2016 Year-End Packet

Because this packet contains deadlines and reply forms, we strongly encourage you to read this and respond by December 9, 2016.

In an effort to help your 2016 year-end process run smoothly, we have prepared this packet full of important notices and reminders. The information on the following pages will discuss these year-end issues and concerns:

- **2016 Client Year-End Form** (complete and return by December 9)
- **Year-end "To Do" Checklist** (important steps to ensure an error free year-end)
- **Bonus/Unscheduled Payroll Request Form**
- **New Earning/Deduction Code Setup Request Form**
- Holidays List (Federal Reserve & Ameriflex)
- Verification of Federal and State Tax Identification Numbers
- Missing W-2 Information (Social Security Numbers and Addresses)
- Fringe Benefits
- Third Party Sick Pay
- Tip Allocation

We also want to make certain that you are aware of our policy regarding year-end adjustments made **after** your last payroll of 2016. Any requested changes made after January 6, 2017 may require us to re-process your year-end returns and W-2 information. This cost will be the same as your original billing, plus the cost of an additional payroll run. This may also result in delivery of your final year-end information later than expected and/or tax agency penalties and interest. For this reason, we require clients sign and return a tax penalty waiver before processing any backdated or same-day payroll adjustments.

THEREFORE, IT IS CRUCIAL THAT YOU NOTIFY YOUR CLIENT SERVICES SPECIALIST OF ALL ADJUSTMENTS FOR 2016 BEFORE YOU PROCESS YOUR LAST PAYROLL.

W-2 Reissue Tip: If an employee misplaces his/her Form W-2, you can reissue the form from your *employer* copies. Simply make a photocopy and mark it 'REISSUED' and the employee may use this for federal, state, or local filings. If we provide a reprint for you there will be a $25.00 charge.

Thank you in advance for helping to make this year-end process run as smoothly as possible.

Ameriflex
2508 Highlander Way, Ste 200, Carrollton, TX 75006
Phone: 855-510-8713 | Fax 214-975-2994

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Do these questions apply to your company?

1. Are your employees covered by a 401k, Simple Sep, or other pension plan?
2. Do you have additional wage information (i.e. Fringe Benefits, Third Party Sick Pay, Group Term Life Insurance, Void/Manual Checks, etc.)?

If you answered "YES" to any of these questions, read on because special regulations apply to YOU!

THIRD PARTY SICK PAY

Federal legislation requires the reporting of sick pay payments made to employees from a third party, as well as any taxes withheld on those payments. These payments must be included on the employee W-2 form, or on a separate form provided by the third party.

IMPORTANT: Be sure to obtain this information from the appropriate third party provider as soon as possible. These entries must be processed on or before January 6, 2017 to ensure that your forms 941 and W-2 will be accurate. Additional charges will be applied if this information is received after January 6, 2017.

Also, if you cannot get your information to Ameriflex before your last payroll of 2016, be sure to contact your Client Services Specialist to let them know. Otherwise, additional charges may be applied for tax returns that need to be rerun after January 6, 2017.

If your third party is paying your taxes and preparing the W-2s on your behalf, Do not provide Ameriflex with the payment information!

FRINGE BENEFIT/PERSONAL USE OF AUTO/GROUP TERM LIFE INSURANCE REPORTING

The Tax Reform Act of 1984 mandated that, under certain circumstances, the value of some non-cash fringe benefits be reported on the 941 and the employee's W-2. Taxable Fringe Benefits are included as wages, making them subject to Federal Income Tax, FICA, FUTA, and possibly some State Income and Unemployment Tax. The Internal Revenue Service has issued regulations defining what is considered a Taxable Fringe Benefit and how to arrive at its value. The taxing on these benefits varies by each company's interpretation of the law. If you require advice on this, please contact your CPA, as Ameriflex cannot legally advise you on this matter.

REMEMBER: When reporting these benefits, you must insure that your employees have adequate pay from which to withhold the taxes, thus relieving you of the potential liability of paying the employee taxes. **Fringe Benefits need to be submitted by the time your last payroll for 2016 is processed.** Additional charges will apply for any required reporting of these benefits after that time.

