



# Preparing for year-end and 2022 payroll compliance

**December 16**

Webinar starts at Noon CT

# Continuing education credits available

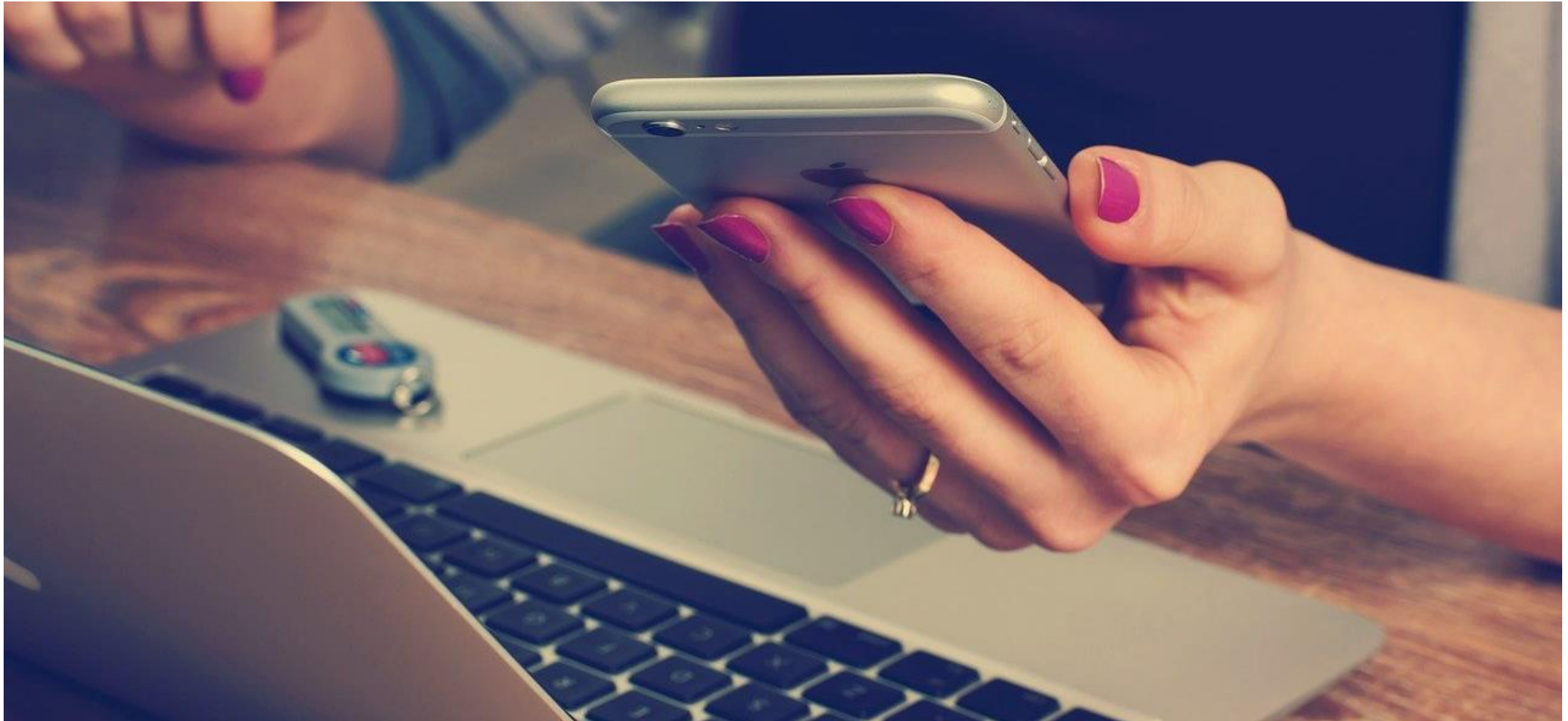
Please answer at least **three** polling questions.



Recording & slides will be available.



For best audio quality, call in by phone



Questions? Ask away!



# Don't forget our survey





# Cindy McSwain

Cindy leads AGH's outsourcing services team.

10+ years experience in outsourcing accounting & payroll. 10+ years in audit. 5+ years in tax.

Member of AICPA, KSCPA, and numerous civic organizations.



# Sonia Phillips




Sonia leads AGH's payroll team, handling payroll processing, reporting and tax filings.


Expertise in both technology and employee benefits consulting as well as payroll.





