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2022

YEAR-END HR GUIDE

It's Year-End Season

Year-end processing consists of additional HR requirements to ensure your company is compliant with HR procedures, payroll processing, payroll taxes, and the Affordable Care Act (ACA).

Using This Guide

Each year, thousands of HR managers trust APS as their source for year-end HR, benefits, tax, and ACA processing. This guide provides user-friendly information to help you more efficiently manage year-end HR processing and compliance more efficiently.

For your convenience, we have organized this guide so you can track and manage your year-end HR tasks month by month:

- October + November
- December
- January + February

- Additional Resources
- Year-End HR Checklist

These sections highlight essential year-end payroll tasks and provide additional resources for more information.

Disclaimer
All information, suggestions, and descriptions of the law included in this guide are intended as informative summaries and do not constitute legal advice to any current, past, or prospective client of the author or customer or prospective customer of Automatic Payroll Systems, Inc. on any particular issue. Any action taken or contemplated in connection with any benefits tracking or employer legislative requirements issue should be discussed in advance with your legal counsel.

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Verify Company Information

Verify the following information for your company:

- Tax Ids
- Legal name
- Legal address
- Federal, state, and local (if applicable) tax identification numbers
- State unemployment rates

Check with your provider to see if you have access to this information in your Quarterly Tax Packet. If you find an error, let your provider know so they can help you correct it.

Verify Employee and Contractor Information

Audit employee and contractor data to ensure you do not miss critical Form W-2 information like complete Social Security numbers, employee names, and addresses. The Internal Revenue Service (IRS) may impose a penalty for each Form W-2 with a missing or incorrect Social Security number or employee name. If there are errors, you would then be subject to the following penalties:

Tax Year	Up to 30 Days Late	31 Days Late Through August 1	After August 1 or Not Filed	Intentional Disregard
2023	$50	$110	$290	$580
2022	$50	$110	$280	$570
2021	$50	$110	$280	$560
2020	$50	$110	$270	$550
2019	$50	$100	$270	$540
2018	$50	$100	$260	$530
2017	$50	$100	$260	$530
2016	$50	$100	$260	$520
2011-2015	$30	$60	$100	$250

Last updated 6/13/22 on the IRS website

The maximum penalty differs for small and large businesses, and there is no maximum penalty for intentional disregard. See the IRS' website for more details.

We Are Here to Help

Find more useful information online www.apspayroll.com | Be sure to utilize the Year-End HR Checklist at the back of this document.

Employee Forms W-2 and 1095-C must match what social security cards.

For example, if an employee's name is hyphenated on their social security card but not on their Form W-2 or Form 1095-C, the IRS will return this as an error. Failure to verify this information as correct may result in penalties.

If you are not careful, these types of errors can add up to a sizable penalty. Employers can garner updated addresses from a new W-4 if an employee's withholding allowances have changed or will change next year. Remind employees to fill out a new W-4 if their situation has changed:

- Ensure employee names are correct.
- Confirm accuracy of employee addresses.
- Confirm accuracy of employee Social Security numbers.

✎ Year-End Tip

Employers need to make sure all employee data is accurate so that they can avoid W-2 reprint fees. Employers who use a payroll processing company may have an online service where employees can review and correct data. If so, encourage your employees to use it as a means to review and edit critical data.

Questions? Call or Click   ✈ **aps** | 855.945.7921 | apspayroll.com

W-2 and 1099-NEC Filing Deadlines

Due Date	Deadline
January 31st	Supply W-2s to employees and ex-employees who worked in 2022. Supply 1099s to independent contractors who worked in 2022, as well as other payees. e-File or file paper W-2s and 1099s.

It is recommended you distribute W-2s and 1099s **before the due dates**. Mail or e-File copies of Forms W-2 and 1099 with government agencies. Send W-2s and W-3s to the Social Security Administration. Submit 1099s along with Form 1096 to the IRS. You may also have to mail or e-File copies of these forms to a specific state(s), along with any state transmittal forms required, so check the requirements. Many localities also require copies of informational returns, so double-check this as well.

