

PayServ

2021 Year-End Guide



PAYSERV
PAYROLL SOLUTIONS

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The end of the year 2021 is fast approaching. This time of year is very busy and can be very stressful for everyone. We hope this year end guide will be useful for you in preparing for the remainder of the year and overall readiness for W-2s.

Important: Deadline for Employers Filing W-2s and 1099s

The Consolidated Appropriations Act of 2016 includes a provision requiring the accelerated W-2 and 1099 filing due date. Due to the increased incidents of tax fraud and Identity theft, the IRS has moved forward with a provision to require employers to report W-2 and 1099 data to the Social Security Administration and IRS by January 31.

It's essential for businesses to be prepared as soon as possible in the months leading up to the due date. This means organizations will have to participate in advanced planning to ensure all documentation is submitted accurately and on time. We encourage human resources and payroll teams to begin planning now and **submit changes and year-end adjustments early**.

Please pay **close** attention to timelines and important cut-off dates in our Year-End Guide.

CLIENT PROCESSING DEADLINES

Standard Deadlines

Payrolls need to be submitted at least **two banking days in advance** of the check date to allow sufficient time for payroll funding and employee direct deposits to be received and posted by the check date. **Due to strict banking rules, we will not make exceptions to the two day rule. If you need to process one day before, you will be required to wire funds. Any payroll with \$100,000 or more in federal tax liability or total ACH debit of pre-determined system limit or more will also require a wire.**

Year End Deadlines

Any 2021 payrolls and adjustments must be complete before any 2022 payrolls can be processed. A few important points to remember:

- **Bonuses and extra payrolls.** If you are paying bonuses or have any extra payrolls that need to be included in your 2021 W-2s you **must** notify your Customer Support Team before processing your last regular payroll of the year (wiring of funds may be required).
- **Payroll Adjustments.** Make sure payroll adjustments (e.g., voided checks) are done **before** your last payroll of 2021 is processed. **Voiding checks/processing adjustments**

after a check date of 2022 has been processed requires us to 'Re-Open' the year (see page 10 for applicable fee).

- **Year-End Adjustment Cut-off Date:** For adjustments processed after December 31, 2021, please remember that tax agencies may consider tax payments late and you, the customer, will be responsible for penalties and interest that any agency may assess. Payroll adjustments must be processed by 5:00 pm ET on January 5, 2022. Any adjustments made after January 5, 2021, will result in a W-2c for employees as well as amendments and fees will apply. **We encourage you to process adjustments well in advance of January 5, 2022.**
- **Fringe Benefit adjustments.** Identify and schedule special payroll adjustments such as group term life, auto allowances and other fringe benefits. Many of these fringe benefits require tax withholdings and they need to be entered with 'live wages' and processed at the same time as a regular payroll run before the end of the year.
- **Third Party Sick Pay:** Determine if you have Third Party Sick Pay information that must be reported for 2021. This will need to be completed before you run a payroll with a check date of 2022. **Please be aware we will print all W-2s after January 5 – even if the information is not received. Also be aware that notifying us of late third-party sick pay being received after January 5 will NOT eliminate the applicable fees for processing late adjustments. Please contact your provider and request the information in advance of our Year-End Adjustment cut-off dates. As stated above, additional fees will apply for late processing.**

Reminder: Process year-end adjustments early. Do not wait until January.

Important: Payrolls processed in 2021 that have a **pay date of 2022** will show up as wages on the 2022 W-2! These wages will not be part of your 2021 Year to Date totals.

Please be aware that we will begin our 'blackout' period January 5 thru January 31.

We will not be processing any adjustments during this time to ensure timely reporting (printing and e-file process) for all our customers.

We will not be able to make exceptions.

YEAR END CHECKLIST

- ✓ Review Processing Deadlines and identify your last payroll **check date** of 2021.
- ✓ Review 'Dates to Remember for Year-End', page 7.
- ✓ Review payroll run schedule for 2022 and contact your Customer Support team for any necessary changes.
- ✓ Perform an audit of employee data related to SSN, Name and mailing address and make any updates in PayServ before your last payroll run of 2021.
- ✓ Return year-end questionnaire to Customer Support by November 30, 2021.
- ✓ Third Party Sick Pay information should be processed by December 31, 2021. Fees will apply for amendments/adjustments after the deadline.
- ✓ Identify and process any end of the year payroll such as Bonus and Fringe Benefits with a pay date in December 2021 that has 'live wages' if you want them to apply to 2021.
- ✓ Enter any additional manual checks and/or voided checks that need to be recorded in 2021, prior to your last payroll process date in 2021. If entering manual checks/voids, contact your support team to make sure it's recorded in 2021. **This CANNOT be done after January 5, 2022.**
- ✓ Review and approve your ACA Forms by January 7, 22 if applicable. See Pages 11-12 for more information.
- ✓ Call your Customer Support team with any questions regarding year-end processing well in advance of December 2021, so that there will be sufficient time to address and resolve any outstanding issues.

