



# Year End Reporting for Payroll

PRESENTED BY  
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# Christine Porras, CPP

## **Supervisor**

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Christine holds a Payroll Professional Certification through the American Payroll Association.

She has 22 years' experience at Yeo & Yeo in the Saginaw Outsourced Accounting department. She manages a team of five payroll specialists who service over one hundred payroll clients in all aspects of payroll processing including payroll taxes and year end.

She is a committee member for the American Payroll Association MI Statewide payroll conferences. She was past-president and co-founder of the Great Lakes Bay Chapter of the APA and is currently member of that chapter.



# Kristi Krafft-Bellsky

## Partner

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Kristi is a CPA and the Quality Control Director at Yeo and Yeo.

She has been working on School District audits since 2003. She also is a member of the MDE audit referent group and 1022 Committee.



# Disclaimer

- This presentation is not legal advice. Before taking any actions on the information contained in this presentation, employers should review this material with internal and/or external counsel.

# Objectives

- Reporting of qualified sick and family leave wages
- Reporting of the deferral of employer share of social security
- Reporting of the deferral of employee share of social security
- Other year end reminders



# Form 941

## 941 Instructions

<https://www.irs.gov/pub/irs-pdf/i941.pdf>

## 941 Form

<https://www.irs.gov/pub/irs-pdf/f941.pdf>

# Qualified sick and family leave wages

**Emergency Paid Sick Leave Act (EPSLA).** The EPSLA requires certain government employers and private employers with fewer than 500 employees to provide paid sick leave to employees unable to work or telework after March 31, 2020, and before January 1, 2021, because the employee:

1. Is subject to a federal, state, or local quarantine or isolation order related to COVID-19;
2. Has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
3. Is experiencing symptoms of COVID-19 and seeking a medical diagnosis;
4. Is caring for an individual subject to an order described in (1) or who has been advised as described in (2);
5. Is caring for a child if the school or place of care has been closed, or the childcare provider is unavailable, due to COVID-19 precautions; or
6. Is experiencing any other substantially similar condition specified by the U.S. Department of Health and Human Services.



# Qualified sick and family leave wages

**Emergency Paid Sick Leave Act (EPSLA).** Required to provide employees with up to **80 hours of paid leave** if the previous criteria is met.

- If Criteria 1-3 are met:
  - Entitled to be paid at the employee's regular pay, up to \$511 per day and \$5,110 in the aggregate.
- If Criteria 4-6 are met:
  - Entitled to paid sick leave at two-thirds the employee's regular rate of pay up to \$200 per day and \$2,000 in the aggregate.

# Qualified sick and family leave wages

**Emergency Family and Medical Leave Expansion Act.** The Emergency Family and Medical Leave Expansion Act requires certain government employers and private employers with fewer than 500 employees to provide paid family leave who has been employed for at least 30 calendar days. The requirement to provide leave generally applies when an employee is unable to work or telework after March 31, 2020, and before January 1, 2021, due to the need to care for a child because the school or place of care has been closed, or the childcare provider is unavailable, due to COVID-19 related reasons. The first 10 days for which an employee takes leave may be unpaid. During this period, employees may use other forms of paid leave, such as qualified sick leave, accrued sick leave, annual leave, or other paid time off. After an employee takes leave for 10 days, the employer must provide the employee paid leave (that is, qualified family leave wages) for up to **10 weeks**.

# Qualified sick and family leave wages

## **Emergency Family and Medical Leave Expansion Act.**

This paid family leave time of up to 10 weeks should be paid at two-thirds of the regular rate of pay up to \$200 per day and \$10,000 in the aggregate.

# Qualified sick and family leave wages

## Families First Coronavirus Response Act: Questions and Answers

As provided under the legislation, the U.S. Department of Labor will be issuing implementing regulations. Additionally, as warranted, the Department will continue to provide compliance assistance to employers and employees on their responsibilities and rights under the FFCRA.