# Welcome!



 **1099 compliance (11/16)**  
On-Demand webinar on aghuniversity.com

 **Fringe benefits webinar (12/2)**  
On-Demand webinar on aghuniversity.com

 **Year-end tax review (12/8)**  
On-Demand webinar on aghuniversity.com

 **Year-end payroll (12/16)**  
Today - Let's do this!



# Learning objectives

## Year-end processing tips & reminders

- Action list
- Compensation
- Year-end reporting requirements
- Reconciliations
- Critical dates & pitfalls

## What's new for 2022

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



Polling question # 1

Section 1 | Action list

# Critical steps to take before year-end



# Year-end action list

Now (2021)

- **Order** forms

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



Remember

# Year-end action list

Now (2021)

- **Order forms**  
(W-2, W-3, 1099s, ACA, states)
- **Identify** processing dates  
For last payroll of 2021



Remember

# Year-end action list

Now (2021)

- **Order forms**  
(W-2, W-3, 1099s, ACA, states)
- **Identify** processing dates  
For last payroll of 2020 <--IS THIS ACCURATE???
- **Holiday** schedules



Remember

# Year-end action list

December (2021)

- Obtain payments **made to employees** through A/P





# Year-end action list

December (2021)

- Obtain payments made to employees through A/P
- **Add** fringe benefits **and** other compensable items



# Year-end action list

December (2021)

- 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

Now (2021)

- **Reconcile** payroll bank account



# Year-end action list

Now (2021)

- 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 (2021)

- Reconcile payroll bank account
- Wage reconciliations
- Research and document **deadlines**



# Year-end action list

Now (2021)

- Reconcile payroll bank account
- Wage reconciliations
- Research and document **deadlines**
- Look at **last year's** file



Polling question #2

Section 2 | Compensation

# What you need to know





# Compensation breakdown

IRS Regulations §1.6-1

**Gross income**

**All income (unless excluded by law)**



# Compensation breakdown

IRS Regulations §1.6-1

**Gross income**

**All income (unless excluded by law)**

Money, property, and services



# Compensation breakdown

IRS Regulations §1.6-1

**Gross income**

**All income (unless excluded by law)**

Money, property, and services

**Income may be realized in the form of**

Services, meal, stock, cash, and other property



# Common fringe benefits

Educational assistance  
Professional licenses & dues  
Employee stock options  
Lodging  
Transportation  
Gift cards  
Cash  
Travel  
Gym memberships  
Working conditions  
Cell phones  
health & medical  
Equipment & allowances  
dependent care  
group term life insurance  
Commuting  
Meals  
de minimis benefits



# Fringe benefits & the IRS

Helpful resources for you



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



IRS Publication 5137 Fringe Benefit Guide

Updated Feb. 2020



IRS Form 14581-A Fringe Benefits Compliance Self-Assessment



# Paying employee taxes

- **Grossing up** earnings

- Gross earnings = Desired net payments  $\div$  (100% - total tax %)

- **Be careful** when:

- Nearing the \$200,000 additional Medicare tax wage threshold
- Nearing the \$1 million threshold for supplemental withholding



# Paying employee taxes

Gross Up Calculator		FIT Supplemental rate = 22%		KSSIT Supplemental rate = 5%									
<b>Things to consider:</b>													
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%	-
		<u>379.49</u>	<u>329.41</u>			<u>16,361.55</u>	<u>2,361.55</u>						

Section 3 | Helpful reminders

# Reporting requirements





# 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 & 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-provided health insurance**
  - Greater than 250 employees
  - Excludes Indian tribal governments
- **Deferred compensation**
- **Third-party sick pay**

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



# Year-end reporting issues

## Form W-2 Reference Guide for Box 12 Codes

<b>A</b>	Uncollected social security or RRTA tax on tips	<b>L</b>	Substantiated employee business expense reimbursements	<b>Y</b>	Deferrals under a section 409A nonqualified deferred compensation plan
<b>B</b>	Uncollected Medicare tax on tips (but not Additional Medicare Tax)	<b>M</b>	Uncollected social security or RRTA tax on taxable cost of group-term life insurance over \$50,000 (former employees only)	<b>Z</b>	Income under a nonqualified deferred compensation plan that fails to satisfy section 409A
<b>C</b>	Taxable cost of group-term life insurance over \$50,000	<b>N</b>	Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000 (but not Additional Medicare Tax) (former employees only)	<b>AA</b>	Designated Roth contributions under a section 401(k) plan
<b>D</b>	Elective deferrals under a section 401(k) cash or deferred arrangement plan (including a SIMPLE 401(k) arrangement)	<b>P</b>	Excludable moving expense reimbursements paid directly to members of the Armed Forces	<b>BB</b>	Designated Roth contributions under a section 403(b) plan
<b>E</b>	Elective deferrals under a section 403(b) salary reduction agreement	<b>Q</b>	Nontaxable combat pay	<b>DD</b>	Cost of employer-sponsored health coverage
<b>F</b>	Elective deferrals under a section 408(k)(6) salary reduction SEP	<b>R</b>	Employer contributions to an Archer MSA	<b>EE</b>	Designated Roth contributions under a governmental section 457(b) plan
<b>G</b>	Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan	<b>S</b>	Employee salary reduction contributions under a section 408(p) SIMPLE plan	<b>FF</b>	Permitted benefits under a qualified small employer health reimbursement arrangement
<b>H</b>	Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan	<b>T</b>	Adoption benefits	<b>GG</b>	Income from qualified equity grants under section 83(j)
<b>J</b>	Nontaxable sick pay	<b>V</b>	Income from exercise of nonstatutory stock option(s)	<b>HH</b>	Aggregate deferrals under section 83(i) elections as of the close of the calendar year
<b>K</b>	20% excise tax on excess golden parachute payments	<b>W</b>	Employer contributions (including employee contributions through a cafeteria plan) to an employee's health savings account (HSA)		

