



2018 Year End Newsletter

Dear Client:

Please read this year-end newsletter carefully and keep it available for reference. It contains important information to help you prepare and plan for the busy months ahead.

PLEASE NOTE: YEAR END PROCESSING WILL AUTOMATICALLY START ON YOUR ACCOUNT AFTER YOUR LAST SCHEDULED PAYROLL FOR 2018 IS RUN. IF WE NEED TO DELAY OR HOLD OFF ON PROCESSING YOUR YEAR-END FOR ANY REASON; YOU MUST NOTIFY YOUR PAYROLL SPECIALIST AS SOON AS POSSIBLE.

THERE ARE THREE YEAR END FORMS AT THE BACK OF THIS NEWSLETTER THAT MUST BE COMPLETED AS APPLICABLE AND FAXED/EMAILED BACK TO YOUR PAYROLL SPECIALIST.

PLEASE NOTE:

-WE DO NOT REFERENCE THE FORMS YOU HAVE SUBMITTED IN PRIOR YEARS.

-WE DO NOT ASSUME THAT YOU WILL OR WILL NOT RUN A BONUS BASED ON WHAT YOU DID IN PRIOR YEARS.

-WE DO NOT PUT YOUR ACCOUNT ON HOLD BASED ON WHAT YOU DID IN PRIOR YEARS.

YOU MUST COMPLETE THESE FORMS AGAIN.

BY FOLLOWING THIS NEWSLETTER AND SUBMITTING THE REQUIRED FORMS YOU WILL HELP ENSURE A SMOOTH YEAR-END PROCESS FOR YOUR COMPANY. PLEASE BE ADVISED THAT A MINIMUM FEE OF \$250 WILL APPLY IF WE HAVE TO RE-RUN YOUR YEAR END PROCESS.

COMMUNICATION OF YOUR YEAR-END ACTIVITIES IS CRITICAL.

If you have any questions, please ask your Payroll Specialist during your next scheduled payroll.

W-2 and Year End Delivery Process

- Year End Processing will begin within 48 hours of your last scheduled payroll unless you have notified us to place your account on hold.
- A MINIMUM CHARGE OF \$250.00 WILL APPLY IF WE HAVE TO RE-RUN YOUR QUARTER/YEAR END PROCESSING.
- A W-2 Preview and Approval Form will be sent out with your quarter/year end tax return package. You will need to review these as soon as possible and return the Approval Form that will accompany the package. W-2's will be printed for distribution within 48 hours of receipt of your W-2 Approval Form. WE WILL NOT PRINT YOUR FINAL W-2'S WITHOUT THIS FORM.
- All W-2's will be delivered via UPS Ground or electronically thru VMR or ESS.

W-2's MUST be filed with the Social Security Administration by January 31, 2019

- In order to meet this filing deadline Payroll Maxx MUST close out the 2018 year on January 10th. We can NOT make adjustment beyond this date, doing so will result in late filings and tax penalty assessments for your company.
- What this means for you is that ANY adjustments provided to Payroll Maxx after January 10th will be held and addressed in February.
- Should you submit an adjustment after January 10th, you will create the need to file amended returns and W-2C's for your employees. Amended returns are billed out at \$50 per return affect by the adjustments; keep in mind most adjustments will affect at least 6 or more tax returns. These adjustments will also cause your employees a delay in filing their tax returns.
- Please review the Additional Wage Form on page 11 with your CPA to ensure you are getting all of these items reported before the end of the year.

Check Dates

With the Thanksgiving, Christmas, and New Year's holidays it is critical that you review your payroll calendar to ensure your check dates are properly reflected. November 22nd, December 25th, and January 1st are all banking holiday's and direct deposit transactions cannot be effective on these days. IF YOUR NORMAL CHECK DATE FALLS ON ONE OF THESE DATES AND YOU CHOSE NOT TO CHANGE YOUR CHECK DATE YOUR EMPLOYEES DIRECT DEPOSIT TRANSACTION WILL NOT BE DEPOSITED UNTIL THE NEXT AVAILABLE BANKING DAY. Please take a moment to review your calendar prior to submitting your payrolls for processing. Our system will date your payroll checks and direct deposit transactions with the date on your calendar. In the event that you wish to change your check date you must notify your Payroll Specialist prior to submitting your payroll.

