



# 2017 Year End Guide







## Welcome to the 2017 Year End Guide!

The end of 2017 is approaching, and ADP Resource is pleased to present this Year End Guide to help you complete your 2017 payroll processing year.

**Your attention to this process is greatly appreciated.**

**The 2017 Year End Guide will provide you information on how to:**

- Schedule employee bonuses.
- Verify the accuracy of the information ADP has on file for your employees.
- Report your final 2017 payroll adjustments.
- Avoid payroll adjustments and reruns.

Please keep the following items in mind to avoid delays and any additional fees and potential tax agency inquiries:

**Submit 2017 W-2 Information Changes**

You must provide corrected or missing employee W-2 information to ADP prior to your last payroll with a 2017 check date.


**Review all Payroll Previews**

Please review all payroll previews prior to accepting.

*Note: Credit adjustments done after tax deposits are made will require a refund directly from the tax agency after all quarterly returns have been filed.*

**Verify Tax IDs**

You must confirm the accuracy of all tax identification numbers on the Quarterly Tax Verification Letter and correct any discrepancies. Additionally, please provide any missing ID numbers to your Payroll Service Representative prior to 12/30 to ensure proper tax filing.



# Year End Calendar

## Critical Dates and Important Deadlines

| November |  |
|----------|--|
| 2        | 4th Quarter Quarterly Tax Verification Letter is sent with the first payroll processed after this date.  |
| 6        | W-2/1099 Previews are processed and available electronically in iReports.  |
| 16       | <b>Year End Seminar 2:00 PM – 3:00 PM EDT</b>  |
| 17       | 2018 Payroll Schedule is available under the My ADP Resource > Payroll tab > Pay Schedule Calendar > select year dropdown choice '2018', Please review and report any changes to your assigned Payroll Service Representative.   |
| 20       | Year End Seminar 2:00 PM – 3:00 PM EDT   |
| 23       | <b>Thanksgiving Day – federal banking holiday – Banks and ADP Resource are CLOSED.</b>   |
| 30       | You may request a message that will appear on all of your employee's earnings statements and pay check stubs (e.g. ask your employees to update their form W-4 and/or verify their name, social security number, and addresses). |

| December |  |
|----------|--|
| 1        | <b>Year End Seminar 2:00 PM – 3:00 PM EDT</b>  |
| 4        | <b>Year End Seminar 11:00 AM –12:00 PM EDT</b>   |
| 7        | <b>Year End Seminar 2:00 PM – 3:00 PM EDT</b>  |
| 8        | Friendly Reminder: Record Taxable Fringe Benefits & Special Compensation ( <i>miscellaneous taxable income and/or special taxable fringe benefits such as Group Term Life or S-Corp</i> ). |
| 11       | <b>Year End Seminar 2:00 PM – 3:00 PM EDT</b><br>W-2/1099 Previews are processed and available electronically in iReports.   |
| 15       | Friendly Reminder: Beat the Holiday Rush - Schedule your 2017 Bonus Payroll(s).  |
| 25       | <b>Christmas Day – federal banking holiday – Banks and ADP Resource are CLOSED</b>   |
| 27       | <b>NOON DEADLINE:</b> Last day to accept your final 2017 payroll with a check date of December 29.   |
| 28       | <b>DEADLINE:</b> Last day to process payroll changes without potential penalties.  |

| January |  |
|---------|--|
| 1       | <b>New Year's Day – federal banking holiday – Banks and ADP Resource are CLOSED</b>  |
| 8       | <b>FINAL W-2/1099 Previews</b> are processed and available electronically in iReports.<br><b>DEADLINE:</b> Last day to submit your 2017 4th Quarter adjustments without requiring an amendment.  |
| 15      | W-2/1099 forms will be processed and available in iReports the week of Jan 15-19.<br>W-2/1099 delivery of paper copies are estimated on or around Jan 19th<br><i>Note: you may use the employee copy in iReports as your employer reference copy, if needed.</i>   |
| 31      | <b>DEADLINE:</b> Last day to distribute your employee's W2 and 1099 forms.<br><b>DEADLINE:</b> Employers are required to electronically file W2's and 1099's under the PATH Act of 2015.<br><i>Note: for those clients who are full service tax filing, ADP will electronically file on your behalf.</i> |



## Table of Contents

|  |             |
|--|-------------|
| Year End Preparations . . . . .                                      | Page 5      |
| Third-Party Sick Pay . . . . .                                       | Page 6      |
| Fringe Benefits & Special Compensation Items . . . . .               | Page 7      |
| Taxable Fringe Benefits & Other Special Compensation Items . . . . . | Page 8-10   |
| Bonus Payrolls . . . . .   | Page 11     |
| W-2 Accuracy . . . . .   | Page 12     |
| Verify Employee Information . . . . .                                | Page 13     |
| Affordable Care Act . . . . .  | Page 14-16  |
| 2018 Changes . . . . .   | Page 17 -18 |
| Time Off . . . . .   | Page 19-20  |
| How to File Your 1099 Forms . . . . .                                | Page 21     |
| Additional Resources . . . . .                                       | Page 22     |

# Year-End Preparations

## Preview Forms W-2

For 2017 ADP Resource is providing you with four sets of Preview Forms W-2. These Preview Forms W-2 will be available in **iReports starting the week of November 6th**. The remaining sets will be provided monthly (**11/06/17, 12/11/17, and 1/08/18**). By examining your Preview Forms W-2, you will be able to review them for accuracy prior to your actual Forms W-2s produced in January, thus avoiding potential tax penalties and interest. It is a common practice to ask each employee to review and sign off on their Preview Form W-2 data.

