

2016 Fourth Quarter and Year-End Processing



Important Instructions – Please Review Carefully

The end of the year is upon us and we are busy preparing to calculate your Fourth Quarter, Year-End Tax Reports for the 2016 tax year. It is very important that you **review this entire document** so that you understand how the year-end process works.

Please note that your fourth quarter and annual tax reports will be sent to you via the e-mail address which you have been receiving your quarterly tax reports throughout 2016. Should you need to change this email address, please contact your Account Manager. Your Employee W-2s will be sent, via US Mail to your company address.

2016 Year End Processing Schedule

Unless you notify us otherwise, we will begin processing your fourth quarter, annual reconciliation returns and W-2's 48 hours after your last scheduled payroll of 2016 is processed. We will begin sending out year-end packets January 16, 2017, and should be completed by **January 25, 2017**. Your account will be billed with your last scheduled payroll of January a base amount of \$64.00 (\$109.00 base for Inactive clients) and \$5.95 per W-2 or 1099. Below we have provided you with a checklist of special payroll entries that you may require. Please submit these entries with one of your company's regularly-scheduled December payrolls.

******Until now, employers were required to provide W-2s to employees by January 31st and March 31st for the electronic filing to the Social Security Administration (SSA). Beginning with 2016 forms, employers are now required to remit all W-2s and 1099s to the SSA by January 31, 2017. Keep in mind that any changes submitted after January 25, 2017 will require W-2Cs and amended returns which are subject to additional fees. ******

By 12/16/2016

- ❑ **2016 1099 Reporting** 1099 reporting information should be submitted no later than **12/16/2016**.
- ❑ **Group Term Life Insurance** – You may be required to include in wages the cost of group term life insurance (GTL) you provide to an employee for more than \$50,000.00 of coverage or for coverage that discriminated in favor of the employee. This amount is subject to Social Security, Medicare and withholding taxes. GTL must be done with a regularly-scheduled payroll run in 2016 so you must be sure that each employee has enough earnings to cover the additional taxes that must be withheld from that check. Please refer to IRS Publication 15-B for detailed instructions, <http://www.irs.gov/pub/irs-pdf/p15b.pdf>. Additional processing fees will apply if an additional payroll for GTL is processed.
- ❑ **Taxable Fringe Benefits** – The value of some non-cash fringe benefits must be considered income to employees. These benefits must be reported on Form 941, as well as on W-2s. These “fringe benefits” must be done with a regularly-scheduled payroll run in 2016 so you must be sure that each employee has enough earnings to cover the additional taxes that must be withheld from that check. If you require more information, please refer to IRS Publication 15-B which can be found on-line at <http://www.irs.gov/pub/irs-pdf/p15b.pdf>. Additional processing fees will apply if an additional payroll for fringe benefits is processed.
- ❑ **Employee Verification** – To reduce the need to re-print W-2s and possible IRS penalties that may result, you should have your employees verify that their mailing address is correct on their payroll check stub, as well as confirming that their name and social security number appear exactly as it does on their social security card. In an effort to ensure that we have accurate employee information in our system, we will notify you in the event that you have any employees whose name and social security number do not match. There will be an \$8.00 Administrative Charge imposed on your last invoice in December 2016 for this service.
- ❑ **Kind of Employer** – The Internal Revenue Service has released the 2016 form W-3 Transmittal of Wage and Tax Statements and the 2016 instructions for Forms W-2 and W-3. Box B includes a section for “Kind of Employer”, which includes five categories. All Filers are required to select one of the following: 501c Non- Govt./State/Local Non-501c/State/Local 501c /Federal Govt. /None apply. (Please indicate your type of organization on the Fax-Back Form).



