Paychex 2021 Client Year-End Reference Guide



PAYCHEX®

HR | Payroll | Benefits | Insurance

Overview

Paychex is committed to helping you prepare and plan for year-end. Please use this guide to help make sure you have a successful 2021 year-end. The guide contains reminders about payroll that occur only at the end of the year, so they can be easy to forget from year to year. We value your business and look forward to helping you with your payroll processing needs for fourth quarter and year-end.

Paychex Flex® Year-End Tasks

For a list of commonly used year-end resources go to the complete year-end tasks using List or Group view or if you use Grid view, go to complete year-end tasks using Grid view.

Note: You will see Paychex Flex instructions like this throughout the Guide.

COVID-19

During the coronavirus (COVID-19) pandemic, we're sensitive to your challenge of focusing on your business as we support your tax filing and payment activities. We're closely monitoring the requirements of federal and state tax agencies under these circumstances. For detailed information on Quarter-End and Year-End Reporting for COVID-19, click here.

Year-End Reminders

The deadline for reporting fourth quarter and year-end payroll information or changes to your payroll contact is **Thursday, December 30, 2021, at 4:00 p.m.** or before your first payroll with a **January 2022** check date, ***whichever is earlier***. If any adjustments are needed after the deadline, please let your payroll contact know immediately. We can reprocess the tax returns, including employee Forms W-2, after the deadline; however, **there will be an additional charge and a processing delay**.



Note: If you work with an accounting professional, please remind them to report payroll-related adjustments on or before the deadline.

Year-End Checklist

☐ Verify that tax liabilities were collected for bonus checks

Bonus checks can be processed with your regular payroll, but must be processed independently if a separate payroll journal is necessary or the bonus payroll has a different date than the regular payroll. Specify how the bonus checks are to be taxed and any adjustments that need to be withheld, as bonus checks may be handled differently from regular payroll checks.

Paychex Flex - Bonus Checks

If you want to process a separate bonus payroll, here's a short demo and instructions about adding a new pay period.

Do you want to surprise your employees with bonus checks? You can hide online check status for a pay period. Your secret will be safe because employees will not be notified these checks in advance.

Would you like to hand out bonus checks during a special event rather than have the funds be direct deposit transactions? You can block direct deposit for all checks in a pay period.

☐ Confirm employee names and addresses

Report employee information changes by the assigned due date. Ensure you have necessary federal and state withholding forms when reporting new employees. Verify employee names and social security numbers (SSNs).

A SSN/name mismatch affects the employee's social security wage benefits. Wages reported on Form W-2 with a mismatch error will not be credited to that employee's earnings statement. Instead, the wages will be housed in a "suspense file" until corrected. If the error is not corrected, the wages will never be credited to the employee.

Note: The Internal Revenue Service (IRS) may charge employers a penalty of up to $270.00 for each return or Form W-2 that has a missing or incorrect SSN or federal identification number. We cannot file your federal Forms W-2 electronically if a substantial percentage of the SSNs are missing and you have more than 10 employees. For security purposes, all but the last four digits of the SSN are masked in any transaction.

Paychex Flex - Employee Names, Addresses, and Social Security Numbers

If you want to see all employee names, addresses, and SSNs, you can run the Employee Demographic Report to review the information at one time.

You can update employee addresses or ask your employees to change their addresses.

☐ Report other amounts on Form W-2, Box 14

The IRS allows employers to use Form W-2, Box 14 (Other), to report certain adjustments to an employee's pay (e.g., charitable contributions); these can be set up to print in Box 14. Use the following guidelines when choosing a title for the adjustment:

- Only the first five letters of the adjustment (earning or deduction) will print in Box 14.
- Be descriptive. For example, "Misc" may not clearly substantiate a charitable contribution.
- Your payroll contact can change your adjustment title before processing your Forms W-2.

☐ Verify your Form W-2 Delivery Address

If we are delivering your package with your company's original Forms W-2 and reference copies, please verify the delivery address with your Paychex representative.

☐ Report Third-Party Sick Pay (Disability Payments)

Third-party companies are required to furnish employers with a sick pay statement of any disability insurance benefits paid to employees during the year. The statement must show the following information about each employee who was paid sick pay: employee name, employee SSN, sick pay paid to the employee, any federal income tax withheld, any employee social security tax withheld, and any employee Medicare tax withheld. If you are notified about this information after reporting the last payroll of the year, you should call your payroll contact as soon as possible.