## 2018 Payroll Schedule

Please be sure to review your payroll's scheduled input, delivery, and pay dates for 2018. Confirm all dates are as intended and do not fall on holidays or weekends. Report any schedule changes to your Payroll Service Representative as soon as possible.

## Tax Identification Numbers

It is important to confirm the accuracy of all tax identification numbers listed on the Quarterly Tax Verification Letter and notify ADP Resource of any federal/state/local ID number changes or updates as soon as possible.

Many states do not allow "applied for" filings and the lack of an ID number could cause the filing to be delayed and/or rejected, resulting in penalty and interest. If your company has any state or local jurisdiction that is in "applied for" status, remember to forward a copy of the proof of ID number to ADP Resource as soon as you receive it. This will avoid future charges to your company and/or rejected filings because of "applied for" ID numbers.

*Note: Any State Unemployment ID number missing from your company profile may cause a failure to file your annual FUTA (940 Form).*

## Client Defined W-2 Information

ADP prints all the required statutory items on the Form W-2. We also offer an option for clients to choose up to six additional items to print in **Box 14**. If you choose to print an amount on the Form W-2, it must be stored in one of your special accumulator fields. Your specific client-defined W-2 field is indicated on your Quarterly Tax Verification Letter. Please verify that the amounts stored in your special accumulators are positive and correct. Negative amounts in **Box 14** will prevent a Form W-2 from printing for employees.

### Reminders:

- Verify new payroll entries to ensure accuracy.
- Areas to pay special attention to:
  - Employee Social Security Number
  - Employee State Income Tax Coding
  - Employee State Unemployment Coding
  - Employee Local Coding

## Third-Party Sick Pay

When employees are absent from work due to illness, they generally receive wage replacement income through their employer's sick pay plan, in the form of either short-term or long-term disability payments. A third-party provider may serve your company as the payee for employees who have sick pay claims.

Federal legislation requires reporting both taxable and non-taxable sick pay given to employees from a third party, as well as social security and Medicare tax withheld on these payments. Any sick pay benefits provided that are attributable to employee post-tax contributions are not taxable income. Report non-taxable sick pay amounts on your employee's Form W-2 in **Box 12 "J"**. Please contact your Payroll Service Representative to discuss the input options of this feature.

### If the tax liability has been transferred to the employer (most common agreement):

#### The Third-Party Provider

- Does NOT complete a W-2 Form for the sick pay recipient
- Must submit a "third-party sick pay recap" Form to the SSA
- Must deposit ONLY the taxes withheld from the sick pay recipient
- Must furnish a statement to the employer about the sick pay payments made in order for the employer to make timely deposits of the employer taxes (if the employer has not received this information by January 15th of the following year the Third-Party Provider must prepare the Form W-2 for the employee)

#### The Employer

- Must complete a Form W-2 for the sick pay recipient
- Must report the amount of sick pay paid along with any taxes withheld
- Must deposit and report the employer's share of taxes

---

### If the third-party does NOT transfer the tax liability to the employer:

#### The Third-Party Provider

- Must complete a Form W-2 for the sick pay recipient
- Must report the amount of sick pay paid AND any taxes withheld
- Must deposit and report ALL taxes associated with the sick pay using its own name and Federal Identification Number (FEIN), not the employer's

#### The Employer

- Does NOT complete a Form W-2 for the sick pay recipient
- Does NOT deposit or report any of the taxes on sick pay

If you are uncertain whether your Third-Party Provider is issuing W-2s for your employees under their FEIN, contact the provider immediately. You may obtain more information from the Internal Revenue Service at <http://www.irs.gov/pub15a>, Employer's Supplemental Tax Guide.

## Fringe Benefits & Special Compensation Items

If you have provided miscellaneous taxable income in 2017, these amounts must be included on the employee's Form W-2. This information must be reported in 2017 to ensure proper taxation and reporting. Please ensure all employees receiving miscellaneous taxable income in 2017 are made aware of the following:

Miscellaneous taxable income must be reported during a 2017 payroll in order to tax and report employee information correctly. Because this is subject to withholding taxes, the take-home pay of an employee may decrease in the payroll period in which the benefits are reported. In the event the employee does not have enough income to cover the required taxes, or the taxable income must be entered without processing a paycheck, the employee portion of Social Security and Medicare tax may be the employer's responsibility.

### Taxable Fringe Benefits

The Tax Reform Act of 1984 mandated that, under certain circumstances, the value of some non-cash fringe benefits be considered income to employees. These benefits must be reported on the **941 form** and the employee's Form W-2. Taxable fringe benefits are considered wages, making them subject to federal income tax, FICA (Social Security/Medicare), federal unemployment (FUTA), and possible state income tax and unemployment insurance (based on state regulations).

