

FGMK Payroll Services, LLC
One Source – Infinite Solutions™
Year End Guide



Additional Resources

IRS Forms and Publications

1-800-TAX-FORM (800) 829-3676

<http://www.irs.gov/formspubs/index.html>

IRS Contact Information

(800) 829-4933

<http://www.irs.gov>

Social Security Contact Information

(800) 772-1213

<http://www.ssa.gov>



KEEPING YOUR QUARTER-END ON SCHEDULE

If you need to schedule additional payrolls or adjustments **after** your last regularly scheduled payroll of the current year, you must notify FGMK Payroll Services by November 1st.

If you call in or fax your payroll: Inform your payroll representative about additional payrolls by November 1st.

If you are an Internet client: **1.** When entering an additional, off-schedule payroll, select Special Payroll. **2.** Verify scheduled deductions. **3.** Enter the appropriate check date for the payroll.

Checklist

FGMK Payroll Services begins processing year-end forms and reports as soon as the final payroll of that year is processed. Please keep the following items in mind to avoid delays and any additional fees and potential tax agency inquiries:

Verify Tax IDs

Confirm the accuracy of all tax identification numbers and correct any discrepancies.

Submit W-2 Information Changes

Provide corrected or missing employee W2 information to FGMK Payroll Services prior to the last payroll with that current years check date.

Know Your Filing Responsibilities

In some cases you– not FGMK Payroll Services – are responsible for filing taxes.

Submit Payroll Adjustments

Report final payroll adjustments (e.g., manually issued or voided checks) to FGMK Payroll Services before or with the last regularly scheduled payroll of that year, and no later than the last day of December.

Report Filing of Form W2c

If you need to correct an error on a W2 you will need to contact FGMK Payroll Services so we can prepare a Form W2C to file with the IRS.

Prepare to Process and File 1099 Forms

(Some action **MAY** be required by November 13.)

Schedule the Final Payroll of the Current Year

January 1st is a bank holiday. If this is your regularly scheduled payroll date, you must decide whether to keep or change this date.

Update “Allowed and Taken” Hours, **if applicable**

Vacation and sick balances are automatically cleared after the last December payroll, so be sure to report any changes before the last payroll of the current year.

Report COBRA Payments to FGMK Payroll Services

Notify FGMK Payroll Services of any unreported COBRA payments made on behalf of former employees in the current calendar year. COBRA payments made in the current year can not be reported and/or credited in the next year. FGMK Payroll Services will include these payments when preparing and filing Form 941. If you are responsible for filing your own quarterly federal taxes, FGMK Payroll Services will include the COBRA payment information on the form.

Update Employee Deductions

Deactivate Retirement Plan Catch-Up Contributions, **if desired**

Schedule Bonus Payroll

If you have a bonus payroll please contact your service representative to schedule the date for that.

Special Information about Bonus Payrolls

- Bonus payrolls with federal tax liabilities in excess of \$100,000**
 Federal tax liabilities in excess of \$100,000 must be deposited by the next banking day after the check date to avoid penalties and interest. Tax Filing Service clients must report this payroll to FGMK Payroll Services at least three business days prior to the check date.
- Funding requirements**
 In addition to federal regulations, FGMK Payroll Services also applies certain restrictions to large bonus payrolls that may require a wire transfer prior to check date. If these restrictions apply to your bonus payroll, FGMK Payroll Services will supply you with the necessary wire instructions by the next business day after the bonus payroll has been processed.
- Calculating gross from net pay for bonus checks**
 If you know what net bonus you would like to award an employee and FICA (Social Security/Medicare) is the only tax deducted from a bonus check, you may use the following formulas to calculate FICA and the inflated gross amount:

Year-To-Date Gross*	Inflated Gross	FICA
Under \$106,800.00	Net Bonus Pay ÷ 0.9235	7.65% x Inflated Gross
Over \$106,800.00	Net Bonus Pay ÷ 0.9855	1.45% x Inflated Gross

*The employee's year-to-date gross earnings determine which formula should be used.



Good Things to Know

☞ Taxable Fringe Benefits

Sometimes the value of some non-cash fringe benefits must be considered income to employees and must be reported on Form 941 (or 944 if applicable) and employees' W2s. Taxable fringe benefits are included as wages, making them subject to federal income tax, FICA (Social Security/Medicare), federal unemployment (FUTA), and possibly state income tax and unemployment insurance (based on state regulations). Taxable fringe benefits may include:

- Personal use of company automobiles
- Personal flights on employer-provided aircraft
- Employer-provided vacations
- Some gifts

Though the IRS has issued regulations defining taxable fringe benefits, the tax on these benefits varies by each company's interpretation of the law.

