

2019 Paychex Year-End Reference Guide for Accountants



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This publication is designed to provide accurate information as of October 1, 2019, about the subject matter covered. It is furnished with the understanding that Paychex, Inc. is not engaged in rendering legal, accounting, or other professional advice. If legal advice or other expert advice is required, the service of a competent professional should be sought.

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Overview

Paychex is committed to providing the highest quality of service to you and your Paychex clients. This Reference Guide for Accountants has been created to help you and your Paychex clients prepare and plan for year-end needs. We value our business relationship with you and trust that this information will assist with your year-end processing and planning. More details regarding year-end information can be found in the Paychex Client Quarter/Year-End Reference Guide located at payx.me/yend.

If you have any questions, please contact your sales representative. The content of this guide can also be viewed online at payx.me/ye-guide.

Updates

2020 Form W-4

The IRS has modified Form W-4, Employee's Withholding Certificate, for the 2020 tax year, due to changes implemented following the 2017 Tax Cuts and Jobs Act (TCJA). The revisions are intended to "make accurate withholding easier for employees."

The new form is broken down into five steps for employees to complete: personal information, accounting for multiple jobs, claiming dependents, other adjustments, and signature and attestation.

Among the most noticeable changes was the removal of withholding allowances, which was tied to an individual's personal exemptions. Personal exemptions were eliminated by the TCJA. Employer instructions related to the new 2020 W-4 are available in *Publication 15-T, Federal Income Tax Withholding Methods*.

Employers are required to have all new employees complete the 2020 W-4 beginning January 1, 2020.

Current employees will not be required to complete a 2020 W-4, unless they are requesting a change to their withholding.

A complete listing of frequently asked questions (FAQs) can be found at: www.irs.gov/newsroom/faqs-on-the-draft-2020-form-w-4.

New IRS Tax Withholding Estimator

The IRS has created a new Tax Withholding Estimator, based on the significant changes under the TCJA. The new Tax Withholding Estimator offers workers, as well as retirees, self-employed individuals and other taxpayers, a simpler tool to determine the correct amount of income tax they should have withheld from wages and pension payments.

The Estimator allows for wages from multiple jobs, spousal wages, and other sources of income, to determine the most accurate withholding amount.

The Tax Withholding Estimator can be found at: www.irs.gov/individuals/tax-withholding-estimator.

Updates (cont.)

Affordable Care Act (ACA)

There has been no repeal and replace of the Affordable Care Act (ACA). Your applicable large employer (ALE) clients still have coverage guidelines to meet to avoid potential assessment. ALEs must file the associated information returns accurately and in a timely manner to avoid significant penalties.

Your ALE clients should be mindful that **the IRS has been enforcing information reporting requirements** by issuing proposed penalty notices for late filing, paper filing returns 250 or more, and incorrect Taxpayer Identification Numbers.

The 2019 deadlines for ACA tax reporting are:

Deadline	Forms
January 31, 2020	Furnish employees with Form 1095-C
February 28, 2020	File copies of Forms 1094-C and 1095-C (if filing on paper)
March 31, 2020	File copies of Forms 1094-C and 1095-C (if filing electronically)

Paychex can help

As your partner, Paychex is uniquely positioned to help your clients stay in compliance with ACA provisions.

To learn more about Paychex employer shared responsibility (ESR) services, please contact our dedicated ESR team at **844-802-2248**, or visit **payx.me/yend-esr**.



Final Overtime Rule Announced

On September 24, 2019, the Department of Labor issued a rule to extend mandatory overtime. The final rule updates the earnings thresholds necessary to exempt executive, administrative, or professional employees from the Fair Labor Standards Act's (FLSA) minimum wage and overtime pay requirements and allows employers to count a portion of certain bonuses (and commissions) toward meeting the salary level. In the final rule, the Department is:

- raising the "standard salary level" from the currently enforced level of \$455 to \$684 per week (equivalent to \$35,568 per year for a full-year worker);
- raising the total annual compensation level for "highly compensated employees (HCE)" from the currently-enforced level of \$100,000 to \$107,432 per year;
- allowing employers to use nondiscretionary bonuses and incentive payments (including commissions) that are paid at least annually to satisfy up to 10 percent of the standard salary level; and
- revising the special salary levels for workers in U.S. territories and in the motion picture industry.