### Definitions

**“Paid sick leave”** – means paid leave under the Emergency Paid Sick Leave Act.

**“Expanded family and medical leave”** – means paid leave under the Emergency Family and Medical Leave Expansion Act.

### Questions & Answers By Category

[Expand All](#)

> Definitions
> Eligibility
> Coverage
> Application
> Enforcement
> Return to School

<https://www.dol.gov/agencies/whd/pandemic/ffcra-questions>

# Qualified sick and family leave wages

- The way that the FFCRA requirements for leave were written was to amend the original FMLA. Original FLMA indicated it applied to employers over 50 employees AND public agencies. The amendment for FFCRA changes the threshold to fewer than 500 employees but does NOT remove the public agencies. Therefore, the schools and governments ARE required to provide the paid leave. This came under division c of the FFCRA. Various Q&As also indicate this from DOL at <https://www.dol.gov/agencies/whd/pandemic/ffcra-questions>


# Qualified sick and family leave wages

Division G of FFCRA is where the credits are discussed; different part of the law. Section 7001(e)(4) indicates “this credit shall not apply to the Government of the United States, the government of any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing.”

# Qualified sick and family leave wages

## **19b. Can government employers receive tax credits for providing paid leave wages under the FFCRA? (Added November 25, 2020)**

No. The Federal government, the government of any State or political subdivision thereof, and any agencies or instrumentalities of those governments are not Eligible Employers and are not entitled to receive tax credits for providing paid leave wages under the FFCRA.

However, under the Department of Labor (DOL) rules, non-federal public sector employers generally must provide paid sick and family leave wages under the FFCRA, while federal public sector employers generally must provide paid sick leave wages. For more information on whether and to what extent public sector employers must provide paid leave wages under the FFCRA, see [Families First Coronavirus Response Act: Questions and Answers](#) , available at the DOL's website.

Note: To the extent that the FFCRA requires public sector employers to provide paid leave wages under the FFCRA, under section 7005(a) of the FFCRA, the paid leave wages paid by the government employer are not subject to the Employer's share of social security tax.

<https://www.irs.gov/newsroom/covid-19-related-tax-credits-what-is-an-eligible-employer-faqs#what-eligible-employer>

# Qualified sick and family leave wages

Government employers aren't eligible for the credit for qualified sick and family leave wages; however, as with any employer, government employers aren't liable for the employer share of the social security tax on the qualified sick leave wages paid to employees.





# Qualified sick and family leave wages

## How to report on the 941

- Enter taxable social security wages
- Enter qualified sick leave wages on line 5a(i)
- Enter qualified family leave wages on line 5a(ii)

	Column 1		Column 2
5a Taxable social security wages . .	<input type="text"/>	$\times 0.124 =$	<input type="text"/>
5a (i) Qualified sick leave wages . .	<input type="text"/>	$\times 0.062 =$	<input type="text"/>
5a (ii) Qualified family leave wages . .	<input type="text"/>	$\times 0.062 =$	<input type="text"/>

# Qualified sick and family leave wages

***51a. Does a government employer that is required to provide paid leave wages under the FFCRA have to pay the employer's share of social security tax on the paid leave wages? (added November 25, 2020)***

No. Section 7005(a) of the FFCRA states that paid leave wages are not considered wages under section 3111(a) of the Internal Revenue Code (the "Code"), which covers the employer portion of the Old-Age, Survivors, and Disability Insurance tax (social security tax), or compensation under section 3221(a) of the Code, which covers the Railroad Retirement Tax Act Tier 1 rate.

***51b. Does a government employer receive a credit for the employer's share of Medicare tax on paid leave wages it provides under the FFCRA? (added November 25, 2020)***

No. Government employers are not Eligible Employers and are not entitled to receive tax credits for providing paid leave wages under the FFCRA.

Note that Tribal governments that provide paid sick and paid family and medical leave pursuant to the FFCRA are eligible to claim the tax credits for qualified leave wages, including for the employer's share of Medicare tax on the qualified leave wages, assuming they are otherwise Eligible Employers.

For more information, see "[What is an Eligible Employer?](#)"

# Qualified sick and family leave wages

***51c. Does a government employer receive a credit for the health care expenses allocable to the qualified leave wages?***  
***(Added November 25, 2020)***

No. Government employers are not Eligible Employers and are not entitled to receive tax credits for any health care expenses allocable to paid leave they provide under the FFCRA.

Note that Tribal governments that provide paid sick and paid family and medical leave pursuant to the FFCRA are eligible to claim the tax credits for qualified leave wages, including for any qualified health care expenses allocable to the qualified leave wages, assuming they are otherwise Eligible Employers.