☞ Qualified Pension and Retirement Plans

The SSA requires that employees' W2s reflect active participation in a retirement plan or a simplified employee pension plan during any part of the year. If you or your clients have employees who make contributions to any deferred compensation plan, FGMK Payroll Services **automatically** completes Form W2 with the required information. These include:

- 401(k)
- 403(b)
- 501(c)
- SIMPLE
- 457
- Roth 401(k)
- 408(k)
- Roth SIMPLE 401(k)
- Roth 403(b)

☞ Group Term Life (GTL) Insurance Premiums

When you pay premiums on GTL insurance for an employee, premiums for coverage in excess of \$50,000 are subject to FICA (Social Security/Medicare) withholding and must be reported with a payroll before the end of the current year.

☞ S-Corporation Health Insurance

The cost of premiums for accident and health insurance coverage provided by an S-Corporation to its 2% shareholder-employees must be reported as income on Form 941 (or 944 if applicable) and Form W2.

☞ Other Miscellaneous Income

- **Allocated tips**

If your business requires the reporting of tips, and you find after completing restaurant Form 8027 that sufficient tips were not reported, you must report an adjustment to add allocated tips for the affected employees. This ensures that the tips appear as income on their W2s.
- **Dependent care**

Dependent care expenses are incurred when the care is provided, not when the employee is billed or charged. Report the total amount incurred for dependent care assistance provided to your employees.
- **Golden parachute payments**

If golden parachute payments were made to key corporate executives and the excess payments are considered wages, they are subject to FICA (Social Security/Medicare), federal unemployment (FUTA) and income tax. The amount of excess payments must be reported on the employee's W2. The 20% excise tax on these payments is considered income tax withholding and must be reported.
- **Moving expenses**

Nonqualified moving expenses are taxable. However, both *qualified* and *nonqualified* moving expenses reimbursed to or paid on behalf of an employee must be reported on Form W2. **Questions? Refer to IRS publication 521.**
- **Uncollected FICA on insurance premiums and tips**

If you were unable to collect all of the required FICA (Social Security/Medicare) tax on premiums paid for group term life insurance (e.g., you are still paying the premium on a retired employee) or employee tips, the amount must be reported as uncollected FICA – not as Social Security tax withholding.
- **Unsubstantiated employee expense reimbursements**

Amounts paid to employees for business expenses must be reported if:

 - The employee does not or is not required to substantiate the expenses. (I.e. furnish receipts or expense reports) **OR**
 - Amounts were advanced to the employee for business expenses, and the employee does not or is not required to return amounts not used for business expenses.

☞ Statutory Employees

Certain categories of workers who are independent contractors under common law but treated by statute as employees must be identified as statutory employees to FGMK Payroll Services so the proper notation is included on their W2s.

☞ Important Company Information

Verify your company's:

- Legal name and address
- State tax identification number
- Federal Employer Identification Number (FEIN)
- State unemployment tax identification number

☞ Vacation/Sick Balances

All vacation and sick balances will be cleared after the last December payroll, unless saved on a fiscal basis. You must notify FGМК Payroll Services if you want to carry over vacation and/or sick balances into the New Year.

Preparing to Process and File 1099 Forms

Our Tax Filing Service (TFS) will prepare your 1099 and 1096 forms but we will not file them. Therefore, all FGMK Payroll Service clients are responsible for filing 1099s and Form 1096 with the appropriate agencies.

Processing your 1099 forms

The integrity of a 1099 is as important as an accurate W2. Please verify all the reporting information. FGMK Payroll Services will produce the following copies of Form 1099:

- **Copy A** — IRS federal copy (pre-printed, scan able)
- **Copy B** — Employee copy
- **Copy C** — Payer copy (employer)
- **Copy 1** — State copy (employer)
- **Copy 2** — State filing copy (employee)

1099 submission requirements

FGMK Payroll Services can provide paper versions of both federal and state/city 1099-MISC forms, as well as 1099-R forms for all jurisdictions. However, federal law stipulates that any employer with 250 or more 1099-MISC or 1099-R forms in a given year must file electronically. If you or your clients provide the Transmitter Control Code by November 13, 2009, FGMK Payroll Services will produce a federal 1099-MISC CDROM. However, FGMK Payroll Services does not provide 1099-R data on CD ROM.