Dates to Remember for Year-End:

November: 25- Thanksgiving –Federal Reserve & PayServ Holiday- Offices Closed

26- Day After Thanksgiving – PayServ Holiday- Offices closed

30- Year End Questionnaire Due to PayServ

December: 24 – Christmas Observed – PayServ Holiday – Offices Closed

29- Last Day for Regular 2 Day Processing

31- New Year’s Day Observed – PayServ Holiday – Offices Closed

January: 01- First Day to Approve ACA Forms for 2021

05- Last day to process payroll adjustments for 2021

07- Last day to approve ACA Forms with guaranteed delivery and filing to meet the Federal & select states deadline.

Year End Maintenance

Audit Tools

Employee W-2 information must be correct as the IRS may charge a penalty for filing W-2 forms with incorrect information. **We strongly encourage you to start auditing your employee records now – before the busy holiday season!**

- **Please verify Social Security Number, name, and address** for each employee (the name must be exactly as it appears on the employee’s Social Security card).
- For your convenience, please use the following report for verification purposes: **Reports > Client Reports > Employee W-2 Verification > Run report.**
- Any updates to name, Social Security Numbers or addresses should be made immediately. Access your employee records and make corrections in PayServ as follows:
Employee Management > Employee Maintenance > General.

W-4’s

Send a reminder to your employees regarding submitting a new W-4 for 2022. Employees who are currently claiming **exempt** from withholding must submit a new form W-4 by February 15, 2022, to maintain that status. Employers are required to begin withholding federal tax for those employees who fail to provide a new W-4 by that date. Also, any employees who have experienced a life event may need to submit a new W-4 due to the change in number of allowances.

Employer Portion of Healthcare

The Affordable Care Act provides that employers must report the cost of employer-provided health care coverage on Forms W-2.

- **Reporting is mandatory for employers that file 250 or more Forms W-2.**
- The amount reported should include both the portion paid by the employer and the portion paid by the employee.
- Please contact Customer Support to discuss the entry of the employer portion of the health insurance premium.
- **It is your responsibility to preview your W-2s and verify the amounts in Box 12 DD prior to printing W-2s. Review W-2s prior to December 1st and contact your CSR for changes that you need made. Additional fees will be charged if you fail to report changes that result in reprinting of W-2s.**

FUTA Credit Reduction

Some states take Federal Unemployment loans if they lack the funds to pay unemployment benefits for state residents. If a state has outstanding loans with the federal government, the FUTA credit rate for employers in that state will be reduced until the loan is repaid.

The result of being an employer in a credit reduction state is a higher tax due on the Form 940. This higher tax is considered incurred in the 4th quarter. Therefore, your company will owe additional federal unemployment taxes that will need to be impounded. Future communication will include details regarding the FUTA credit reduction calculations.

Tax Rate Change Notifications

IRS and State Notifications for 2022

Unemployment rates and tax filing frequencies are mailed to the taxpayer, not to PayServ - it is imperative these tax-related communications are forwarded to PayServ immediately. We require this information in order to ensure your taxes are paid accurately and timely in 2022.

- Please note: **Late tax payments result in interest and penalty charges.** If your federal or state tax filing frequency is changed and you don't notify us, we will not be responsible for any penalties or interest that may be charged.

W-2s/1099s

W-2 Forms

With the understanding that all Year-End processing deadlines have been met and you have reported all necessary information, W-2s will be processed and delivered by January 31, 2021.

We will be printing and shipping all W-2 forms to your primary address – the W-2s will not be sent to multiple addresses.

1099-NEC and 1099-MISC Forms

Please fill out the attached Year End Questionnaire if you are requesting PayServ to print 1099 forms for 2021. The Year End Questionnaire must be returned no later than November 12, 2021. You are also responsible to report all 1099-NEC/1099-MISC wages before processing your final payroll of 2021, amendment fees will apply. We will file 1099s with the Federal Government if the Legal Service has been turned on before December 31st, 2021.

W-2 Forms and 1099 forms will be available for viewing and printing online effective February 1, 2022.