If you have not already done so, please notify your insurance company that we will include third-party sick pay on the Forms W-2 that we prepare for you. Since third-party sick pay may affect quarter-end and year-end returns, including Forms W-2, the processing of returns will be delayed if sick pay is reported after the deadline date for year-end information. Clients can expect to receive their returns and Forms W-2 no later than **Monday, January 31, 2022.**

Paychex Flex – Third-Party Sick Pay

You can now enter third-party sick pay for your employees. To learn how to enter this information, go to record a third-party disability payment for a worker.

Fourth Quarter and Year-End Reporting

Taxpay® Clients

Check to see if you have any items to report. Report any fourth quarter payroll changes before the year-end deadline. On or before your final payroll of the quarter, report in-house checks, voided checks, or sick/disability payments to employees by a third party.

If you report any additional 2021 payroll entries after the deadline, we will collect and deposit any additional liability that may be required for federal withholding, federal unemployment (FUTA), and state unemployment insurance (SUI); however, Paychex will not be responsible for any penalties or interest assessed by tax agencies as a result of a late payment.

If you report any 2021 payroll entries you reversed after the deadline date, we will prepare your federal tax return (Form 941/944) showing the overpayment and request a refund. Paychex will also prepare any required state quarterly returns or annual reconciliations showing the overpayment and will either request a refund or apply the overpayment to the next state tax deposit, based on the state's requirements.

Report any tax deposits related to bonus payrolls. We will automatically make tax deposit(s) related to your bonus payroll. To avoid an overpayment through duplicate deposits, let your payroll contact know if you have already made or intend to make the tax deposit for a bonus payroll. Agencies refund overpayments directly to employers; Paychex cannot refund a duplicate payment.

Quarter-End Collections

Paychex provides Taxpay clients with an Outstanding Tax Liabilities (OTL) Report in each quarter-end tax package. This report lists the dates that your quarterly taxes will be remitted to the appropriate tax agencies by Paychex and indicates whether additional taxes will be credited to or debited from your account. The OTL Report contains two sections:

1. Outstanding Tax Liabilities for Quarter-end.

This section provides advance notification of any collections Paychex will make from your account. The tax amounts shown in this section will be debited from your bank account on **Thursday, January 20, 2022**. Tax rate changes or state FUTA credit reductions are the most common reasons we may need to make an adjustment to your account. Please ensure that sufficient funds are available in your account before **January 20, 2022**, so Paychex can remit your tax payment on time.

2. Tax Deposits made by Paychex for you.

This section lists any tax amounts that were previously collected by Paychex throughout the quarter and the date Paychex will remit them to the corresponding tax agency.



Non-Taxpay Clients

Check to see if you have any items to report. Report any fourth quarter payroll changes before the year-end deadline. If you have not already done so, report in-house checks, voided checks, any tax deposits that were due but not remitted, tax deposits paid for an amount other than the amount reflected on the deposit notice, and sick/disability payments to employees by a third party.

Holiday Hours

Paychex local offices will be closed on Friday, December 24 and Friday, December 31, 2021; however most banks will be open on those days. For specific holiday processing schedules for your local Paychex branch, please talk to your payroll contact.

Employee Form W-2 Wages

Let your employees know that as long as you don't make any adjustments after the end of the year, their last check stubs will have the information that will be included on their Forms W-2.

Earnings Records and Quarter-to-Date/Year-to-Date Reports

You can safely access Employee Earnings Records for each employee at your convenience using a customized date range through our free Paychex Online Reports Service. This report provides a wealth of information, including:

- Individual employee wage rate and salary history.
- Employment verification to help employees substantiate earnings within a period of time for mortgages and loans.
- Details about adjustments and amount information to reconcile deductions such as health insurance or retirement plan contributions.
- Wage information for completing workers' compensation, disability, and unemployment claims.
- To sign up for online access to this report, or if you want to receive printed copies, notify your payroll contact.

Note: Preview® clients can access this information by running the report Rept0020 from the standard report queue.