#### Taxable fringe benefits may include (but are not limited to):

- Personal use of company automobiles
- Company paid gym membership
- Employer-provided entertainment
- Employee gifts and/or gift cards (including cash or cash equivalents)
- Moving expenses

Though the IRS has issued regulations defining taxable fringe benefits, the tax on these benefits varies by each company's interpretation of the law. You may obtain more information from the Internal Revenue Service at <http://www.irs.gov/pub15b> Employer's Tax Guide to Fringe Benefits.

### Taxable Benefits for 2% or Greater S-Corporation Owners

S-Corporations are required to file a W-2 for each 2% or greater shareholder employee to whom the S Corporation provides health insurance. The cost of premiums for the insurance coverage must be reported as income on the 941 Form and Form W-2. However, the shareholder employee is entitled to a deduction of the premium costs when filing his/her 1040 Form. Also, the amount of employer-provided disability benefits and the full value of Group Term Life insurance provided by the employer are considered taxable income to a 2% or greater shareholder employee. While the IRS says that S-Corporation health insurance is normally exempt from Social Security and Medicare, taxability depends upon the conditions of the insurance plan(s). At your request, this amount can display on the Form W-2 in **Box 14**.

# Taxable Fringe Benefits & Other Special Compensation Items

## Deferred Compensation and Retirement Plans

A deferred compensation plan is an employer-provided benefit plan in which a payroll deduction is withheld and invested for the employee. The plan type as well as the employee's contribution amount must print on the Form W-2. If you have employees who make contributions through payroll to a deferred compensation plan, please ensure these amounts are reported on the Form W-2 using the required codes.

- **Box 12 "D"**
  - 401(k)
  - SIMPLE 401(k)
- **Box 12 "E"**
  - 403(b)
- **Box 12 "F"**
  - 408(k)
- **Box 12 "S"**
  - 408(p) SIMPLE
- **Box 12 "EE"**
  - Roth 457(b)
- **Box 12 "AA"**
  - Roth 401(k)
  - Roth SIMPLE 401(k)
- **Box 12 "BB"**
  - Roth 403(b)
- **Box 12 "H"**
  - 501(c)
- **Box 12 "G"**
  - 457(b)
- **Box 12 "Y"**
  - 409(a)

IRS regulations require the Form W-2 to contain a box entitled **Retirement Plan – Box 13**. An "X" indicator must be displayed in this box if an employee was an active participant (during any part of the year) in a retirement plan. The **Retirement Plan** box on the W-2 is automatically checked for employees with certain year-to-date deferred compensation amounts.

*NOTE: A company-level option, indicating that all employees have qualified pension, can be set for your company; contact your Payroll Service Representative for more information.*

## Nonqualified Deferred Compensation Plans

**Box 11** of the Form W-2, **Nonqualified Plans**, includes any distribution (not contribution) made to an employee from a nonqualified deferred compensation plan or a nongovernmental section 457 plan. This amount will also be included in **Box 1**, Wages, Tips, and Other Compensation. **Box 11** of the Form W-2 could also include contributions made by the employer to a nonqualified deferred compensation plan that are included in **Box 3**, Social Security Wages, and/or **Box 5**, Medicare Wages and Tips. Employee contributions to a 457 plan will be identified on the Form W-2 in **Box 12 "G"**.



# Taxable Fringe Benefits & Other Special Compensation Items

## Nonstatutory Stock Options

Nonqualified stock options provide an opportunity for employees to purchase the employer's stock at some future time at a price to be stipulated by the employer. On the day that the employee exercises his/her option to purchase the stock, the difference between the price paid for the stock and the fair market value determines the amount included as taxable income. The gain is also reported on Form W-2 in **Box 12 "V"**.

## Group Term Life (GTL) Insurance Premiums

When you pay premiums on Group Term Life Insurance (GTL) for any employee, the amount of the premium paid for coverage in excess of \$50,000 (if any) is subject to Social Security and Medicare withholding. The amount of such excess premiums must be reported through a payroll before the end of 2017, so that both the taxable amount and the withholding will be reported on the 941 Form as well as on your employee's Form W-2 in **Box 12 "C"**.

**Note: Dependent (spouse or children) group term life values below \$2,000 are not included in the employee's income. If the dependent group term life value is in excess of \$2,000, the entire value is included in the employee's income.**

If you are using the ADP automated GTL routine, the taxable premium is calculated during a regular payroll cycle and at a defined frequency. For information about setting up the automated GTL routine or about manually entering employee GTL information, contact your Payroll Service Representative.

## Health Savings Account Contributions

The IRS requires all employer and employee contributions made to a Health Savings Account during the 2017 tax year to be reported on the employee's Form W-2 in **Box 12 "W"**. For 2017, contributions up to \$3,400 for self-only coverage or \$6,750 for family coverage are exempt from federal, social security, Medicare, and FUTA tax.

## Dependent Care Benefits

The total amount of dependent care benefits, including any amount in excess of the \$5,000 (\$5,000 if you are single or if you are married and file a joint tax return. \$2,500 if you are married and file a separate tax return) exclusion, must be displayed on the **Form W-2 in Box 10**, labeled *Dependent Care Benefits*. Excess dependent care benefits (over \$5,000) are taxable for federal income tax, Social Security and Medicare, and FUTA, and are included in the *Wages, Tips, and Other Compensation*; *Social Security Wages*; and *Medicare Wages and Tips* boxes.

