

Preparing for Year-End and 2015 Payroll Compliance



Cindy K. McSwain,
Vice President,
Outsourcing Services



Sonia J. Phillips,
Payroll Manager,
Outsourcing Services

About the Speakers



Cynthia McSwain leads Allen, Gibbs & Houlik, L.C.'s (AGH) outsourcing services group. Her team provides payroll, accounting, funds disbursement, controller, and other financial outsourcing services to numerous clients throughout the Midwest.



Sonia Phillips and her team handle payroll processing, reporting and tax filings for multi-state companies. She has developed a variety of operational, management and executive information systems projects within and outside the employee benefits industry.

Objectives

Preparing for year-end

Compensation

Reconciliations and other action steps

Critical dates

What's new for 2015

Updated limits and rates

ACA reporting requirements

Polling Question #1



December 31 is Coming



Year-end Action List: Now (2014)



Order Forms

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

Year-end Action List: Now (2014)



Order Forms
(W-2 & W-3, 1099s, states)



Identify processing dates
For last payroll of 2014

Year-end Action List: Now (2014)



Order Forms
(W-2 & W-3, 1099s, states)



Identify processing dates
For last payroll of 2014

Year-end Action List: Dec (2014)



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

Year-end Action List: Dec (2014)



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



**Add fringe benefits
and other
compensable items**

Year-end Action List: Dec (2014)



Obtain payments made to employees through A/P



Add fringe benefits and other compensable items



Test any YE system updates

Year-end Action List: Now (2014)



**Reconcile payroll
bank account**

Year-end Action List: Now (2014)



**Reconcile payroll
bank account**



**Wage
reconciliations**

Year-end Action List: Now (2014)



**Reconcile payroll
bank account**



**Wage
reconciliations**



**Research and
document deadlines**

Year-end Action List: Now (2014)



**Reconcile payroll
bank account**



**Wage
reconciliations**



**Research and
document deadlines**



**Look at last
year's file**

Year-end Action List: Now (2015)



**Prepare payroll calendar
for 2015**

Year-end Action List: Now (2015)



**Prepare payroll calendar
for 2015**



**Identify first payroll
of 2015**

Polling Question #2



Compensation



“...all income from whatever source derived, including (but not limited to) compensation for services, including fees, commissions, fringe benefits, and similar items...”

(IRC §61)

Compensation



“...gross income means all income from whatever source derived, unless excluded by law. Gross income includes income realized in any form, whether in money, property or services. Income may be realized, therefore, in the form of services, meals, accommodations, stock, or other property, as well as cash.”

(IRS Regulations §1.61-1)

Compensation



Gross Income



(IRS Regulations §1.61-1)

Compensation

Gross Income

All income
(Unless excluded
by law)

(IRS Regulations §1.61-1)

Compensation

Gross Income

All income
(Unless excluded
by law)

Money

Property

Services

(IRS Regulations §1.61-1)

Compensation

Gross Income

All income
(Unless excluded
by law)

Income may be
realized in the form of

Money

Property

Services

(IRS Regulations §1.61-1)

Compensation

Gross Income

All income
(Unless excluded
by law)

Income may be
realized in the form of

Money

Property

Services

Services

Meals

Stock

Cash

Other
property

(IRS Regulations §1.61-1)

Fringe Benefits



Department of the Treasury
Internal Revenue Service

Publication 15-B

Cat. No. 29744N

Employer's Tax Guide to Fringe Benefits

For use in **2014**

**Search for
IRS Publication 15-B
and Publication 5137
at www.IRS.gov**

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Fringe Benefits

No dollar limit on de minimis fringe benefits

All cash benefits are taxable.

Date of “payment” optional for non-cash benefits as long as reported at least annually.