Paychex Flex – Access Quarter-to-Date, Year-to-Date Reports, and Employee Earnings Records

You can find many payroll, quarterly, and tax reports under Quick Reports, including:

Payroll Reports

- Employee Earnings Records
- Year-to-Date Report

Tax Reports

- Quarterly Report
- Tax Returns

Go to find and run Quick Reports.

For reports you access often, you can create and manage report sets.

Employee Access Online

You can offer your employees online access to view their Forms W-2, check stubs, retirement balances, health insurance information, and personal and payroll information from any browser or from free apps for smartphones or tablets. Convenient 24/7 online access reduces reliance on you for timely access to their information.

Paychex Flex - Employee Access Online

If you have employees who need to register for Paychex Flex, you can:

- Invite them to register right from the **Employee Registration** on your **dashboard**.
- Go to set up employees with Paychex Flex access.
- If you previously sent employees an invitation, go to resend an invite to an employee for Paychex Flex.

Your employees can use this link explore your personal Paychex Flex account.

Direct Deposit/Readychex®

If you use our Direct Deposit/Readychex service, you should report payroll information during the holidays at least two banking days prior to the payroll check date to ensure availability of funds. Please talk to your payroll contact if you need to change your payroll reporting date.

Payroll Delivery by Mail

We cannot guarantee timely U.S. Postal Service delivery during the holiday season. We can deliver your payroll by courier for a nominal charge; if you want to temporarily change your delivery method, contact your payroll service representative.



Paychex Flex - Temporarily Change Payroll Delivery Address

To temporarily change your payroll delivery address during the holidays, go to make a temporary change to your payroll delivery address for a date range of check dates.

Account Balance

Please take a moment to review your billing statement. If it is not current, pay your account before the end of December; this will allow us to process your fourth quarter 2021 and year-end 2021 tax returns without delay.

Paychex Flex - Invoices

You can view your invoices online by going to view payroll invoices.

Preview® Clients - Your First Payroll of 2022

When you "Begin New Pay Period" for your first payroll with a 2022 check date, your Preview system will prompt you to perform a few steps to prepare for the new year:

Start your PC workstation with the year set to 2021. You will notice that your system automatically changes the working year menu reference to 2022. After the year updates, the system is ready to accept your first payroll for 2022.

If you attempt to download a 2022 pay file without completing **"Begin New Pay Period,"** the following error message will display:

Software	Error Message
Preview Payroll	Your transmission was unsuccessful

If you receive this message, contact a payroll service representative, who can send a new download to you. After this is complete, you can receive your first set of files for the year 2022 by following these steps:

1. Verify that your workstation is set to the year 2021.
2. "Begin New Pay Period" with a 2022 check date.
3. Retrieve the 2022 pay file download.

Note for Multi-User Clients: Only one user needs to begin the new pay period in 2021. Other users should use the CHANGE YEAR <F5> function to change their system year to 2022 after the initial user begins the first 2022 payroll.

Note: All of your 2021 payroll data will be preserved in the system.



Fringe Benefits

Any taxable cash or non-cash benefit you give to your employees must be included on their Forms W-2. 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 an 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.

Paychex Flex - Fringe Benefits

To report fringe benefits in Paychex Flex you can:

- Record fringe benefits with wages in List or Group view
- Record fringe benefits with wages in Grid view
- Record fringe benefits without wages in List or Group view
- Record fringe benefits without wages in Grid view

The following is specific information about several types of benefits:

Group-Term Life Insurance

- ☐ Report the value of group-term life insurance in excess of $50,000.00 before your last payroll for this year. The value is based on an IRS-published table that assigns a value for each $1,000.00 of excess coverage per month based on the employee's age. If you do not know how to determine the value of the coverage, please contact your tax advisor.
- ☐ The value of group-term life insurance in excess of $50,000.00 that is included in total wages is FICA taxable, even if the insurance was provided through a cafeteria plan. As an employer, you are liable for employee FICA if you decide not to withhold it from employees' pay. If you need to report group-term life insurance information for a terminated or retired individual, please contact your payroll representative to discuss your options.

Employer Contributions to Retirement Plans

Employer contributions to retirement plans may be taxable in your state. Please consult your plan administrator for further taxability information.

