




2014/2015

Year-End Planning Guide



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November 2014

Dear Client:

Enclosed you will find our 2014 planning guide. Please use this guide to ensure a smooth and accurate year-end. You must return the [PLANNING GUIDE CHECK-OFF FORM](#) at the end of this guide to our office by **Friday, December 5, 2014**. If you intend to process any special/adjustment payroll(s) affecting payroll data for the year 2014, please make sure you indicate if you will have changes on line 3 on the check-off list form found on page 10 of this guide, and call your Payroll Specialist to add any necessary check dates.

Please read through this guide carefully and utilize the check-off list to be sure you have reviewed all items presented. Also, pay special attention to the client reminder sheet, to make sure you have done everything necessary to have an accurate year-end.

If you became a new client to Paypro in 2014 and converted mid-year, please be sure the information provided at conversion time is accurate. Verify that all of your employees' wages and taxes are correct in the system.

Please feel free to call or write anytime with any questions, comments, or suggestions you may have. Client feedback is always appreciated and will help us continue to provide you with the best service, support and solutions.

All of us at Paypro would like to wish you and your organization a happy and healthy holiday season.

Sincerely,

Paypro Corporation

HOW TO USE THIS GUIDE

This guide is provided to assist you in remembering all of your year-end adjustments. We strongly recommend you review all of this information carefully. Please review this guide with your accounting department or accounting firm.

All adjustments made after December 26, 2014 may result in penalties from tax agencies and additional charges by Paypro for correcting or revising returns, etc.

Paypro will begin processing quarterly returns and W-2s immediately following your last scheduled payroll for 2014. If you plan on having changes, you must notify us in writing by completing and returning the [PLANNING GUIDE CHECK-OFF FORM](#) at the end of this guide by **December 5, 2014**. Paypro will acknowledge receipt of this form to you by **5:00 pm on December 12, 2014**.

Once quarterlies and W-2s are processed, requests for re-runs will be charged at a minimum of \$300.00 (based on items adjusted).

WHAT YOU NEED TO DO:

HOW DO I DETERMINE WHICH PAYROLL IS THE FINAL PAYROLL OF THE YEAR?

For W-2 earnings and tax purposes, payroll checks dated December 31st and earlier are considered 2014 earnings. Checks dated January 1st or later are considered 2015 earnings. Therefore, your last payroll dated in the month of December is your final payroll.

WHICH ITEMS WILL AFFECT THE ACCURACY OF MY W-2 FORMS?

1. THIRD PARTY SICK PAY

Contact your disability insurance carrier for summaries of all sick pay made by a third party. Review the information provided by your insurance carrier. **IMPORTANT: ONLY RECORD OR PROVIDE PAYPRO WITH DISABILITY PAYMENTS TO BE INCLUDED ON YOUR EMPLOYEE'S W-2.** If you have entered third party sick pay throughout the year, **ONLY** enter or report to Paypro the additional amounts. If you have a question about what to enter, contact your Payroll Specialist. This information must be reported so your employee's year to date earnings are correct. The employer's portion of FICA must be deposited, as well as reported in the 4th quarter for accurate quarterly returns and W-2s.

2. MANUAL CHECKS

Verify that all manual payroll checks have been included and reported during the year.

3. FRINGE BENEFITS

Please check with your accounting department or accounting firm to determine if any adjustments/payments for fringe benefits need to be recorded. Fringe benefits include personal use of company car, group term life insurance, subchapter S corporation medical insurance premiums, reimbursement for moving expenses and dependent care benefits. If you are a [FAX/AUTO](#) client, forward all of this information to Paypro immediately.

4. VOID CHECKS

Verify that any payroll checks that were voided throughout 2014 have been voided in your records. If you need to void a check for a terminated employee, make sure there are enough wages reported in the current quarter to offset the voided check(s). **YOUR QUARTERLY RETURNS CANNOT BE FILED WITH NEGATIVE WAGES REPORTED FOR ANY EMPLOYEES.** Should you need further clarification, please contact your Payroll Specialist.

