

Are You Ready for 2023 Year-End?



As the end of the year approaches, it's important to ensure that your payroll year-end information is up to date. As you finalize your payroll activities and set compensation and benefits for 2024, use this year-end payroll checklist, which includes numerous steps for year-end payroll reporting and taxation, to help you stay on track.

Verify Business Information

- State and federal employer identification number (EIN)
- Company name and address
- State unemployment account number(s)

Set Compensation and Year-End Bonuses

Compensation for Next Year

- Set expected pay raises for your staff as you prepare your budget for the coming year. The amount you offer depends on what you can afford after factoring in costs such as current employee compensation and payroll taxes.

Bonuses

- If you are a cash-basis business: Deduct the bonuses in the year in which they are paid. If you pay bonuses in 2023, they're deductible for 2023. If you pay 2023 bonuses in 2024, they're deductible in 2024.
- If you are an accrual-basis business: Bonuses declared (and accrued) before the end of the year are deductible this year if they are paid within 2½ months after the close of the year (provided that the employee is only required to be employed on the bonus declaration date and not on the bonus payment date). However, bonuses paid to S-corporation shareholder-employees are not deductible until paid. For owner-employees in a C-corporation, the bonus is deductible only when paid in the case of a personal service corporation or for the majority (more than 50 percent) owners.

Verify Employee Information and Policies

- Confirm employees' identifying information, including:
 - Full name
 - Social Security number
 - Address
 - Any additional contact information
- Verify and inform employees about unused benefits, including:
 - Vacation, sick days, or personal leave time
 - Flexible spending accounts (FSAs)
- Review and update the following for next year:
 - 2024 holidays
 - Time off policies
 - Employee schedules
- Confirm employees' identifying information, including:
 - Full name
 - Social Security number
 - Address
 - Any additional contact information
- Determine payroll policies for 2024 and inform employees
- Review previous year-end pay stubs and past pay periods to ensure that all amounts are logged accurately by verifying:
 - Employee wage amounts
 - Benefits deductions
 - Child support or other miscellaneous deductions
 - Disability or other benefits payments
 - Special tax exemptions that may have occurred throughout the calendar year

Verify Necessary Tax Forms

- Form W-2:** Reports employee wages and withholdings to the SSA.
- Form W-3:** Summarizes the information in the W-2. This is submitted with W-2s to the SSA.
- Form 1099-NEC:** A statement of income (any wages over \$600) for contractors.
- Form 940:** Filed with the IRS by businesses with one or more employees, and used to determine the employer's federal unemployment tax (FUTA), which is based on the business's annual payroll.
- Form 941:** Due quarterly and used to report wage withholding for income taxes as well as the employees' share of Social Security and Medicare (FICA) taxes, plus the employer's share of FICA.
- Form 944:** Applies to employers with annual tax liability who withheld federal income tax and FICA (employee and employer share) totaling \$1,000 or less.
- Form 1095:** As part of the Affordable Care Act, if you have an average of more than 50 full-time employees, including full-time equivalents, during the preceding calendar year or your business is self-insured, you must file Form 1095 with the IRS. Self-insured small businesses must file Form 1095-B to report information on individuals provided minimum essential coverage, and employers with more than 50 employees must file Form 1095-C on health insurance coverage offered to full-time employees and their dependents and if self-insured, they must also provide information on individuals enrolled in coverage. Failure to file or furnish these forms in a timely manner could lead to penalties.

Important Reporting Deadlines:

Please note: Business tax obligations for year-end payroll will vary by state, business size, industry, and several other factors, but most businesses will be required to file:

- An annual business tax return, whose filing deadline depends on your business structure (March 15 for partnerships, multi-member LLCs, and S-corporations; April 17 for C-corporations)
- Forms W-2 and W-3 for each employee by Jan. 31
- Form 1099-NEC for contractors by Jan. 31
- Form 940 and fourth quarter FUTA taxes deposited by Jan. 31
- Quarterly Form 941 tax return or the annual Form 944 by Jan. 31, depending on when you file



Need more information?

Refer to our comprehensive [2023 Year-End Payroll Checklist and Guide](#).

Start 2024 Strong

While much of the planning and organization on your payroll year-end checklist can be done in advance, there are several important steps to complete after the final payroll period of the year.

- Finalize wage, tax, and benefits information
- Distribute Forms W-2 to all employees
- File year-end payroll tax forms with the IRS and deposit taxes owed
- Review the coming payroll year and initiate next year's payroll schedule
- Review applicable state/local minimum wage changes
- Inform employees of 2024 IRS changes to tax bracket income ranges — adjusted annually for inflation — so they can update their W-2 information, if desired

Partner with Paychex

It's not too late to engage us for one-on-one support for the close of this year and into the next. [Contact us today to get started.](#)