Box 12W will contain HSA contributions from the employer as well as **Pre-tax** contributions made by the employee. Make sure all employer contributions are in employee's pay history.

Box 13 on the W2 includes these categories: Statutory employee, retirement plan, and third-party sick pay.

The Retirement Plan box will be automatically checked if you have any plan funded via payroll deduction. (401k, 403b, Simple, SEP, etc.) Ameriflex must be notified if any other categories must be checked.

Box 14 may be used for other information. <u>This box is not mandatory.</u>

Allocated Tips: If, after completing your restaurant Form 8027, you determine that sufficient tips were not reported, contact your Client Services Specialist to report an adjustment and add allocated tips for the affected employees.

YEAR-END TAX RETURNS AND W-2s

We will start working on your quarter-end and annual returns on January 6, 2017, and we expect to have all packages completed and uploaded by January 27, 2017. Please be aware that you will now receive quarterly returns and W-2's online rather than a package in the mail. This is a very busy time of year for all of us, and extra phone calls will only slow us down. **If you don't receive your notice by January 31, please call to let us know.** Please remember that for confidentiality reasons, we can only speak with authorized contacts so employees should <u>not</u> be calling us directly. Employee calls to Ameriflex usually only make the employee frustrated and takes up unnecessary time because they will just be referred back to their internal payroll contact. Thank you for your understanding and patience.

In 2004 the IRS approved the use of electronic W-2 statements. Starting this year, instead of paper copies, employees may choose to receive their W-2 statement electronically.

The benefits of receiving an electronic W-2 statement are:

- Earlier access
- Once received electronically, significantly less possibility that the W-2 may be lost or stolen
- Access is possible electronically if the employee is away from his/her usual home or work location
- Compensation and tax withholding information may easily be downloaded into many tax preparation software programs

Employers must comply with specific IRS regulations to use electronic W-2's and employees must provide their consent to receive an electronic W-2 instead of a paper copy.

You will find instruction at the end of this package to enable the electronic consent and a template to use to notify your employees that they may use this service and how to give consent.

For year 2016 we need the following information:

1. Any filing frequency notices you may receive from the IRS. If your frequency is changed, and you do not notify Ameriflex, we will not be responsible for any penalties or interest that may be charged to you. If you are not sure, we suggest you contact the IRS for the information at 1-800-829-4933.

2. Any filing frequency notices you may receive from states that you have employees working in. If you have had a substantial increase in the wages paid in any state, you may want to contact a tax representative with that agency to ensure that your withholding deposit frequency has not changed.

3. Any state unemployment rate notices for 2017. Again, Ameriflex will not be responsible for any penalties or interest that may be charged if your rate is incorrect. Most states send out notices of your unemployment rate towards the end of the year.

4. Notify Ameriflex of any state withholding and unemployment ID numbers that you are no longer using and plan to close.

PLEASE FAX OR E-MAIL ANY NOTICES THAT REGARD RATE OR FREQUENCY CHANGES TO 214-975-2994 ATTENTION: WORKFORCE. FAILURE TO PROVIDE US WITH THIS INFORMATION MAY CAUSE YOUR TAXES TO BE DEPOSITED INCORRECTLY.

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BONUS/UNSCHEDULED PAYROLL RUNS

If you choose to process a bonus or other type of unscheduled payroll, here are a few important reminders:

- It is very important to notify your Client Services Specialist and submit payroll information at least two business days prior to your special payroll run check date and by 2:00 p.m. CST.
- If the federal tax liability on this payroll is in excess of $100,000, taxes must be deposited by the next banking day.
- W-2 earnings are based on <u>check</u> dates.

Company Name ____

Contact Name ____________________________ Email Address _______________________________

To process a bonus or unscheduled payroll, please complete this form and fax it or e-mail it to your Client Services Specialist at 214-975-2994.

