

Preparing for year-end and 2023 payroll compliance

December 15
Webinar starts at Noon CT

Continuing education credits available

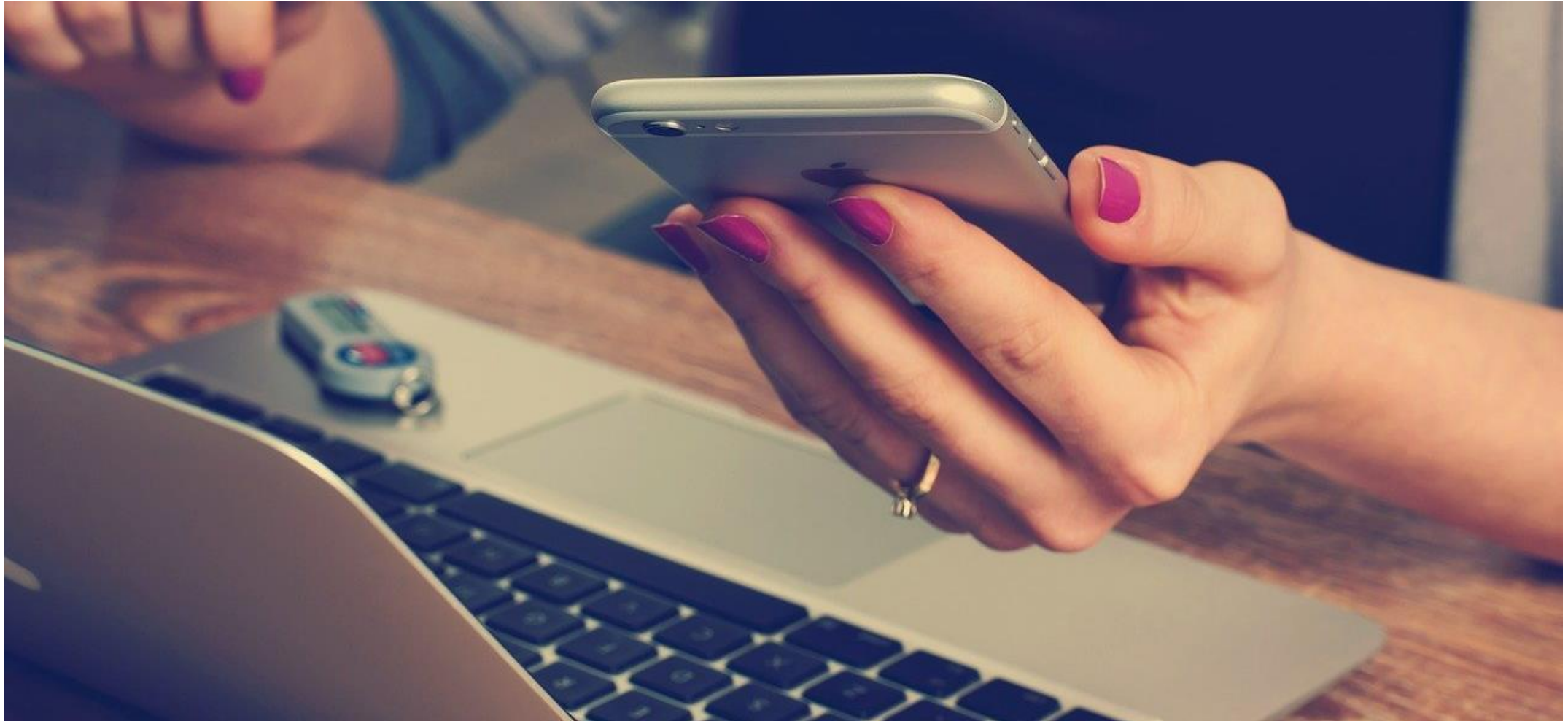
Please answer at least three polling questions.



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.





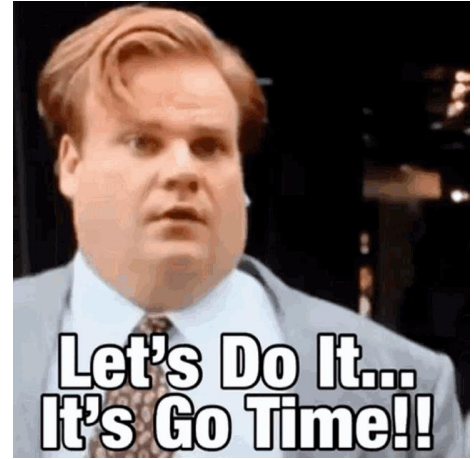
Pamela Nelson

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


Expertise in customer service, customer benefits, and 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 payroll (12/15)**
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 2023

- 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 (2022)

- **Order** forms

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



Remember

Year-end action list

Now (2022)

- Order forms
(W-2, W-3, 1099s, ACA, states)
- **Identify** processing dates
For last payroll of 2022



Remember

Year-end action list

Now (2022)

