

2018 Year-End Payroll Activities Checklist

If your company prepares payroll internally, wrapping up the year and preparing the tax forms can be a stressful time. We have put together this checklist to help you save time and ensure that all tasks are completed. Alerding CPA Group is available to help with year-end payroll tax and information returns such as 940, 941, W2, and 1099 forms. If you would like to outsource payroll completely, we can offer an affordable solution. For more information or a price quote please contact your Alerding CPA Group Tax Department Advisor at 317-569-4181.

November

1. Coordinate payroll processing and distribution to accommodate the Thanksgiving, Christmas, and New Year holidays.
2. Send notices to employees requesting confirmation of their name, social security number (SSN), address, phone number, email address, and withholding allowances. If health care benefits are being provided to the employee's spouse or dependents, be sure each individual's SSN is in the files, so Form 1095-B or 1095-C can be properly completed. If an individual's SSN has not been provided, request that the employee provide the SSN by December 31.
3. Research and review changes that will take effect in the following year (e.g. inflation-adjusted amounts, new or different forms or filing requirements, electronic filing requirements, etc.).
4. Identify mandatory and suggested notices that must be provided to employees. Prepare the notices so that they will be ready for distribution in January.
5. If privately printing the Forms W-2, make sure the forms are in compliance with the IRS's most recent guidelines.
6. If filing Forms W-2, Forms 1095, and/or Forms 1099 electronically, review the IRS's most recent specification and format requirements.

The First Payroll Period Ending on or near December 1

1. All employees should be notified to revise their Forms W-4 if allowances will change from the form currently on file.

2. Employees claiming exemption from withholding should be notified that their Form W-4 must be renewed for the following year.

Year-end Withholding and Deposit Matters

1. December 31 is the last day that payments are considered to be current year earnings. Verify that all payments that apply to current year wages and benefits have been made and the appropriate amount of employment tax has been withheld.
2. Run a special payroll, if necessary, to record all manual and void checks that are issued between the last regular payroll and December 31. These items must be included on the current year returns and statements.
3. Conduct a final review of the general ledger for other forms of wages (generally taxable noncash fringe benefits).
4. Compute the value of all taxable noncash fringe benefits (such as personal use of an employer-provided auto and group-term life insurance in excess of \$50,000).
5. Verify that sick pay information provided by a third-party payer agrees with in-house deposit and reporting information.
6. Before making the last deposit for the tax year, reconcile Forms 941 or 944 (and Forms 941-X filed for current-year adjustments), 940, and W-3. Include any adjustments in the final deposit for the year.

Year-end Compliance Matters

1. Form 940 is due by January 31 (although a 10-day extension applies if all taxes are paid by the due date). If a deposit of FUTA was not required, complete the Form 940 payment voucher and attach payment to the form.
2. Form 941 for the fourth quarter is due by January 31 (although a 10-day extension applies if all taxes were paid by the due date).
3. Form 944 must be filed by employers notified by the IRS to file annually (instead of quarterly on Form 941). Form 944 is due by January 31 (although a 10-day extension applies if all taxes were paid by the due date).
4. Employees must receive their copy of Form W-2 by January 31.

5. If the employer is an applicable large employer, employees must receive their copy of Form 1095-C by January 31.
6. If the employer is a small employer with a self-insured health plan, it must be sure employees receive Form 1095-B by January 31.
7. If the employer provides health care benefits to employees through a fully insured health plan, it should contact the insurance carrier to be sure employees will receive a Form 1095-B from the carrier by January 31.
8. Generally, Form 1099 recipients must receive their copy of the form by January 31. However, some Forms 1099 may be furnished as late as February 15.
9. Confirm that all Form W-2 adjustments have been identified and quantified.
10. Print a Form W-2 register and perform a final reconciliation with the four quarterly Forms 941 or the annual Form 944 and any Forms 941-X filed for current-year adjustments.
11. Prepare all necessary supplemental Forms W-2.

Update Files for the New Year

1. Identify the new FICA, FUTA, and federal income tax rates that apply (and state rates, if applicable).
2. State and federal income and employment tax withholding rates, tables, and maximum limits expire. Submit required tax changes for the new year to data processing (if in-house payroll), including:
 - a. Federal income tax withholding tables.
 - b. FICA and FUTA limits and rates.
 - c. City, state, and local income tax withholding tables.
 - d. State unemployment limits and rates.
 - e. State disability insurance (SDI) limits and rates.
3. After posting all transactions for the year, delete deductions that are renewed on a year-by-year basis (such as flexible spending account contributions) and set up the deductions for the upcoming year.
4. Verify all child support withholding orders to ensure that changes in withholding amounts are properly included in the new year's deduction file (for automated systems).

Getting Started on the New Year

1. After the last payroll is processed in December, do the following before purging terminated employees from the master file:
 - a. Check with the benefits department—are there any items that must be saved permanently?
 - b. Print a report of control totals and other information that may be necessary to review the accuracy of the Form W-2 register.
 - c. Run reports for employees claiming exemption from withholding (Form W-4 requirements).
2. Weekly and biweekly payers should count the pay periods for the new year. If the number of pay periods changed from the prior year, computerized withholding and payroll deductions may need to be adjusted accordingly.
3. Purge the employee master file of all terminated employees.
4. Before authorizing the printing of the first payroll checks for the new year, review the payroll register to ensure that the following are correct:
 - a. Federal income tax rates.
 - b. FICA tax rates and limits.
 - c. State tax rates and limits, if applicable.
 - d. Standard voluntary deductions and garnishments.
 - e. Year-to-date and quarter-to-date accumulations are starting at zero.
 - f. General conformity with company policy.
5. Distribute required employee notices.

12/17/18