By 12/28/2016

- ❑ **2016 Year-End Bonus Runs** should be submitted no later than 12/28/2016 in writing.
- ❑ **2016 Void/Manual Check** adjustments **CANNOT** be voided in a 2017 payroll run. Additional fees will be applied if checks that need to be voided are NOT voided with a regularly scheduled 2016 payroll no later than 12/28/2016.
- ❑ **2016 Reports on CD** If you have not already requested to have your 2016 Payroll and Tax Reports delivered to you on CD, contact your Account Manager for service fees associated with this valuable service.
- ❑ **2016 Record Retention Fee** Please note that there will be a \$48.00 Annual Record Retention Fee added to your last scheduled payroll of 2016. This service will archive all of your payroll, employee & tax information from the time that you commenced processing payroll with us.
- ❑ **2016 FUTA Credit Reduction** – Employers in one (1) states (CA) and one (1) jurisdiction (Virgin Islands) will pay increased Federal Unemployment Tax (FUTA) retroactively for 2016, to repay state unemployment insurance loans due to the Federal Government. When states unemployment funds are depleted, as occurred in many states in recent years, states draw from a designated federal loan account. If such loans are not repaid within two or more consecutive years, employers lose this part of this FUTA tax credit, in effect increasing the FUTA tax rate for wages paid in affected states. The FUTA tax rate is 0.6% of wages paid, up to \$7000, or \$42 per employee per year. With this reduction employers may have an increase ranging from \$105.00 to \$47.00 per employee for the tax year 2016. Click here for a listing of states impacted. <https://gtm.com/business/wp-content/uploads/2016-FUTA-Credit-Reduction-Business.pdf> (There will be a \$23.00 Administrative Charge for recalculating the liabilities on your last invoice in December 2016.)

By 01/13/2017

- ❑ **Disability Payments (Third Party Sick Pay)** Federal legislation requires the reporting of both taxable and non-taxable sick pay made to employees from a Third Party, as well as taxes withheld on those payments. These payments must be reported on the employee's W-2 and the employer portion of taxes paid. At the end of the year, your insurance company will send you a year-end report with all of your employees that were on disability during 2016. You must submit this report as soon as possible to GTM. We will need to verify that your payroll records match the figures from your insurance company. NOTE: Call your Disability Carrier to request this information as soon as possible. Make sure that you inform us (GTM) so we do not process your returns until your Third Party sick pay has been processed. The final deadline for processing Third Party Sick Pay will be January 13, 2017. Please inform GTM if your Third Party files Form W-2 to prevent duplication.

Items to Keep In Mind for 2017

- ❑ **2017 State Unemployment Tax Rates** – Your 2017 State Unemployment Tax Rate notifications are being sent by the State to you and upon receipt, please fax it to GTM's Tax Department at 518-836-2497. This will ensure proper accounting for your first quarter 2017 unemployment tax reports. Please note that the 2017 New York State taxable wage base per employee for Unemployment Insurance (UI) will increase from \$10,700 to \$10,900. For 2016, the lowest total UI Rate for NY is 2.1% and the highest UI Rate is 9.9% (2017 not currently published).
- ❑ **Form W-4 Exempt Status** – If you have employees claiming "Exempt" from Federal Income Tax Withholdings, please note that Form W-4 is valid for one calendar year. To continue to be "Exempt" from withholding in 2017, the employee must complete a new Form W-4 by **February 15, 2017**. This form can be found on-line at <http://www.irs.gov/pub/irs-pdf/fw4.pdf>. If the employee does not provide you a new Form W-4, you must withhold tax as if the employee is single with zero withholding allowances. For more information regarding Form W-4 you can visit <http://www.irs.gov/taxtopics/tc753.html>.
- ❑ **Employee Deduction Updates** – For deductions such as Medical, Dental, Life Insurance, 401(k), etc. please take note: If any of your employees are set up with an "active" catch-up deduction, both the regular 401(k) deduction and the catch-up deduction will automatically come out of the first pay of 2017. If that employee only wants their regular 401(k) deduction, notify your Account Manager.



- ❑ **Time Off Balances** – Remember to update your employees' Time-Off Benefits for tracking and accruals, if applicable (for example: PTO, Vacation & Sick).
- ❑ **New York State Employers** – The New York State minimum wage will be increased to **\$9.70 per hour** effective 12/31/2016. GTM will **NOT** automatically change your employees' pay rates. You must contact your Account Manager to make changes.
- ❑ **Social Security Wage Base** – The Social Security Administration (SSA) has announced that the 2017 Social Security wage base will be \$127,200. Therefore, the maximum social security tax employers and employees will each pay in 2017 is \$7,886.40 based on a 6.2% Social Security Tax Rate as of this communication. The rate is scheduled to be 6.2% for both employees and employers in 2017.
- ❑ **Medicare Wage Base** – The Social Security Administration (SSA) has announced as in prior years, there is no limit to the wages subject to the Medicare tax; therefore, all covered wages are still subject to the 1.45% tax. Wages paid in excess of \$200,000 in 2017 will be subject to an extra 0.9% Medicare tax that will only be withheld from employees' wages. Employers will not pay the extra tax.
- ❑ **Qualified Retirement Plan Limits** – The Internal Revenue Service (IRS) has announced the 2017 dollar limitations for qualified retirement plans. The pre-tax limit that applies to elective deferrals to 401(k) and 403 (b) plans is \$18,000.00. The dollar limitation is \$6,000 for catch-up contributions for participants age 50 and over for 401(k), 403 (b) and 457 plans.
- ❑ **Employer-Provided Health Coverage Informational Reporting** – The Affordable Care Act requires employers to report the aggregate cost of coverage under an employer-sponsored group health plan. This reporting requirement is for employers who filed 250 or more W-2's in the previous year (2015). Your dedicated GTM Account Manager will contact you if your organization meets the reporting requirement to discuss implementation of the health coverage detail if you have not done so already.
- ❑ **Affordable Care Act Reporting** – Please be advised that GTM is ready to handle your ACA employer mandate reporting needs. There are penalties for non-compliance with the ACA's requirements. If you have 50-99 full-time employees, penalties will be assessed in 2017 based on 2016 data. For those with 100+ full-time employees, penalties will be assessed in 2017 based on 2016 data. Please contact us today if you are in need of this service.

