



Preparing for year-end and 2021 payroll compliance

December 9, 2020

Webinar starts at noon CT



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Outsourcing Services

Administration



If you need CPE or HR credit, please participate in all polling questions throughout the presentation.

Administration



A recording of today's webinar will be emailed for your reference or to share with others.

Administration



For best quality, call in by phone instead of using your computer speakers.

Administration



To ask questions during the presentation, use the questions box on the right side of your screen.

Administration



Please provide your feedback
at the end of today's presentation.

About the speakers



Cindy McSwain

Senior Vice President
Outsourcing Services

Leads AGH's outsourcing services

10+ years of outsourcing accounting/payroll experience

10+ years of audit experience

5+ years of tax experience

Member of AICPA, KSCPA and numerous civic organizations

About the speakers



Pamela Nelson

Payroll Supervisor
Outsourcing Services

Handles payroll processing, reporting, and tax filings for multi-state, multi-site companies

Expertise in technology, employee benefits and payroll

Welcome!

2020 taxes

AGHUniversity.com on-demand webinars

1099 webinar

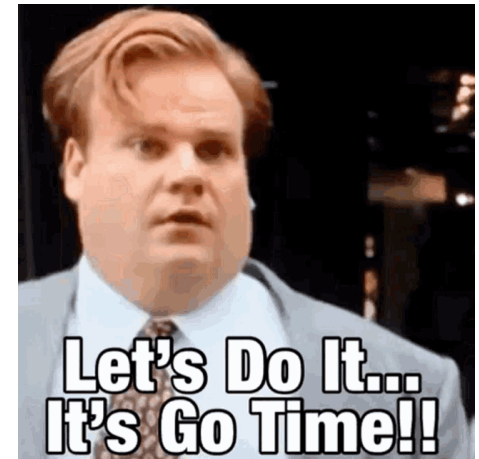
AGHUniversity.com on-demand webinars

Fringe benefits

AGHUniversity.com on-demand webinars

Year-end payroll

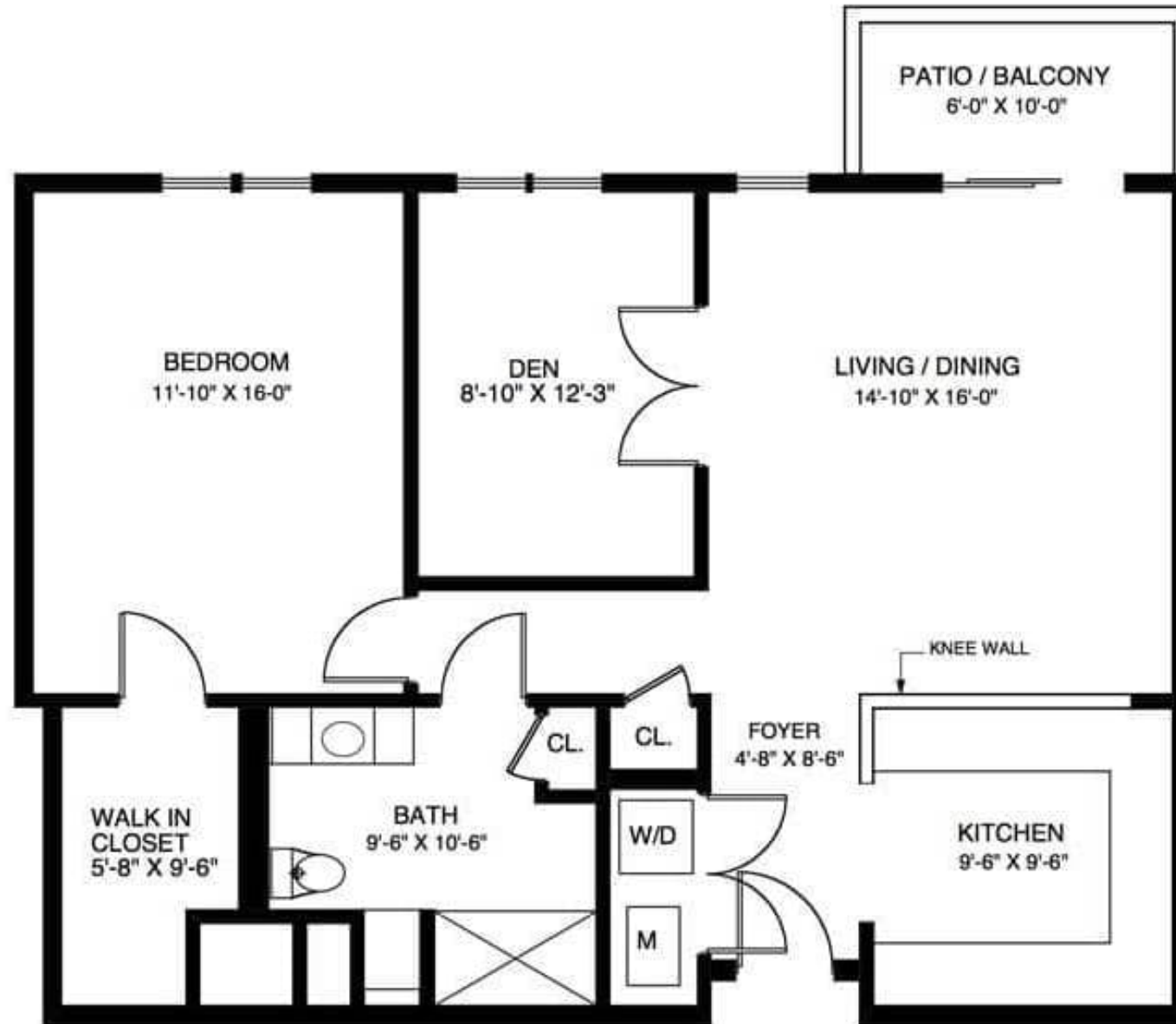
Let's do this!