Form 940 Filing Deadlines

Due Date	Deadline
January 31st	Submit Form 940 and deposit FUTA if your company owes any remaining amount. If you deposited all the FUTA tax when due, then you have 10 additional calendar days to file Form 940.

Submit Form 940 for Federal Unemployment Insurance (FUTA). The FUTA tax rate is 0.6 percent, which applies to the first $7,000 in wages you paid each employee during the year. However, if you did not pay your state unemployment taxes on time, your FUTA rate will increase to 6.0 percent.

For additional information, please visit our FUTA Credit Reduction page. If your company owes more than $500 in FUTA tax for the calendar year, you must deposit at least one quarterly payment. View the IRS's Publication 940 Employer's Annual Federal Unemployment (FUTA) Tax Return for more information.

⊕ Something to Consider

If your company is filing 250 or more Form W-2s, the Social Security Administration (SSA) requires electronic filing unless granted a waiver. You may file electronic W-2s using the SSA's Business Services Online (BSO) website. There is no charge for this service, and you can register online.

Prepare for Benefits Renewal and Open Enrollment

This timeline can vary depending on your company's benefits year. Review benefits renewals with current carriers and prepare eligible employee/participant census to market a group for optional coverage.

Carriers require a complete census showing all eligible employees and all employees currently enrolled in benefits, including:

- The birthdates and genders of all employees, spouses, and dependents
- Zip codes for residence and work-site locations

Utilize your benefits administration system to conduct your benefits renewal reviews and prepare your census. Doing so will ensure all your data is accurate before submitting benefits plan information to your providers.

How APS Can Help

If your organization is not utilizing a benefits administration system, conducting open enrollment can be a challenge. APS' Benefits Administration houses this necessary information in a truly unified database, making it easy to manage the following:

Online Open Enrollment: Cloud-based open enrollment is available for organizations with multiple locations in one state or across multiple states.

Multiple Plans: Design your benefits plans and assign employees to their respective plans. Employees can view only the information that applies to them.

Employee Self Service: Employees can access the system with a simple internet connection, securely log in, and choose elections in a matter of minutes.

Online Document Management: The APS Doc Vault allows for additional benefits information to be loaded into the system for employees to access.

Comprehensive Reporting: APS' Report Manager houses 80+ out-of-the-box reporting forms, depending on HR needs. The Report Builder allows you to easily create, store, and email reports.

We Are Here to Help

Find more useful information online www.apspayroll.com | Be sure to utilize the Year-End HR Checklist at the back of this document.

Prepare for ACA Annual Reporting

Determine if you had <u>50 or more full-time and full-time equivalent (FTE) employees</u> in the previous calendar year and what type of insurance (self-insured or fully insured) you offered. If your provider offers an FTE Calculator, you can use it to determine how many full-time and FTE employees you had in the previous calendar year. Using this number and the type of coverage you offer, determine what forms you must use to report:

50 or More Employees: Complete and file Forms 1095-C and 1094-C.

Less Than 50 Employees (Self Insured): Complete and file Forms 1095-B and 1094-B.

Less Than 50 Employees (Fully Insured): Insurer is responsible for filing on behalf of the employer.

Less Than 50 Employees (No Insurance): Reporting is not required.

🔍 Year-End Tip

When the combined total of full-time and FTE employees in a controlled group is 50 or more, each individual employer is subject to reporting.

If you are required to report, gather the information you need to complete the applicable forms and determine which reporting method you will be using. Depending on how you report, you will need to compile data, including:

- Employee's name, SSN or date of birth (if SSN is unavailable), and address.

- Employer's name, EIN, telephone number, and address.

- The months in which the employer offered coverage.

- The employee's share of the monthly premium for self-only coverage (in some instances).

- The months in which a safe harbor (or other situation) applied (e.g., the employee was not a full-time employee).

ACA Annual Reporting Deadlines

Due Date	Deadline
January 31st (automatic extension to March 2nd)	Supply Forms 1095-C to employees.
February 28th*	File paper Forms 1095-C with transmittal Form 1094-C.**
March 31st*	e-File Forms 1095-C with transmittal Form 1094-C.**

Employers that file 250+ information returns with the IRs are required to file them electronically.
**Filers can obtain a 30-day extension with the IRS by submitting Form 8809 by the filing due date.