- What will be the check date of your bonus/unscheduled payroll? ____________________________
- On what day will you submit the payroll information? ____________________________________
- Any special delivery instructions? ____
- What pay type/check type do you want to use? ____

<u>Before beginning this payroll, please determine whether or not these items apply:</u>

- ☐ Block Auto Pay Salaries and/or Auto Labor Distribution
- ☐ Block accruals
- ☐ Block Direct Deposits and issue live checks for employees
- ☐ Special payment flag/Supp tax rate (This includes Federal (25%), varies for states), Social Security, Medicare, and any local taxes
- ☐ Block any Retirement Plan Deductions (401K/403B/Simple/Roth/SEP)
- ☐ Block all other recurring Deductions and Earnings

Please remember that printing a <u>Pre-Process Register</u> before transmitting will help eliminate errors.

Upcoming 2017 Tax Changes

The maximum amount of earnings subject to the Social Security payroll tax will climb 7.3 percent in 2017 to $127,200—up by $8,700 from the $118,500 maximum for 2016 and 2015,the Social Security Administration (SSA) announced on Oct. 18. Of the estimated 173 million workers who will pay Social Security taxes in 2017, about 12 million will pay more because of the increase in the taxable-maximum amount.

This adjustment, which takes effect Jan. 1, is based on the government's estimate of real wage growth in the recent past. The 2017 jump in the taxable-earnings cap is the largest one-year increase since 1983, in part because federal law kept the taxable maximum unchanged for 2016 due to a lack of cost-of-living increase in Social Security benefits.

Bank Holidays

Please remember the following bank/federal holidays:

- **Thursday, November 24, 2016 (Thanksgiving)**

Remember, if your check date would normally fall on a bank/federal holiday, your check date will usually be moved back 1 day in observance of that holiday.

Ameriflex's Holiday Schedule

Please remember Ameriflex is CLOSED on these days:

- **Thursday, November 24, 2016**
- **Friday, November 25, 2016**
- **Monday, December 26, 2016**
- **Monday, January 2, 2017**

Important Processing Deadlines:

- If your payroll date falls on **Monday, November 28th**, we will need to have your payroll information no later than 1:00 p.m. CST on Wednesday, November 23rd.
- If your payroll date falls on **Monday, December 26th** you will need to move your check date to December 23rd or December 27th. If your check date is December 23rd we will need your payroll information on Wednesday, December 21st. If you check date is December 27th, we will need your payroll information by Thursday, December 22nd.

Please keep in mind that payroll bank draft dates may be one business day earlier due to the banking holiday.

2017 Federal Reserve Holidays

New Year's Day	Monday, January 2, 2017
MLK Jr. Birthday	Monday, January 16, 2017
President's Day	Monday, February 20, 2017
Memorial Day	Monday, May 29, 2017
Independence Day	Tuesday, July 4, 2017
Labor Day	Monday, September 4, 2017
Columbus Day	Monday, October 9, 2017
Thanksgiving Day	Thursday, November 22, 2017
Christmas Day	Monday, December 25, 2017

2017 Ameriflex Payroll Holidays

New Year's Day	Monday, January 2, 2017
Martin Luther King	Monday, January 16, 2017
Memorial Day	Monday, May 29, 2017
Independence Day	Tuesday, July 4, 2017
Labor Day	Monday, September 4, 2017
Thanksgiving	Thursday, November 23, 2017
Day After Thanksgiving	Friday, November 24, 2017
Christmas Holiday	Monday, December 25, 2017

Ameriflex Payroll

Payroll/Tax Adjustment Agreement

Company Name____

Adjustment Check Date ______/______/_____

Reason for Adjustment ____

(Any tax deposits due will be collected immediately)

_____________________________________ (Client) will be responsible for any penalties that may be caused by the completion of these adjustments and amended returns. Ameriflex will not be responsible for penalties or interest charges that may be assessed due to the late payment of taxes or credits as a result of this processing. Ameriflex may charge a surcharge for the processing of these adjustments.

____ _______________

Name of person requesting payroll **(please print)** Date of request

____

Authorized Signature

Please fax to your Client Services Specialist at 214-975-2994.