**Y'ALL REMEMBER WHEN WE
WERE LIKE HAPPY NEW YEAR**



Looking at the map for some weekend travel ideas.



Learning objectives

✓ Year-end processing tips and reminders

- Compensation
- Year-end reporting requirements
- Reconciliations and other action steps
- Critical dates

✓ What's new for 2021

- Getting ready
- Updated limits and rates
- Pending legislation?

Polling question #1

Please answer for continuing education credit

Action list

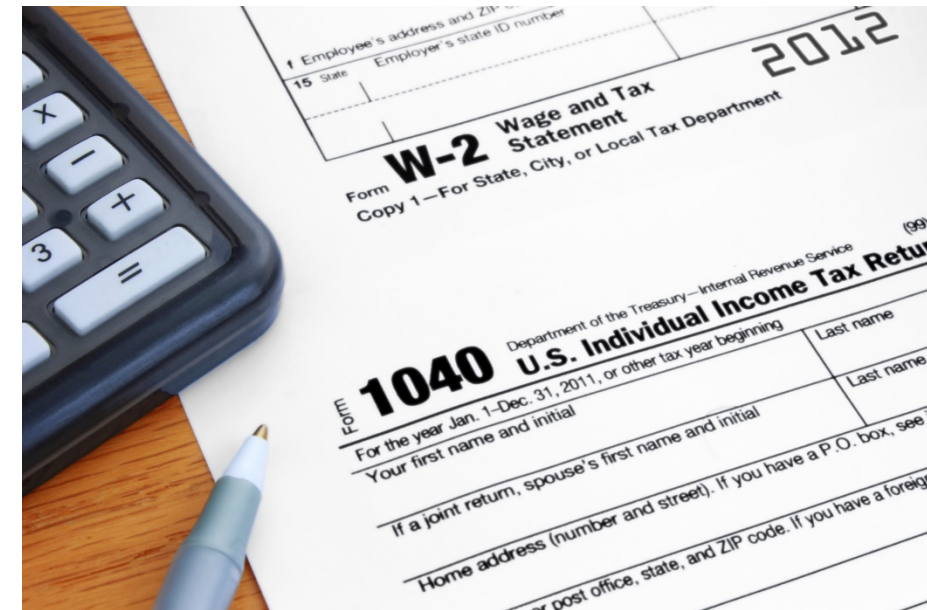
Critical steps to take before year-end



Year-end action list: Now (2020)

Order forms

(W-2, W-3, 1099s, ACA, states)



Year-end action list: Now (2020)

Order forms

(W-2, W-3, 1099s, ACA, states)

Identify processing dates
for last payroll of 2020



Year-end action list: Now (2020)

Order forms

(W-2, W-3, 1099s, ACA, states)

Identify processing dates

For last payroll of 2019

Holiday schedules



Year-end action list: December (2020)

Obtain payments made to employees through A/P



Year-end action list: December (2020)

Obtain payments made to employees through A/P

Add fringe benefits and other compensable items



Year-end action list: December (2020)

Obtain payments made to employees through A/P

Add fringe benefits and other compensable items

Test any year-end system updates



Year-end action list: December (2020)



Year-end action list: Now (2020)

Reconcile payroll bank account



Year-end action list: Now (2020)

Reconcile payroll bank account

Wage reconciliations

- Logical tie out of earnings types
- Compare to quarterly / annual compliance returns
- Compare state totals to federal totals



Year-end action list: Now (2020)

Reconcile payroll bank account

Wage reconciliations

Research and document deadlines



Year-end action list: Now (2020)