- Order forms
(W-2, W-3, 1099s, ACA, states)
- Identify processing dates
For last payroll of 2022
- **Holiday** schedules



Remember

Year-end action list

December (2022)

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



Year-end action list

December (2022)

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



Year-end action list

December (2022)

- 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 (2022)

- **Reconcile** payroll bank account



Year-end action list

Now (2022)

- 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 (2022)

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



Year-end action list

Now (2022)

- 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)

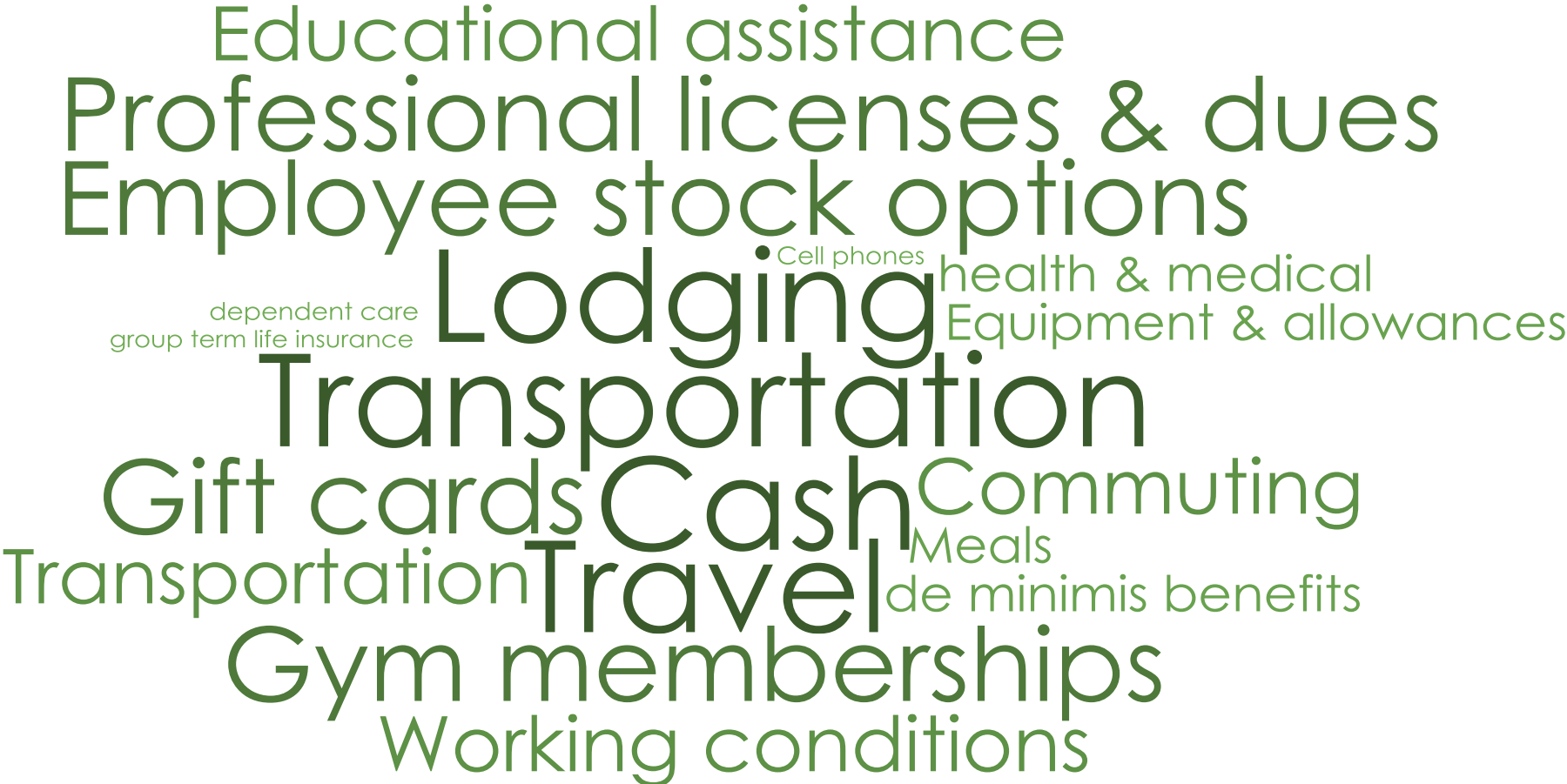
Money, property, and services

Income may be realized in the form of

Services, meal, stock, cash, and other property

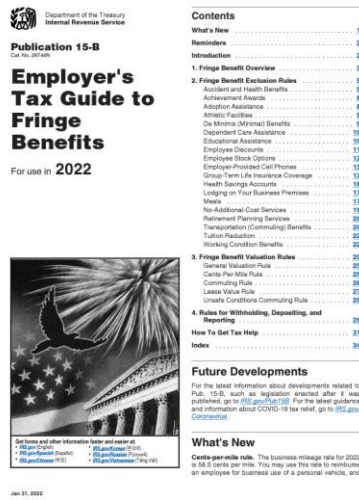


Common fringe benefits



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



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%											
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						