For internal use only

Received on ________/________/________ CSS ________________________________

Manager authorization ________________________ Payroll completed by _____________________

Additional tax deposit completed by ___________________ Date completed ________/________/________

2016 Client Year-End Form

Client Name: ____

Submitted By: ____________________________________ Date: ______________

Please check all that applies to your company and then fax to 214-975-2994 or email directly to your Client Services Specialist <u>by Friday, December 9</u>.

☐ **Group Term Life (GTL) Insurance Reporting**—I expect to report GTL on or before my last check date of the year. Ameriflex will ensure that a GTL earning code is set up and available for use.

☐ **Additional Check Dates Needed for Adjustments (For Bonus Payrolls, see next item and do not select this option)**—I expect to process a payroll batch in addition to my regularly scheduled check dates in order to record 2016 information (manual checks or voided checks, GTL, personal auto use, fringe benefits, etc.) Ameriflex will set this up for you in advance so that you have it available.

Check Date: _____ Submission Date: _____

☐ **Bonus Payrolls**—I will be submitting a Bonus Payroll (separate from my regular payroll) and have included a completed Bonus/Unscheduled Payroll Run form.

☐ **1099 Forms**—I will have 1099 wages recorded for 2016 by December 31, 2016 and I would like Ameriflex to prepare and file my 1099s. The 1099 service fees are at the same rates as your W-2 fees ("Base" + "Each" rates). *<u>Note:</u> If Ameriflex performed this service for you last year, we will plan to do so again this year unless if you contact us to remove the 1099 service by December 30, 2016. This option only needs to be selected if you did not have the 1099 service last year.*

☐ **New Earning/Deduction Codes**—I have new earning and/or deduction codes that need to be set up. I am attaching a completed New Code Setup Form with the details.

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Year-End To Do List

- □ Return completed 2016 Client Year-End Form to notify us of any needs from Ameriflex.
- □ Enable Electronic W-2's and Send information to employees for consent.
- □ Verify Ameriflex has all tax ID numbers and that they are accurate. Notify Ameriflex of any closed tax accounts or other needed changes.
- □ Verify employee demographic information is correct (i.e. addresses, social security numbers, correct name spelling, etc.).
- □ Verify all manual and voided checks have been entered into payroll history.
- □ Forward any Federal or State filing frequency notices to Ameriflex.
- □ Forward any State Unemployment rate change notices to Ameriflex.
- □ Process any payroll adjustments with Ameriflex before December 30, 2016 to avoid additional fees.
- □ Return Bonus/Unscheduled payroll form ASAP for additional dates to be added to your payroll schedule.
- □ Review the payroll processing schedule for the holidays to avoid late direct deposits or deliveries and verify your 2017 payroll calendar is accurate.
- □ Audit Third Party Sick Payments made to your employees in 2016.
- □ Review and submit any applicable fringe benefits (i.e. Employer HSA, GTL, Personal Auto Use, S-Corp Insurance, Moving Expenses, etc.)
- □ The Retirement Plan box will be automatically checked if you have any plan funded via payroll deductions (401k, 403b, Simple, SEP, etc.) Ameriflex must be notified if any other categories must be checked.

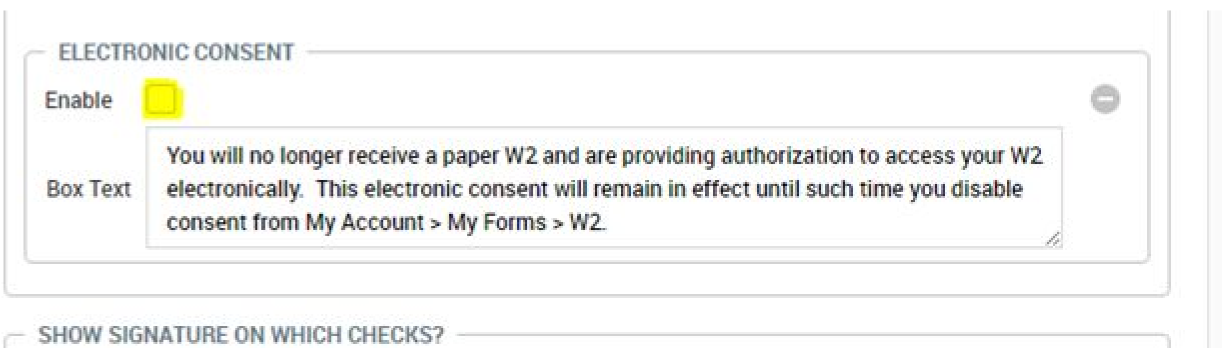
- ☐ If you have earnings codes for informational W-2 reporting of employer sponsored health coverage, confirm the W-2 box 12DD is setup or contact your Client Services Specialist. This is required for most large employers.