Reconcile payroll bank account

Wage reconciliations

Research and document deadlines

Look at last year's file



Polling question #2

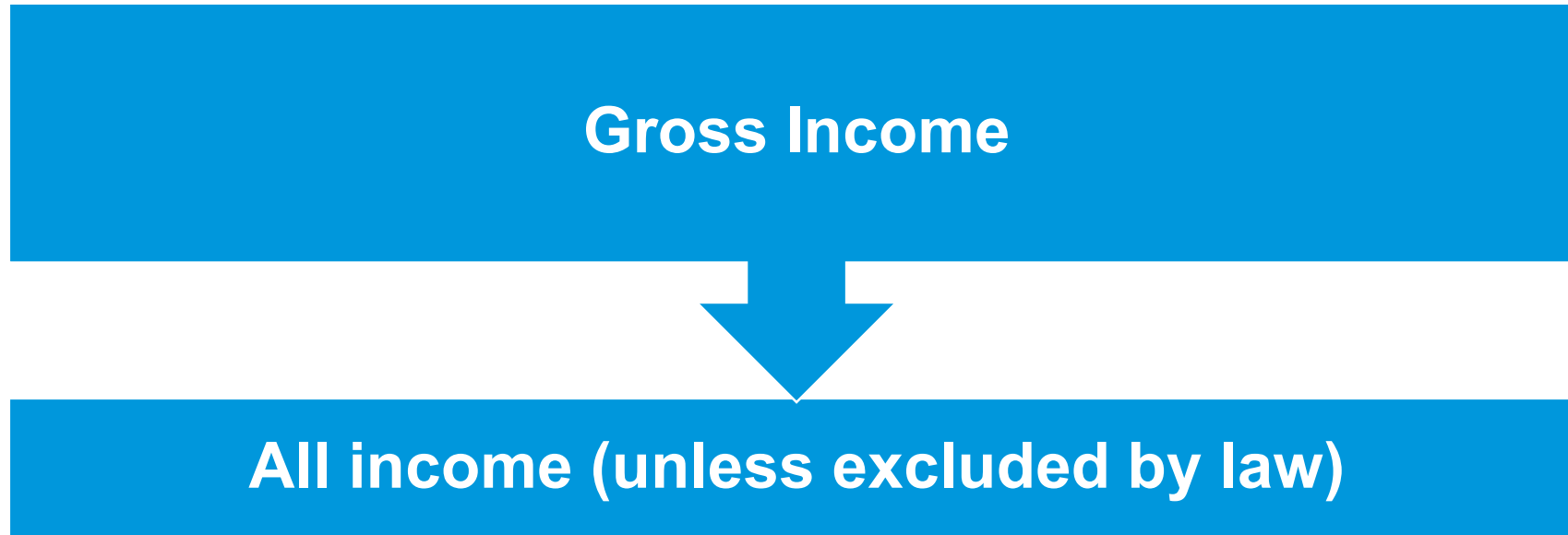
Please answer for continuing education credit