If you are not already reporting these contributions with your payroll, please report them before your final payroll for the year. We need this information to ensure Box 13 of Form W-2 is correctly marked and reported to the IRS and SSA.

Deferred Compensation Plans

In general, amounts deferred to Section 457 plans and non-qualified deferred compensation plans with a substantial risk of forfeiture become taxable for FICA and FUTA when the employee becomes vested (the employee's substantial risk of forfeiture lapses). This is not necessarily in the same year that the wages were earned.

When an employee becomes vested, provide your payroll contact with the following information:

- the date the employee became vested
- the amount of employee and employer current year contributions before vested date
- the total amount of employee and employer contributions for prior years
- the amount of employee FICA you collected on the employee and employer contributions

When a vested employee receives a distribution, please report the following information:

- the distribution amount
- whether this is a partial or full distribution
- the amount of federal tax withheld on the distribution
- the amount of employee FICA you collected on the employee and employer contributions

Flexible Spending Accounts (FSA)

Contributions to a medical FSA are made pretax and are used to pay eligible out-of-pocket health and dental costs such as co-payments, deductibles, eye care expenses, contact lenses and solutions, braces, prescription drugs, certain over-the-counter items, and hospital care.

Salary reduction contributions to a Health Care FSA are limited to $2,750 for 2021; 2022 limits have not been announced.

Now is the time to help your employees sign up for an FSA for next year. If you want to set up an FSA, inform your payroll contact.

Dependent Care Assistance

On Form W-2, Box 10 (Dependent Care Benefits), employers are required to report the total amount of dependent care benefits paid or incurred for the employee, including any amount in excess of the $5,000.00 exclusion. If you provided dependent care services to employees under an employer-sponsored program before your last payroll for the year, please report the benefits paid or furnished.

Health and Accident Insurance Premiums Paid by an S Corporation

When an S corporation pays health and accident insurance premiums on behalf of 2% shareholder/employees, the IRS rules specify two tax treatments:

Non-discriminatory Plan:

If the premiums are paid under a plan for employees and dependents in general, or for a class of employees and dependents, the following will occur:

- The premiums are exempt for FICA and FUTA tax.
- The premiums are included in the shareholder/employee's federal gross income.
- The premiums are reported on Form W 2 in Box 1 (Wages, Tips, Other Comp.).

Discriminatory Plan:

If the premiums are not paid under a specific plan for employees and dependents, the following will occur:

- The premiums are treated like normal compensation and, as such, are subject to FICA and FUTA.
- The premiums are included in the shareholder/employee's gross income.
- The premiums are reported on Form W-2 in the following boxes:
  - Box 1, Wages, Tips, Other Comp.
  - Box 3, Social Security Wage
  - Box 5, Medicare Wages and Tips

If you paid these premiums for any shareholder/employees, please report the amounts and type of plan to your payroll contact before the last payroll of the year.

Educational Assistance Program

The exclusion for employer-provided educational assistance under a qualified Section 127 plan for 2021 is:

- Non-job related undergraduate and graduate courses are exempt up to $5,250
- All job-related education assistance reimbursements are exempt from withholding and employer taxes if they qualify as a working condition fringe benefit.

If you have not already reported these reimbursements with your payroll, please report them before your final payroll for the year.

Qualified Equity Grants

IRC Sec. 83(i) has been added due to the Tax Cuts and Jobs Act; this allows Qualified Employers to offer an option to Qualified Employees to defer income from Qualified Equity Grants.

Qualified employers who offer Restricted Stock Units (RSUs) now have the options to allow their employees to elect to defer federal income tax.

Typically, these plans would be administered by a third-party company, which will issue the payments to the employee and withhold the applicable taxes. Those taxes would be forwarded to the employer and collected by Paychex when we process the entries.