5. BONUS CHECKS

Companies preparing bonus payrolls should advise their Payroll Specialist of exactly how these items would be taxed. Remember to block any automatic deductions or earnings if applicable. If you are a [FAX/AUTO](#) client, submit the attached **Bonus Deductions Edit Form** to your Payroll Specialist, so that your bonuses are issued correctly.

PAYROLL ADJUSTMENT INFORMATION

Year End/Bonus Payroll adjustments processed during the months of November and December will be billed at the standard batch 2 fee of \$59.00 plus normal processing and delivery fees.

Year End/Bonus Payroll adjustments processed from **December 26, 2014 through January 8, 2015** will be billed at a batch 2 fee of \$125.00 plus normal processing and delivery fees.

AFTER JANUARY 8, 2015, COMPANIES WHO PROCESS ADDITIONAL PAYROLLS WILL NOT BE GUARANTEED DELIVERY OF THEIR W-2S BY JANUARY 31, 2015.

POTENTIAL PENALTIES AND INTEREST FOR LATE PAYMENTS

If you are increasing your payroll liability for the fourth quarter with an adjustment processed after December 31, 2014, the additional taxes due will be late and your company is responsible for any and all penalties and interest applicable to this situation. Also, should the federal liabilities of any adjustment processed after your last normal payroll of December 2014 result in the new aggregate federal liabilities exceeding \$100,000, the total taxes will be considered late and your company is responsible for any and all penalties and interest applicable to this situation.

PAYROLL TAX REFUNDS FROM YEAR-END ADJUSTMENTS

If you are decreasing your payroll liability for the fourth quarter with an adjustment made after your last normal payroll processed, any overpayment of taxes will be refunded to you directly from the tax agency involved.

PAYROLL LIABILITIES FOR BONUS AND YEAR-END PAYROLL

Should you need to process a payroll for year-end bonuses and/or adjustments, either as a separate process or included in a normal payroll cycle, please be aware that you may need to wire the funds to our escrow accounts the day before the check date. We will require a bank wire if the corresponding taxes and direct deposits related to that process are **30% higher** than your normal payroll taxes and direct deposit liabilities. In addition, please make sure you schedule any additional payroll processes at least 2 business days before the check date.

PLEASE CONSULT WITH YOUR PAYROLL SPECIALIST BEFOREHAND IF YOU BELIEVE THIS MAY APPLY TO YOUR COMPANY.

COST OF EMPLOYER-SPONSORED HEALTH COVERAGE – FORM W-2 REPORTING

The Affordable Care Act requires employers to report the cost of coverage under an employer-sponsored group health plan. Reporting the cost of health care coverage on the Form W-2 does not mean that the coverage is taxable. The value of the employer's excludable contribution to health coverage continues to be excludable from an employee's income, and it is not taxable. This reporting is for informational purposes only and will provide employees useful and comparable consumer information on the cost of their health care coverage.

Employers that provide "applicable employer-sponsored coverage" under a group health plan are subject to the reporting requirement. This includes businesses, tax-exempt organizations, and federal, state and local government entities (except with respect to plans maintained primarily for members of the military and their families).

TRANSITION RELIEF

For certain smaller employers (those preparing fewer than 250 W-2 forms) the IRS has continued to make this requirement optional in 2014.

REPORTING ON THE FORM W-2

The value of health care coverage will be reported in Box 12 of the Form W-2, with Code DD to identify the amount. There is no reporting on the Form W-3 of the total of these amounts for all the employer's employees.

In general, the amount reported should include both the portion paid by the employer and the portion paid by the employee.

An employer is not required to issue a Form W-2 solely to report the value of the health care coverage for retirees, other employees or former employees to whom the employer would not otherwise provide a Form W-2.

SHOULD YOU NEED MORE INFORMATION, PLEASE CONTACT YOUR PAYROLL SPECIALIST.

