

deluxe[®]

Year-End
Guide

2020

Dear Valued Deluxe Payroll Client,

This guide has been designed to assist our clients through the year-end process and to meet critical deadlines. Our goal is to ensure an accurate and timely delivery of your quarterly and annual returns.

Enclosed you will find the following information to help you prepare for year-end 2020:

1. [Deluxe Payroll Holiday Hours and Processing Deadlines](#)
2. [Year-End Information](#)
3. [Company and Employee Level Review Checklists](#)
4. [Frequently Asked Questions](#)
5. [2020-21 Fee Schedule](#)
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If you have any questions regarding year-end 2020, please contact our service team directly.

We wish you a wonderful holiday season and prosperous New Year! We do appreciate your business!

Your Deluxe Payroll Team

Holiday Hours & Processing Deadlines

Deluxe Payroll will be closed in honor of the following 2020 year-end holidays:

Thursday November 26 - Closed (Thanksgiving)
Thursday December 24 - Closing at 4:00pm EST /1:00pm PST
Friday December 25 - Closed (Christmas)
Thursday December 31 - Closing at 4:00pm EST /1:00pm PST
Friday January 1 - Closed (New Year's Day)

Processing Windows

Please advise a Customer Service Representative if you would like to change your check date. Deluxe Payroll will not change any check dates without our client's written request. When banks are closed, that day is not included in your processing window. If you are unsure of your processing window, please contact a member of our service team.

Please be advised that all year-end adjustments must be processed with either your last scheduled payroll or with a special payroll run no later than December 29, 2020.

Payroll Delivery

- Payroll deliveries via private courier and commercial couriers will be scheduled for next day delivery as usual. If you currently receive your package by US Mail, please let us know if you would like to change your delivery method during this busy time as mail volumes are increased. Due to volume and traffic, the delivery of your payroll package could be delayed. We will not accept courier delivery inquiries until **after 2:00 pm**. If you want to change the delivery address over the holidays, please provide advance notice.
- Please note that we do not have guaranteed delivery times. If you need your package before a certain time due to early closures, etc., alternate arrangements must be made with a Customer Service Representative **prior to processing your payroll** (ex. express delivery). Additional charges will apply.
- When processing your payroll please be aware that you must be available to receive your package the next day. If redelivery is necessary, additional delivery charges will apply.

Year-End Processing

We start our year-end processing after clients run their last scheduled check date of the year. It is extremely important to communicate to a Customer Service Representative if you plan to process any additional payrolls that are not currently in your processing calendar. If you know you will be processing additional payrolls or adjustments outside of your payroll schedule please contact a Customer Service Representative by **December 11, 2020**. Your account will need to be placed on a year-end processing **HOLD status**. Please keep in mind that being placed on a hold status will delay the online posting of your employee W2's.

Examples of adjustments due by December 11th or with your last scheduled payroll of the year are as follows:

- Void and/or manual checks
- Third party sick payments
- Fringe benefits
 - Group term life
 - Personal use of a company car
- Bonuses and other gifts issued to employees
- Health insurance premiums
 - 2% or more shareholders
 - Total value of health insurance paid (required for employers greater than 250 W2's)
 - HSA employer contributions

Please note that even though your payroll may be on hold status, all 2020 payrolls must be processed no later than December 29, 2020. Any 2020 payroll information processed after December 28, 2020 will require signature of absolution releasing Deluxe Payroll of any responsibility for potential penalties and/or interest and will require amendments.

ALL Federal W2 filings are due JANUARY 29, 2021. Also many state and local jurisdictions have accelerated their deadline to the end of January. This requires Deluxe Payroll to begin printing and reporting immediately after your last payroll is processed. Therefore, it is critical that your last payroll include all adjustments, completed and up to date third party sick pay if applicable and most important, accuracy. If you provide your own accounts-payable checks to your employees, you'll need to issue your own 1099s. Go here to purchase the forms: checksimple.com

Any **HOLD** requests due to third party sick pay must be submitted no later than January 13, 2021. Best practices would be to report your third party sick pay during the year and within the quarter that sick pay was issued. Therefore, you should only have the month of December that has not been reported to Deluxe Payroll. Most employers are provided with sick pay statements on each payment issued, by month and by quarter from their insurance provider. Please send any unreported sick pay to Deluxe Payroll as soon as possible, preferably on or before your last payroll in December.

Please Note: Any corrections to final payrolls after December 29th will require amendments only and additional fees will apply. Amendments will be processed starting after February 1, 2021.