# ACA reporting requirements

- **Information reporting for 2021 by “applicable large employers”**
  - Generally greater than 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 March 2
- **Due to IRS** by:
  - Paper forms - end of February
  - Electronic - end of March



Polling question #3

Section 4 | Wages & tax

# Reconciling





# Wage & tax reconciliation

- **Logical tie-out of each wage bucket**
- **Reconcile each quarter**
- **Tie to compliance filings**  
941s, state returns, W-2s, etc.



# Wage & tax reconciliation

Earning Code	FIT	FICA	FHI	FUTA	SIT	SUI	Year End	FIT	FICA	FHI	FUTA	SIT	SUI
BEREAVEMNT	1	1	1	1	1	1	8,354.03	8,354.03	8,354.03	8,354.03	8,354.03	8,354.03	8,354.03
BIRTHDAY	1	1	1	1	1	1	15,508.46	15,508.46	15,508.46	15,508.46	15,508.46	15,508.46	15,508.46
BONUS	1	1	1	1	1	1	769,490.79	769,490.79	769,490.79	769,490.79	769,490.79	769,490.79	769,490.79
FRINGE_INS	1	1	1	1	1	1	82,923.00	82,923.00	82,923.00	82,923.00	82,923.00	82,923.00	82,923.00
FRNG_TXPRP	1	1	1	1	1	1	5,145.00	5,145.00	5,145.00	5,145.00	5,145.00	5,145.00	5,145.00
HOLIDAY	1	1	1	1	1	1	96,866.20	96,866.20	96,866.20	96,866.20	96,866.20	96,866.20	96,866.20
JURY	1	1	1	1	1	1	661.68	661.68	661.68	661.68	661.68	661.68	661.68
OT	1	1	1	1	1	1	29,886.77	29,886.77	29,886.77	29,886.77	29,886.77	29,886.77	29,886.77
OTHER	1	1	1	1	1	1	64,876.50	64,876.50	64,876.50	64,876.50	64,876.50	64,876.50	64,876.50
REGULAR	1	1	1	1	1	1	4,481,779.41	4,481,779.41	4,481,779.41	4,481,779.41	4,481,779.41	4,481,779.41	4,481,779.41
REIMB_EXP	0	0	0	0	0	0	23,347.00	0.00	0.00	0.00	0.00	0.00	0.00
SEVERANCE	1	1	1	1	1	1	21,490.40	21,490.40	21,490.40	21,490.40	21,490.40	21,490.40	21,490.40
SICK	1	1	1	1	1	1	79,013.02	79,013.02	79,013.02	79,013.02	79,013.02	79,013.02	79,013.02
SUBS_OHLTH	1	0	0	0	1	0	24,593.74	24,593.74	0.00	0.00	0.00	24,593.74	0.00
THPRTY_LT	1	0	0	0	1	0	10,323.60	10,323.60	0.00	0.00	0.00	10,323.60	0.00
VACATION	1	1	1	1	1	1	244,966.01	244,966.01	244,966.01	244,966.01	244,966.01	244,966.01	244,966.01
							<u>5,959,225.61</u>						