2015 LIMIT CHANGES

Below are the wage base limits for 2015 as announced by the Social Security Administration:

- **OASDI PORTION:** 6.2% up to \$118,500.00 – maximum tax \$7,347.00
- **MEDICARE PORTION:** 1.45% with no limit on wages - no maximum tax
- **ADDITIONAL MEDICARE TAX:** 0.9% FOR ALL WAGES PAID IN EXCESS OF \$200,000.
(Please Note: This tax is for employees only, employers will not pay this extra tax)
- **401(k), 403(b), 457:**
 - The **maximum contribution** to the above mentioned plans have been increased to **\$18,000.00**
 - The **maximum Catch-Up contributions for individuals age 50 or over** have been increased to **\$6,000.00**
 - The **maximum contribution to Simple Plans**, (Saving Incentive Match Plans) have been increased to **\$12,500.00**
 - The **maximum Catch-Up contributions for Simple Plans for individuals age 50 or over** have been increased to **\$3,000.00**
- **COMMUTER REIMBURSEMENT ACCOUNTS:**
 - Transit Benefit Program limits remain unchanged at **\$130.00 a month, or \$1,560.00 per year.**
 - Qualified Parking limits remain unchanged at **\$250.00 a month, or \$3,000.00 per year.**

PLEASE NOTE: THE ABOVE LIMITS ARE AS OF THE PUBLISH DATE NOVEMBER 1, 2014. PLEASE CONSULT WITH YOUR TAX ADVISOR TO DETERMINE IF ANY OF THE ABOVE LIMITS HAVE BEEN REVISED.

IMPORTANT: FOR ALL PC/WEB CLIENTS, PLEASE MAKE SURE YOU ADJUST ANY ANNUAL LIMIT OVERRIDES WITH YOUR PAYROLL SPECIALIST AS OF JANUARY 1, 2015 TO THE ABOVE LIMITS. SHOULD YOU HAVE ANY QUESTIONS, PLEASE CONTACT YOUR PAYROLL SPECIALIST.

W-2 EDIT REPORT

As part of the year-end process, we have provided you with a W-2 Edit Report for your review on the Paypro portal. **Please verify the following:**

- **Spelling of employee's first and last name**
- **Accuracy of Social Security numbers - Please review ALL employees' Social Security numbers. For your convenience, we have attached to the W-2 Edit Report a list of employees who may have an incorrect Social Security Number. This list may not be complete.**

Incorrect Social Security numbers will cause penalties to be imposed by the Social Security Administration.

Note: Every employee MUST have a Social Security Number.

- **Accuracy of employee addresses**
- **Employee's pension participation**
- **Indication of whether the employee is overtime exempt or not**

To All Fax/Auto Clients - Should you find an error, please make the correction on the W-2 Edit Report where indicated and fax the correction to your Payroll Specialist. Make sure your Payroll Specialist has received your corrections and please request another W-2 Edit Report from your Payroll Specialist.

To All PC/Web Clients - Since you have access to your employees' data, you must correct any errors you find. Accordingly, should you have any questions about how to make the correction, please contact your Paypro Payroll Specialist.

PAYPRO WILL NOT BE RESPONSIBLE FOR MAKING ANY CORRECTIONS FOR PC/WEB CLIENTS.

Please review the "W-2 Box Check" report we have provided. If there are earning or deduction codes which should be displayed in a particular box, please indicate as such and return to us as soon as possible. You should contact your tax advisor with any questions regarding these items.

W-2 PREVIEWS

If you would like to **PREVIEW** your W-2s for 2014, please check off number 1 on the "Planning Guide Check-Off List" found on page 10. Previews will be billed at 30 cents per employee. Only requests for ALL employees can be granted, we cannot provide previews for just one individual. Please note, W-2 previews will reflect your employees' earnings through the payroll processed at the time of the request. **THEY MAY NOT BE THE FINAL FIGURES RECORDED ON YOUR EMPLOYEES' FINAL W-2.**

NOTIFY PAYPRO IN WRITING OF ANY OTHER EMPLOYEE INFORMATION WHICH PERTAINS TO YOUR W-2 FORMS!