Compensation

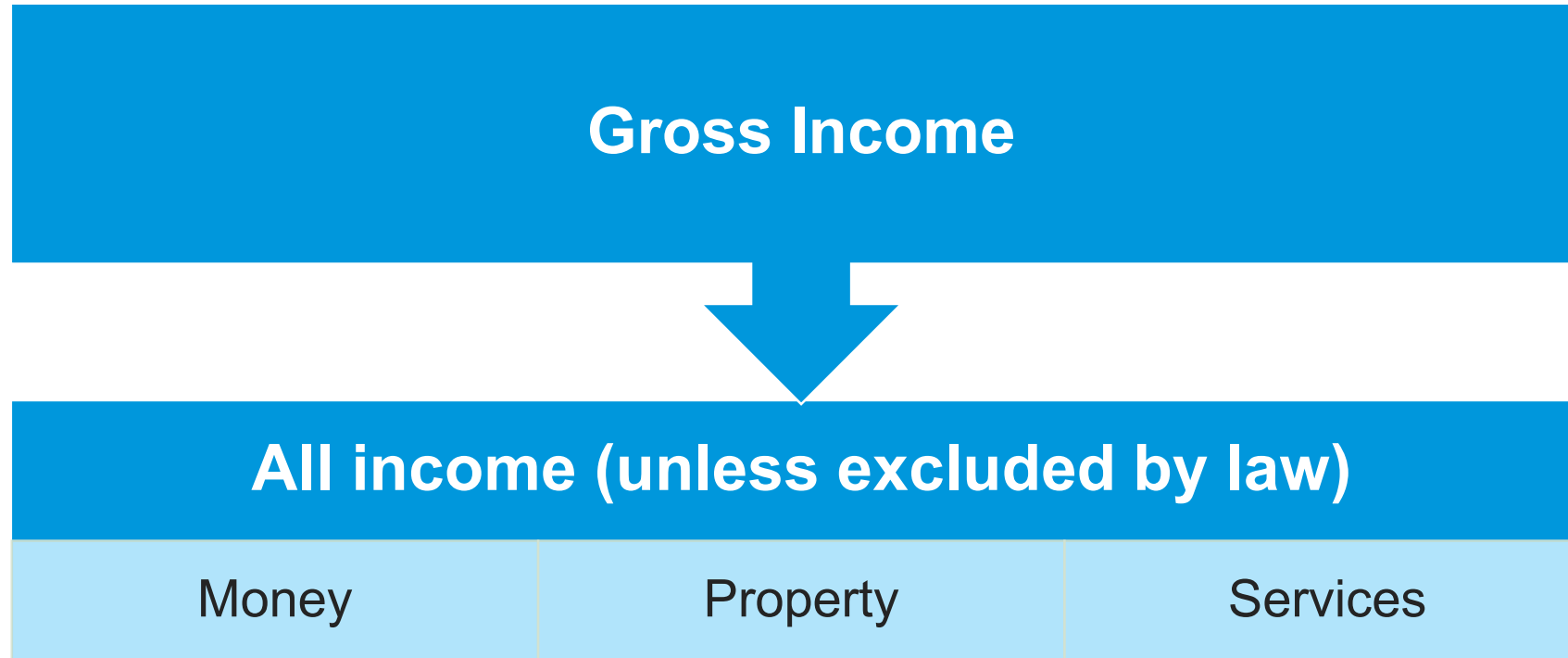
What you need to know



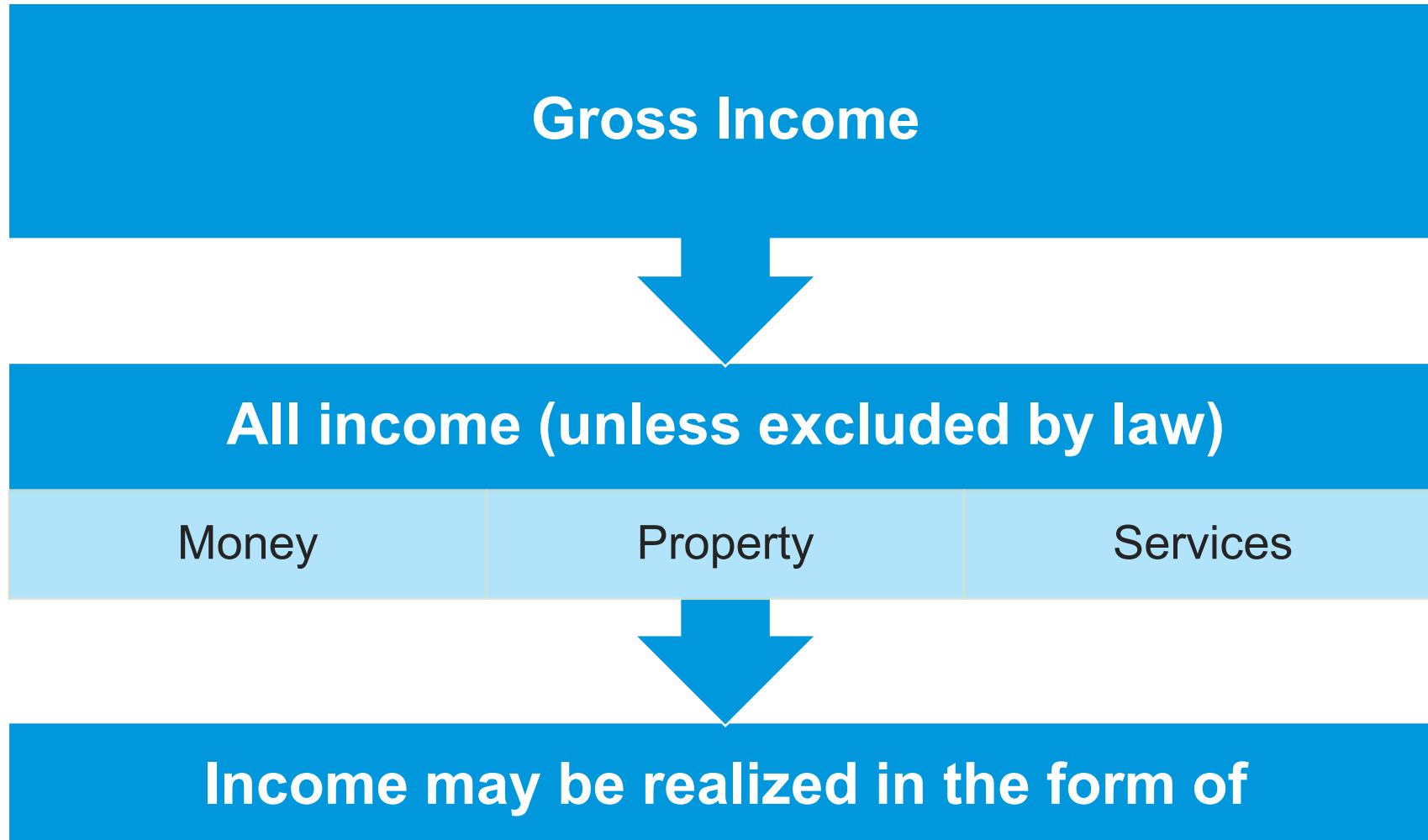
Compensation breakdown



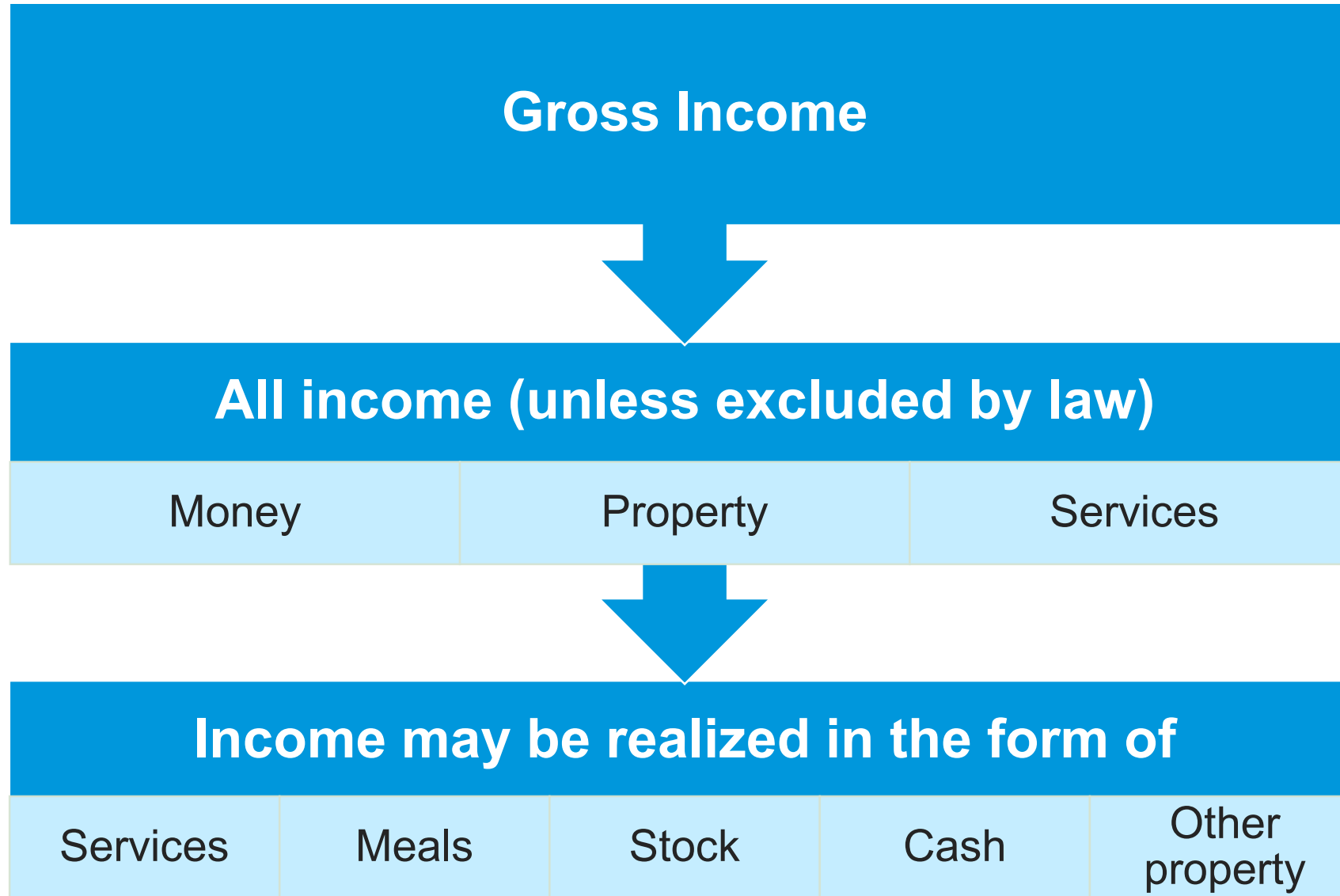
Compensation breakdown



Compensation breakdown



Compensation breakdown



Common fringe benefits

More than 2% shareholders of S-Corporations

De minimis benefits

Employee vehicle

Cell phones

Awards & prizes

Educational assistance

Working conditions

Health & medical

Lodging

Meals

Transportation

Dependent care

Gym memberships

Travel

Employee discounts

Commuting

Equipment & allowances

Group term life insurance

Employee stock options

Cash

Professional licenses & dues

Gift cards

Fringe benefits & the IRS

Department of the Treasury
Internal Revenue Service

Publication 15-B
Cat. No. 29744N

Employer's Tax Guide to Fringe Benefits

For use in 2020



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Future Developments

For the latest information about developments related to Pub. 15-B, such as legislation enacted after it was published, go to [IRS.gov/pub15b](https://www.irs.gov/pub15b).

What's New

Cents-per-mile rule. The business mileage rate for 2020 is 57.5 cents per mile. You may use this rate to reimburse an employee for business use of a personal vehicle, and under certain conditions, you may use the rate under the cents-per-mile rule to value the personal use of a vehicle.