# Wage & tax reconciliation

Earning Code	FI	FI	FF	FD	SI	SU	Year End	FIT	FICA	FHI	FUTA	SIT	SUI
401K	-1	0	0	0	-1	0	283,017.20	-283,017.20	0.00	0.00	0.00	-283,017.20	0.00
401K_EECU	-1	0	0	0	-1	0	5,782.93	-5,782.93	0.00	0.00	0.00	-5,782.93	0.00
401K_EERTH	0	0	0	0	0	0	22,473.59	0.00	0.00	0.00	0.00	0.00	0.00
401K_ER	0	0	0	0	0	0	175,051.55	0.00	0.00	0.00	0.00	0.00	0.00
401K_LOAN	0	0	0	0	0	0	9,883.88	0.00	0.00	0.00	0.00	0.00	0.00
ADV_REPAY	0	0	0	0	0	0	400.00	0.00	0.00	0.00	0.00	0.00	0.00
CHILD_125	-1	-1	-1	-1	-1	-1	1,153.86	-1,153.86	-1,153.86	-1,153.86	-1,153.86	-1,153.86	-1,153.86
CHILD_SUP1	0	0	0	0	0	0	16,102.98	0.00	0.00	0.00	0.00	0.00	0.00
CHILD_SUP2	0	0	0	0	0	0	5,355.00	0.00	0.00	0.00	0.00	0.00	0.00
GARN_FEE	0	0	0	0	0	0	620.00	0.00	0.00	0.00	0.00	0.00	0.00
GARN_FIX	0	0	0	0	0	0	39,743.86	0.00	0.00	0.00	0.00	0.00	0.00
GARN_KS_P1	0	0	0	0	0	0	319.88	0.00	0.00	0.00	0.00	0.00	0.00
GARN_PCT1	0	0	0	0	0	0	160.00	0.00	0.00	0.00	0.00	0.00	0.00
GENESIS	0	0	0	0	0	0	2,070.00	0.00	0.00	0.00	0.00	0.00	0.00
HEALTH	0	0	0	0	0	0	15,873.44	0.00	0.00	0.00	0.00	0.00	0.00
HEALTH_125	-1	-1	-1	-1	-1	-1	261,403.58	-261,403.58	-261,403.58	-261,403.58	-261,403.58	-261,403.58	-261,403.58
HEALTH_ER	0	0	0	0	0	0	514,087.13	0.00	0.00	0.00	0.00	0.00	0.00
MEDSAV_125	-1	-1	-1	-1	-1	-1	5,134.66	-5,134.66	-5,134.66	-5,134.66	-5,134.66	-5,134.66	-5,134.66
YMCA_FAM	0	0	0	0	0	0	9,128.00	0.00	0.00	0.00	0.00	0.00	0.00
YMCA_SING	0	0	0	0	0	0	1,700.00	0.00	0.00	0.00	0.00	0.00	0.00
							<b>1,369,461.54</b>	<b>5,379,386.38</b>	<b>5,633,269.17</b>	<b>5,633,269.17</b>	<b>5,633,269.17</b>	<b>5,379,386.38</b>	<b>5,633,269.17</b>
												<b>SIT</b>	<b>SUI</b>
										State 1		5,251,581.31	5,500,040.72
										State 2		95,682.52	101,105.90
										State 3		32,122.55	32,122.55
												<b>5,379,386.38</b>	<b>5,633,269.17</b>

# Wage & tax reconciliation

Sample Company										
2017 Payroll Summary										
Per 941s	FEDERAL WAGES	FED INCOME TAX W/H	SS WAGES	SS TAX W/H	MEDICARE WAGES	MEDICARE TAX W/H	ADDL MC WAGES	ADDL MC TAX	3P SICK	941 Recon
1	1,198,397.94	129,395.77	1,256,895.66	155,855.06	1,256,895.66	36,449.97				321,700.80
2	1,290,372.43	145,745.75	1,356,348.00	168,187.15	1,356,348.00	39,334.09				353,266.99
3	1,393,828.94	188,831.14	1,279,290.92	158,632.07	1,462,659.23	42,417.12				389,880.33
4	1,496,787.07	216,269.70	1,184,598.24	146,890.18	1,557,366.28	45,163.62	211,720.23	1,905.48		410,228.98
	5,379,386.38	680,242.36	5,077,132.82	629,564.46	5,633,269.17	163,364.80	211,720.23	1,905.48	0.00	1,475,077.10
			W2 EE FICA	314,782.23	W2 EE FHI	83,587.88				
KANSAS	STATE WAGES	STATE INCOME TAX W/H	KS SUTA GROSS WAGES	SUTA TAX	FUTA TAX	FUTA PAYMENT				
1	1,177,406.68	37,024.55	1,234,728.62	29,442.59	4,480.74	4,480.74				
2	1,266,667.96	41,026.50	1,331,313.12	11,638.96	63.96	63.96				
3	1,364,168.71	46,683.28	1,431,674.84	491.41	67.77	67.77				
4	1,443,337.96	48,980.18	1,502,324.14	326.97	33.62	33.62				
	5,251,581.31	173,714.51	5,500,040.72	41,899.93	4,646.09	4,646.09				
LOUISIANA	STATE WAGES	STATE INCOME TAX W/H	SUTA GROSS WAGES	SUTA TAX						
1	20,991.26	593.07	22,167.04	37.73						
2	23,704.47	685.56	25,034.88	0.00						
3	23,585.72	683.06	24,909.88	0.00						
4	27,401.07	889.62	28,994.10	0.00						
	95,682.52	2,851.31	101,105.90	37.73						
			NOTE: LA L-3 rounds							
WAGES FOR W-3	5,347,263.83	KS and LA Only								
WH FOR W-3	176,565.82									
State Wages	5,379,386.38									
Federal Wages	5,379,386.38									
Diff	0.00									