There are 3 stages where these amounts need to be reported:

1. Qualified Equity Grant deferred under IRC Sec. 83(i) for current calendar year

- FIT exempt
- FICA taxable
- FUTA taxable

2. Aggregate Deferrals under IRC Sec 83(i) elections – You must provide these aggregate amounts

- FIT exempt
- FICA exempt
- FUTA exempt
- Form W-2 box 12 = Code HH

3. Taxable Income from Qualified Equity Grants under IRC Sec. 83(i)

- FIT taxable (at supplemental rate, currently 37%) - You must report the tax to Paychex
- FICA exempt
- FUTA exempt
- Form W-2 box 12 = Code GG

Example:

Madeline receives a job offer. The company thinks Madeline's skill set is valuable and hopes she remains a long-term employee, so the company offers her 1,000 RSUs as part of her compensation, in addition to a salary and benefits. The company's stock is worth $10 per share, making the RSUs potentially worth an additional $10,000. To give Madeline an incentive to stay with the company and receive the 1,000 shares, it puts the RSUs on a five-year vesting schedule.

After one year of employment, Madeline receives 200 shares; after two years, she receives another 200, and so on until she acquires all 1,000 shares at the end of the vesting period.

Depending on how the company's stock performs, Madeline may receive more or less than $10,000.

After one year of employment Madeline receives 200 shares of stock. We need to process the value of the 200 shares ($2000) and tax it for FICA and FUTA. She defers federal income tax (FIT).

Year 1

- Process **$2,000 X 7.65%** = **$153 FICA** tax for Madeline and **$153 FICA** and **$12 FUTA** tax for employer. No net pay, will just add to income for tax. (#1)
- Process **$2,000** Box 12 labeled HH (#2)
- Process 0 (#3)

Year 2

- Process **$2,000 X 7.65%** = **$153 FICA** tax for Madeline and **$153 FICA** and **$12 FUTA** tax for employer. No net pay, will just add to income for tax. (#1)
- Process **$4,000** Box 12 labeled HH (#2)
- Process 0 (#3)

Year 3

- Process **$2000 X 7.65%** = **$153 FICA** tax for Madeline and **$153 FICA** and **$12 FUTA** tax for employer. No net pay, will just add to income for tax. (#1)
- Process **$6,000** Box 12 labeled HH (#2)
- Process 0 (#3)

Year 4

- Process **$2000 X 7.65%** = **$153 FICA** tax for Madeline and **$153 FICA** and **$12 FUTA** tax for employer. No net pay, will just add to income for tax. (#1)
- Process **$8,000** Box 12 labeled HH (#2)
- Process 0 (#3)

Year 5

- Process **$2000 X 7.65%** = **$153 FICA** tax for Madeline and **$153 FICA** and **$12 FUTA** tax for employer. No net pay, will just add to income for tax. (#1)
- Process **$10,000** Box 12 labeled HH (#2)
- Process 0 (#3)

Year 6-10

- Process 0 (#1)
- Process 0 (#2)
- Process **$2,000**. Box 12 Code GG. No net pay, just add to income for tax. The tax should have been withheld by the third-party provider at the supplemental rate (currently 37%); however, Paychex won't calculate the tax, we just enter what was withheld. You must report what was withheld to Paychex (#3)



Additional Reporting Requirements

Reporting Taxable Adjustments for Separated Employees

Taxable adjustments (for example, personal use of a company car, imputed value of group-term life insurance) should be reported with regular payroll whenever possible. Regular reporting of these adjustments allows required employee taxes to be withheld from wages. If taxable adjustments are reported without wages, the employer may be liable for the employee portion of taxes.

- ☐ When employees leave the company voluntarily or involuntarily, you should report taxable adjustments with the employees' last checks; otherwise, the employer may be liable for the employee portion of taxes.

If you pay any part of an employee's income tax or FICA withholding, the amount paid must be reported as additional taxable wages for the employee. Additional employment taxes, both employee and employer portions, must be withheld on this added income.

- ☐ If you cannot report taxable adjustments on an employee's last check, discuss it with your payroll contact. We can help you calculate the additional amount needed to cover the employee portion of FICA.

Example of Tax Adjustments for Separated Employees

Scenario: You need to report $100.00 as the imputed value of group-term life insurance in excess of $50,000.00.