Get forms and other information faster and easier at:
[IRS.gov/efile](https://www.irs.gov/efile) • [IRS.gov/efile](https://www.irs.gov/efile)
[IRS.gov/efile](https://www.irs.gov/efile) • [IRS.gov/efile](https://www.irs.gov/efile)
[IRS.gov/efile](https://www.irs.gov/efile) • [IRS.gov/efile](https://www.irs.gov/efile)

Dec 26, 2019

IRS Publication 15-B
Employer's Tax Guide
to Fringe Benefits

Tax Exempt & Government Entities
OFFICE OF FEDERAL, STATE
& LOCAL GOVERNMENTS

Fringe Benefit Guide



Publication 5137 (Rev. 2-2020) Catalog Number 66216W
Department of the Treasury, Internal Revenue Service www.irs.gov

IRS Publication 5137
Fringe Benefit Guide
Updated Feb 2020

Department of the Treasury - Internal Revenue Service

Fringe Benefits Compliance Self-Assessment For Public Employers

Form 14581-A
(June 2017)

Introduction

Public employers have unique legal requirements for compliance with federal tax and Social Security laws. These employers need to be aware of the rules that apply to them and their workers (both employees and independent contractors), especially those related to federal income, Social Security and Medicare taxes and public retirement system obligations.