Year-end Related Fees

Service	Fees
W-2 processing base charge	Per Contract
W-2 per charge	Per Contract
W-2 shipping fees	Per Contract
Re-open previous year payroll	\$100.00
Re-open previous year payroll after a 2022 payroll has been processed	\$250.00
Duplicate W-2	\$ 10.00 each
W-2 correction – change to data: name, address, SSN	\$ 25.00 each
W-2 correction – change to figures	\$ 75.00 each
W-2-c – correction made after annual filings - change made to data: name, address, SSN	\$ 50.00
W-2-c – correction made after annual filings- change to figures	\$150.00
Amended Quarterly Return per form	\$250.00 each
1099 processing base charge	Per Contract
1099 per charge	Per Contract
1099 shipping fees	Per Contract

Billing for all year-end charges will occur in January 2022.

Additional Resources

Internal Revenue Service	www.irs.gov
Social Security Administration	www.ssa.gov
Bureau of Labor and Statistics	www.bls.gov
State Agencies	www.taxsites.com
State Unemployment	http://workforcesecurity.doleta.gov/unemploy/agencies.asp
American Payroll Association	www.americanpayroll.org

ACA Reporting for 2021

Employers are subject to the Affordable Care Act filing if you meet either of the following criteria:

- If you averaged at least 50 full-time employees (including full-time equivalent employees) during the prior calendar year, you are considered an Applicable Large Employer (ALE). The IRS has defined a specific formula for this and there is a report available in the system to assist in this calculation.
- If you offer Self-funded medical insurance, regardless of the size of your company. If you are unsure if this applies to you, please check with your broker or insurance provider.

Under the Affordable Care Act's employer shared responsibility provisions, applicable large employers (ALEs) must either offer minimum essential coverage that is "affordable" and that provides "minimum value" to their full-time employees (and their dependents), or potentially make an employer shared responsibility payment to the IRS.

ACA Year-End Preparation

By now you should confirm that your ACA reporting year is set up in PayServ for 2021. Employers should already be compiling and analyzing data now to determine offers of coverage and affordability. We recommend you review our ACA articles available in the PayServ University. We will also provide a Year End ACA Reporting Guide to the Quick Links section in PayServ. This guide will help you familiarize yourself with the necessary steps you will need to take to ensure a smooth ACA reporting process.

For assistance with ACA Year-End Preparation: <https://learning.myPayServ.com/>
Navigate to Library> Articles, type 'ACA' in the search bar.

ACA Year End Requirements

Employers are responsible for two important components of ACA Year End requirements: Furnishing and Filing. You will need to **furnish** individual 1095 forms by January 31, 2022, to all full-time employees during 2021. These forms will contain information about when/if coverage was offered, whether the offered coverage was affordable (based on the IRS guidelines), and if self-funded, which employees and dependents were covered throughout the year. Depending on their state requirements, employees may need this form to provide proof of coverage for tax year 2021.

PayServ will electronically **file** your 1094 & 1095 forms to the IRS **only after your ACA Forms have been approved in the system.**

It is the employer’s responsibility to carefully review, make any necessary corrections, override portions of the forms that cannot be automated, and approve your ACA forms by the January 7th deadline. Should you have any questions, please reach out to your customer support team for assistance.

Your ACA filing requirement will not be complete until you receive confirmation that your ACA files were successfully transmitted to the IRS, and either Accepted or Accepted with Errors.

Important Deadlines for Reporting

Employers: You must approve ACA Forms for 2021 in PayServ no later than January 7, 2022. If you have not approved your forms by January 7, 2022 – we cannot guarantee delivery or filing to meet the IRS deadline. Additional fees will apply for late approvals.

Employee 1095: PayServ will send all 1095s to the primary address of your company. You will be responsible for distributing or postmarking the forms for mailing no later than January 31, 2022 for the previous calendar year of 2021.

Note: It is the responsibility of the employer to ensure 1094 and 1095 information is accurate and up to date. *Should the files reject or come back as “Accepted with Errors”, fees will apply for sending additional corrected files to the IRS.*

ACA Related Fees

Service	Fees
1095 processing base charge	Per Contract
1095 per charge	Per Contract
1095 shipping fees	Per Contract
Duplicate 1095	\$ 10.00 each
Printing a corrected 1095	\$ 25.00 each
Rejected File Replacement & Submission	\$75.00
Correction file & Submission	\$75.00

Billing for ACA charges will occur after you ‘Approve’ your forms in January 2022.

Additional ACA Resource

IRS Q&A

www.irs.gov/Affordable-Care-Act/