

Paychex PEO 2021 Client Year-End Reference Guide



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Overview

Paychex PEO 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 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 SUI Service

We've worked on improving our Paychex SUI Service. As part of this effort, we enhanced our payroll SUI termination reasons to better align to industry standards so customization will no longer be an option. This will also better streamline the unemployment claims process.

In addition, it's important that you terminate your employees through payroll timely and keep your SUI contact information (such as phone number and email address) up to date.

Here are a few key pieces of information required to ensure an efficient unemployment claims process:

- First Day Worked = first day an employee physically worked (hire date and first day worked are not always the same)
- Last Day Worked = last day the employee physically worked (termination date and last day worked are not always the same)
- Job Title
- Reason for Separation
- Rate of Pay

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](#).

PEO Garnishments Process

As federal, state, and local laws and regulations become more complex, the consequences of errors are falling on employers. You can be penalized up to the full amount of employees' judgment debts (garnishments) for missed or improper calculations, missed or improper payments, or other errors in processing or responding to a wage garnishment order. Orders include the following, but are not limited to:

- Child Support
- Student Loan
- Bankruptcy
- IRS (Federal Tax) Levy
- State Levy
- Writ
- Miscellanies Garnishments

If you have current garnishment orders, you must notify the respective agencies that:

- You have entered into a PEO agreement and the employees are no longer being paid under your Federal ID.
- The agency will now need to issue a new order to the PEO so the garnishments can be processed. The new garnishee should be listed as follows:

Paychex PEO
Attn: Garnishment Department
970 Lake Carillon Drive, Suite 400
Saint Petersburg, FL 33716
Office: (800) 741-6277
Fax: (800) 668-7296
Email: pbs_garnishments@paychex.com

Fast, Easy Administration of Employee Benefits

Health & Benefits Online from Paychex provides you and your employees convenient, 24/7 access to benefits information. Employers can review enrollment information, access benefit plan summaries, request reports, and much more. Employees can elect initial benefit coverage, add or modify benefit elections after qualifying events, and maintain dependent information. Contact the benefits team at 800-741-6277, opt. 4, or email peo_benefitsteam@paychex.com to set up your health and benefits online account.

Access to Forms

For forms and additional information, you can go to the Paychex PEO website at <https://online.paychex.com/smllogin/loginpaspbs.html>. You are required to enter your branch number (0741) and client number (XXXXXXXX). This information can be found in the upper left corner of your payroll reports. Use the Search function at the bottom of the page or select the Category and then scroll to the appropriate form to access it.

Negative Wages

Negative wages on returns are not accepted by federal or state tax agencies. Verify quarter-to-date wages when voiding checks to ensure voided payroll entries will not result in a negative wage situation for the current quarter. If you have questions, ask your payroll service representative.

Holiday Hours

Paychex PEO 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.

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](#).

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.

State Unemployment Insurance Rate (SUI)

You should receive notification of your SUI tax rate for 2022 for the following states. We need this rate to calculate your SUI tax expense correctly. We do not automatically receive this information from the tax agency.

SUI Tax Rate Notice		
Alaska	Kansas	Ohio
Arkansas	Kentucky	Rhode Island
California	Maine	South Carolina
Connecticut	Michigan	South Dakota
Colorado	Minnesota	Tennessee
Delaware	Mississippi	Vermont
Illinois	Nebraska	Washington
Indiana	Nevada	Wyoming
Iowa	North Dakota	

If you receive a SUI tax rate notice from one or more of the above states, write your client number on the notice and immediately email it, fax it to 800-668-7296, or mail a copy of the notice to your payroll service representative.

Direct Deposit

If you use our Direct Deposit 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.

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 on 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 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 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 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 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 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

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.

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 (11111111) or all threes (33333333).
- 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.

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.

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.

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

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

Large food and beverage establishments may be subject the Tax Equity and Fiscal Responsibility Act (TEFRA) and are required to report gross receipts and tips to the IRS on an annual basis on Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips. While Paychex is unable to prepare and file this return on your behalf, please feel free to contact your HR Professional or payroll service representative to assist with any information that may be required.

For more information on Form 8027 and TEFRA, go to <https://www.irs.gov/instructions/i8027>

Professional employer organization (PEO) services provided by Paychex Business Solutions, LLC (Florida employee leasing license GL7), Oasis Outsourcing, LLC (Florida employee leasing license GL42), and their affiliates, which are licensed or registered to provide PEO services where required by law.

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