

YEAR-END PAYROLL GUIDE

It's Year-End Season

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

Using This Guide

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

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

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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- [October + November](#)
- [December](#)
- [January + February](#)
- [Additional Resources](#)
- [Year-End Payroll Checklist](#)

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 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 Payroll Checklist at the back of this document.



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

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

These errors can add up to a sizable penalty if you are not careful. 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 way to review and edit critical data.

Questions? Call or Click

 | 855.945.7921 | [apspayroll.com](https://www.apspayroll.com)

W-2 and 1099-NEC Filing Deadlines

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

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) and 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	<p>Submit Form 940 and deposit FUTA if your company owes any remaining amount.</p> <p>If you deposited all the FUTA tax when due, then you have 10 additional calendar days to file Form 940.</p>

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 pay each employee during the year. However, if you do 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' Publication 940 Household Employer's Tax Guide](#) 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](#).

🔍 How APS Can Help

Employees can review and correct their data when needed with the APS [employee self-service portal](#). HR managers can then review changes and commit them to employees' records, saving critical time during year-end processing.

Start Preparing for ACA Annual Reporting

Determine if you had [50 or more full-time and full-time equivalent \(FTE\) employees](#) 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.

Note: Each employer is subject to reporting when the combined total of full-time and FTE employees in a controlled group is 50 or more.

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

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

- The 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 (i.e., 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 Payroll Resources](#) for more information about ACA annual reporting options, requirements, and penalties.

🔍 How APS Can Help

[APS' Affordable Care Act solution](#) makes it easy to manage ACA compliance and reporting with features, including part-time staff management, measurement period management, and e-filing of Forms 1094-C and 1095-C.

Prepare for Veteran's Day Payroll Processing

Veteran's Day is Friday, November 11, and a federal holiday. Adjust your payroll processing accordingly to prevent delays.



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.

Start Processing All Year-End W-2 Adjustments

Before you process your last payroll of 2022, verify you have recorded and properly taxed all non-cash and cash income on the W-2 and quarterly 941 tax return. Typical W-2 adjustments include:

Group-term life insurance in excess of \$50,000

Personal use of company vehicle

Third-party sick pay

Company provided transportation or parking

Non-qualified moving expense reimbursements

Non-accountable business expense reimbursements or allowances

Bonuses and other annual incentive pay

Employer-paid education not related to the employee's job

Non-cash payments

+ S Corporations

Another common year-end adjustment is employer-paid health insurance for subchapter S shareholders who own at least two percent of the company. Although adjusting a W-2 record to reflect this amount is relatively easy, it's best to include it with a payroll run. This process ensures reporting on the applicable quarterly and yearly payroll tax returns. View the [IRS requirements for subchapter S filing](#) to ensure your company reports correctly.

We Are Here to Help

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

Check for Excess Retirement Contributions

Contributions 401(k), 403(b), or SIMPLE retirement plans cannot exceed IRS limits. The limits are as follows:

Type of Retirement Plan	2023 Limit*	2022 Limit
401(k) Elective Deferrals	\$22,500	\$20,500
403(b) Elective Deferrals	\$22,500	\$20,500
SIMPLE Employee Deferrals	\$15,500	\$14,000
Catch-Up Contribution for Employees 50 Years and Older	\$7,500	\$6,500

**Subject to change*

Process All Manual and Voided Checks

Record any employee checks issued outside the normal payroll process and pay their tax liabilities on the applicable due dates. Confirm that all “manual checks” cut during the year have been accounted for and updated. Likewise, record all voided checks.

Some payroll checks cut throughout the year may not have been cashed. These checks should not be voided in the payroll system but should instead be considered unclaimed property and reported to the appropriate state agency. The unclaimed property office may be a division of your state’s department of revenue or treasurer’s office.

To Recap:

- Account for manual checks written during 2022.
- Confirm that all voided checks have been recorded.
- Report uncashed checks to the appropriate state agency as unclaimed property.

Check to See if You’re in a FUTA Credit Reduction State

If your company operates in a state subject to higher taxes under FUTA, you will pay higher FUTA taxes per employee. It is essential to plan now for the funding of this additional tax. You can view an estimate of your total FUTA payment by checking your 2022 IRS form 940. For current FUTA credit reduction information, [visit our website](#).