Year-End Processing

Bonus Payroll

- **Timing:** Allow enough time to receive your payroll delivery and to review for accuracy prior to the check date.
- **Check Date:** Unscheduled bonus payrolls that are processed simultaneously with regular scheduled payrolls will require extra processing time.
- **Tax Withholdings:** How would you like the bonuses taxed?
 - **Federal Supplemental Rates:**
 - Less than \$1 million: 22%
 - More than \$1 million: 37%
 - **State Supplemental Rates:**
 - Check your specific state as rates vary.
- **Deductions:** What employee payroll deductions should be withheld? Typically, deferred compensation contributions and percentage based garnishments should be withheld from supplemental wages.
- **Payment Method:** All live checks or direct deposit? Keep in mind that with Direct Deposit there are net pay thresholds that will require the entire direct deposit liability to be wired:

At least one employee has a net pay of \$100,000 or greater	WIRE REQUIRED (Total Direct Deposit File)
The total of all direct deposits is \$500,000 or greater	WIRE REQUIRED (Total Direct Deposit File)

\$100,000 Tax Liability

The IRS requires next day payments on any Federal 941 tax liability greater than \$100,000. To ensure the timely payment of your tax obligations the entire tax liability, including federal, state, unemployment and local, must be wired.

941 Liability: Federal Withholding + Employee and Employer FICA (Social Security and Medicare) greater than \$100,000	WIRE REQUIRED (Total Tax Liability)
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Wiring Instructions

Please contact a Customer Service Representative for the wiring rules and instructions. Prior setup with your bank may be required to initiate an outgoing wire.

Company Level

Company Address

Make sure your company address is correct. Deluxe Payroll must prepare all W2's and annual filings with your legally registered address. If there has been any change in your company address, the address must be changed with all government agencies. Please visit [irs.gov](https://www.irs.gov) and any/all other applicable state agencies to obtain instructions on address changes.

Please note that when initially registering your **new** business with the IRS, you may have used your **home** address. If your company address has not been updated to your new **business** location, your original home address will appear on W2's and tax returns.

Entity Changes

If your Federal Identification Number (FEIN) or legal name has changed please notify Deluxe Payroll immediately. This will affect the assignment of wages and tax liabilities associated with each FEIN.

State/Local Identification Numbers

In order to file electronically an identification number is necessary. Most agencies are now requiring electronic filings. If we are unable to submit any of your filings due to a missing identification or PIN number, Deluxe Payroll will create the paper returns and send them to your company marked "Client Responsibility." Please make sure Deluxe Payroll has all of your federal and state identification numbers. Any penalties assessed due to filing with an "applied for" status will be the client's responsibility.

Contact Information

Review payroll and ownership contact information as well as best contact numbers to make sure they are up to date in our system. Also, we may have received authorization from you to allow CPA and/or bookkeeping access to obtain online reporting on your behalf. Please notify us of any changes regarding these authorizations.

Arrange closure and delivery dates

Holidays affect payroll processing deadlines, check dates and payroll deliveries. Please be sure that you arrange your processing and delivery to coincide with these closures.

Amendment Requests

Any wage adjustment for 2020 requiring the filing of amended returns will be processed once all quarterly and year-end filings are completed. Additional fees will apply.

Employee Level

Verify Employee Name, Address and Social Security Numbers

This will allow accurate delivery of W2 statements. Each employee must have their correct SSN listed on the W2 so their wages are reported to state agencies for unemployment purposes. All missing or invalid SSN's reported on W2's are subject to an IRS penalty per incorrect W2. Employer filings are also now due on January 31, 2021. Therefore, avoid W2c (correction) filings and additional costs by ensuring all employee social security numbers are correct **prior to December 29, 2020**.

Manual Checks

Please be sure to submit any and all payments that were issued to your employees that have not been included in any prior payrolls processed by Deluxe Payroll.

Voided Checks

Any checks previously issued to an employee that were not actually due to the employee, should be voided in our system. If funds are due but undelivered, make all attempts to deliver to the employee as wages are included in their W2 earnings. If all efforts are exhausted in the delivery, you will need to escheat the wages to your state.

HSA

Both the amount that is withheld from the employee and any employer contribution need to be reported on the W2 in box 12 code W.

Report Fringe Benefits such as:

- **Group Term Life (GTL):** When the employer-provided GTL exceeds \$50,000, all premium amounts over \$50,000 are subject to all withholding taxes.
- **S-Corporation /2% Shareholders Health Insurance:** The cost of the health premiums provided by an S-Corporation to its > 2% shareholders must be reported as income on the W2 and is not subject to social security or medicare.
- **Dependent Care:** Up to \$5,000 paid for child care expenses is excluded from taxable income, provided that both spouses are working. This is reported in box 10 of the W2.
- **Personal Use of a Company Car:** If you provide any of your employees with a company vehicle, the personal use of that vehicle is fully taxable.
- **Total Value of Health Insurance:** All employers that have paid 250 employees or more, need to report the entire cost of the health premiums for each employee to be included on the W2 in box 12 code DD. This amount should be for medical insurance only. Supplemental health, dental and vision should not be included. **The information must be submitted to us in Excel format and we must receive the employee number along with the total value of the employee and employer portions combined by December 29, 2020. Please note if you have multiple databases you must provide a separate spreadsheet for each database.**
- **Miscellaneous Fringe:** Employers will often give employees gifts in the form of tangible items and services; such as real estate rentals, gift cards, televisions, ipads, etc. The value of these items is considered taxable and is subject to all withholding taxes.