Section 5 | Pitfalls to avoid

# Critical dates, penalties, & common errors



# Deadlines

Deadline	Item
Jan. 31, 2022	Q4 Forms 940 & 941
Jan. 31, 2022	Distribute W-2s to employees
Jan. 31, 2022	File paper W-2s with SSA
Jan. 31, 2022	Submit electronic W-2s to SSA



# Deadlines

## ACA forms

Deadline	Item
Mar. 2, 2022	Distribute ACA forms to employees <ul style="list-style-type: none"><li>• Permanent 30-day automatic extension</li><li>• May utilize for 2021 even though not finalized</li></ul>
Feb. 28, 2022	File paper forms
Mar. 31, 2022	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: 3.3%



# 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)



# Employer FICA tax deferral

50% of deferred amount is due 12/31/2021

- **IRS issued reminder notices**
- **New EFTPS category**
- **Payments need to be made by tax period**
- **Underpayment results in 15% penalty**



# Employer Retention Tax Credit

Retroactively terminated

- **Must repay** any reduced tax payments as if the payroll was **dated December 31, 2021**
- **Must repay** any advance payment **by due date** of applicable tax return **using Form 7200**



Section 6 | 2022 preparation

# Helpful reminders & info for 2022 payroll





# Prior to 1st payroll of the new year

- **Validate & test** tax updates



# Prior to 1st payroll of the new year

- **Validate & test** tax updates
- **Inquire** about additions to benefits package



# Prior to 1st payroll of the new year

- **Validate & test** tax updates
- **Inquire** about additions to benefits package
- **Input & test** new/changed benefits



# Prior to 1st payroll of the new year

- **Validate & test** tax updates
- **Inquire** about additions to benefits package
- **Input & test** new/changed benefits
- **Reset** accumulators



# 2022: Social security

	2021	2022
FICA rate	6.2%	6.2%
FICA wage base	\$142,800	\$147,000
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



# 2022: Retirement plans

	2021	2022
Elective deferral limit (401k, 403b, 457b, SEP)	\$19,500	\$20,500
Catch-up (401k, 403b, 457b, SEP)	\$6,500	\$6,500
Elective deferral limit (SIMPLE)	\$13,500	\$14,000
Catch-up (SIMPLE)	\$3,000	\$3,000
Annual compensation limit	\$290,000	\$305,000



# 2022: Mileage

	2021	2022
Business mileage	\$0.56	\$0.??
Charitable mileage	\$0.14	\$0. ??
Medical-related mileage	\$0.16	\$0. ??



# 2022: Standard deductions & exemptions

	2021	2022
Married, filing jointly or qualified widow(er)	\$25,100	\$25,900
Married, filing separately	\$12,550	\$12,950
Head of household	\$18,800	\$19,400
Single	\$12,550	\$12,950
Annual personal exemption	\$ --	\$ --





# 2022: Other

	2021	2022
Medical flexible spending	\$2,750	\$2,850
HSA contribution limit (self-only/family)	\$3,600 / \$7,200	\$3,650 / \$7,300
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			
Colorado	↑	New Jersey	↑
Hawaii	↑	New Mexico	↑
Idaho	↑	New York	↑
Iowa	↑	Oklahoma	↑
Kentucky	↑	Oregon	↑
Montana	↑	Utah	↑
Nevada	↑	Washington	↑

Not yet announced	
Alaska	North Dakota
Delaware	Rhode Island
Michigan	Tennessee
Minnesota	Vermont
North Carolina	Wyoming



# Minimum wage changes

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

Arizona	Minnesota
Connecticut	New Jersey
District of Columbia	New Mexico
Delaware	Nevada
Florida	Ohio
Illinois	Rhode Island
Massachusetts	South Dakota
Maryland	Virginia
Maine	Washington



# 2022: Other

- **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

Ok, team, we can do this...together!



# Thank you!



**Cindy McSwain**

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