## Long-Term Disability

Long Term Disability (LTD) should not be confused with Non-taxable Third-Party Sick Pay. LTD is payment made to an employee after six months of disability. Reporting LTD payments to ADP should be discussed with your Payroll Service Representative. There are differences in taxability, by jurisdictions, and the amounts should be stored in a different accumulator. Do not report LTD on the Third-Party Sick Pay Panel in My ADP Resource.

## Education Assistance

According to Section 127 of the Internal Revenue Code, up to \$5,250 per year of employer-provided, nonjob-related educational assistance can be excluded from taxable income if provided to an employee under an educational assistance program. Non-taxable payments do not need to be reported on the Form W-2.

# Taxable Fringe Benefits & Other Special Compensation Items

## Uncollected FICA (Social Security/Medicare)

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

Please ensure these amounts are reported on the Form W-2 using the required codes:

- **Box 12 "A"**
  - o Uncollected Social Security tax
  - o Used for tips
- **Box 12 "B"**
  - o Uncollected Medicare tax
  - o Used for tips
- **Box 12 "M"**
  - o Uncollected Social Security tax
  - o On the cost of Group Term Life insurance over \$50,000
  - o Current GTL coverage on a former employer
- **Box 12 "N"**
  - o Uncollected Medicare tax
  - o On the cost of Group Term Life insurance over \$50,000
  - o Current GTL coverage on a former employer

## Moving Expenses

Non-qualified moving expenses are taxable. However, both qualified and non-qualified moving expenses reimbursed to or paid on behalf of an employee must be reported on Form W-2. Qualified moving expense reimbursement amounts are reported in **Box 12 "P"** of the Form W-2. Non-qualified moving expense reimbursement amounts are reported in the taxable wage boxes of the Form W-2 (**Box 1, 3, & 5** and **Box 16 & 18** (if applicable)). For more information see IRS Publication 521, **Moving Expenses**.

## 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. Tip allocation amounts display on the W-2 in **Box 8, Allocated tips**, and are not included in any other W-2 boxes.

## Unsubstantiated Employee Expense Reimbursements

You must report amounts paid to your employees for business expenses if:

- Your employee does not or is not required to substantiate the expenses. (i.e., furnish receipts or expense reports); **OR**
- You advance amounts to your employee for business expenses, and your employee does not or is not required to return amounts not used for business expenses.

## Bonus Payrolls

### ACTION REQUIRED BY

December 15, 2017

In order for us to understand and be prepared for your individual needs, please schedule your bonus payroll with your Payroll Service Representative by December 15th. Due to high processing volume of regularly scheduled payrolls, we recommend running bonus payrolls on Thursday or Friday in December.

□ Review all payroll previews prior to accepting.

**Note: Credit adjustments done after tax deposits are made will require a refund directly from the tax agency after all quarterly returns have been filed.**

- Bonus payrolls should be run separately from your regularly scheduled payroll. This will enable your Payroll Service Representative to ensure the proper supplemental tax rates are applied and the appropriate deductions are withheld from the payroll.
- Per the IRS guidelines, bonus payrolls require supplemental tax processing. We recommend using the flat rate of 25% for federal tax.
  - If an employee has more than 1 million dollars in bonus income within the current year, the bonus tax rate increases to 39.6%.
  - It is important to note that states also have supplemental rates. Should you have questions about individual state rates, please contact your Payroll Service Representative.
- All current employee 401(k) deductions need to be withheld from bonus payrolls unless your 401(k) plan specifically allows for exclusion of the bonus payment.

**As we approach the end of the year, many companies will be processing bonus payrolls that will exceed their normal payroll liability amounts. It is important to process your bonus payroll no less than two days before the actual payroll check date to allow for timely transfer and deposit of funds, including tax deposits.**

- Clients utilizing ADP's Full Service Direct Deposit (FSDD) feature, remember that whenever your direct deposit liability significantly exceeds your average deposit, you may be required to wire transfer funds to cover the liability. It is necessary for this transfer to take place at least two days prior to the actual payroll check date.
- Federal deposit regulations mandate that accumulated federal tax liability (FIT, Social Security, and Medicare) of \$100,000 or more be on deposit with the agency by the close of the next banking day. Certain states also require that state liabilities be deposited on the same schedule as federal liabilities. To avoid a late deposit and potential penalty and interest charges, ADP Tax Filing Service clients must report payroll at least 48 hours prior to the check date.