Withholding on fringe benefits

Add to regular wages

Optional flat tax rate (25% fed)



Common Fringe Benefits



Working conditions



De minimis benefits

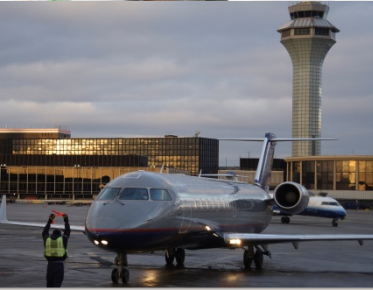


Employee discounts



Qualified transportation

Common Fringe Benefits



Health &
Medical

Travel

Transportation

Moving

Common Fringe Benefits



Meals & lodging

Employee vehicle

Equipment & allowances

Awards & prizes

Common Fringe Benefits



Supplemental Wage Payments

**Anything that isn't
regular wages**

Bonus

Back pay

Commissions

**Federal withholding at
25%**

**State withholding –
check the rates**



Paying Employee Taxes

Grossing up earnings

$$\text{Gross earnings} = \frac{\text{Desired net payments}}{(100\% - \text{total tax}\%)}$$

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

Year-End Reporting Issues

Employer-provided health insurance

Greater than 250 employees

Excludes Indian tribal governments

Deferred compensation

Third-party sick pay

IRS FAQs available at
<http://www.irs.gov/newsroom/article/0,,id=237894,00.html>

Polling Question #3



Wage and Tax Reconciliation



**Logical tie-out of
each wage bucket**

**Reconcile each
quarter**

**Tie to compliance
filings**

(941s, state returns,
W-2s, etc)

Wage and Tax Reconciliation

Earning Code	FIT	FICA	FHI	FUTA	SIT	SUI	Year End	FIT	FICA	FHI	FUTA	SIT	SUI
AUTO_ALLOW	1	1	1	1	1	1	369,823.99	369,823.99	369,823.99	369,823.99	369,823.99	369,823.99	369,823.99
BEREAVEMNT	1	1	1	1	1	1	13,256.28	13,256.28	13,256.28	13,256.28	13,256.28	13,256.28	13,256.28
BONUS	1	1	1	1	1	1	787,200.17	787,200.17	787,200.17	787,200.17	787,200.17	787,200.17	787,200.17
DOUBLETIME	1	1	1	1	1	1	21,308.78	21,308.78	21,308.78	21,308.78	21,308.78	21,308.78	21,308.78
FRINGE_AUTO	1	1	1	1	1	1	32,810.25	32,810.25	32,810.25	32,810.25	32,810.25	32,810.25	32,810.25
HOLIDAY	1	1	1	1	1	1	362,958.65	362,958.65	362,958.65	362,958.65	362,958.65	362,958.65	362,958.65
INCENTIVE	1	1	1	1	1	1	9,027.96	9,027.96	9,027.96	9,027.96	9,027.96	9,027.96	9,027.96
JURY	1	1	1	1	1	1	459.00	459.00	459.00	459.00	459.00	459.00	459.00
MILITARY	1	1	1	1	1	1	49.28	49.28	49.28	49.28	49.28	49.28	49.28
MOVE_ALLOW	1	1	1	1	1	1	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
OT	1	1	1	1	1	1	1,780,504.27	1,780,504.27	1,780,504.27	1,780,504.27	1,780,504.27	1,780,504.27	1,780,504.27
REGULAR	1	1	1	1	1	1	12,881,655.81	12,881,655.81	12,881,655.81	12,881,655.81	12,881,655.81	12,881,655.81	12,881,655.81
RETROPAY	1	1	1	1	1	1	3,737.46	3,737.46	3,737.46	3,737.46	3,737.46	3,737.46	3,737.46
SCHOOL	1	1	1	1	1	1	190,017.39	190,017.39	190,017.39	190,017.39	190,017.39	190,017.39	190,017.39
SICK	1	1	1	1	1	1	61,734.60	61,734.60	61,734.60	61,734.60	61,734.60	61,734.60	61,734.60
SUBS_OHLTH	1	0	0	0	1	0	48,296.52	48,296.52	-	-	-	48,296.52	-
TRAVEL	1	1	1	1	1	1	51,692.71	51,692.71	51,692.71	51,692.71	51,692.71	51,692.71	51,692.71
VACATION	1	1	1	1	1	1	483,949.75	483,949.75	483,949.75	483,949.75	483,949.75	483,949.75	483,949.75
WC	1	1	1	1	1	1	4,660.00	4,660.00	4,660.00	4,660.00	4,660.00	4,660.00	4,660.00
							17,104,142.87						