Review Third-Party Sick Pay

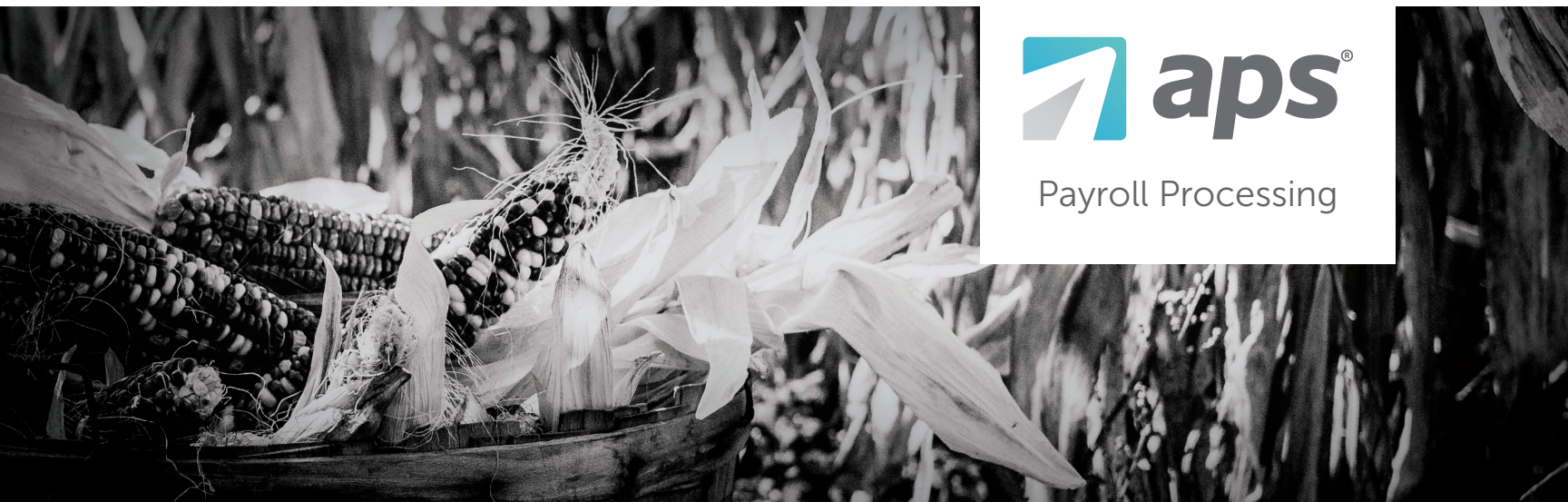
Third-party sick pay is a disability insurance benefit that provides employees with partial or full-wage benefit payments in the event of an injury or illness that prevents the employee from working. These payments are not made through the employer but through an insurance company, union plan, or a state temporary disability plan.

Make sure to submit the total amount of any temporary disability payments your employees received in 2022 to your payroll provider **no later than December 31, 2022**. You can use the third-party sick pay statement you received from your carrier for reporting purposes.

Report Fringe Benefits

A [fringe benefit](#) is considered a form of payment for the performance of services. For example, you provide an employee with a fringe benefit when allowing the employee to use a business vehicle for personal use. Any fringe benefits you provide are taxable and must be included in the recipient's pay unless the law expressly excludes it.

You must report the value of fringe benefits as taxable income unless the law expressly excludes it. Fringe benefits are subject to taxes, and employers must include the amounts on Form W-2 in boxes 1, 3, and 5. The amount will also be listed as a memo in box 16.



Prepare for Thanksgiving Payroll Processing

Thanksgiving Day is Thursday, November 24, and a federal holiday. Adjust your payroll processing accordingly to prevent delays.

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.

How APS Can Help

The [APS Affordable Care Act Solution](#) makes it easy to manage ACA compliance and reporting with features, including part-time staff management, measurement period management, and [e-filing of Forms 1094-C and 1095-C](#).

Prepare for Christmas Day Payroll Processing

Christmas Day is Sunday, December 25. The federal holiday is observed on Monday, December 26. Adjust your payroll processing accordingly to prevent delays.



To Complete

Before December 31, 2022

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.

Process Final Payroll for the Year

Check with your payroll provider to find out the last day you can submit the final 2022 payrolls to avoid penalties and interest charges. Review your W-2s to verify the following information before processing your last payroll of the year:

Spelling of employees' names

Social security numbers

Addresses

Wages

Questions? Call or Click

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Many companies issue bonuses for company performance. If you are issuing bonuses and withholding retirement deductions, ensure the deduction does not exceed the annual limit. It is also crucial to process bonuses before the end of 2022, so tax payments are made on time to avoid penalties.

If you must process another payroll before the end of the year, you will have to review your company, employee, and contractor totals again.

+ Be Sure to Remember

Earnings and deductions for payments received in the next year for days worked in the current year are reflected in the new year. Payroll taxes are based on the date wages are paid.