Frequently Asked Questions

Q: When will I receive my 4th quarter and year-end package?

A: If Deluxe Payroll is able to process your quarter/year end information without error and there are not any year-end adjustments, all packages will be available online by the week of January 18, 2021.

Q: What is my deadline to mail out employee annual statements?

A: Statements must be post-marked or distributed by January 29, 2021.

Q: Will Deluxe Payroll mail out my employee annual statements directly?

A: Statements are sent directly to the employer for address verification and employee distribution via mail or in person delivery.

Q: Will Deluxe Payroll speak to my employee's directly regarding any questions or concerns with their tax forms?

A: No. Due to security reasons all employee questions should be handled directly by the employer.

Q: When will my annual statements be available online?

A: If no year-end HOLD is placed on your account, annual statements should be available online January 25, 2021. If a year-end hold is requested on your account, statements will be available January 27, 2021.

Q: How can I obtain duplicate copies of a W2 for my employee?

A: There are a few ways to print a duplicate W2. Employees can use Employee Self Service, an employer copy from MyPaycenter can be printed, or a W2 can be requested to be reprinted from Deluxe Payroll. We recommend using our Employee Self Service product that allows employees to view and print copies of their paystubs or annual statements at their convenience. From MyPaycenter, after you select the Employer W2 report, you are able to select a specific employee. If you request a duplicate copy be printed by Deluxe Payroll, there will be a **\$10** reprint charge **plus** delivery fee, if applicable.

Q: What can I do if I find an employee social security number is incorrect or there is an employee wage/tax discrepancy?

A: ALL SOCIAL SECURITY NUMBERS SHOULD BE VERIFIED IN DECEMBER. Contact your Deluxe Payroll Customer Service Specialist as soon as possible prior to December 29, 2020. Beyond that date, Deluxe Payroll can assist you in providing a W2c. Additional fees will apply.



Frequently Asked Questions

Q: What portion of an employee's HSA is reported on the W2?

A: Both the amount that is withheld from the employee and any employer contribution need to be reported on the W2 in box 12 code W.

Q: Are social security numbers that start with a "9" valid?

A: No. Numbers starting with a "9" are ITIN's (Individual Taxpayer Identification Numbers). According to the IRS: "ITIN's are for federal tax reporting purposes and are not intended to serve any other purpose. An ITIN does not authorize work in the U.S. or provide eligibility for social security benefits or the earned income tax credit."

Q: Do I need to report the cost of health insurance for W2 purposes?

A: All employers that have paid 250 employees or more need to report the entire cost of the health premiums for each employee to be included on the W2 in box 12 code DD. This amount should be for medical insurance only. Supplemental health, dental and vision should not be included.

Q: What should I do with a W2 that is returned to me by the US Postal Service, indicating delivery failure due to an invalid address?

A: As long as the employer has proof they attempted delivery they are in compliance with the IRS. Retain the original postmark as proof. The employer must keep any returned W2's on file in the event an employee contacts them requesting a copy.

Q: Will Deluxe Payroll file my 1099 and 1096 forms?

A: No. Your annual 1099 contractor package contains individual 1099 Misc postal ready statements for the contractors who provided service to your organization during the year. Your annual reporting from Deluxe Payroll will contain company census and wage totals, along with payer copy statements for your files. It will be necessary for the authorized company representative to sign, date and mail to the IRS form 1096 transmittal and all 1099 federal copy A statements to the IRS no later than January 29, 2021.

Q: Does Deluxe Payroll supply 1099s if I issue them on my own?

A: If you provide your own accounts-payable checks to your employees, you'll need to issue your own 1099s. Go here to purchase the forms: [checksimple.com](https://www.checksimple.com)

2020-21 Fee Schedule

Below is a list of fees for year-end supplies, adjustments and additional payrolls. Please contact a Customer Service Representative for further details or assistance.

Description	Fees
Non-Sufficient Fund (NSF)	\$35 per first occurrence / \$50 each additional
2020 payroll file reopen	\$150, plus any additional applicable charges below
Additional payroll run	Normal processing fees apply until December 18, 2020. Beyond this date an additional \$100 fee will be added to unscheduled processing fees if prior notification wasn't provided.
Amended returns	\$100 per federal or state/local agency
W2C/W3C - for SSN corrections	\$30 per form
W2C for wage corrections	\$100 per employee
Missing or applied for agency identification number	\$25 per invoice beyond 6 weeks without proper ID
Employee W2 reprint	Current year \$10 per employee/ Prior years \$15 per employee
Tax return reprint	\$50 per quarter/annual
1099 contractor additional wage updates	\$250 per Federal ID, plus per statement charges

*Deluxe reserves the right, exercisable in its sole discretion, to change or cancel these fees at any time, without prior notice.