W-2 Edit Report

In late October you were sent a W-2 Edit Report. Please review your employee demographic information, such as names, addresses and social security numbers. This information is very important to ensure timely and efficient Year End Processing. After completing your review please return the W-2 Edit Report to your Payroll Specialist before Dec 5, 2018. If you are a remote user of our payroll software and you print your own reports please be sure to run this report so that you can perform the necessary verification.

IRS Federal Deposit Notice

In late November, the IRS will mail tax deposit frequency change notices to all employers who have a change in their deposit frequency for 2019. If you receive one of these notices it is very important that you either fax the notice to 402-537-9489 or email the notice to tax@payrollmaxx.com so we can update our records. We do not automatically receive this information.

State Deposit Frequency Change Notice

We do not automatically receive this information from your state(s). When you receive these notices it is very important that you either fax them to 402-537-9489 or email them to tax@payrollmaxx.com so we can update our records. This information is very important for the timely payment of your 2019 payroll taxes. You should receive this information sometime in the 4th quarter.

Unemployment Insurance Rate Change for 2019

We do not automatically receive this information from your state(s). When you receive these notices it is very important that you either fax them to 402-537-9489 or email them to tax@payrollmaxx.com so we can update our records. This information is very important for your 1st Quarter Returns in 2019. You should receive this information some time in the 4th quarter. Please note: RATE NOTICES RECEIVED AFTER 1/1/2019 WILL RESULT IN ADDITIONAL PROCESSING FEES FOR CORRECTING YOUR TAX LIABILITIES.

Void / Manual Checks with a Check Date for 2018

If you have any void or manual checks that have not been reported to your Payroll Specialist, please be sure to do so by your final payroll run of 2018. ***Additional processing fees will apply if we have to re-run quarter/year-end to record these items.***

Billing for Employee W-2 and 1099-Misc Returns

The charges for 2018 employee W-2 and 1099-Misc forms will be deducted from your account with the first payroll in February.

Missing ID or Social Security Numbers/Employee Address Information

If we are missing your federal or state identification number or a social security number or address for any of your employees, please report this information to your Payroll Specialist. Federal and state agencies can impose penalties for every employee without a social security number.

2019 401(k) Limits

The base limit for 2019 has increased to \$19,000, with an available catch-up contribution of \$6,000 for those plans and employees who qualify. PLEASE NOTE THAT OUR SYSTEM WILL STOP 401(K) WITHHOLDING AT THE \$19,000 LIMIT. If you have employees who elect the catch-up contribution you MUST inform us so that the appropriate setting changes can be made.

Reporting Third Party Sick Pay (Disability Payments)

By law, insurance companies have until January 15, 2019 to report to you any disability insurance benefits paid to your employees during 2018. Should you receive notification of such payment after reporting your last payroll for the year, please contact your Payroll Specialist immediately.

If you expect to receive third party sick pay information on any employee after your last payroll, let your Payroll Specialist know in advance. Since third party sick pay affects all fourth quarter and year-end returns, including W-2 forms, the processing of your returns will need to be delayed.

Fringe Benefits

The value of personal use of company cars or other taxable cash or non-cash benefit must be included on Form W-2. Please report these benefits BEFORE your last payroll for the year. Reporting taxable benefits with cash wages allows the appropriate withholding taxes to be deducted from the employee's check. If these amounts are processed without wages, you may be required to pay the employee's portion of Social Security and Medicare taxes. Specific information about several types of benefits is provided below.

Group-Term Life Insurance

Please report the amount of group-term life in excess of \$50,000 before your last payroll for this year. The value is based on an IRS published table that assigns a value for each \$1,000 of excess coverage per month based on the employee's age.

The value of group-term life insurance in excess of \$50,000 that is included in total wages is FICA taxable, even if the insurance was provided through a cafeteria plan. As the employer, you are liable for the employee FICA if you decide not to withhold it.

Dependent Care Assistance

On Form W-2, employers are required to show in Box 10 (Dependent Care Benefits) the total amount of dependent care benefits paid or incurred for the employee, including any amount in excess of the \$5,000 exclusion. If you provided dependent care services to employees under an employer-sponsored program you must report the benefits paid or furnished by your last scheduled payroll run.