If you have any questions regarding these or any other year-end issues, please refer to your Year-End Packet or contact your Client Services Specialist at 855-510-8713.

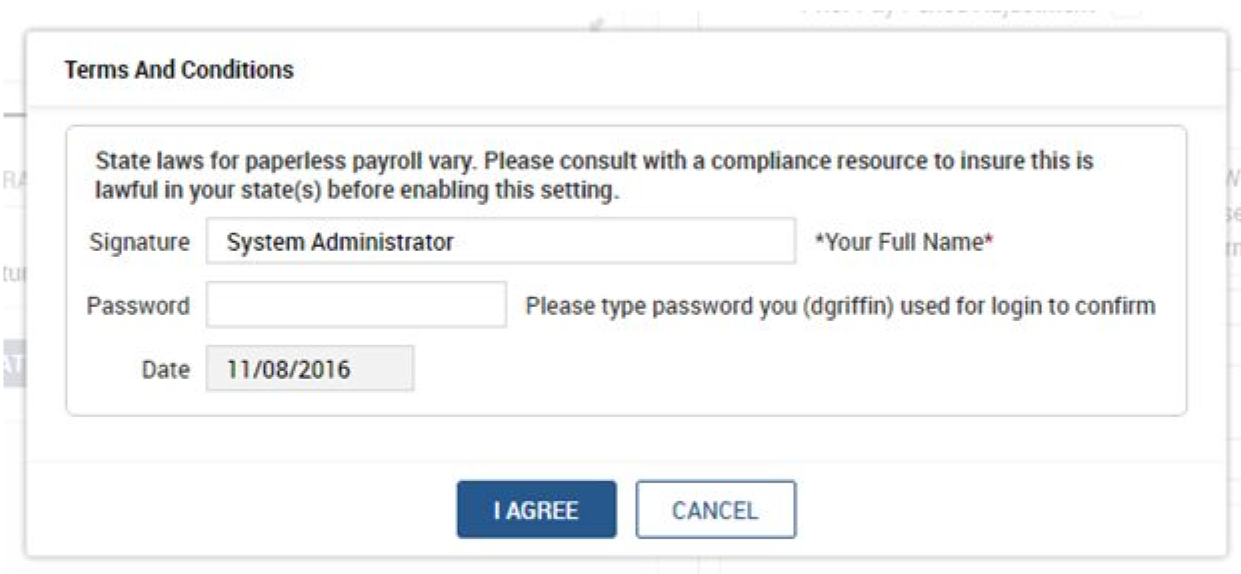
Enable Electronic Consent

Go To:

Move about halfway down the page on the right to:



Click on the Enable box and the Terms and Conditions Box will pop up and enter your password, and click on I agree.



Send the employee consent information to the employees so that they can set up the electronic consent on their portal.

[Company Name] is required by the Internal Revenue Service (IRS) to provide each employee with a W-2 Form that states the employee's compensation and tax withholding amounts for the calendar year on or before January 31st of the following year. Previously we provided paper copies of W-2's.

In 2004 the IRS approved the use of electronic W-2 statements. Starting this year, instead of paper copies, employees may choose to receive their W-2 statement electronically.