2021 Bank Closures

Holiday	Closures
New Year's Day	January 1 - Deluxe Payroll and all banks closed
Martin Luther King, Jr. Day	January 18 - Banks closed
President's Day	February 15 - Banks closed
Memorial Day	May 31 - Deluxe Payroll and all banks closed
Independence Day	July 4 - Banks closed - July 5 - Deluxe Payroll will be closed for Independence Day
Labor Day	September 6 - Deluxe Payroll and all banks closed
Columbus Day	October 11 - Banks closed
Veterans Day	November 11 - Banks closed
Thanksgiving Day	November 25 - Deluxe Payroll and all banks closed
Christmas Day	December 25 - Deluxe Payroll and all banks closed

What's new in 2021?

- The Old-Age, Survivors and Disability Income Insurance (OASDI) taxable wage base is increasing to \$142,800 in 2021 from \$137,700 in 2020 according to Social Security Administration. This equates to a maximum OASDI employee contribution of \$8853.60 or 6.2% of the wage base. Employers are also required to match this amount.
- The Medicare portion of the FICA tax has no wage base for the employee share as all taxable earnings require a 1.45% contribution rate with an extra 0.9% for > \$200,000 of employee wages.
- New Health Savings Account (HSA) limits for 2021 will be \$3,600 for individual coverage up from \$3,550 and \$7,200 for family coverage up from \$7,100. HSA Catch Up contribution limit for participants age 55+ remains at \$1,000. Deductibles for HSA eligible health plans must be at least \$1,400 for individual coverage and \$2,800 for family coverage.
- 401k, 403b, and 457 contribution limits will remain at \$19,500. For participants age 50 and over the catch-up contribution also remains at \$6,500. Simple plan contribution limits remain at \$13,500. The catch-up contribution limit will remain at \$3,000.

Payroll Preparation for 2021

Before your First Payroll of 2021:

- **Update Employee Deductions**
 - Update any/all deduction amounts or limits for medical, dental, 401k or any other applicable voluntary deduction.
 - Remember, many deductions are set as “inactive” and may restart with your first payroll. Review your payroll register very carefully to make sure that no unwanted/expired deductions have restarted in the new year.
 - In the future, it is best to always use the deduction status of “Not In Use” when terminating deductions that way it is easy to spot when reviewing your reports.
- **Employee Leave Pay**
 - Verify that the company policies are scheduled to reset as expected.
- **Pay Date Changes**
 - Please examine all 2021 paydates to accommodate holiday or bank closings. If you have a semi-monthly or monthly payroll schedule, your new 2021 paydates will appear on the last payroll summary report of 2020.
- **W4 Statements**
 - Make sure new 2021 W4 statements are submitted by employees making any changes for the 2021 tax year. Any employees that had previously claimed “exempt” on federal or state taxes should also complete new 2021 forms.

Important Reminders from the TAX DEPARTMENT:

- **When Applying for New State Identification Numbers**

Please keep in mind that you must apply with the agencies to open an account. Once you apply, look forward to receiving a confirmation from the agency via mail within 2-6 weeks. If you do not receive your account information, please contact the agency to obtain your new identification number, payment frequency and/or contribution rate.

NOTE: There are numerous agencies that no longer accept “Applied For” filings while waiting for your permanent identification number. Failure to provide Deluxe Payroll with the required account information may result in potential penalties. Proactively contact your state to ensure registration has been received/completed avoiding unnecessary additional charges.
- **Agency Correspondence**

Deluxe Payroll does not receive duplicate copies of correspondence from government/state agencies. Anything you receive regarding identification numbers, payroll taxes, payment frequency changes, etc. should be forwarded to Deluxe Payroll as soon as it is received, especially entering a new year. Deluxe Payroll does require you to notify us of these changes and we thank you for your assistance.

How Can We Help You in 2021?

- ACA Compliance Dashboard and Reporting
- Custom Fields/Custom Reports
- Employee Self Service and Onboarding
- EZ IRA Program
- Fully Integrated Time and Attendance Solution
- Applicant Tracking
- General Ledger
- HR Analytics Dashboard and Reporting
- Payroll Cards (provided by Global Cash Card)
- Point-of-Sale and Time and Attendance Interfaces
- Poster Compliance Update Service
- Premium Link
- Think HR Compliance Tools
- **And much more, call us today!**