Check out our online Year-End HR Resources. for more information about ACA annual reporting options, requirements, and penalties.

How APS Can Help

APS' Affordable Care Act solution takes the complexity out of the ACA. Our error-checking algorithm ensures codes are valid and data is formatted correctly for reporting. Accurately capture and report health plan coverage information to the IRS with pre-populated forms. ACA tracking has never been easier. We'll even e-file for you.

Review Employee Classifications

Review employee classifications regularly to ensure compliance. Refer to the duties tests and guidance provided by the Department of Labor to manage your employee classification.

Review Medicare Part D Reporting

For employer-sponsored plans providing prescription drug coverage, Medicare Part D reporting is due on October 15. Also, distribute creditable coverage disclosure notices to Medicare-eligible participants on October 15. The Centers for Medicare and Medicaid Services (CMS) provides guidance and sample notice forms.

Conduct Budget Planning for Next Year

Now is the time of year to start reviewing your existing budget and planning for next year. Here are some things to consider:

Consult All Departments: You need a clear picture of what is required to run each department smoothly.

Estimate Your Revenues for the Year: Know how your company is ending the year to determine the budget needed to reach next year's revenue goals.

Determine Your Expenses: Some expenses are concrete, while others can be moving targets. Take everything into consideration when coming up with a figure.

Don't Forget Other Expenditures: Factor items like computers, company vehicles, and furniture into budgeting.

Calculate Your Cash Flow: Generating your existing income statement is essential to determining your projected cash flow for the following year.

Be Conservative in Your Budget: It's helpful to have optimistic projections for the next year and be realistic. Leave some wiggle room just in case company goals are not met.

Start Planning Early: Ideally, you want to begin discussing the budget in October to ensure there is as much detail as possible. However, it's never too late to start, as an annual budget should be monitored and adjusted.

Monitor and Evaluate: Don't create a budget just to forget about it in a few months. It's essential to monitor your budget to see how things are trending and make necessary changes.

Review and Update Files for Compliance

Review and modify existing records, documents, and systems for updated laws, regulations, internal operations, jobs, compensation, benefits, and employees' situations:

Policies: Review policies in your employee handbook and make changes according to new or modified laws, regulations, or internal operations.

Job Descriptions: Modify job descriptions if any employee's job duties, titles, or FLSA exemption status have changed.

Compensation and Payroll: Adjust payroll to reflect changes in salary/wage adjustments, merit increases, minimum wage increases, and changes to withholding for benefits or taxes.

Benefits: Change benefit levels for defined contribution and benefit plans; adjust benefit contributions; and modify plans per healthcare reform provisions.

Performance Reviews: Update employees' files with their year-end performance review. Document the evaluation in your HR information system (or another applicable database).

Rewards and Training: Update employees' files and your HR information systems/databases with their documented rewards, recognition, training, and development from this past year.

Employee Information: Update employees' addresses, personal, demographic, and emergency information in your HRIS or files.

Submit State Unemployment Tax Rate Change Notices

For most states, the computation date used to determine SUI tax rates for the 2023 calendar year is June 30, 2022.

Because of the unprecedented volume of initial claims during the COVID pandemic, the accumulation of benefits may significantly impact calendar year 2023 rates. You must provide any rate change notices you receive to your provider as soon as possible.

Review Your Information for ACA Annual Reporting

If you have determined you need to report, review your information to avoid any errors. If your payroll provider offers ACA reporting with an error-checking algorithm, you can automatically perform the following tasks:

Complete your Form 1094-C.

Import and populate your 1095-C data.

Review your 1095-C forms, make edits, correct any conflicts, or manually add a 1095-C.

Approve and print your 1094-C and 1095-C forms for distribution to employees and reporting to the IRS.