The Form 14581 series consists of seven topical employment tax Compliance Self-Assessment tools, listed below, for voluntary use by government entities to conduct self-assessments of their compliance with these requirements. The forms have fillable check box and text fields so they can be completed electronically or printed and completed manually.

For use by Federal, State and Local Government Entities

- Form 14581-A: Fringe Benefits Compliance Self-Assessment
- Form 14581-B: International Issues Compliance Self-Assessment
- Form 14581-D: Other Tax Issues Compliance Self-Assessment
- Form 14581-G: Worker Status Compliance Self-Assessment

For use by State and Local Government Entities Only

- Form 14581-C: Medicare Coverage Compliance Self-Assessment
- Form 14581-E: Retirement Plan Coverage Compliance Self-Assessment
- Form 14581-F: Social Security Coverage Compliance Self-Assessment

The self-assessment tools are designed to help public employers identify areas that indicate potential compliance issues. They are intended to be completed by those responsible for withholding and paying employment taxes and filing required information returns. Each topic contains brief information on the law with links to IRS publications and other authoritative resources that provide more information.

Note: The self-assessment tools are intended as general guides to the most common tax issues that public employers may encounter and direct those entities to additional information as necessary. The tools are provided for general information only. They don't constitute legal advice or determinations by the IRS regarding particular tax situations and they don't cover every question that may be encountered. The sources cited should be reviewed for additional information.

Common Errors

The following common errors were identified during IRS audits of public employers:

- Totals shown on Forms 941 or Form 944 do not reconcile with totals on Forms W-2 and W-3, or between these forms and the accounting records.
- Forms W-2 and W-4 are not being used or are not being updated when necessary.
- Failure to backup withhold on payments to vendors when required.
- Failure to correctly complete or file Forms 1099.
- Failure to apply accountable plan rules to reimbursements and allowances.
- Incorrect or missing employment tax deposits.
- Failure to follow electronic filing requirements.
- Treatment of certain groups of workers as independent contractors instead of as employees.
- Failure to pay and withhold Medicare-only tax on retired annuitants.
- Failure to include taxable noncash benefits in employee wages.
- Failure to apply correct withholding rules to election workers and public officials.

For Assistance While Completing the Self-Assessment Tools:

The following federal tax information applicable to the topics addressed in this Compliance Self-Assessment Tool is available on the IRS website:

- Tools for Federal, State and Local Governments
- Publication 15, Employer's Tax Guide
- Publication 15-A, Employer's Supplemental Tax Guide
- Publication 15-B, Employer's Tax Guide to Fringe Benefits
- Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities
- Publication 963, Federal-State Reference Guide
- Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(s)
- Publication 1770, Independent Contractor or Employee
- Publication 5137, Fringe Benefit Guide
- Publication 5138, Quick Reference Guide for Public Employers
- Governmental Retirement Plans Toolkit
- Governmental Plans under Internal Revenue Code Section 401(a)

Catalog Number 69844Y www.irs.gov Form **14581-A** (6-2017)

IRS Form 14581-A
Fringe Benefits
Compliance
Self-Assessment

Paying employee taxes

Grossing up earnings

Gross earnings = Desired net payments / (100% - total tax %)

Note: Be careful when nearing the \$200,000 additional Medicare tax wage threshold or the \$1 million threshold

Paying employee taxes

Gross Up Calculator		FIT Supplemental rate = 22%						KSSIT Supplemental rate = 5%					
Things to consider:													
Have they met the FICA threshold?													
What about the \$200,000 limit for FHI?													
Has the employee earned > \$1 million?													
Employee Name	Net Pay Amount	FICA	FHI W/H	FIT W/H	SIT W/H	Total Pay	Addl Pay	Tax Rates				effective tax rate	Gross
								FICA	FHI	FIT	SIT		
Phillips, Sonia	1,500.00	142.31	33.28	504.97	114.77	2,295.33	795.33	6.20%	1.45%	22.00%	5.00%	34.65%	2,295.33
McSwain, Cindy	2,500.00	237.18	55.47	841.62	191.28	3,825.55	1,325.55	6.20%	1.45%	22.00%	5.00%	34.65%	3,825.55
Ingrim, Debby	10,000.00	-	240.66	-	-	10,240.66	240.66	0.00%	2.35%	0.00%	0.00%	2.35%	10,240.66
		-	-	-	-	-	-	6.20%	1.45%	0.00%	0.00%	7.65%	-
		379.49	329.41			16,361.55	2,361.55						

Reporting info

Helpful reminders



Year-end reporting issues

Qualified Sick Leave / Family Leave Wages

Form W-2 Reporting

Reportable as wages in Boxes 1, 3, & 5

Also, report in Box 14 (Other) or add a separate statement for the TYPE and AMOUNT of wages paid:

- “Sick leave wages subject to the \$511 per day limit”
- “Sick leave wages subject to the \$200 per day limit”
- “Emergency family leave wages”



Year-end reporting issues

Employer FICA Tax Deferral

Form W-2 Reporting

Report total wages paid and total tax actually paid

Do **not** include deferred amounts in Box 4 (FICA tax)