*\*Be aware that these rules apply to a single FEIN. If you have multiple company codes processing under a single Federal EIN, the accumulated liability may change the deposit cycle.*

# W-2 Accuracy

**BEFORE** Your Last Payroll of 2017

## Wage & Tax Register Validation

At the end of each quarter, ADP produces the Wage and Tax Register for your internal use. It displays information that is included on the quarterly and annual tax reports required by various government agencies. This report serves as a comprehensive reference document for taxes and taxable wages; however, it is not filed with any federal, state, or local government office. **Valuable information on this register can be validated prior to Year End to provide you confidence your Forms W-2 will be accurate. We strongly recommend that you review your 3rd Quarter Wage & Tax Register for the following information:**

- **Credit Employees** indicated by ✓✓ (2 checkmarks)
  - These are the employees whose quarter-to-date values are negative (less than zero) or are greater than the year-to-date value of a field. They will appear on a separate page labeled “Credit Page” at the end of your Wage & Tax Register.
  - **Note: ADP will not produce the W-2 Statement for year-to-date Credit Employees and these employees will be excluded from the associated tax reports filed with the Federal and/or State agencies.**
- **Prior Taxable Entries** for Transferred Employees
- **Jurisdiction Recap Pages**
  - Verify all appropriate State, State Unemployment, and Locals are appearing
- **Review Employee Information**
  - Special taxing routines such as taxable fringe benefits, dependent care and/or third party sick pay
  - More than one tax jurisdiction resulting in a multi-page Form W-2
  - Moved, terminated, and/or rehired

## Manual & Voided Checks

Submit copies of, or information regarding, all manual checks written by your company, which must be added to the employee’s Form W-2.

## Adjustments

Your quarter will be closed immediately after your last scheduled payroll processing for 2017. Therefore, your file may close prior to December 31. Making any necessary changes now to your payroll schedule will avoid delays and allow sufficient time for verification.

To comply with agency deposit requirements, and avoid additional charges, all payroll adjustments should be submitted prior to your last scheduled payroll of the quarter.

ADP is unable to allow refunds for negative adjustments not covered by other positive values once tax deposits are made. Under these circumstances, refunds will be made directly to you by the Internal Revenue Service, state, or local agencies after all quarterly returns have been filed.



# Verify Employee Information

## BEFORE Your Last Payroll of 2017

ADP can print a message on your employees' paycheck stubs asking them to verify their names, addresses and Social Security Numbers. Incorrect employee information is the top cause of W-2 mistakes and reruns, and it is important that you verify this information on your Master Control report:

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

## Social Security Numbers

The Social Security Administration (SSA) requires that all company and employee information that appears on Forms W-2 be complete and accurate. Failure to file Forms W-2 with accurate names and SSNs can result in the W-2 filing being rejected by the SSA and employee wages not being posted because the individual's name and/or SSN on employer W-2s did not match the SSA database. Furthermore, tax agencies may impose a penalty for each W-2 with a missing or incorrect Social Security number (SSN).

Employers are encouraged to establish a written personnel policy and apply it uniformly to all new hires. As an employer, you can get assistance in verifying names and social security numbers by logging onto the SSA Business Services Online web site at [www.socialsecurity.gov/bsowelcome.htm](http://www.socialsecurity.gov/bsowelcome.htm) (registration for the use of this service is required).

You can verify up to 10 names and SSNs (per screen) online and receive immediate results. This option is ideal to verify new hires. You can also upload batch files of names and SSNs and usually receive results the next government business day. This option is ideal if you want to verify an entire payroll data base or if you hire a large number of workers at a time.

## Form W-4

IRS regulations tell employers that they should remind their employees to submit an amended Form W-4 if their filing status, exemption allowances, or exempt status has changed since the last filing of their Form W-4. This reminder should be provided by December 1st of each year. If the employee has no changes, there is no requirement that a new Form W-4 be submitted just because the tax year on the form has changed.

Employees who claimed EXEMPT in 2017 must complete a new Form W-4 by February 15, 2018 to retain their exempt status. Forms for the year 2018 can be obtained at: <http://www.irs.ustreas.gov/formspubs/index.html>.

## Affordable Care Act

The Affordable Care Act (ACA) is complex for businesses of all sizes. Summarized below are two key provisions of the ACA to consider at year-end.

### Reporting the Value of Employer-Provided Health Benefits

In general, the amount reported should include both the portion paid by the employer and the portion paid by the employee. Transitional relief from the requirement to report the value of employer-provided health care coverage on the Form W-2 (**Box 12 code "DD"**) still applies to the 2017 Form W-2. **Therefore, employers who issued less than 250 Forms W-2 in 2015 WILL NOT have to report this value on the 2017 Form W-2.**

Total combined value of Employer & Employee health insurance premium cost for 2017



These values need to be added together to report in Box 12 code DD of the Form W-2