Review Record Retention Standards

Verify your department is adhering to record retention standards by keeping or purging individual records each year. Below are record retention guidelines with the length of time to keep records and which documents to retain:

Length of Time	Records to Keep
One Year	Physical Exam Results; Employment tests, results, and validation; ADA applications and other personnel records and requests for reasonable accommodation (keep for one year after personnel action).
Two Years	VETS-100; Applications, resumes, other inquiries sent to employer; help wanted ads, job opening notices, notices for opportunities for training, promotions, overtime, job opening notices sent to employment agencies or labor unions; employee personnel files (including hiring, disciplinary warnings, promotions, demotions, discharges, training, tests, physicals, transfers, layoffs and recalls, job evaluations, merit systems, seniority systems)
Three Years	I-9s (or one year after termination); FMLA documentation (3 years after hire or one year after termination); polygraph tests; business records, including yearly total sales volume, total goods purchased; union contracts, and individual employee contracts
Five Years	Drug Testing; OSHA forms 101, 200, 300A, and 301; compensation insurance or occupational injury or disease; first aid records of job injuries causing loss of work time

Review Record Retention Standards (Cont.)

Six Years	Standard ERISA documents (benefits plan, disclosure of Plan Description, Annual Reports Summary of Annual Reports, and Summary Plan Description).
Seven Years	Employee wage records (time cards, wage rate tables, shift schedules, hours, and days), records explaining wage differentials, deductions from pay, all payroll records
30 Years	Required medical exams and exposure records (OSHA).

Review Retirement Plan Contributions

Review your retirement plan contributions and prepare annual or semi-annual employer contributions to retirement plans.

Repayment of Deferred Payroll Taxes

To give people a needed temporary financial boost, the Coronavirus, Aid, Relief, and Economic Security (CARES) Act allowed employers to defer payment of the employer's share of Social Security tax. You should receive an IRS Notice LTR3064C indicating the balance due and payment dates for each applicable period.

Employers can make deferral payments through the Electronic Federal Tax Payment System, credit or debit card, money order, or check. These payments must be separate from other tax payments to ensure they are applied to the deferred payroll tax balance. IRS systems won't recognize the payment if it's included with other tax payments or sent as a deposit.

EFTPS has an option to select deferral payment and change the date to the applicable tax period. A separate notice is sent for each period, along with a coupon to send with payments by mail. The second half of the repayment is due in Q4 of 2022. Please visit the IRS website for more information.

Prepare for Forms W-2 and 1099-NEC Distribution

Reconcile your accounts and prepare for W-2s and 1099s to be distributed to employees and contractors in January. You'll also want to take this time to prepare employer-required tax filings.

January & February

Conduct Strategic Planning

Review existing policies and procedures, accrual balances, and next year's communications to employees, including holiday schedules and pay schedules. Plan for operations, upcoming projects, and strategic/continuous improvement initiatives. These may include:

Planning Topic	What to Review
Hiring and Staffing	Meet with your hiring managers to evaluate their staffing needs by department and plan sourcing strategies. Consider retirements, terminations, promotions, turnover, company strategy, and other changes to staffing levels.
Training and Development	Review employee development plans, training needs, or requests, performance reviews, or training needs assessments to evaluate training needs. Schedule training and development activities for 2023.
Employee Relations	Plan an employee engagement survey to evaluate morale. Plan, schedule, and update critical employee events, activities, initiatives, paid holidays, etc. Distribute attendance and vacation calendars/planners to supervisors and managers.
Performance Management	After finishing reviews, plan for the next performance management cycle, including goal setting for 2023. Work with managers to schedule follow-up, feedback, and support activities to enhance performance.
Management Development	Review exit surveys, employee feedback, and other information about managers. Schedule recently promoted supervisors or managers requiring additional training for supervisory training or leadership development.
Compensation	Evaluate compensation and incentive practices for each of your employees and plan new pay programs. Schedule which salary surveys you will participate in next year. Budget for 2023 pay adjustments and merit increases.
Benefits	Review ACA compliance and reporting regulations in effect in 2023 and schedule dates and tasks for compliance. Plan your benefits strategy forthe upcoming year, including benefit additions, enhancements, and removals.
Compliance	Conduct an HR audit. Review federal and state compliance trends for 2023. Plan proactive efforts to maintain compliance or modifications to existing practices to ensure compliance.
Continuous Improvement	Plan initiatives (like deploying an HRIS) to streamline and make HR processes more efficient. Enhance processes and systems to reduce errors and improve the quality of deliverables. Evaluate vendors for HR services. For other systems in use, install updates for the most efficient use of systems and reporting.