Flexible Spending Accounts (FSA)

Contributions to an FSA are made before taxes and are used to pay non-covered health and dental costs like co-payments, deductibles, eye care, braces, prescription drugs or hospital care. FSA's can also be used to help pay for childcare and approved adult care. This is not required to be shown on the W2 form, but can be added to box 14 if you prefer (see Reporting Amounts on Form W-2, Box 14 on the next page).

Health Savings Accounts (HSA)

On Form W-2, employers are required to show in Box 12w any employer and employee contributions to a Health Savings Account. For 2019 the limits have increased to \$3,500 for Single H.S.A. and \$7,000 for Family H.S.A., with a \$1,000 catch-up contribution allowed for those over the age of 55.

Processing Bonus Payrolls / Fringe Benefits / Additional Wage Information

We are continuing with our policy regarding bonus, fringe benefits, and additional wage information payrolls. We need the enclosed forms signed and returned to us before these special year-end payrolls can be processed. These forms are designed to help your Payroll Specialist accurately process these special types of payrolls. If you have any questions when filling out these forms please contact your Payroll Specialist. NOTE: If you are a remote Evolution user you are responsible for the entry of these types of payrolls. If you have any questions feel free to contact your Payroll Specialist as you process these payrolls.

Reporting Amounts on Form W-2, Box 14

The IRS allows employers to use Form W-2, Box 14 (Other) to report information to their employees (e.g., charitable contributions, union dues). We can set up specific earnings/deduction codes to print in Box 14. If you want an earning/deduction code to print in Box 14, let your Payroll Specialist know during your next scheduled payroll. Please review the earning/deduction code description you use. Only the first five letters of your earning/deduction code description will print in Box 14. This title should be as descriptive as possible. For example, an earning/deduction code labeled “Misc” may not be sufficient to substantiate a charitable contribution. Your Payroll Specialist can have your earning/deduction code descriptions adjusted if necessary. For each item you use, we will label beginning with 14A, 14B, and so on. You may have up to four items listed in Box 14. Please see the worksheet below for more details.

Box 14 Example

Box 14:

14A: 125_H
14B: 125_D
14C: DBL
14D: U_Way

- 125 H = Section 125 (Pretax) Health
- 125 D = Section 125 (Pretax) Dental
- DBL = NYS Disability Insurance- employee contributions
- U way = United Way Contributions

W-2 Box 12 Codes

In many cases, you may find an amount entered in box 12 of your W-2 with a code indicating the type of payment that represents. This is a listing of the codes for that box.

Code

- A:** Uncollected social security or RRTA tax on tips
- B:** Uncollected Medicare tax on tips.
- C:** Taxable cost of group-term life insurance over \$50,000
- D:** Elective deferrals to a section 401(k) cash or deferred arrangement
- E:** Elective deferrals under a section 403(b) salary reduction arrangement
- F:** Elective deferrals under a section 408(k)(6) salary reduction SEP
- G:** Elective deferrals and employer contributions to a section 457(b) deferred compensation plan
- H:** Elective deferrals under a section 501(c)(18)(D) tax exempt organization plan
- J:** Nontaxable sick pay
- K:** 20% excise tax on excess golden parachute payments
- L:** Substantiated employee business expense reimbursements
- M:** Uncollected social security or RRTA tax on taxable cost of group-term life insurance over \$50,000
- N:** Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000
- P:** Excludable moving expense reimbursements paid directly to employee
- Q:** Nontaxable combat pay
- R:** Employer contributions to an Archer MSA
- S:** Employee salary reduction contributions under a section 408(p) SIMPLE
- T:** Adoption benefits
- V:** Income from the exercise of nonstatutory stock options
- W:** Employee/Employer contributions to an employee's Health Savings Account
- Y:** Deferrals under a section 409A nonqualified deferred compensation plan
- Z:** Income under a section 409A on a nonqualified deferred compensation plan
- AA:** Designated Roth contributions to a section 401(k) plan
- BB:** Designated Roth contributions to a section 403(b) salary reduction agreement
- DD:** Cost of employer-sponsored health coverage
- EE:** Designated Roth contributions under a governmental section 457(b) plan.
- FF:** Permitted benefits under a qualified small employer health reimbursement arrangement (QSEHRA)

Social Security Wage Base Increase For 2019

The Social Security Old Age Survivors and Disability Insurance (OASDI) wage base has changed for 2019 to \$132,900. Therefore, the maximum 2019 OASDI tax payable by each employee is \$8,239.80, or 6.2 percent of the wage base. That amount is matched by an equal contribution from the employer.