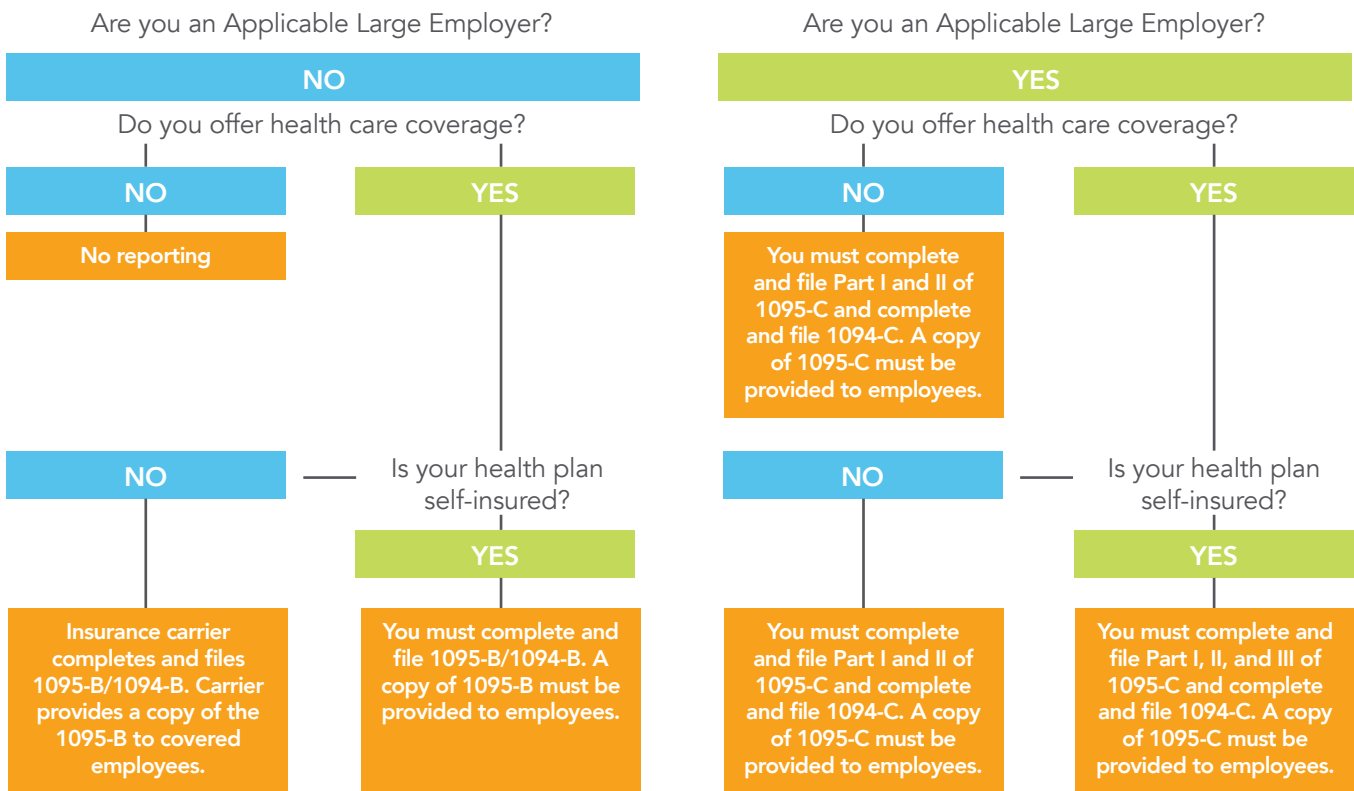
If uncertain as to whether or not you are required to report this for 2017, or if uncertain as to what should be included in the total, please refer to the following link for more information: IRS Information:

<http://www.irs.gov/uac/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage>

# Affordable Care Act

## Employer Shared Responsibility Annual Reporting

Did you employ an average of 50 or more full-time employees (including full-time equivalent employees) in 2016 or are you part of a controlled group that collectively employed an average of 50 or more full-time employees (including full-time equivalent employees) in 2016? Although the ACA is complex for businesses of all sizes, it can be even more challenging for businesses that are large enough to be considered an Applicable Large Employer (ALE) under the Employer Shared Responsibility provisions of the ACA. ALEs are subject to new annual reporting requirements for 2017.



# Affordable Care Act

The ACA forms follow the same guidelines as the W2 and 1099 regulations.

## ACA Reporting Deadlines for 2017

| Due Date          | Requirements  |
|-------------------|---|
| January 31, 2018  | 1095-B / 1095-C due to recipients / employees               |
| February 28, 2017 | 1095-B / 1095-C and 1094-B / 1094-C paper filing due to IRS |
| March 31, 2017    | 1095-B / 1095-C and 1094-B / 1094-C eFile due to IRS        |

ADP Resource delivers the expertise and tools to help you understand your ACA requirements and streamline your 2017 reporting. You can count on ADP Resource to keep you informed of ACA legislative updates and leading practices. Your HR Business Partner will continue to help you navigate all of the ACA requirements pertaining to your business.

Last year, many clients wanted help capturing benefit offer and coverage information to complete their annual ACA forms. We are answering that call with enhanced support in 2017 with **ADP Resource ACA Forms Assist**.

**ACA Forms Assist** simplifies the process of completing your annual ACA forms so you can get back to business. This tool will collect and validate your required ACA reporting data in an easy to use web tool within the My ADP Resource portal. Once you complete and acknowledge your data, ADP will validate and produce a file of completed 1094-C and 1095-C forms for you to distribute to employees and file with the IRS.



## 2017 Changes

### BEFORE Your First Payroll of 2018

Your employees may see changes in their first 2018 paycheck 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. We will explain these changes in the 2017 Tax Changes letter which will be available at the end of December.

The first payroll of 2018 is the perfect time to make updates to your payroll information, including deductions like:

- Medical
- Dental
- Flexible Spending Accounts
- Life Insurance
- 401(k)
- Other voluntary deductions

### SUI Rates and SIT Deposit Frequencies

To ensure that we are producing accurate and timely deposit advices with your 2018 payroll processings, it is imperative that you update your SUI experience (contribution) rate changes or deposit frequency changes as soon as you receive them from the agency. ALL updates must be sent to your Payroll Service Representative.