Qtr	FEDERAL Wages	Income Tax Withheld	SS Wages	SS Tax Withheld	Medicare Wages	Tax Withheld	Add'l MC Wages	Add'l MC Tax Withheld	3PS	Calculated Tax
1	4,311,814.11	493,518.25	4,458,686.31	552,877.10	4,458,686.31	129,301.90			0.00	1,175,697.25
2	3,541,952.26	444,301.82	3,535,728.66	438,430.35	3,631,399.53	105,310.59			0.00	988,042.76
3	4,236,017.07	507,750.99	4,040,397.99	501,009.35	4,342,095.52	125,920.77	32,846.20	295.62	0.00	1,134,976.73
4	3,990,813.11	521,880.08	3,407,559.80	422,537.42	4,037,371.00	117,083.76	381,729.19	3,435.56	0.00	1,064,936.82
	16,080,596.55	1,967,451.14	15,442,372.76	1,914,854.22	16,469,552.36	477,617.02	414,575.39	3,731.18	0.00	4,363,653.56
				957,427.11 <-- W2		242,539.69 <-- W2				

Qtr	STATE #1 Wages	State Income Tax Withheld	SUTA Gross Wages	SUTA Tax
1	1,842,388.06	61,767.70	1,927,387.25	58,440.93
2	1,538,575.19	53,919.03	1,581,812.10	5,171.32
3	1,831,341.10	66,025.53	1,883,625.02	6,141.38
4	1,565,956.69	51,140.11	1,596,793.69	4,414.74
	6,778,261.04	232,852.37	6,989,618.06	74,168.37

Qtr	STATE #2 Wages	State Income Tax Withheld (B4 discount)	State Discount	SUTA Gross Wages	SUTA Tax	Special Tax Assess
1	2,326,342.97	94,477.00	572.00	2,378,724.92	51,456.94	
2	1,885,990.91	72,453.00	362.00	1,926,671.31	10,319.26	1,013.32
3	2,259,333.72	88,949.00	445.00	2,306,485.21	8,178.86	
4	2,304,820.75	93,079.00	466.00	2,315,991.79	6,013.60	
	8,776,488.35	348,958.00	1,845.00	8,927,873.23	75,968.66	382.37
	Net State 2		\$ 347,113.00			

Quarter	Local Wages	Local Tax Withheld
1	294,556.32	2,945.61
2	219,412.31	2,194.18
3	259,841.02	2,598.41
4	227,149.30	2,271.51
	1,000,958.95	10,009.71

Qtr	STATE #3 Wages	State Income Tax Withheld	SUTA Gross Wages	SUTA Tax
1	143,083.08	5,469.90	152,574.14	5,460.89
2	117,386.16	4,479.00	122,916.12	2,337.28
3	145,342.25	5,730.00	151,985.29	478.06
4	120,035.67	4,543.00	124,585.52	165.77
	525,847.16	20,221.90	552,061.07	8,442.00

Quarter	FUTA Tax	FUTA PMT
1	12,301.04	12,301.04
2	961.23	961.23
3	1,498.97	1,498.97
4	13,442.49	13,442.49
	28,203.73	28,203.73

Total State Wages	Compared to Fed Wages	Diff
16,080,596.55	16,080,596.55	0.00

Total State WH For W-3
602,032.27

Deadlines

Deadline	Item
02/02/15	Q4 Form 941 and 940 (01/31)
02/02/15	Distribute W-2s to employees (01/31)
03/02/15	File paper W-2s with SSA (02/28)
03/31/15	Submit electronic W-2s with SSA

Electronic Reporting of W-2s

Required for employers with 250 or more

Encouraged for others

Electronic Reporting of W-2s

Required for employers with 250 or more

Encouraged for others

Penalties:

\$100 penalty per W-2 up to \$1,500,000

FUTA Credit Reduction States

FUTA rate is 6.0% of first \$7,000 of wages.