Medicare – Additional Hospital Insurance Tax

The Patient Protection and Affordable Care Act requires employers to withhold a 0.9% Additional Hospital Insurance Tax on High Income Taxpayers, this is also known as the “Medicare Surtax”. Employers are required to withhold this additional tax on wages/compensation it pays to an employee in excess of \$200,000 in a calendar year. Our payroll system has been updated to automatically withhold this additional tax once an employee reaches the \$200,000 level.

Form W-2 Reporting of Employer-Sponsored Health Coverage

The Affordable Care Act requires employers to report the cost of coverage under an employer-sponsored group health plan. Reporting the cost of the health care coverage on the Form W-2 does not mean that the coverage is taxable. The value of the employer’s excludable contribution to health coverage continues to be excludable from the employee’s income, and it is not taxable. This reporting is for informational purposes only and will provide employees useful and comparable consumer information on the cost of their health care coverage.

Employers that provide “applicable employer-sponsored coverage” under a group health plan are subject to the reporting requirement. This includes businesses, tax-exempt organizations, and federal, state and local government entities.

The value of the health care coverage will be reported in Box 12 of the Form W-2 with Code DD to identify the amount. In general, the amount reported should include both the portion paid by the employer and the portion paid by the employee. More information can be found at <http://www.irs.gov/uac/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage>.

Employers who filed fewer than 250 Form W-2’s for the preceding calendar year are not required to report this information on their 2018 W-2’s.

Payroll Maxx Holiday Hours 2018/2019

Thursday, November 22, 2018	Closed
Friday, November 23, 2018	Closed
Tuesday, December 25, 2018	Closed
Tuesday, January 1, 2019	Closed

IMPORTANT DATES 2018/2019

Wednesday, December 26, 2018	THIS IS THE LAST DAY A BONUS PAYROLL PAID BY DIRECT DEPOSIT CAN BE PROCESSED.
Thursday, December 27, 2018	THIS IS THE LAST DAY A BONUS PAYROLL PAID BY LIVE CHECK CAN BE PROCESSED.
Friday, December 28, 2018	THIS IS THE LAST DAY <u>ANY KIND</u> OF ADJUSTMENT/CORRECTION PAYROLL CAN BE ENTERED AND POSTED TO 2018 WITHOUT A TAX PENALTY
Thursday, January 10, 2019	2018 IS CLOSED OUT

****ANY PAYROLL ENTRY FOR 2018 PROCESSED AFTER 12/28/2018 IS SUBJECT TO FEDERAL, STATE AND LOCAL TAX PENALTY ASSESSMENTS.****

Third Party Sick Pay / Short & Long Term Disability Payments

Please fax (402-537-9485) or email (timesheets@payrollmaxx.com) this form to your Payroll Specialist no later than December 3, 2018

Company Name _____ **Date** _____ **Co. ID.** _____

Contact Name _____

[] I am expecting to receive notice from my Disability Insurance Carrier regarding payments made to employees in the fourth quarter after December 31, 2018. Therefore, **please hold** the processing of my quarterlies until I notify you that all Disability information has been received and any additions to the 2018 payroll have been made.

IF YOU DO NOT HAVE ANY THIRD PARTY SICK PAY ENTRIES YOU DO NOT NEED TO SEND IN THIS FORM

Additional Wage Form

Please fax (402-537-9485) or email (timesheets@payrollmaxx.com) this form to your Payroll Specialist no later than December 3, 2018

Company Name _____ Date _____ Co. ID _____

If you will be reporting additional wage amounts in the tax year 2018, please complete this form and return it by December 3, 2018. Your payroll specialist will prepare your file so it is ready to receive these payroll amounts with the payroll.

✓ PC Input/Remote Clients: If you are planning to enter these additional amounts yourself and would like assistance or need new codes set up, please contact your Payroll Specialist.

Insurance Premiums for Group Term Life (GTL)

The IRS requires that excess premiums paid (coverage over \$50,000.) for group term life insurance be reported on all employees W-2 forms. (THIS ITEM MUST BE PROCESSED WITH A REGULAR PAYROLL RUN)

_____ We will be reporting annual insurance premiums for GTL, withhold all taxes.

_____ We will be reporting annual insurance premiums for GTL, Block Federal and State taxes.

Fringe Benefits

Under certain circumstances, the value of non-cash fringe benefits (e.g. personal use of automobile or employer paid vacations) must be considered income to employees.