Process 2022 Quarter-End and Year-End Reports

Close the quarter and file Form 941 Employer's Quarterly Federal Tax Return by January 31, 2023. Wrap up calendar year 2022 and prepare to process payroll in 2023. Print and mail W-2s and 1099s to employees and contractors.

Report employee income and withholding amounts to employees, ex-employees who worked in calendar year 2022, and government agencies using Form W-2. Use Form 1099s to report the income paid to independent contractors and other payees.



Prepare for New Year's Day Payroll Processing

New Year's Day is Sunday, January 1. The federal holiday is observed on Monday, January 2. Adjust your payroll processing accordingly to prevent delays.

To Complete

Before Your First 2023 Payroll

Review and Update Employee Deductions

The first payroll of the year is an opportune time to review and update your employee deductions. Don't forget to check deductions like:

Medical

Dental

Life Insurance

Retirement deductions – 401(k), 403(b)

Other voluntary deductions



Review and Update Retirement Plan Catch-Up Contributions

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

- Failure to file complete and accurate Forms 1094-C by the form deadlines will result in **penalties equal to \$270 per return**.
- Failure to file and provide correct information on Form 1095-C could result in a **\$270 penalty per return**.

Review State-Level Changes

State Minimum Wage Changes

[Click here to get complete Minimum Wage Rates by state.](#)
Contact your payroll provider if any changes apply to your business.

SUTA Wage Base Changes

[Click here to get complete SUTA Wage Bases by state.](#)
Contact your payroll provider if any changes apply to your business.

If you receive a new state unemployment insurance rate notice for 2023, please send it to your payroll provider for updating.

To Complete  Second Week of January

Prepare for Martin Luther King, Jr. Day Payroll Processing

Martin Luther King, Jr. Day is Monday, January 16, and a federal holiday. Adjust your payroll processing accordingly to prevent delays.

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 obtain 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.

We Are Here to Help

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

To Complete

End of January 2023

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.

Pay Your FUTA Invoice

If additional funds are required for your Federal Unemployment, check with your payroll provider to determine when your account will be debited.

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. 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.

Questions? Call or Click!

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Additional Resources

For additional information to ensure HR, payroll, tax, and ACA compliance, check out our [Year-End Payroll Resources](#).

Sources

[2022 General Instructions for Forms W-2 and W-3](#)

[Employment Tax Due Dates](#)

[FUTA Credit Reductions](#)

[About Form 940 Employer's Annual Federal Unemployment \(FUTA\) Tax Return](#)

[SSA Business Services Online Registration](#)

[IRS Information Reporting by Applicable Large Employers](#)

[IRS S Corporations](#)

[IRS About Publication 15-B, Employer's Tax Guide to Fringe Benefits](#)

[Minimum Wage Rates](#)

[SUTA Wage Bases](#)

[What Employers Need to Know About Repayment of Deferred Payroll Taxes](#)

October + November

- Start Verifying Company Information (W-2 delivery address, tax IDs, email address)

- Start Verifying Employee and Contractor Information

- Start Preparing for Affordable Care Act (ACA) Annual Reporting

- Prepare for Veteran's Day Payroll Processing

- Review Employee Classifications to Ensure Compliance

- Start Reviewing Employee Totals and Verifying Earning and Deductions

- Start Processing All Year-End W-2 Adjustments

- Check for Excess Retirement Contributions

- Process All Manual and Voided Checks

- Check to See if You're in a FUTA Credit Reduction State

- Review Third-Party Sick Pay (if applicable)

- Report Fringe Benefits (if applicable)

- Prepare for Thanksgiving Payroll Processing

Notes:

December

- 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

- Start Preparing Earned Income Tax Credit (EITC) Notifications to Your Employees (if applicable)

- Finish Processing All Year-End W-2 Adjustments

- Finish Processing All Manual and Voided Checks

- Prepare for Christmas Day Payroll Processing

Before December 31, 2022

- Finish Verifying Company Information (W-2 delivery address, tax IDs, email address)

- Check to See What Your FUTA Payment Will Be

- Repayment of Deferred Payroll Taxes

- Process Your Last Payroll for 2022

- Process 2022 Quarter-End and Year-End Reports

- Prepare for New Year's Day Payroll Processing

Notes:

January + February

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

- Review SUTA Wage Base Changes

Second Week of January 2023

- Prepare for Martin Luther King, Jr. Day Payroll Processing

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

- Pay Your FUTA Invoice

End of February 2023

- File Your Forms 1094-C and 1095-C

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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