File W-2c once tax has been paid in 2021

- Enter the tax year as 2020
- Include the tax amount previously reported and the corrected amount
- Do this as soon as possible after deferred amounts recovered from employees and paid



Year-end reporting issues

Employer-provided health insurance

- Greater than 250 employees
- Excludes Indian tribal governments

Deferred compensation

Third-party sick pay



**Search
www.irs.gov**

ACA reporting requirements

**Information reporting for 2020
by “applicable large employers”**
Generally > 50 full-time employees
(including full-time equivalents)

**Certain information about
health care coverage
offered or not offered**



ACA reporting requirements

A Series

Health insurance marketplace statement

B Series

Health coverage

C Series

Employer-provided health insurance offer and coverage

1095 (individuals) 1094 (transmittal)



ACA reporting requirements

Due to employees by end of February

Due to IRS by:

- Paper forms – end of February
- Electronic – end of March



ACA reporting requirements

Form **1095-C**
Department of the Treasury
Internal Revenue Service

Employer-Provided Health Insurance Offer and Coverage

▶ Do not attach to your tax return. Keep for your records.
▶ Go to www.irs.gov/Form1095C for instructions and the latest information.

VOID
 CORRECTED

OMB No. 1545-2251

2020

Part I Employee						Applicable Large Employer Member (Employer)					
1 Name of employee (first name, middle initial, last name)			2 Social security number (SSN)			7 Name of employer			8 Employer identification number (EIN)		
3 Street address (including apartment no.)						9 Street address (including room or suite no.)			10 Contact telephone number		
4 City or town		5 State or province		6 Country and ZIP or foreign postal code		11 City or town		12 State or province		13 Country and ZIP or foreign postal code	

Part II Employee Offer of Coverage	Employee's Age on January 1							Plan Start Month (enter 2-digit number):					
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)													
15 Employee Required Contribution (see instructions)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)													
17 ZIP Code													

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 60705M

Form **1095-C** (2020)

ACA reporting requirements

Form 1095-C (2020)

Page **3**

Part III Covered Individuals

If Employer provided self-insured coverage, check the box and enter the information for each individual enrolled in coverage, including the employee.

	(a) Name of covered individual(s) First name, middle initial, last name	(b) SSN or other TIN	(c) DOB (if SSN or other TIN is not available)	(d) Covered all 12 months	(e) Months of coverage											
					Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
18				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Polling question #3

Please answer for continuing education credit

Pitfalls to avoid

Deadlines, penalties and common errors



Deadlines

Deadline	Item
Feb 1, 2021	Q4 Forms 940 and 941
Feb 1, 2021	Distribute W-2s to employees
Feb 1, 2021	File paper W-2s with SSA
Feb 1, 2021	Submit electronic W-2s to SSA

Deadlines – ACA forms

Deadline	Item
March 2, 2021	Distribute ACA forms to employees <ul style="list-style-type: none">- Deadline relief issued again- and “upon employee request”... if you meet certain requirements
March 1, 2021	File paper forms
March 31, 2021	Submit electronic filing

Electronic reporting of W-2s

**Required for employers with
250 employees or more**

Encouraged for others



Information return penalties

Penalty #1: Failure to furnish correct payee statements by due date

Penalty #2: Failure to file correct information returns by due date

If correctly filed within:	Per return	Maximum penalty	Small business maximum*
30 days	\$50	\$565,000	\$197,500
31 days late – Aug. 1	\$110	\$1,696,000	\$565,000
After Aug. 1 or not at all	\$280	\$3,392,000	\$1,130,500
Intentional disregard	\$560	None	None

* Small business:

- Average annual gross receipts for the three most recent tax years (or for the period which you were in existence, if shorter)
- Ending before the calendar year in which the information returns were due
- Are \$5 million or less

Information return penalties

Penalty #3: Failure to file electronically (if required)

Up to **\$280 per return** for each return over 250

Applies separately to original and corrected returns



Exceptions to reporting penalties

Due to **reasonable cause** and not willful neglect

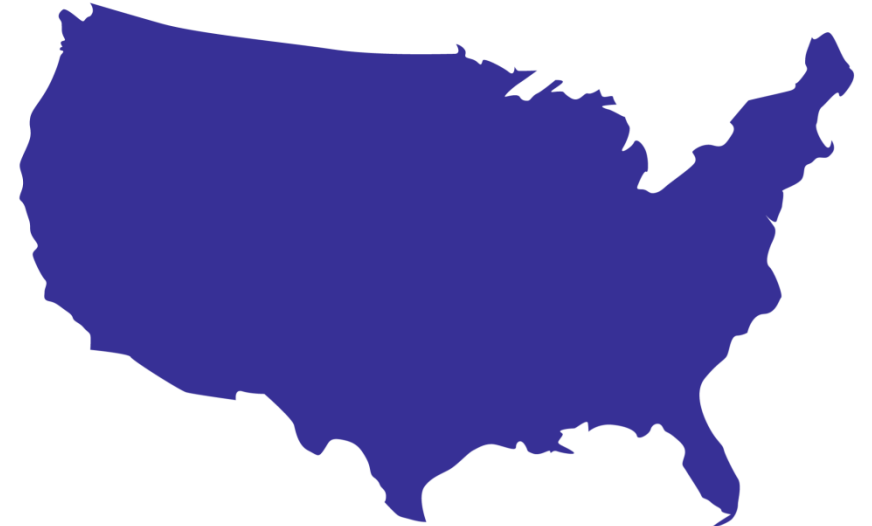
Inconsequential error or omission is not considered a failure to include correct information