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

State	Initial Date of Loan	Became Credit Reduction State	2014 Credit Reduction
California	01/2009	2011	1.2%
Connecticut	10/2009	2011	1.7%
Indiana	12/2008	2010	1.5%
Kentucky	01/2009	2011	1.2%
New York	01/2009	2011	1.2%
North Carolina	02/2009	2011	1.2%
Ohio	01/2009	2011	1.2%
Virgin Islands	08/2009	2011	1.2%

Common Errors

State compliance issues

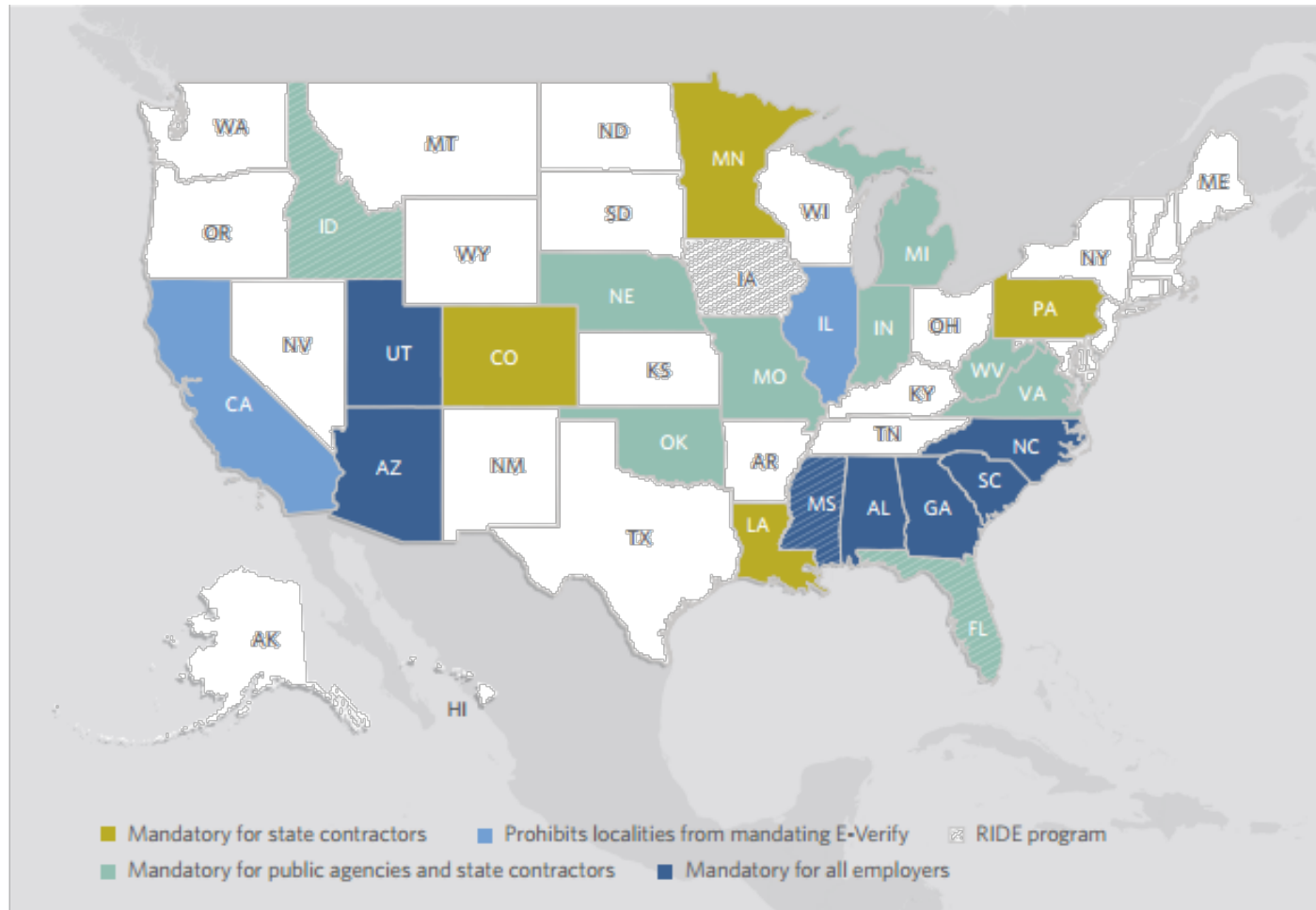
Not including applicable fringe benefits

SSNs not matching to W-2s

SSAs Social Security Number Verification
Service (SSNVS)

E-Verify (employment eligibility)

E-Verify State Requirements



Sources: National Conference of State Legislatures, 2014; American Association of Motor Vehicle Administrators, 2014