W-2 PROCESSING AND SORT ORDER

We will begin processing your 2014 W-2 forms the first week of January 2015, unless you specify otherwise. When we process your W-2 forms they will be sealed and sorted in alphabetical order: last name, first name. If you wish, we can sort your W-2s by department then last name, first name. If you would like your W-2s sorted by department please indicate so by checking off number 5A on the Planning Guide Check-Off Form on page 10. The cost of processing your 2014 W-2 forms will be \$50.00 setup and \$3.95 per W-2 form produced.

H&R BLOCK COUPON

Paypro is pleased to announce its continued partnership with H&R Block. As an added incentive for your employees, we will include an H&R Block coupon on your organization's W-2s that can be used to receive certain discounts.



PDF W-2s

Paypro can provide you with an organization-wide copy of your employees' W-2s on our portal. PDF files of your W-2s provide you with an opportunity to reduce your time spent organizing, copying, locating and distributing a W-2 for your employees. You can lookup your employee by name or social security number and re-print any W-2 when needed. W-2s in PDF format will be billed at \$30.00 setup and 40 cents per employee. If you're interested in W-2s in PDF format, please check-off number 6 on the Planning Guide Check-Off Form. *Please Note: W-2s in PDF format will not be generated until approximately the last week of January. This is a PDF copy of your employees' paper W-2s.*

PROCESSING 1099 FORMS

Paypro can report your 1099 payments for non-employee compensation (1099 misc.) and retirement payments (1099-R) to the Internal Revenue Service. In order for us to provide you with 1099 forms you must record the payments as an earnings code 1099 through the payroll system. Should you have a question in regards to setting up this code or how to record your 1099 payments, please contact your Payroll Specialist. **Remember, employees cannot be paid regular earnings and 1099 earnings under the same employee ID.** 1099 forms will be billed at \$150.00 setup and \$3.95 per 1099 form issued. If you would like us to prepare your 1099 forms, please check-off number 2A on the Planning Guide Check-Off Form on page 10. **Paypro is not responsible for determining which individuals qualify as a non-employee. Please consult with your accountant or tax advisor with respect to the IRS rules concerning independent contractors.** *Please Note: 1099 forms will not be generated until approximately the last two weeks of January.*

PDF 1099s

Paypro can provide you with a copy of your non-employees' 1099s on our portal. You can lookup your non-employee by name or social security number and re-print any 1099 when needed. 1099s in PDF format will be billed at \$150.00 setup and 40 cents per non-employee. If you're interested in 1099s online please check-off number 2B on the Planning Guide Check-Off Form. *Please Note: 1099s online will not be generated until approximately the last week of January.*

W-2 REFERENCE GUIDE

Below is a quick reference listing of identification codes used in Box 12:

Code A	Uncollected Social Security taxes on tips
Code B	Uncollected Medicare taxes on tips
Code C	Taxable cost of group term life insurance over \$50,000.00
Code D	Elective deferrals to a section 401(k) cash or deferred arrangement (including a SIMPLE 401(k) arrangement)
Code E	Elective deferrals to a section 403(b) salary reduction agreement
Code F	Elective deferrals to a section 408(k)(6) salary reduction SEP
Code G	Elective deferrals to a section 457 (b) deferred compensation plan
Code H	Elective deferrals to a section 501(C)(18)(D) tax-exempt organization plan
Code J	Sick Pay not included as income (Non-Taxable)
Code K	Tax on excess golden parachute payments
Code L	Non-taxed portion of employee business expense – (substantiated)
Code M	Uncollected Social Security taxes on group term life insurance over \$50,000.00 for former employees
Code N	Uncollected Medicare taxes on group term life insurance for over \$50,000.00 for former employees
Code P	Excludable reimbursed moving expenses
Code Q	Nontaxable combat pay
Code R	Employer contributions to an Archer medical savings account
Code S	Employee salary reductions for a Section 408(p) SIMPLE retirement account
Code T	Employer provided (or employee salary reductions for) adoption expenses
Code V	Income from exercise of non-statutory stock option(s)
Code W	Employer and Employee contributions to an employee's health savings plan
Code Y	Deferrals under section 409A nonqualified deferred compensation plan
Code Z	Income under section 409A on a nonqualified deferral compensation plan
Code AA	Designated Roth contributions to a section 401(k) plan
Code BB	Designated Roth contributions under a section 403(b) salary reductions agreement
Code DD	Cost of employer-sponsored health coverage
Code EE	Designated Roth contributions under a governmental section 457(b) plan