The rule is effective as of January 1, 2020. Additional details and information about the rule are available at: **www.dol.gov/whd/overtime2019**. If your Paychex clients would like to make any changes to their employees' wage rates or salaries, they should report this to their Paychex payroll representative.

New offering for self-employed clients

Enhance your strategies to help support your self-employed clients' long-term goals. **Paychex Solo**, a new offering, is designed specifically for self-employed clients to help minimize their taxable liability, save for a dignified retirement, and provides start-up and incorporation services.

Learn more about the benefits of Paychex Solo at **payx.me/yend-solo**.

Year-End Reminders

The year-end deadline to report information or changes for 2019 is Dec. 31, 2019, by 4 p.m.

or before the first payroll that has a 2020 check date is processed, whichever comes earlier. Our offices will be closed Wednesday, Dec. 25, 2019, and Wednesday, Jan. 1, 2020. For specific holiday processing schedules, contact your Paychex representative.

☐ Verify that tax liabilities were collected for bonus checks

- Bonus checks are often processed with regular payroll, but they must be processed independently if a separate payroll journal is necessary or the bonus payroll has a different date from the normal payroll date.
- Verify with your clients how the bonus checks are to be taxed and any adjustments that need to be withheld, as bonus checks might be handled differently than regular payroll checks.

☐ Confirm employee names and addresses

- Have your clients review all employee names and addresses and report changes to us by the year-end deadline.
- Ensure that your clients have the necessary federal and state withholding forms available when reporting new employees.
- It is important to verify the correct name and social security number (SSN) for each employee.

A mismatched name or number can affect the employee's social security wage benefits; wages reported on Form W-2 with mismatch errors will not be credited to that employee's personal earnings record. Instead, the wages will be housed in a "suspense file" until the error is corrected. If the error is not corrected, the wages will never be credited to that individual.

☐ Report other amounts on Form W-2, Box 14

The IRS allows employers to use Form W-2, Box 14 (Other), to report certain adjustments to an employee's pay (e.g., charitable contributions). These can be set up to print in Box 14. Your

clients should use the following guidelines when choosing a title for the adjustment:

- Only the first five letters of the adjustment (earnings or deduction) will print in Box 14.
- Be descriptive. For example, "Misc" might not clearly substantiate a charitable contribution.
- The Paychex payroll representative can change your client's adjustment title before processing their Form W-2.

☐ Report third-party sick pay (disability payments)

Third-party companies are required to furnish employers with a sick pay statement of any disability insurance benefits paid to employees during 2019. If a client receives this information after reporting the last payroll of the year, they should call their Paychex payroll representative.

If they have not already done so, clients should notify their insurance company that we will include third-party sick pay on Forms W-2.

*Since this pay might affect quarter-end and year-end returns, including Forms W-2, the processing of returns will be delayed if sick pay is reported after the year-end deadline date. Your clients who use Paychex can expect to receive their returns and Forms W-2 no later than **Jan. 31, 2020.***

Reminder:

The IRS may charge employers a penalty of up to \$270 for each return or Form W-2 that has a missing or incorrect SSN or federal employer identification number (FEIN).

We cannot file your clients' federal Forms W-2 electronically if a substantial percentage of the SSNs are missing and your clients have more than 10 employees.

Year-End Reporting

Again, the year-end deadline to report information or changes for 2019 is **Dec. 31, 2019, by 4 p.m.** or before the first payroll that has a 2020 check date is processed, whichever comes earlier.