Fringe benefit description: _____

Fringe benefit description: _____

_____ Withhold all taxes.

_____ Block Federal and State taxes.

_____ FICA taxable only.

_____ Withhold all taxes.

_____ Block Federal and State taxes.

_____ FICA taxable only.

S-Corporation Health Insurance (2% Shareholder)

Accident and health insurance coverage provided by an S-Corporation to its 2%-shareholder employees must be included in their income, and the cost of the premium must be reported on their W-2 forms as income.

_____ We will be reporting S-Corporation health insurance Block Federal/State withholding taxes.

_____ We will be reporting S-Corporation health insurance Withhold Federal/State taxes.

Other Additional Wage Information

_____ Allocated Tips

_____ Dependent Care

_____ Moving Expenses (Taxable)

_____ Moving Expenses (Non-Taxable)

_____ Third Party Sick Pay

_____ Golden Parachute Payments

_____ Unsubstantiated employee expense reimbursements

****IF YOU DO NOT HAVE ANY
ADDITIONAL WAGE INFORMATION
YOU DO NOT NEED TO SEND IN THIS
FORM****

Bonus Payroll Reply Form

*****PLEASE NOTE WE WILL NOT PROCESS A BONUS PAYROLL WITHOUT THIS FORM*****
*****BONUS PAYROLL'S EXCEEDING \$100,000 MAY REQUIRE FUNDING BY WIRE TRANSFER*****

Please fax (402-537-9485) or email (timesheets@payrollmaxx.com) this form to your Payroll Specialist no later than December 3, 2018

Company Name _____ Date _____ Co. ID. _____

_____ **PROCESS BONUS AS A SEPARATE PAYROLL RUN**
_____ **PROCESS BONUS WITH A REGULAR PAYROLL RUN**
_____ **ISSUE AS SEPARATE CHECK – YES / NO**

Period Ending Date _____ Processing Date _____ Check Date _____

- ✓ All bonus payrolls must be submitted at least **THREE** business days before the check date.
- ✓ Keep in mind that **ONCE YOU PROCESS A BONUS PAYROLL, THE BONUS AMOUNTS WILL BE INCLUDED IN THE YEAR-TO-DATE SECTION OF ALL OF THE EMPLOYEE'S SUBSEQUENT CHECK STUBS.** Therefore, if you plan to present the bonus checks on a specific date, schedule your bonus payroll as the last payroll to process prior to the distribution of the bonus checks. This will prevent the bonus amounts from appearing on an earlier check stub.
- ✓ [VMR] Keep in mind that if your employee's receive their payroll stub via our electronic delivery system **ONCE YOU PROCESS A BONUS PAYROLL, THESE STUBS WILL IMMEDIATELY BE SENT TO YOUR EMPLOYEE'S EMAIL ADDRESS. VMR CANNOT BE SHUT OFF.** Therefore, you need to inform your employee's of their bonus amount prior to submitting this payroll to us for processing.

Taxing Options

Choose one of the following taxing options (Consult your accountant for additional information regarding bonus taxation.) Your Payroll Specialist will use the information below to set up the appropriate taxation for your bonus payroll.

- _____ Take Regular Taxes
- _____ Take Regular Taxes Excluding Additional Tax Withholdings
- _____ I will provide Payroll Maxx with pre-calculated gross-to-net figures.
- _____ Take supplemental wage tax for federal (22%) and applicable state, local and FICA Taxes.

Payroll Options (please check all that apply)

- _____ Block Direct Deposit and Issue Live Checks
- _____ Block all voluntary deductions except for pensions
- _____ Block all voluntary deductions.
- _____ Block the voluntary deductions listed below

Delivery Options (one option only, multiple delivery options are not available)

- _____ US Postal Service directly to Employee
- _____ UPS Ground to the business
- _____ UPS Next Day Air to the business
- _____ Courier to the business (Omaha area only)
- _____ Client Pickup

*****IF YOU ARE NOT RUNNING A BONUS PAYROLL YOU DO NOT NEED TO SEND IN THIS FORM*****