- If you report the $100.00 with the employee's last paycheck, $7.65 in employee FICA tax is withheld from the employee's wages. You are liable only for the employer's share of FICA. **Your total cost is $7.65.**
- If you report the $100.00 after the employee's last paycheck is issued, employee FICA cannot be withheld because no wages are being paid. You will be liable for the employee portion of FICA, plus the employer portion of FICA. You must report $8.28 as wages to cover employee FICA. You will also have to pay $8.28 for employer FICA. **Your total cost is $16.56.**

The IRS formula for calculating the additional wages is:

$$\text{Total amount (gross)} = \frac{\text{taxable adjustment}}{1 - (\text{Sum of all employee tax percentages})}$$

Only FICA tax is required in this example:

Step 1: Total amount (gross) $= \frac{\$100}{1 - .0765} = \frac{\$100}{.9235} = \$108.28$

Step 2: Total amount – taxable adjustment = additional wages = ($108.28 - $100) = $8.28



Report Cost of Coverage Under Employer-Sponsored Health Plan

The IRS requires that employers who issued 250 or more Forms W-2 in the previous year report the cost of coverage under an employer-sponsored group health plan on their employees' Forms W-2. For Paychex to report these amounts on your Forms W-2 for 2021, you must provide them to your payroll contact before the year-end reporting deadline.

Note: All Vermont employers who issue Forms W-2 are required to report the cost of coverage under an employer-sponsored group health plan on their employees' Forms W-2

Important Tax Agency Notices

Internal Revenue Service (IRS) Federal Deposit Frequency

Use the Form 941 lookback period to determine your 2022 deposit frequency. Refer to IRS Notice 931, at www.irs.gov/pub/irs-pdf/n931.pdf, for additional information about Deposit Rules and Lookback Period.

If you do not subscribe to our Taxpay service, we will calculate your deposit frequency using your previous payroll liability and instruct you to make deposits based on this frequency. Your January tax deposit notice will state your 2022 federal deposit frequency.

State Deposit and Electronic Funds Transfer (EFT) Requirement Notice

If you receive a state deposit frequency notice or state notification of EFT requirements, send us a copy of the document with your client number noted.

State Unemployment Insurance (SUI) Rate Update

You should receive notification of your state unemployment insurance (SUI) tax rate for 2022 either by mail from the agency, or you may need to obtain it online if the state has notified you that SUI rates are only available electronically. We need this rate to calculate your SUI tax and return correctly; please fax or email us a copy of the document (or print it from the internet and fax it) with your client number noted.

IRS Electronic Federal Tax Payment System (EFTPS) Mandate

If you are not on our Taxpay service, you will need to register your business and make payments electronically on www.eftps.gov.

The only exception to this rule is that taxpayers who file Form 941 can send a check with the return if their liability is $2,500.00 or less for the quarter. Similarly, if the taxpayer is a Form 944 filer, they can remit taxes due with the return if their liability is $2,500.00 or less annually.

Electronic Federal Tax Payment System (EFTPS) Enrollment

Enroll with the Internal Revenue Service (IRS) on your own using Form 9779, or visit www.eftps.gov; this will allow you to make a payment, if necessary, and verify that payments are being posted properly to your account. It is ultimately the taxpayer's responsibility to ensure that all taxes are being remitted on time to the IRS; using a payroll service does not absolve the employer of this responsibility.

The IRS requires us to notify our Taxpay® clients that although Paychex is designated as the Reporting Agent on Form 8655 (Reporting Agent Authorization), this does not relieve you from liability if tax payments and/or returns are not remitted by the due date. The IRS recommends that clients enroll in and use EFTPS to ascertain whether an agent has made all required deposits on time. Most state agencies provide ways for you to verify tax payments as well; contact your state agency for this information. Please be assured that Paychex makes every effort to remit your tax payments and returns on time. If any issues do arise, we work with you and the agency to resolve the situation.

FUTA Threshold

For 2021, employers are required to make a quarterly deposit for FUTA if accumulated tax exceeds $500.00 in the quarter. Expect that some states will require additional tax due to the FUTA credit reduction. The effective FUTA tax rate is 0.6%.

Forms W-2/Forms 1099

The IRS requires employers with 250 or more Forms W-2 to file electronically. Any employer who is required to file electronically and fails to do so may incur a penalty.

Paychex will electronically file employer federal Forms W-2 and W-3 to the Social Security Administration (SSA) for all clients. We will include a Form W-3 facsimile in your January tax package.