Review OSHA Form 300A for Annual Reporting

Review your company's OSHA Form 300A for the required annual posting from February 1 – April 30 in a common area for employees.

How APS Can Help

APS provides a tracking system that makes it easy to manage work-related injuries and illnesses. The APS system generates the required OSHA reports in the format needed for simplified OSHA reporting.

Post Updated Federal and State Compliance Posters

It is essential to post the appropriate compliance posters, or employers may be subject to penalties. Depending on the employer, these posters may include:

- Job Safety and Health Protection (OSHA)
- Equal Employment Opportunity
- Fair Labor Standards Act (FLSA)
- Family Medical Leave Act (FMLA)

Visit the Department of Labor (DOL) for assistance with poster compliance requirements. Ensure you also visit your state's labor department page to determine which state compliance posters you must post.

Conduct Forecasting for Future Hiring Needs

When forecasting future hiring, it's essential to look at your company's current and future goals. Are you planning for growth? Most companies want sustainable expansion from year to year. The way to achieve those goals and stay on target is to grow your workforce. Here are some questions to consider when planning for future hiring:

Will your company launch new products that will require additional talent for a smooth process?

Is your company planning to expand into other states or open other locations?

What is your current employee turnover rate?

Do you anticipate any changes in your workforce? For example, do you have several employees who will be retiring soon?

Is your company planning to invest in any new technology? For example, are you planning to implement new HR software next year?

Are there going to be any changes to your company's goals going into next year?

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How APS Can Help

APS Hire provides a complete applicant tracking, recruiting, and onboarding system to recruit, hire, and onboard talent for your company:

- Find the best candidates for the job quickly.
- Create an onboarding process tailored to your company's needs.
- Build a solid recruiting strategy using high-level dashboards and detailed reports.

Review and Update Employee Deductions

The first payroll of the year is an opportune time to review and update your employee deductions. You'll want to check deductions like:

Medical

Dental

Life Insurance

Retirement deductions like 401(k)

Other voluntary deductions

Review and Update Retirement Plan Catch-Up Contributions

Retirement plan regular and catch-up contributions will deduct automatically out of the first payroll for 2023. Review your retirement plans, report any changes needed, and submit those updates to your first payroll for 2023.

Finish ACA Reporting

Make sure you wrap up ACA annual reporting and filing to avoid penalties for late or incomplete paperwork:

$270 — Failure to file complete and accurate Forms 1094-C by the form deadlines will result in **penalties equal to $270 per return.**

$270 — Failure to file and provide correct information on Form 1095-C could result in a **$270 penalty per return.**

Review State Minimum Wage Changes

[Click here to get complete Minimum Wage Changes by state](). If any changes apply to your business, be sure to update the information with your payroll provider.

To Complete   End of January 2023

Communicate with Employees About Their W-2s

If your employees are receiving paper copies only, communicate when they can expect to receive their Form W-2s in the mail. If you have the option to provide your employees with online access to their W-2s, let them know how they can access their copies.

File and Distribute Your W-2s and 1099s

January 31, 2023, is the deadline to file Forms W-2 and 1099-NEC by paper or electronically. The deadline is also to distribute W-2s to your employees and 1099-NECs to independent contractors.

Employers must file [Form 1099-NEC]() for non-employees paid compensation of $600.00 or more (including fees, commissions, prizes, and awards) during the year, like independent contractors. 1099-NECs are filed with Form 1096 each year. Form 1099-MISC is now primarily used to report miscellaneous income like rent or payments to an attorney.

Distribute 1095-Cs to Employees

January 31, 2023, is the deadline to distribute Forms 1095-C to your employees.