CONTACT YOUR TAX ADVISOR FOR ADVICE ON HOW TO IDENTIFY WAGES AND BENEFITS ON FORM W-2. BE SURE TO NOTIFY YOUR PAYROLL SPECIALIST AS EARLY AS POSSIBLE. THE ABOVE W-2 REFERENCE GUIDE IS AS OF OCTOBER 24, 2014 AS PUBLISHED BY THE INTERNAL REVENUE SERVICE.

JOIN PAYPRO'S COMPLIMENTARY YEAR-END WEBINAR

To assist you with a smooth year-end, Paypro is providing a FREE year-end webinar to all clients. Topics that will be covered in the webinar include:

- How to create a year-end plan
- How to minimize year-end penalties
- Recording of fringe benefits and third party sick pay
- W-2 reporting and other information needed for a successful year-end

The webinar is being held on:

- **Thursday, November 20th at 10 am**
- **Friday, November 21st at 10 am**

To register or for more information, please [click here](#).

AVOID DELIVERY ISSUES THIS WINTER- GO PAPERLESS!

What if there is a way to guarantee that your employees' pay information is available in case of inclement weather or other outside influences while also gaining the added benefits of efficiency and cost savings?

There is!

With Paypro's Paperless Solutions you don't have to worry about inclement weather or other, unforeseen circumstances delaying or even preventing delivery of your employees' pay information.

Taking these steps will eliminate a lot of unnecessary worry:

- **Direct Deposit Services**— Conveniently pay your employees via direct deposit eliminating paper and stress!
- **Payroll Debit Card**—For those employees who don't have a banking relationship and can not be put on direct deposit, this will replace the need for live checks. Your employee's pay is deposited into an account that can be accessed by a PIN protected debit card. It's simple, secure and paperless!
- **You've Got Paid®**—Securely distribute your employees' pay information electronically even when your office is closed. Save money on delivery charges, postage and time spent manually distributing paper vouchers. Also included with this service is the ability for your employees to securely and confidentially access, view and print their W-2s!
- **E-Z File**— Access your organization's quarterly tax returns on-line. Print and save returns on demand.

Ensure that you are prepared this winter! Be worry-free and enjoy the efficiencies, security and cost savings of Paypro's Paperless Solutions.

To get started or for more information, please [click here](#).

BONUS DEDUCTIONS EDIT FORM – FOR FAX/ AUTO CLIENTS ONLY

For our FAX/AUTO clients who wish to process an additional bonus payroll, please use this form and fax it to us at least 2 business days prior to your check date. To our PC Clients, use this form as a checklist when preparing your bonus payroll.

Check Date _____ (Must be processed minimum of 2 business days prior to check date)

Period Beginning date _____ Period Ending Date _____

Bonus payroll processed as a second check? (Circle one) Yes No

Override pay frequency to: W____, B____, S____, Q____.
Choices: Weekly, Biweekly, Semi-monthly, Quarterly

Block direct deposit YES NO

Block 401(k) YES NO

Or, list deductions/earnings to block:

_____ - _____ - _____ - _____ - _____ - _____ - _____ - _____ - _____

Federal tax supplemental rate for wage payments below \$1 million is 25.0% and over \$1 million the rate is 35.0%. State tax supplemental rate is based on individual states (New York is 9.62%, New York City is 4.25%).