We will **not** be able to file Forms W-2/W-3 electronically if:

- we do not have a valid federal employer identification number (FEIN), **or**
- you have more than ten employees and a substantial percentage of the social security numbers (SSN) are missing or invalid, **or**
- you have fewer than 250 employees and leave our service before December 31, 2021.

Important Form W-2 Information

Verify Employee Information

If you would like to receive an Employee Address List to assist you in verifying employee names, addresses, and social security numbers, please let your payroll contact know.

For clients using Preview, this information is available by running the report Rept0039 from your standard report queue.

Employee Name

The employee's name shown on the Employee Address List should be the same name that appears on the employee's social security card. If a suffix to the employee's name (Jr., Sr., etc.) appears on the employee's social security card, it may appear on the Form W-2; however, the SSA still prefers that a suffix does not appear on Form W-2.

- Titles should not appear on Form W-2. Titles or academic degrees (Dr., RN, etc.) make it difficult for the SSA to determine the employee's registered name.
- If an employee's name has changed, continue to use the old name until the employee has obtained a social security card with the new name. Employees can report name changes to the SSA by calling 800-772-1213. Notifying the employer is not enough; the employee must notify the SSA to update the permanent record.

Note: Refer to page 3 of this guide for information about how to make these updates in Paychex Flex.

Employee Address

Verify the address for each employee.

Employee SSN

Paychex can provide a list of missing or invalid SSNs upon request. The SSA may impose a penalty for missing or incorrect SSNs. An SSN is invalid if:

- It is all ones (111111111) or all threes (333333333).
- It is 123456789.
- The first three digits are 000, 666, 900-999; the middle two digits are 00; or the last four digits are 0000.

If an invalid SSN is identified, ask the employee to provide the social security card for verification. If the number is invalid, instruct the employee to contact the local SSA office. For more information about invalid social security numbers, go to http://www.socialsecurity.gov/employer/verifySSN.htm.

Reminder: The IRS may charge employers a penalty of up to $270.00 for each return or Form W-2 that has a missing or incorrect SSN or federal identification number.

SSA Note

The SSA has cautioned payroll service providers about duplicate Form W-2 reporting. We will prepare and file Forms W-2 for tax year 2021 for all clients who are on our service at the end of the year.

Note: We will not prepare or file Forms W-2 for any clients who leave our service prior to year-end, unless specifically requested.

Retirement/Pension Information

On Form W-2, the IRS requires that Retirement Plan, in Box 13, be checked if an employee is an "active participant" for any part of the year in the following types of retirement plans:

- **Defined Contribution Plan** - This is a retirement plan that provides an individual account for each participant, where benefits are based solely upon the amount contributed to each account. Examples of this type of retirement plan include 401(k) plans, Roth 401(k) plans, 403(b) annuities, SEPs, and SIMPLE plans.
- **Benefit Plan** - This is a retirement plan that is usually funded entirely by the employer. The retirement benefits that the employee receives under the provisions of these plans are determined by a definite end date. Examples of benefit plans are pension plans.

Note: An "active participant" is defined under IRS Notice 87-16 and will depend upon whether your retirement plan is a defined benefit or a defined contribution plan. Please contact your plan administrator or accountant to review who is considered an "active participant" under your retirement plan. Your payroll service representative will not be able to define what type of retirement plan you have or who is considered an "active participant" under your plan.

If contributions were made on the employee's behalf (employee elective salary deferrals) to a section 401(k), 403(b), 501(c) (18) (D), IRC 414(h) (2), SIMPLE, or a SEP plan, no action is required. We know who those employees are from your payroll records.

1. If the Eligible for Retirement Plan is 'NO' on the report:

Write **YES** in the Eligible for Retirement Plan column on the list if the employee met the following criteria for 2021:

- Only had employer contributions made to the account.
- Was an active participant but did not have employee contributions withheld.
- Participated in a collectively bargained, or union, plan.

Note: If **YES** already exists, this employee is set up with coding from a previous year. Confirm that the employee still meets the criteria for 2021.

2. Leave the Eligible for Retirement Plan as 'NO' if an employee's contributions were made to a non qualified pension plan or a section 457 plan.

When your review is complete, submit all changes to your payroll service representative. Please continue to report complete information for your new employees through the remainder of the year.