Taxpay® and Non-Taxpay Clients

Action Items	Taxpay Clients	Non-Taxpay Clients
If not already done, these items should be reported to your client’s payroll representative before December 31, 2019:	<ul style="list-style-type: none"> • In-house payroll checks • Voided payroll checks • Third-party sick pay (disability payments) 	<ul style="list-style-type: none"> • In-house payroll checks • Voided payroll checks • Third-party sick pay (disability payments) • Any tax deposits that were due but not remitted • Tax deposits paid for an amount other than the one reflected on the deposit notice
If additional 2019 payroll entries are reported after the deadline, Paychex will:	Collect and deposit any additional liability that might be required, but will not be responsible for any penalties or interest as a result of a late payment	Generate a new or replacement deposit notice
If any client voids 2019 payroll entries after the deadline date, Paychex will:	<ul style="list-style-type: none"> • Prepare their federal tax return, Form 941 or 944, showing the overpayment, and request a refund for them • Prepare any required state quarterly returns or annual reconciliations, showing the overpayment. We will either request a refund or apply the overpayment to the next state tax deposit, based on the state’s requirements 	

AccountantHQ (AHQ)

Don’t waste time tracking down clients for year-end reports. View all your clients’ accounts on AHQ.

This single dashboard provides on-demand access and analytics to assist with strategic consultation and resources from the Accountant Knowledge Center (AKC). The AKC includes free self-study CPE courses, industry news, and other resources to assist accounting professionals.





Year-End Reporting – Fringe Benefits

Any taxable cash or non-cash benefit — for example, personal use of company cars — must be included on Form W-2.

Advise your clients to report these benefits before the last payroll of the year. Reporting taxable benefits with cash wages allows the appropriate withholding taxes to be deducted from an employee's check.

Common benefits your clients might have that should be reported:

- Health and Accident Insurance Premiums Paid by an S Corporation
- Group Term Life Insurance
- Dependent Care Assistance
- Flexible Spending Account (FSA)
- Educational Assistance Program
- Deferred Compensation Plans
- Employer Contributions to Retirement Plans

For more details on the specific reporting requirements of the benefits above, please contact your Paychex payroll representative or refer to the online *Paychex Client Quarter/Year-End Reference Guide* located at payx.me/yend.

Additional Reporting Requirements

Taxable adjustments for separated employees

Taxable adjustments [for example, personal use of a company car (PUCC), or imputed value of group term life insurance] should be reported with regular payroll whenever possible. This allows any required employee taxes to be withheld from wages.

- **If taxable adjustments are reported without wages**, your clients might be liable for the employee portion of taxes. Please keep this in mind if employees separate from employment, whether voluntarily or involuntarily, during the year.
- **If a client pays any part of an employee's income tax or FICA withholding**, the amount paid must be reported as additional taxable wages for the employee. Additional employment taxes, both employee and employer portions, are due on this added income.
- **If a client cannot report taxable adjustments with an employee's last check**, Paychex can help them calculate the additional amount required to cover the employee FICA. This situation should be discussed with their Paychex payroll representative.

Cost of coverage under employer-sponsored health plan

Do you have clients issuing 250 or more Forms W-2 for the previous year? The IRS requires them to report the cost of coverage for any employer-sponsored group health plan on Forms W-2. For Paychex to report these amounts for 2019, your clients must provide them to us before the year-end reporting deadline.



Important Tax Agency Notices

IRS Federal Deposit Frequency Notices

Your clients' deposit frequency should be determined for 2020 by using the lookback period. Refer to IRS Notice 931 at [irs.gov](https://www.irs.gov) for additional information about deposit rules and lookback periods.

For clients who do not subscribe to our Taxpay service, we will instruct them to make deposits based on the deposit frequency we calculate using their previous payroll liability. Their January tax deposit notice will state their 2020 federal deposit frequency.

EFTPS® Enrollment

For clients who are not on our Taxpay service, they can enroll with the Internal Revenue Service on their own using Form 9779, or visit [eftps.gov](https://www.eftps.gov). This will allow them to make a payment, and verify that payments are being posted properly to their account.

Clients on our Taxpay service may also enroll in the Electronic Federal Tax Payment System (EFTPS) to verify that payments are being posted properly to their account.

