- Hazard Pay — the FLSA does not require hazard pay, but when given to employees it must be included in employee's regular rate of pay and used to calculate overtime.

Review Updates to Wage Base Limits

Resetting wage base limits should also be a part of your HR compliance checklist. For the upcoming year, companies should be budgeting for the taxes they may not be paying now if employees have already met the wage base limits for 2020. Wage base limits start over every Jan. 1, including federal and state unemployment tax, Medicare, Social Security, and state employment taxes. One announced increase is the rise in individual [wages up to \\$142,800](#) subject to the 6.2% Social Security tax, also referred to as the Old Age, Survivors, and Disability Insurance (OASDI) tax.

Staffing and Training

Review Employee Time Off

If you have a self-service portal, remind employees to review their vacation, holiday, sick, and paid-time-off banks, especially if you have a “use-it-or-lose-it” policy (where permitted) or caps on carry-over amounts. If your business tracks this for employees, notify them about their balances.

Review Your BCP Policies

Check your company’s severe weather, natural disaster, and health emergency policies, and have a business continuity plan in place in case weather, a natural disaster or health emergency impacts your business operations in 2021.

Create or Update Your 2021 Calendar

Consider developing a calendar of required training for managers and employees, e.g., annual or semi-annual instruction regarding harassment prevention, hiring practices, workplace safety, and effective management. You may also want to schedule time to update managers and staff on COVID-19 protocols and compliance to ensure continued compliance with OSHA, CDC and local guidance.

Update Your Employee Handbook

An annual review of the employee handbook should be included in your HR checklist. All new policy updates should be included in the handbook and communicated to employees. Due to significant shifts in the work environment in 2020, it’s a good idea to pay close attention to work from home policies, as well as adding in COVID-19 updates, such as mask-wearing and social distancing policies while in the office.

Conclusion

Preparing now can better ensure your business will run that much more smoothly in the future. And remember: **Paychex** has a wealth of resources to assist you — including assistance with regulatory compliance, payroll, human resources, and time and attendance management.