To Complete   End of February 2023

File Forms 1094-C and 1095-C

February 28, 2023, is the deadline to file paper Forms 1094-C and 1095-C. If you are filing electronically, you have until March 31, 2023, to file.

To Recap: We hope this guide helps you better organize your HR processes for a smoother year-end season. We have outlined the types of tasks APS helps our customers with each year and strategic approaches to consider. If your current provider is not offering solutions and services to streamline your year-end processes, it may be time to reevaluate your workforce management strategy.

Additional Resources

For additional information to ensure HR, payroll, tax, and ACA compliance, check out our Year-End HR Resources.

Sources

2022 General Instructions for Forms W-2 and W-3

IRS Employment Tax Due Dates

FUTA Credit Reductions

About Form 940 Employer's Annual Federal Unemployment (FUTA) Tax Return

Social Security Business Services Registration

IRS Information Reporting by Applicable Large Employers

U.S. Department of Labor: Fact Sheet #17A

Centers for Medicare & Medicaid Services: Model Notice Letters

OSHA Injury and Illness Recordkeeping and Reporting Requirements

U.S. Department of Labor eLaws Posters

U.S. Department of Labor State Labor Offices

Minimum Wage Rates

What Employers Need to Know About Repayment of Deferred Payroll Taxes

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Year-End HR Checklist
Use our handy checklist to track and manage your year-end HR tasks.

October + November

- [ ] **Start Verifying Company Information**
  (W-2 delivery address, tax IDs, email address)
- [ ] **Start Verifying Employee and Contractor Information**
- [ ] **Prepare for Benefits Renewal and Open Enrollment**
- [ ] **Start Preparing for ACA Annual Reporting**
- [ ] **Review Employee Classifications (exempt and non-exempt)**
- [ ] **Start Reviewing Employee Totals and Verifying Earning and Deductions**
- [ ] **Review Medicare Part D Reporting**
- [ ] **Conduct Budget Planning for the Next Year**

December

- [ ] **Finish Verifying Company Information**
  (W-2 delivery address, tax IDs, email address)
- [ ] **Review and Update Files for Compliance**
- [ ] **Finish Verifying Employee and Contractor Information**
- [ ] **Finish Reviewing Employee Totals and Verifying Earning and Deductions**
- [ ] **Submit State Unemployment Tax Rate Change Notices**
- [ ] **Review Your Information for ACA Annual Reporting**
- [ ] **Review Record Retention Standards**
- [ ] **Review Retirement Plan Contributions**
- [ ] **Repayment of Deferred Payroll Taxes**
- [ ] **Prepare for Forms W-2 and 1099 Distribution**

January + February

- ☐ Conduct Strategic Planning
- ☐ Review OSHA Form 300A for Annual Reporting
- ☐ Post Updated Federal and State Compliance Posters
- ☐ Conduct Forecasting for Future Hiring Needs

Before Your First 2023 Payroll

- ☐ Review and Update Employee Deductions
- ☐ Review and Update Retirement Plan Catch-Up Contributions
- ☐ Finish ACA Reporting
- ☐ Review State Minimum Wage Changes

End of January 2023

- ☐ Communicate with Employees About Their W-2s
- ☐ Distribute W-2s and 1099s to Employees and Contractors
- ☐ Distribute Forms 1095-C to Employees
- ☐ Distribute Earned Income Tax Credit (EITC) Notifications to Employees (if applicable)
- ☐ File Your Forms W-2
- ☐ File Your Forms 1099

End of February 2023

☐ **File Your Forms 1094-C and 1095-C**

Notes:

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About APS

APS has a mission: to make payroll and HR easier. We design our unified solution to simplify workforce management tasks for mid-market organizations. We provide our clients and partners with personalized service and support to accomplish their goals. Streamline payroll processing, automate HR workflows, and elevate the employee lifecycle with a single-system platform. We are APS, your workforce partner.

Mid-sized businesses choose APS as their workforce partner because of our focus on the customer experience. As a result, we continually maintain 98% customer retention and satisfaction rates. For more information on APS and how we can help make payroll and HR easier for your mid-market business, visit https://www.apspayroll.com.

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