The benefits of receiving an electronic W-2 statement are:

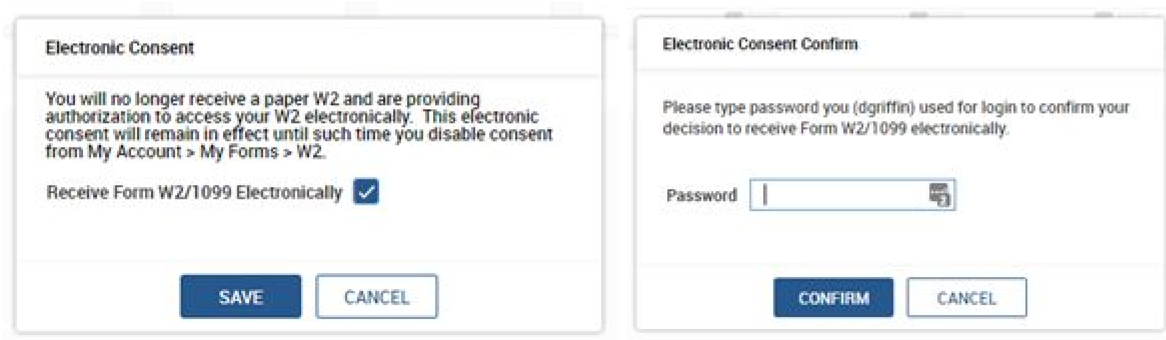
- Earlier access
- Once received electronically, significantly less possibility that the W-2 may be lost or stolen
- Access is possible electronically if the employee is away from his/her usual home or work location
- Compensation and tax withholding information may easily be downloaded into many tax preparation software programs

Employers must comply with specific IRS regulations to use electronic W-2's and employees must provide their consent to receive an electronic W-2 instead of a paper copy. This notice contains the required IRS disclosure information and instructions for you to consent to receiving your W-2 electronically instead of a paper copy. If you have any questions regarding this notice or your W-2 Statement, contact the HR Department.

Please read this entire notice and, if you wish to receive all future W-2 statements from this company electronically, provide your consent. If you do not provide this consent by January 3rd, you will continue to receive a paper copy of your W-2 statement.

As required by the IRS, this consent must be made electronically in a manner that reasonably demonstrates that the employee can access the W-2 in the electronic format in which it will be provided. As an alternative, the consent may be made via e-mail or via a paper authorization if it is confirmed electronically in a manner that demonstrates the employee's ability to access the electronic statement.

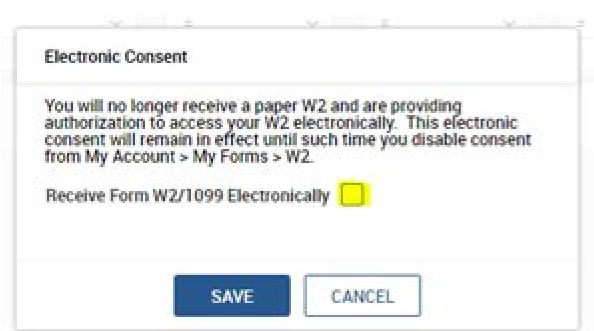
To assure compliance with this requirement, employees who wish to receive their W-2 electronically, must:



If you are unable to provide consent in this preferred manner, please contact the HR Department no later than December 24th. This consent will cease if the employee is no longer employed at [Company Name].

An employee who chooses to receive his/her W-2 statement electronically may withdraw consent. The employee's withdrawal of consent will be effective on the date it is received. If consent is withdrawn, it will only be effective for those W-2 statements not yet issued.

To withdraw your consent follow the same steps above except uncheck the box to the right of "Receive Form W2/1099 Electronically",



In addition, an employee's written request to receive a paper copy will be considered a withdrawal of consent for electronic delivery.

If an employee consents to electronic W-2 delivery and the delivery is unable to be made due to a technical problem, incorrect login or password, incorrect e-mail address, the employee will receive a paper copy. If there is any change in how to receive electronic delivery, employees will be notified immediately via e-mail or written notice. Employees are also required to inform the HR Department promptly of any personal address or status changes through the company intranet or by written notification.

Electronic W-2 statements will be accessible for as long as the company is with Ameriflex. (IRS requires that they are posted through October 15th of the year following the calendar year applicable for the Form.)

If you completed the electronic consent correctly, you will receive an e-mail notification no later than January 31st with the subject line "Important Tax Return Document Available".