Section 3 | Helpful reminders

Reporting requirements



Year-end reporting issues

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



Year-end reporting issues

Form W-2 Reference Guide for Box 12 Codes

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

ACA reporting requirements

- Information reporting for 2022 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	FE	FE	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
							1,369,461.54	5,379,386.38	5,633,269.17	5,633,269.17	5,633,269.17	5,379,386.38	5,633,269.17
												SIT	SUI
										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
												5,379,386.38	5,633,269.17

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, 2023	Q4 Forms 940 & 941
Jan. 31, 2023	Distribute W-2s to employees
Jan. 31, 2023	File paper W-2s with SSA
Jan. 31, 2023	Submit electronic W-2s to SSA



Deadlines

ACA forms

Deadline	Item
Mar. 2, 2023	Distribute ACA forms to employees <ul style="list-style-type: none">• This is a permanent 30-day automatic extension
Feb. 28, 2023	File paper forms
Mar. 31, 2023	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	\$588,500	\$206,000
31 days late - Aug. 1	\$110	\$1,766,000	\$588,500
After Aug.1 or not at all	\$290	\$3,532,500	\$1,177,500
Intentional disregard	\$580	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 **\$290 per return** for each return over 249
- **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 for state payments **up to 5.4%**
- Reduction of state credit:
 - Federal loans **not repaid by November 10 of 2nd year** after loan
 - **0.3% reduction** for each year not repaid thereafter



FUTA credit reduction states

- California – .3%
- Connecticut – .3%
- Illinois – .3%
- New York – .3%
- U.S. Virgin Islands – 3.6%



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



Employee retention tax credit

- Basics:

- 2020 – up to \$5,000 per employee for the year
- 2021 – up to \$7,000 per employee per quarters (for Q1, Q2, and Q3)
 - Recover start-up businesses also eligible for Q4 for 2021

- Eligibility

1. Significant decline in gross receipts (as defined)
2. Fully or partially suspended operations due to government orders (as defined)



Employee retention tax credit

- Specialty Firms (some known as “ERC Mills”) – focusing on **wide and aggressive application** of the Suspension of Operations Test
- \$2 trillion fraud – could be **one of the largest tax-related scams** in US History
- IRS now starting to audit these claims



Section 6 | 2022 preparation

Helpful reminders & info for 2023 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



2023: Social security

	2022	2023
FICA rate	6.2%	6.2%
FICA wage base	\$147,000	\$160,200
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



2023: Retirement plans

	2022	2023
Elective deferral limit (401k, 403b, 457b, SEP)	\$20,500	\$22,500
Catch-up (401k, 403b, 457b, SEP)	\$6,500	\$7,500
Elective deferral limit (SIMPLE)	\$14,000	\$15,500
Catch-up (SIMPLE)	\$3,000	\$3,500
Annual compensation limit	\$305,000	\$330,000



2023: Mileage

	2022	2023
Business mileage	\$0.625	\$0.??
Charitable mileage	\$0.14	\$0.??
Medical-related mileage	\$0.22	\$0.??



2023: Standard deductions & exemptions

	2022	2023
Married, filing jointly or qualified widow(er)	\$25,900	\$27,700
Married, filing separately	\$12,950	\$13,850
Head of household	\$19,400	\$20,800
Single	\$12,950	\$13,850
Annual personal exemption	\$ --	\$ --



2023: Other

	2022	2023
Medical flexible spending	\$2,850	\$3,050
HSA contribution limit (self-only/family)	\$3,650 / \$7,300	\$3,850 / \$7,750
HSA catch-up (55+)	\$1,000	\$1,000
High deductible health plan minimum deductibles (self-only/family)	\$1,400 / \$2,800	\$1,500 / \$3,000
Federal unemployment wage base	\$7,000	\$7,000



State unemployment wage base

Changes announced			
Arizona	↑	New Mexico	↑
Colorado	↑	New York	↑
Iowa	↑	Oklahoma	↑
Missouri	↓	Vermont	↓
Montana	↑	Washington	↑
New Jersey	↑	Wyoming	↑

Not yet announced	
Alaska	Minnesota
Arkansas	North Carolina
Delaware	North Dakota
Hawaii	Oregon
Idaho	Rhode Island
Illinois	Tennessee
Kentucky	Utah
Michigan	



Minimum wage changes

States with minimum wage changes (Effective 1/1/2023 unless otherwise noted)			To Be Determined
Alaska	Maryland	New York	District of Columbia
Arizona	Massachusetts	Ohio	Michigan
California	Minnesota	Rhode Island	Nevada
Colorado	Missouri	South Dakota	Oregon
Delaware	Montana	Vermont	Puerto Rico
Florida	Nebraska	Virginia	
Illinois	New Jersey	Washington	
Maine	New Mexico		



Polling question #4

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



Thank you!



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[/in/cindymcswain](#)



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