- Each state sends a revised experience rate notice minimally once a year. Ensuring that the rate is updated accurately will avoid overpayments/underpayments to the taxing authorities.
- Periodically agencies update/change the frequency with which deposits should be made. In order to ensure that the frequency is accurate, a best practice would be to keep your forms from year to year, and in the event there is a change, submit the information for a frequency change for the state. In some cases incorrect frequency of deposits could cause a penalty.

### Special Accumulators

Special accumulators are set up on your company to track certain payroll information. These accumulator descriptions and clearing options appear on the "Company Options" page at the beginning of the Master Control report. Please double-check your current report to see when your accumulators will be reset to a zero amount. If any of your special accumulators require a clearing option change, or you need additional accumulations started for the New Year, notify your Payroll Service Representative prior to processing your last payroll for 2017.

## 2018 Changes

### Inactive Employees Set for Removal (Purge)

If your company is setup for standard or fourth quarter purge, in February of 2018 ADP Resource will remove inactive employees from your Masterfile. The Set for Purge indicator will display on your Master Control in the Personal Data section with your first payroll processing of the year for those employees and "TERM" will appear next to the employee number. Please contact your Payroll Service Representative when re-hiring a purged employee, as they require special handling.

Inactive employees with one or more of the following will NOT be purged:

- A loan or garnishment balance
- Premium Only Plan (POP), if the POP plan does not end on the calendar year
- 2017 earnings
- Status of "Leave of Absence"
- "Last Week Worked" is greater than 47 in year 2017
- Time and Labor Management (ezLM)
- Pay-by-Pay (Worker's Compensation product)

If you are unsure about your purge option or want to change it, contact your Payroll Service Representative.

### Federal Unemployment Tax Act (FUTA)

If ADP is responsible for filing the 940 FUTA return, additional FUTA tax may be due for:

- A. Employment in a credit reduction state (a state which has an outstanding loan with the federal government - [www.ows.doleta.gov/unemploy/budget.asp](http://www.ows.doleta.gov/unemploy/budget.asp))
- B. SUI taxable wages less than FUTA taxable wages (wages that are exempt from state unemployment tax but not federal unemployment tax).

***Any additional taxes due will be debited in January 2018 in order to include them with the FUTA deposit for fourth quarter 2017.***

# Benefit Accruals

## Reset to Occur 1st Pay in January

ADP's Time Off feature allows clients to track employee hours and earnings that are assigned as benefits. The system will track both the hours taken as well as the hours allowed and will compute the amount of available hours the employee still has to use. Each year the time off will reset for the new year. The client's time off policy and setup will determine when that will occur and what the reset will look like. *The most common reset occurs on the 1st payroll in January. It is especially important to review the setup to ensure that all time off is accurate going into the new year.*

## Special Considerations

- Confirm your PTO policy
- Have you made any changes to your policy in the last calendar year?
- Have you added/removed any exceptions to your policy that would otherwise change specific employees?
- Have those changes been communicated to ADP to make necessary changes prior to the 1st payroll of the New Year?
- Does your Policy have Tiers based on length of service?
- Is your policy based on fixed amount or do employees accrue time off every payroll?
- Do you front load hours to employees to be used throughout the year?
- Does your policy allow the carryover of hours from year to year?
- If your policy does not allow carryover, employees may lose all or part of their unused allowed time off.
- Are you in a jurisdiction that requires paid sick leave?
  - Many states & local jurisdictions have implemented legislation requiring employees who meet certain requirements offer sick leave to their employees. The Sick Leave requirement varies by jurisdiction but can include items on the minimum hours that must be offered, carryover, and how hours are accrued. Some of these jurisdictions include but are not limited to: California, Massachusetts, Connecticut, Washington DC, Puerto Rico, Oregon, Vermont, Federal contractors, San Francisco, Seattle, Portland, and many more.

## Tools

- Verify the following from the Master Control Report:
  - Hire dates & Rehire dates for accurate Length of Service qualifications.
  - Time Off Reset Year: Employees need the reset year of the current calendar year to trigger the reset on the start of the new year.

# Time Off

## Paid Time Off Management Reports

- Verify the following from custom Management Reports (Reporting Tab > Payroll Reports > Custom ADP Reports (MR Download):
  - Data Control (Employee coding: HR > Employment Profile. Company level setup: Global Setup > Data Control
  - Status Flags (Employee coding > HR > Custom Fields. Company level setup: Global Setup > Status Flags
  - Employment Type Indicators > HR > Employment Profile > Pay Rates Tab
  - Allowed and Taken balances (Current accruals)
  - Annum Max values

## Verify your current Time Off Report & Transfer Reset Report before completing your 1st payroll of 2018.

- The Time Off Report will show the per payroll amount each employee is expected to accrue on that payroll.
- The Transfer Reset Report will show hours being carried over, being lost, and what the updated allowed amounts are for each employee experiencing reset.