Paychex Flex - Checking Retirement Coding for Form W-2 Box 13

To get this information from Paychex Flex, go to Live Reports on your Dashboard > Employee Listings > Employee Demographic Data.

To add "Eligible for retirement plan" to the Employee Demographic Data, go to customize Live Report data.

For more information about Live Reports, go to discover Live Reports.



Federal Forms 1099/1096

Form 1099 NEC, Non-employee Compensation

As of 2020, the IRS is requiring employers to use Form 1099-NEC to report nonemployee compensation. In previous years, this information was reported in Box 7 of Form 1099-MISC.

The return must be remitted to the IRS and furnished to payees by January 31, 2022.

The 1099-MISC is still valid and will be used for Rents/Royalties/Other, but will not include non-employee compensation. The 1099-MISC will be due February 28, 2022. States need to determine if they will follow these new federal requirements.

Paychex will produce the appropriate return based on where the information was reported last year and what type of compensation it is.

Filing Forms 1099/1096 Electronically

The IRS requires payers with 250 or more Forms 1099 to file electronically. A payer who is required to file electronically and fails to do so may incur a penalty.

Paychex will electronically file payer federal Forms 1099 and 1096 for all clients. You will still receive paper copies of your payer reference copy and payee Forms 1099 to distribute to your payees. We will include a Form 1096 facsimile in your January tax package.

We will not be able to file Forms 1099 electronically if:

- We do not have a valid EIN for your company, or
- You have fewer than 250 employees, and you leave our service before December 31, 2021.

The Affordable Care Act (ACA) Update

There has been no repeal and replacement of the Affordable Care Act (ACA). If you're an applicable large employer (ALE)* employer there are still coverage guidelines to meet to avoid potential assessment. ALEs must file the associated information returns accurately and in a timely manner to avoid significant penalties.

*In general, ALEs are employers who average 50 or more full-time employees, including full-time equivalent employees, in the previous year.

ALE employers should be mindful that the IRS has been enforcing information reporting requirements by issuing proposed penalty notices for late filing, paper filing returns over 250, and incorrect Taxpayer Identification Numbers.

The 2021 deadlines for ACA tax reporting are:

February 28, 2022

Furnish employees with Forms 1095-C.

February 28, 2022

File copies of Forms 1094-C and 1095-C (if filing on paper)

March 31, 2022

File copies of Forms 1094-C and 1095-C (if filing electronically)



Federal Form 8027/8027T for Restaurant Clients

Paychex will file Forms 8027 and 8027T to report tip allocations on behalf of clients with our TEFRA service.

Declining Electronic/Magnetic Media Filings

If you would prefer to file employer Forms W-2, Forms 1099-NEC, or Forms 1099-MISC on your own, please complete the following information return to your payroll service representative.

Note: Clients who use the Taxpay service through December 31, 2021, cannot decline electronic/magnetic media filing.

Employers who meet the following requirements must file electronically or on magnetic media:

Federal:

- You have 250 or more Forms W-2.
- You have 250 or more Forms 1099-MISC

State and Local:

- You meet state requirements for filing information on magnetic media as outlined in the state and local addendum (published at the end of November)

☐ **No**, I do not want Paychex to electronically/magnetically file, and I take responsibility for remitting the following returns for **tax year 2021**:

- Federal Forms W-2 with the Social Security Administration
- State Forms W-2 with any state withholding tax agency
- Local Forms W-2 with any local withholding tax agency

☐ **No**, I do not want Paychex to electronically/magnetically file my payer Forms 1099-MISC or 1099-NEC, and I take responsibility for remitting the required returns for **tax year 2021**:

By declining electronic/magnetic media filing, I understand that I am responsible for filing this information with the appropriate agencies. I also understand that an employer who is required to file electronically or on magnetic media and fails to do so may incur a penalty, and will be held responsible for resolution and/or payment of the penalty.

Authorized Signature_____ Date_____

Client Number_____ Client Name_____

The information in these materials should not be considered legal or accounting advice, and it should not substitute for legal, accounting, and other professional advice where the facts and circumstances warrant. It is provided for informational purposes only. If you require legal or accounting advice, or need other professional assistance, you should always consult your attorney, accountant, or other professional advisor to discuss your particular facts, circumstances, and business needs.

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