

The following article was published in our Thomson Reuters Newstand. We hope that it will help you with your year-end payroll planning.

The Winter 2010 edition of the SSA/IRS Reporter included an article by the American Payroll Association (APA) which noted some tasks that employers should perform in December and January to make year-end processing go more smoothly. We have listed those tasks below that were included in the APA article plus added a few others:

December

- Remind workers who have had life changes, such as marriage, divorce, or a change in the number of dependents, to make the appropriate changes to their withholding on Form W-4.
- Remind employees who wish to continue claiming exemption from withholding to submit a new Form W-4 by Feb. 15, 2012. Beginning Feb. 16, 2012, you must withhold based on a marital status of “single” with zero withholding allowances for employees who claimed exemption from withholding in 2011, but who have not submitted a 2012 Form W-4.
- Collect benefit and payroll adjustment information and post to employees' payroll records. This information should include relocation, educational assistance, group-term life insurance, third-party sick pay, company cars, manual checks, and void checks.
- Order enough W-2 forms for all the employees who have worked for you this year, as well as some extras to allow for any mistakes. Consider preparing, printing, and filing W-2s online at the Social Security Administration (SSA) website, if you don't do this already.
- Verify employees' names and Social Security Numbers (SSNs) at <http://www.ssa.gov/employer/ssnv.htm>.
- Run a special payroll, if necessary, to record all manual and voided checks issued between the last regular payroll and December 31st.
- Conduct a final review of the general ledger for hidden wages (generally, taxable noncash fringe benefits).
- Verify that the bank reconciliation is complete through November and ask the bank to prepare an early cutoff statement for December.
- Make sure your payroll system will be updated by January 1 to take into account any changes in

federal tax-free limitations and state unemployment taxable wage bases (see RIA Payroll Guide ¶ 11,075).

RIA observation: The tax free exclusion for the combined value of mass transit passes, reimbursement for mass transit expenses, and payment of vanpooling expenses is currently scheduled to decrease from \$230 a month to \$125 a month, effective Jan. 1, 2012, unless legislation is enacted that makes this exclusion equal to the exclusion for qualified parking expenses (\$240 a month in 2012). A provision included in H.R. 1, The American Recovery and Reinvestment Act of 2009, made the exclusion for the combined value of mass transit passes, reimbursement for mass transit expenses, and payment of vanpooling expenses equal to the exclusion for qualified parking expenses from March 2009 to December 2011, but that legislation is no longer in effect in 2012.

December-January

- Obtain new forms, withholding tables, and publications. Review the new Social Security wage base, deferred compensation limits, mileage rates, and state unemployment wage bases.
- Let employees know about changes to tax figures. The above communications may help reduce the number of questions that you receive from employees in the coming months.

January 1

- Reset all year-to-date balances to zero.
- Reset all wage bases, rates, and taxable limits.

January

- Reconcile W-2 totals against the four quarterly 2011 Forms 941.
- Run a report to verify W-2 information before printing forms. Make sure you have a Social Security number for each employee. Review the report for employees with: (1) wages over the 2011 Social Security wage base limit of \$106,800; (2) benefits that must be reported in box 10 or 12 of Form W-2; or (3) statuses that must be checked in box 13 of Form W-2.
- Buy postage for mailing W-2 forms.
- If you offer any pre-tax deductions, prepare a notice for employees that explains the calculations in

boxes 1, 3, and 5 of Form W-2.

W-2 electronic filing improvements. Beginning with this filing season, employers will be able to submit up to 50 W-2 forms to the SSA through W-2 Online (previously, up to 20 W-2 forms). Employers may now submit both current year and prior year W-2 forms electronically. Previously, only the current year could be submitted electronically.

W-2 deadline. W-2s must be mailed or delivered to employees by **Jan. 31, 2012**.

The APA article in the Winter 2010 SSA/IRS reporter can be viewed on the IRS website at http://www.irs.gov/pub/irs-utl/ssa_irs_reporter_winter.pdf.