De minimis rule for corrections

Safe harbor rule

FUTA Credit Reduction States

Credit reduction states include:
Virgin Islands – 2.7%



Unemployment insurance fraud

Steps employers should take:

- **Monitor and confirm** all unemployment notifications
 - **Notify impacted employee immediately if you suspect fraud**
- **Respond as instructed** in the notification
- **Educate your employees**
- **Review IT security**



Unemployment insurance fraud

Notifications victims should make:

- **State unemployment benefits agency**
- **Law enforcement**
- **Credit bureaus**
Equifax, TransUnion & Experian fraud alerts
- **Federal Trade Commission (FTC)**
www.identitytheft.gov
- **Financial providers**
Banks and credit card companies
- **Internal Revenue Service (IRS)**
1-800-908-4490 / irs.gov/identity-theft-central
- **Social Security Administration**
1-800-269-0271 / Earnings statements



dol.gov/general/maps/fraud

dol.ks.gov/fraud

Common errors

State compliance issues

Not including applicable fringe benefits

SSNs not matching to W-2s

- SSA's social security number verification service (SSNVS)
- E-Verify (employment eligibility)



2021 prep work

Helpful reminders and info for 2021 payroll



Prior to first payroll of the new year

Validate and test tax updates



Prior to 1st payroll of the new year

Validate and test tax updates

**Inquire about additions
to benefits package**



Prior to 1st payroll of the new year

Validate and test tax updates

Inquire about additions
to benefits package

Input and test new/changed benefits



Prior to 1st payroll of the new year

Validate and test tax updates

Inquire about additions
to benefits package

Input and test new/changed benefits

Reset accumulators



2021: Social security

	2020	2021
FICA rate	6.2%	6.2%
FICA wage base	\$137,700	\$142,800
Medicare rate	1.45%	1.45%
Medicare wage base	Unlimited	Unlimited
Supplemental Medicare rate (EE)	0.9%	0.9%
Supplemental Medicare wage base	\$200,000	\$200,000

2021: Retirement plans

	2020	2021
Elective deferral limit (401k, 403b, 457b, SEP)	\$19,500	\$19,500
Catch-up (401k, 403b, 457b, SEP)	\$6,500	\$6,500
Elective deferral limit (SIMPLE)	\$13,500	\$13,500
Catch-up (SIMPLE)	\$3,000	\$3,000
Annual compensation limit	\$285,000	\$290,000

2021: Mileage

	2020	2021
Business mileage	\$.575	\$.??
Charitable mileage	\$.14	\$.??
Medical-related mileage	\$.17	\$.??

2021: Standard deductions & exemptions

	2020	2021
Married, filing jointly or qualified widow(er)	\$24,800	\$25,100
Married, filing separately	\$12,400	\$12,550
Head of household	\$18,650	\$18,800
Single	\$12,400	\$12,550
Annual personal exemption	\$ --	\$ --

2021: Other

	2020	2021
Medical flexible spending	\$2,750	\$2,750
HSA contribution limit (self-only / family)	\$3,550 / \$7,100	\$3,600 / \$7,200
HSA catch up (55+)	\$1,000	\$1,000
High deductible health plan minimum deductibles (self-only / family)	\$1,400 / \$2,800	\$1,400 / \$2,800
Federal unemployment wage base	\$7,000	\$7,000

State unemployment wage base

Changes announced			
Arkansas	↑	New York	↑
Iowa	↑	North Carolina	↑
Missouri	↓	Oklahoma	↑
Montana	↑	Utah	↑
Nevada	↑	Vermont	↓
New Jersey	↑	Washington	↑
New Mexico	↑	Wyoming	↑

Not yet announced			
Alaska	↑	Michigan	
Delaware	▬	Minnesota	
Hawaii	↓	North Dakota	
Idaho		Oregon	↑
Illinois	↑	Rhode Island	
Kentucky	↑	Tennessee	

Source: American Payroll Association website (last updated 11/13/2020)

Minimum wage changes

States with minimum wage changes (Effective 1/1/2021 unless otherwise noted)

Alaska	Montana
Arkansas	Nevada (7/1/2020)
California	New Jersey
Connecticut (9/1/2020 & again 8/1/2021)	New Mexico
Florida	Ohio
Illinois	South Dakota
Maine	Virginia (05/01/21)
Maryland	Vermont
Massachusetts	Washington

Publication 15 (Circular E)

- Tax credits – COVID sick / family leave
- Employee retention credits
- Employer deferred social security taxes
- Employee deferred social security taxes
- New Form 1099-NEC

New legislation?



Polling question #4

Please answer for continuing education credit



OK, TEAM, WE CAN DO THIS ... TOGETHER!

Thank you for attending



Cindy McSwain

Senior Vice President
Outsourcing Services



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Questions NOT related to today's content?
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