It is ultimately the taxpayer's responsibility to ensure that all taxes are being remitted to the IRS on time. Using a payroll service does not absolve the employer of this responsibility.*

State Deposit and Electronic Funds Transfer (EFT) Requirement Notices

If a client receives a deposit-frequency notice or state notification of EFT requirements, please send us a copy of the document with their client number noted.

State Unemployment Insurance (SUI) Rate Update

Your clients should receive notification of their SUI tax rate for 2020. We need this rate to calculate their SUI tax and SUI expense correctly. Please send us a copy of the document with the client number noted.

* The IRS requires us to notify our Taxpay clients that although Paychex is designated as the Reporting Agent on Form 8655 (Reporting Agent Authorization), this does not relieve our clients from liability if tax payments and/or returns are not remitted by the due date. The IRS recommends that clients enroll in and use EFTPS to ascertain whether an agent has made all required deposits on time. Most state agencies provide ways to verify tax payments as well, so contact your state agency for this information. Please be assured that Paychex makes every effort to remit tax payments and returns on time. If any issues do arise, we work with your clients and the agency to resolve the situation.

Electronic/Magnetic Media Filing

Federal Forms W-2/W-3

The IRS requires employers with 250 or more Forms W-2 to file electronically. Any employer who fails to do so may incur a penalty.

Paychex will electronically file employer federal Forms W-2 and W-3 to the Social Security Administration (SSA) for all clients.

- Unless requested to not print, your clients will still receive paper copies of employee Forms W-2 for their employees to file with their individual tax returns.
- We will include a Form W-3 facsimile in your clients' January tax packages.

Please be aware we will not be able to file Forms W-2 and W-3 electronically if:

- We do not have a valid federal employer identification number (FEIN)
- Your client has more than 10 employees and a substantial percentage of the social security numbers (SSN) are missing or invalid
- Your client has fewer than 250 employees and leaves our service on or before Dec. 31, 2019

Note: Incomplete employee information (name, address, SSN) could result in inaccurate or non-filing for certain agencies.

Social Security Administration Note

The SSA has cautioned payroll service providers to watch for duplicate Form W-2 reporting. Duplicate filing occasionally occurs when clients transfer from one payroll service provider to another mid-year.

Paychex will prepare and file Forms W-2 for tax year 2019 for all your clients who are on our service at the end of the year. In addition, if specifically requested and paid for, we will prepare Forms W-2 for your clients who were on our service in 2019 but left before the end of the calendar year.

Employee Access Online

Your clients can offer their employees on-demand access to view their Forms W-2, check stubs, retirement balances, and personal and payroll information. With convenient 24/7 access from any browser, mobile device or tablet, employees no longer have to rely on management for timely information.



Federal Form 1099-MISC/Form 1096

The IRS requires payers with 250 or more Forms 1099-MISC to file electronically. A payer who fails to do so may incur a penalty. Paychex will electronically file payer federal Forms 1099-MISC and 1096 for all active clients. Your clients will still receive paper copies of their payer reference copy and payee Forms 1099-MISC. We will include a Form 1096 facsimile in your clients' January tax packages.

We will not be able to file Form 1099-MISC electronically if:

- We do not have a valid FEIN for your client; or
- Your client has fewer than 250 employees and leaves our service on or before Dec. 31, 2019.

Declining Electronic/Magnetic Media Filing

If any client would prefer to file employer Forms W-2 or 1099-MISC on their own, they must complete a form that is available from their payroll representative. Clients who use the Taxpay service through Dec. 31, 2019, cannot decline electronic/magnetic media filing.

Electronic/Magnetic Media Filing (cont.)

Federal Form 8027/8027-T for Restaurant Clients

There are additional tip reporting requirements for large food or beverage establishments. Paychex will file Forms 8027 and 8027-T to report tip allocations on behalf of your clients with our Tax Equity and Fiscal Responsibility Act (TEFRA) service.

State Forms W-2/1099-MISC

Paychex will electronically file state Forms W-2 on magnetic media for clients who use our Taxpay service through Dec. 31, 2019, and clients who are required to electronically file their information on magnetic media.