Information about IRS forms

- **Form 1099-MISC**
Report distributions for independent contractors who have provided services to your business.
- **Form 1099-R**
Reports distributions of annuities, retirement and profit sharing plans, and IRAs.
- **Form 1096**
Form 1096 is required to file 1099 forms with the IRS. FGMK Payroll Services does not produce or file Form 1096. **If you file 1099s, it is your responsibility to complete and file Form 1096.**
- **Form 945**
Form 945 is an annual federal return for reconciling taxes withheld and deposited on non-payroll earnings (e.g., backup federal withholding and tax withheld on 1099-R and 1099-MISC income). FGMK Payroll Services does not produce or file Form 945. **If you need to file Form 945, it is responsibility to complete and file this form with the IRS.**

You may obtain forms from the IRS Web site at:
<http://www.irs.gov/formspubs/index.html> or call
1-800-TAX-FORM (1-800-829-3676).

Verify Employee Information

The Social Security Administration (SSA) requires that all company and employee information that appears on W2 forms be complete and accurate. Incorrect employee information is the top cause of W2 mistakes and reruns, and it is important that you verify this information:

- **Names (spelling) and addresses**
- **Income tax state and unemployment tax state**
- **City and local tax coding, if applicable**
- **Year-to-date figures**

FGMK Payroll Services can print a message on employee paycheck stubs asking them to verify their names and addresses.

Social Security numbers

Tax agencies may impose a penalty for each W2 with a missing or incorrect Social Security number (SSN). Please verify employees' SSNs.

Marital status and exemptions

Federal and state tax status

The tax status of "Exempt" indicates wages are not subject to taxation and will not appear on the W2. The tax status of "No" indicates the employee is subject to taxation, but tax is not withheld – these wages will be reported on the W2 as taxable income.

Year-to-date figures

Employment status

FGMK Payroll Services will purge all terminated employees with the first payroll of the New Year, except terminated employees with one or more of the following:

- A loan or garnishment balance
- Premium Only Plan (POP), if the POP plan does not end on the calendar year
- Fiscal year-to-date figures
- Vacation, sick and personal balances, if carried over to the next year

If you have a terminated employee with a balance (i.e., vacation, sick, personal or loan balance) and want his or her information purged with the first payroll of the New Year, the balances must be removed. To remove balances for a terminated employee, you must report these adjustments to your ADP representative before the last payroll of the year.

Third party sick pay

Federal legislation requires reporting of both sick pay (taxable and non-taxable) made to employees from a third party and the taxes withheld on those payments. If third party sick pay is not reported by the third party, it must be included on the employees' W2s. FGMK Payroll Services will provide this information on a separate W2. An "X" will be printed on the separate W2 in the area of box 13 labeled either "3rd party sick pay" or "3 PSP."

The First Payroll of Each Year

The first payroll of each year is the perfect time to make updates to your payroll information, including deductions like:

- Medical
- Life Insurance
- Dental
- 401(k)
- other voluntary deductions

Deactivation of Retirement Plan Catch-Up Contributions, if desired

If you have a retirement plan through an administrator and any of the employees are set up with a retirement plan catch-up deduction, both the regular and catch-up deductions will automatically come out of the first payroll of each year unless you request a change.

Tax Changes

Your employees may see changes in their first paycheck of each year as a result of new federal and state tax requirements, such as FICA (Social Security/Medicare) limits, state income tax rates, and 401(k) or pension plan limits.



Year-End



Year-End Item	Base Charge	Per Item Charge
Employee Earnings Summary/W2s/1099s	\$40.00	\$6.00
Federal W2 CD ROM		\$175.00 per CD ROM
Federal 1099-MISC CD ROM		\$175.00 per CD ROM
1099-MISC and/or 1099-R Forms Only	\$40.00	\$6.00
Year-End Reprocessing Fee*	\$140.00 + W2 reprints and cost of adjustment payroll	
Tax Filing Reclose Fee	A \$70.00 fee may be incurred for adjustments processed after December 31, 2009.	
Amendment	\$130 per jurisdiction per quarter	
Exception	\$180 per jurisdiction per quarter	