Block taxes? (Circle your choice)

Federal: yes / no State: yes / no Local: yes / no SDI*: yes / no

***Note: SDI can only be blocked in NY and HI. Employer taxes can NEVER be blocked.**

Note: Social Security and Medicare Taxes can NEVER be blocked!! Many states have Unemployment, Disability, Health Care, Workforce and Local Taxes which also can NEVER be blocked!!!

Is this a request for net to gross amounts?* YES / NO ***I understand there is an additional charge of \$3.75 per check.**

All bonus payrolls **MUST BE PROCESSED BY DECEMBER 12, 2014.** An additional \$59.00 service fee will be charged for each separate bonus run processed plus normal processing and delivery fees.

Signature, Print Name, Title

Date

Company ID and Company Name

PLANNING GUIDE CHECK-OFF FORM

MUST BE EMAILED/FAXED ON OR BEFORE DECEMBER 5, 2014

PLEASE COMPLETE, PRINT AND SIGN

Company #: _____ Company Name: _____ Payroll Rep: _____

Client Signature _____ Company Fax # _____

1. ____ Please send me a preview of my **2014 W-2s** at a cost of 30 cents per employee.
(W-2 previews will only be processed up to December 12, 2014.)

2. A ____ I request Paypro to process my **1099 Forms**. I understand these will run at the end of **January**.

B ____ In addition to our normal 1099s on paper, please provide us with 1099s via PDF. I understand that there is an additional charge of \$150.00 setup and 40 cents per employee **and that they will be available separately from our paper 1099s at the end of January.**

3. Select one: I have reviewed my calendar and **WILL/WILL NOT** have changes to my check dates, process dates or delivery dates due to the holidays or bonus payrolls. I have attached changes if needed. I understand this could effect month/quarter/year-end reporting.

4. ____ I understand I must notify Paypro in writing if I need to keep 2014 open for any reason. Adjustments after 12/26/14 may have additional service fees regardless of written notification. Please indicate below whether Paypro should keep your year open.

Please keep my year open. YES _____ NO _____

****PLEASE NOTE: BATCH 2 FEES STILL APPLY FOR PROCESSING ADJUSTMENT PAYROLLS EVEN IF YOU KEEP YOUR YEAR OPEN****

5. A ____ Please sort our W-2s by Department then Last Name, First Name.

B ____ Please sort our W-2s in Alphabetical order.

6. ____ In addition to our normal W-2 on paper, please provide us with W-2s online. I understand there is an additional charge of \$30.00 setup and 40 cents per employee **and that they will be available separately from our paper W-2s at the end of January.**

Fax Entire Page to (631) 777-1103 or Email to csr@payprocorp.com

NOTE: MUST BE FAXED OR EMAILED ON OR BEFORE DECEMBER 5, 2014

Paypro Use Only:

Assign Confirmation # _____

Posted to file _____

PAYPRO RECEIPT DATE ____/____/____

PAYPRO APPROVAL _____

CLIENT REMINDER CHECKLIST

THIS IS FOR YOUR USE ONLY, DO NOT RETURN THIS SHEET TO PAYPRO

1. ____ I have reviewed my W-2 Edit report. If I am a **FAX/Auto** client, I have faxed the changes to my Payroll Specialist.
2. ____ I have reviewed my W-2 Edit report. If I am a **PC/Web** client, I have made my employee changes.
3. ____ My accounting department has reviewed the W-2 boxes. If there are any changes, I have faxed the changes to my Paypro Payroll Specialist.
4. ____ I have verified that I have **Fringe Benefits**. I have verified the appropriate taxation and W-2 box designation. I understand this must be entered into payroll before I close my year.
5. ____ I have verified that all manual and voided checks have been posted.
6. ____ I contacted my insurance carrier regarding **3rd party sick pay** and I will record the payments promptly.
7. ____ I have returned the **Planning Guide Check-Off Form** to my Paypro Payroll Specialist and have advised them whether or not I will have adjustments for 2014 and need to keep my year open.