For a list of states where Paychex files for all clients, regardless of whether they use our Taxpay service, please see *State and Local Updates* located at payx.me/yend.

Reminder: If we process only a portion of your client's payroll and they are required to electronically file state information on magnetic media, their payroll representative should be notified.



We will not be able to electronically file Forms W-2 and 1099-MISC on magnetic media on your client's behalf if:

- We do not have a valid state identification number for them, or
- They have fewer employees than the state agency requirement, and leave our service on or before Dec. 31, 2019.

Certain states require a valid social security number for each employee for electronic/magnetic media filing. We will electronically file Forms 1099-MISC on magnetic media for any client who meets the state and local requirements listed in *State and Local Updates* located at payx.me/yend.



Did You Know?

Our Paychex Flex® platform provides you and your clients access to 24/7 phone support from our industry-leading payroll representatives. You can take advantage of this extended and dedicated service any time you call your service center after normal business hours.

2019 Year-End Checklist

Please verify these items with your Paychex clients before the end of the year:

Has this information been reported?

- All in-house payroll
- Voided checks
- Employee pension information
- Group term life adjustments
- Tax deposits made for an amount other than the amount on the deposit notice
- Tip allocations for TEFRA
- Compensation adjustments paid to employees who need to be included on employee Form W-2 (e.g., charitable contributions, union dues)
- Any premiums for health and accident insurance paid by an S corporation on behalf of 2% shareholder/employees
- Other amounts in Form W-2, Box 14
- Taxable cash and non-cash fringe benefits (e.g., personal use of a company car)
- Third-party sick pay insurance benefits
- Educational assistance reimbursements
- Any dependent care services provided to employees under an employer-sponsored program
- Identification numbers for every tax agency

Has this information been verified?

- Employees' names and addresses
- Employees' social security numbers (SSNs)
- Clients' Forms W-2 delivery address
- Form 1099 payees' SSNs or taxpayer ID numbers
- Identification numbers for state and local agencies on each return

Additional reminders: bonus payrolls

- Bonus checks can be run with the client's regular payroll. If a different check date or period-end date is desired, the bonus checks must run as a separate payroll.
- Clients can temporarily override the direct deposit coding on bonus checks so their employees can receive "live" bonus checks.
- For clients using Taxpay or PAYEFT, we automatically pay deposits incurred by bonuses (even if checks are not generated by Paychex) as part of the service, providing the information is reported by the year-end deadline date.
- If your clients are using a Paychex 401(k) plan offered through Paychex Retirement Services, we will automatically deduct any 401(k) contributions from the bonus checks of the employees participating in the plan. According to the plan, bonus pay is defined as compensation, and therefore must be reflected on Form W-2.

Year-end deadline date

- The year-end deadline date for clients to report changes for 2019 is Dec. 31, 2019, by 4 p.m. or before your clients' first payroll with a 2020 check date is processed, whichever is earlier.
- If payroll adjustments are necessary after the year-end deadline date, Paychex can reprocess tax returns. There is, however, an additional charge and a processing delay. If your clients anticipate the need for payroll adjustments, they should contact Paychex immediately so returns can be processed at no additional charge.

Funding responsibilities

Processing large payroll liabilities might require funding Direct Deposit/Readychex® and/or Taxpay liabilities by a secure wire method. Clients will be contacted after their payroll is processed when a wire is required.

It's Simple, Really



Paychex provides the tools, technology, and expertise to help you become your clients' most trusted advisor.

- **Accountant HR Support** provides real-time answers and best practices from dedicated HR professionals to help formalize your Client Advisory Services model. payx.me/hr-support
- **Accountant Knowledge Center (AKC)** gives access to financial calculators, downloadable forms, and an online version of the *U.S. Master Tax Guide*. payx.me/akc
- **AccountantHQ** helps manage all your clients' payroll and HR data on a single dashboard. payx.me/ahq
- **Paychex Promise®** is payroll protection to help offset unexpected business interruptions. payx.me/promise

For More Information
payx.me/yearend19

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