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What's New



Prior to 1st Payroll of New Year



**Validate and test
tax updates**

Prior to 1st Payroll of New Year



**Validate and test
tax updates**



**Inquire about additions
to benefits package**

Prior to 1st Payroll of New Year



**Validate and test
tax updates**



**Inquire about additions
to benefits package**



**Input and test
new/changed benefits**

Prior to 1st Payroll of New Year



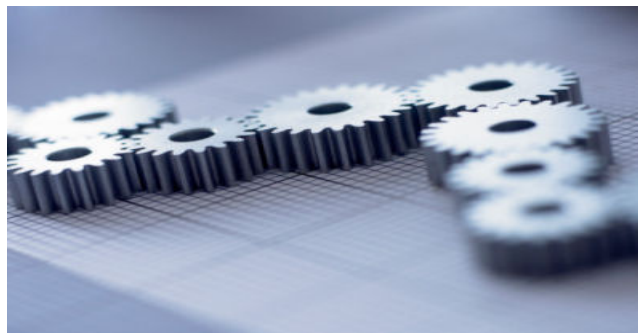
**Validate and test
tax updates**



**Inquire about additions
to benefits package**



**Input and test
new/changed benefits**



**Reset
accumulators**

2015: Social Security

	2014	2015
FICA rate	6.2%	6.2%
FICA wage base	\$117,000	\$118,500
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

2015: Retirement Plans

	2014	2015
Elective deferral limit (401k, 403b, 457b, SEP)	\$17,500	\$18,000
Catch-up (401k, 403b, 457b, SEP)	\$5,500	\$6,000
Elective deferral limit (SIMPLE)	\$12,000	\$12,500
Catch-up (SIMPLE)	\$2,500	\$3,000
Annual compensation limit	\$260,000	\$265,000

2015: Mileage

	2014	2015
Business mileage	\$0.56	Not yet released
Charitable mileage	\$0.14	\$0.14
Relocation-related mileage	\$0.235	Not yet released
Medical-related mileage	\$0.235	Not yet released

2015: Standard Deductions & Exemptions

	2014	2015
Married, filing jointly or qualified widow(er)	\$12,400	\$12,600
Married, filing separately	\$6,200	\$6,300
Head of household	\$9,100	\$9,250
Single	\$6,200	\$6,300
Annual personal exemption	\$3,950	\$4,000

2015: Other

	2014	2015
Medical flexible spending	\$2,500	\$2,550
Federal Unemployment Wage Base	\$7,000	\$7,000