## The most common errors related to PTO are:

- **Employee Qualifiers**
  - Data controls or status flags for employees with exceptions
  - Missing or incorrect Reset Year
  - Missing or incorrect Hire/Rehire/Time Off Date
- **Accruals on Additional Payrolls**
  - Employees accruing hours on additional payrolls
  - Missing or incorrect Reset Year
  - Missing or incorrect Hire/Rehire/Time Off Date
- **Mid-Year Setup or Changes**
  - Previous balances not loaded or cleared out prior to the changeover
  - Change in employee level coding
- **Allowed vs Balance Maximum Hours**
  - Allowed Max: Accruals stops once the hours in the allowed bucket reach the limit and do not begin again until reset occurs.
  - Balance Max: Accruals stop once they hit the balance maximum but if they use some of their hours, the accrual will begin again.
- **Accruals Based on Hours Worked for Salary Employees**
  - Accruals based on the number of hours worked require that regular hours be posted for all employees. Salaried employees are paid their salary regardless of the actual hours worked.
  - Regular hours (40 for weekly, 80 for bi-weekly, etc.) must be recorded either via Standard Hours or on the pay data batch to have the accrual take place.

If you are unsure about the requirements in your location, please reach out to your HR Business Partner.



# How to File Your 1099 Forms

## ADP's Tax Filing Service (TFS) does not file 1099 forms

All ADP Resource clients, including clients that use ADP's Tax Filing Service, are responsible for filing 1099s and Form 1096 with the appropriate agencies.

### Processing your 1099 forms

In order for ADP Resource to provide paper versions of federal 1099 forms, a separate 1099 company code must be used. 1099 forms cannot be produced for non-employees paid on the same company code as W-2 employees. ADP Resource will produce the following copies of Form 1099:

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

### 1099 submission requirements

Federal law stipulates that any employer with 250 or more 1099-MISC forms in a given year must file electronically.

### Obtaining a Transmitter Control Code (TCC)

If you are required to file electronically and have not previously electronically filed with the IRS, you will need to apply for an IRS/MCC-assigned Transmitter Control Code (TCC.) To obtain your TCC, you must file Form 4419 with the IRS. Once you have been approved by the IRS and have received your TCC, you do not need to reapply each year.

### 1099 Mailing Addresses:

| Principal business, office or agency, or individual legal residence location:                              | Internal Revenue Center |
|--|-------------------------|
| AL, AR, AZ, CT, DE, FL, GA, KY, LA, MA, ME, MS, NC, NH, NJ, NM, NY, OH, PA, RI, TX, VA, VT, WV             | Austin, TX 73301        |
| AK, CA, CO, DC, HI, ID, IL, IN, IA, KS, MD, MI, MN, MO, MT, NE, ND, NV, OK, OR, SC, SD, TN, UT, WA, WI, WY | Kansas City, MO 64999   |

### Information about IRS forms

#### Form 1099-MISC

Reports distributions for independent contractors who have provided services to your business.

#### Form 1096

Form 1096 is required to file 1099 forms with the IRS. If you file 1099s, it is your responsibility to 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). If you need to file Form 945, it is your responsibility to file this form with the IRS.

You may obtain forms from the IRS:  
[www.irs.gov/formspubs/index.html](http://www.irs.gov/formspubs/index.html)

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

## Additional Resources

| Tax Law Changes   | 2017      | 2018      |
|---|-----------|-----------|
| Social Security Wage Base   | \$127,200 | \$128,700 |
| Social Security Tax Rate Employer & Employee  | 6.20%     | 7.65%     |
| Medicare Wage Base  | Unlimited | Unlimited |
| Medicare Tax Rate Employer & Employee   | 1.45%*    | 1.45%*    |
| <b>*Effective 1/1/2013, employers are required to withhold an additional 0.9% "Medicare Surtax" on Medicare taxable wages over \$200,000.</b> |           |           |
| 401(k) Contribution Limit   | \$18,000  | \$18,000  |
| 401(k) "Catch-Up" Contribution Limit  | \$6,000   | \$6,000   |
| 401(k) SIMPLE Contribution Limit  | \$12,500  | \$12,500  |
| 401(k) SIMPLE "Catch-Up" Contribution Limit   | \$3,000   | \$3,000   |
| Highly Compensated Employee Threshold <i>(for 401(k) plans)</i>   | \$120,000 | \$120,000 |
| Annual Compensation Limit for Contributions <i>(for 401(k) plans)</i>   | \$270,000 | \$275,000 |

\*Information provided is current as of October 2017, however, tax laws are subject to change due to legislative updates passed after print. Please always confirm rates/limits before processing.

### IRS Forms and Publications

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

[www.irs.gov/formspubs/index.html](http://www.irs.gov/formspubs/index.html)

### IRS Contact Information

(800) 829-4933

[www.irs.gov](http://www.irs.gov)

### Social Security Contact Information

(800) 772-1213

[www.ssa.gov](http://www.ssa.gov)

### ADP Employer Resource Center

Access ADP calculators and tools, as well as up-to-date tax and compliance resources.

[www.adp.com/tools-and-resources.aspx](http://www.adp.com/tools-and-resources.aspx)

[www.resource.adp.com](http://www.resource.adp.com)

ADP, the ADP Logo, ADP Resource and ADP A more human resource are registered marks of ADP, LLC. Copyright © 2016 ADP, LLC.