Important Year-End Information

It is very important that you let us know in writing if you need to hold your payroll account open for any special year-end adjustments. We will be automatically closing out your payroll records for the tax year 2016, 48 hours after your last regular payroll of the year is processed and we will begin processing your quarterly and annual returns (including W-2s). In the event, you request your account to remain open, we must hear back from you before **December 16, 2016**. **If you do not notify us we will automatically close your company 48 hours after your last regular payroll of 2016.** Please use this **FAX-BACK** form to respond regarding your year-end processing. **Verbal authorization will not be accepted.**

Responses received after your last payroll run of the year will require your payroll account to be reopened at a minimum cost of \$125.00 and a W-2 re-printing base charge of \$25.00 plus \$5.95 per W-2.

NOTE: PLEASE REMEMBER WE MUST PROCESS ADJUSTMENT/BONUS RUNS IN TIME TO MEET YOUR TAX FILING DEADLINES AND MAKE YOUR TAX DEPOSITS TIMELY. IF WE DO NOT RECEIVE YOUR INFORMATION FOR PROCESSING TWO DAYS PRIOR TO YOUR CHECK DATE, YOU MUST ACCEPT RESPONSIBILITY FOR ANY PENALTIES AND/OR INTEREST THAT MAY RESULT IN THE PAYROLL RUN.



FAX-BACK FORM DUE BY 12/16/2016
(Fax # 518-836-2502)

Please complete:

- We do not have any special needs for year-end processing. Please process our 2016 year-end tax reports after our last regular scheduled payroll of the year. Please check the following that apply:
 - I will require W-2 Processing for 2016
 - I will require 1099 Processing for 2016

- Please select your organizations "Kind of Employer" for W-3 Transmittal:
 - 501c Non-Govt.
 - State/Local Non-501c
 - State/Local 501c
 - Federal Govt.
 - None apply

- TurboTax: **New for 2016**, Employee W-2s automatically imported into TurboTax.
 New in 2016, GTM has partnered with TurboTax to offer a complimentary service where your employees' W-2 information can be securely imported into TurboTax. More than 1.4 million employers today offer this benefit. Employees who import their W-2 to avoid data entry errors and are significantly less likely to be impacted by tax refund fraud. If you do not want to provide this free service to your employees, you will need to opt out. Please check below to opt out.
 - Opt Out

- Please hold our account **OPEN**. We will need one or more of the above-mentioned payroll runs. We will contact our Account Manager to make arrangements for them no later than __/__/__. We also understand that we will need to fax this form again to authorize GTM to process our 2016 year-end tax reports.

Some of the payroll runs that we have been outlined in this letter have special tax implications. Please check with your accountant as to how they should be handled. (Note: When reporting taxable fringe benefits for your employees, you must run them with a regular scheduled payroll so that the appropriate taxes can be withheld. Be sure each employee has enough earnings for the taxes to be calculated and withheld from that check.)

Our year-end process as outlined above has been implemented to help with the timely filing of all quarterly and annual tax returns. We hope this information explains our procedure clearly. If you have any questions, please call your Account Manager at 518-373-4111. Thank you.

I agree to the above, and I also agree to pay reasonable extra charges incurred if my W-2s need to be re-printed due to lack of information provided.

Company Name: _____ Company ID#: _____

Signature: _____ Date: _____

Note: Your 4th quarter & annual tax reports will be sent to you via e-mail. Your Employee W-2s will be sent via US Mail to your company address.

Contact Name: _____

Email Address Change for Electronic Delivery of Tax Returns: _____