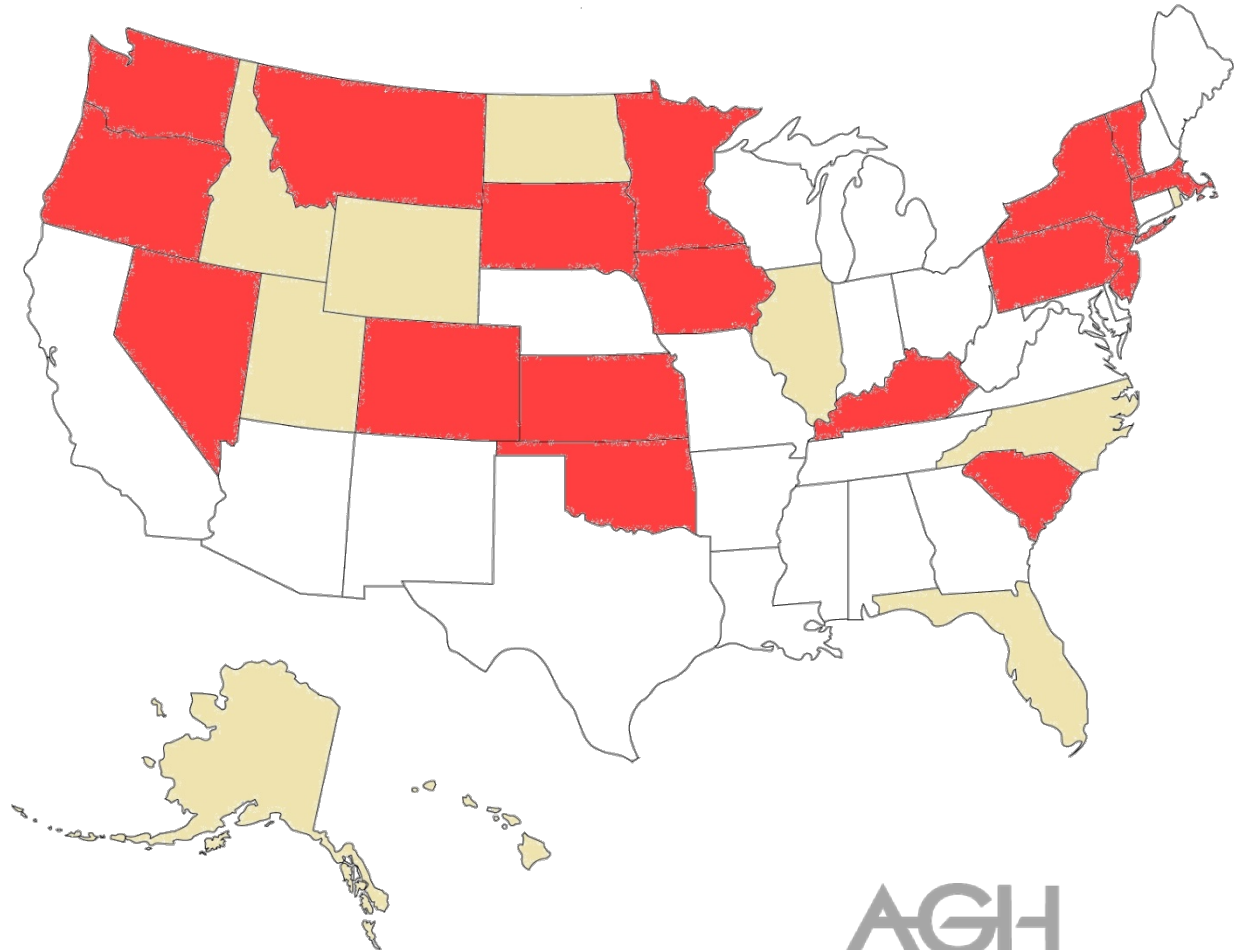
State Unemployment Wage Base

Changes		Not Yet Announced	
Colorado	Oklahoma	Alaska	Illinois
Iowa	Oregon	Florida	North Carolina
Kansas	Pennsylvania	Hawaii	North Dakota
Kentucky	Rhode Island	Idaho	Virgin Islands
Massachusetts	South Carolina		
Minnesota	South Dakota		
Montana	Utah		
Nevada	Vermont		
New Jersey	Washington		
New York	Wyoming		

State Unemployment Wage Base

Changed

Not yet
announced



ACA Reporting Requirements

Information reporting for 2015 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

Form 1095-C

(1094-C transmittal)

**Due to employees by
January 31, 2016**

**Due to IRS by
February 28, 2016**

(March 31st if filed
electronically)

Optional for 2014



ACA Reporting Requirements

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

Employer-Provided Health Insurance Offer and Coverage

▶ Information about Form 1095-C and its separate instructions is at www.irs.gov/1095c.

VOID

CORRECTED

600115
 OMB No. 1545-2251

2014

Part I Employee

1 Name of employee		2 Social security number (SSN)
3 Street address (including apartment no.)		
4 City or town	5 State or province	6 Country and ZIP or foreign postal code

Applicable Large Employer Member (Employer)

7 Name of employer		8 Employer identification number (EIN)
9 Street address (including room or suite no.)		10 Contact telephone number
11 City or town	12 State or province	13 Country and ZIP or foreign postal code

Part II Employee Offer and Coverage

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)													
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)													

ACA Reporting Requirements

Part III Covered Individuals

If Employer provided self-insured coverage, check the box and enter the information for each covered individual.

(a) Name of covered individual(s)	(b) SSN	(c) DOB (If SSN is not available)	(d) Covered all 12 months	(e) Months of Coverage											
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
17			<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"/>
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"/>

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

Cat. No. 60705M

Form **1095-C** (2014)

Polling Question #4



No Worries



Thank you!

Cindy K. McSwain

Vice President, Outsourcing Services

 cindy.mcswain@aghlc.com

 <http://www.linkedin.com/in/cindymcswain>

 [@AGHCindy](https://twitter.com/AGHCindy)

Sonia J. Phillips

Payroll Manager, Outsourcing Services

 sonia.phillips@aghlc.com

 <http://www.linkedin.com/in/soniajphillips>

 (316) 267-7231