For more information, see "[What is an Eligible Employer?](#)"

<https://www.irs.gov/newsroom/special-issues-for-employers-taxation-and-deductibility-of-tax-credits>

# Qualified sick and family leave wages

## How to report on the W-2

These wages will be reported in box 14 on the W-2.

- Total qualified sick leave must be labeled. The employer must use the following, or similar language:
  - “sick leave wages subject to the \$511 per day limit” and
  - “sick leave wages subject to the \$200 per day limit
- Total qualified family leave wages must also be labeled. The employer must use the following, or similar language:
  - “emergency family leave wages”

# Qualified sick and family leave wages

## How to report on the W-2

If you don't report on the W-2, you must provide a separate statement. If the employee receives a paper Form W-2, then the statement must be included with the Form W-2 provided to the employee, and if the employee receives an electronic Form W-2, then the statement shall be provided in the same manner and at the same time as the Form W-2.

# Qualified sick and family leave wages

## Model Language:

"Included in Box 14, if applicable, are amounts paid to you as qualified sick leave wages or qualified family leave wages under the Families First Coronavirus Response Act. Specifically, up to three types of paid qualified sick leave wages or qualified family leave wages are reported in Box 14:

- Sick leave wages subject to the \$511 per day limit because of care you required;
- Sick leave wages subject to the \$200 per day limit because of care you provided to another; and
- Emergency family leave wages.

# Qualified sick and family leave wages

## How to report on the W-2

The IRS has not announced whether it will match the qualified leave wages reported on Form 941 to the amounts reported on Form W-2.



# Qualified sick and family leave wages

## What if we don't claim the credit?

### \*Disclaimer\*

Currently no official guidance on this.

### \*Thoughts\*

- Tracking separately allows District to prove they did offer and provide EPSLA and EFLMA. May also need to track for ORS purposes.
- How much is being left on the table?
- If not reporting wages related to this on 941, likely ok not to report in box 14. But see disclaimer above.

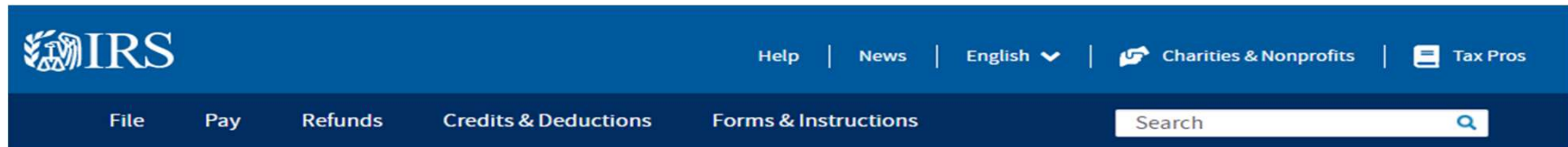




# Deferring of EMPLOYER social security

Employers, including government employers, can defer the deposits and payment of the employer share of social security tax otherwise due during the calendar quarter.

# Deferring of EMPLOYER social security



[Home](#) / [News](#) / [Topics in the News](#) / [Coronavirus Tax Relief](#) / Deferral of employment tax deposits and payments through December 31, 2020

## **Deferral of employment tax deposits and payments through December 31, 2020**

<https://www.irs.gov/newsroom/deferral-of-employment-tax-deposits-and-payments-through-december-31-2020>

# Deferring of EMPLOYEE Social Security

- On August 28, the IRS issued guidance that allows employers to defer the withholding and payment of the employee share of social security tax on applicable wages paid between September 1, 2020 and December 31, 2020.
- Employers may, but are not required to participate in the deferral.

# Deferring of EMPLOYEE Social Security

- Employees earning less than \$104,000 per year would be able to defer
- In 2021, employers that chose to defer will then withhold the deferred amount from employees' wages paid between January 1, 2021 and April 30, 2021 and make appropriate tax payments based on the withholding date.
- It is the employer that is liable to repay the deferred amounts

# Deferring of EMPLOYEE Social Security

## Where to report on the 941

- Employers will report on line 13b the total deferred amount of the employer and employee share of social security tax.

13b Deferred amount of social security tax . . . . . 13b

- Employers will also separately report on line 24 the deferred amount of the employee share of social security tax that is include on line 13b.

24 Deferred amount of the employee share of social security tax included on line 13b . . . 24

# Deferring of EMPLOYEE Social Security

## How to report on the W-2

- All social security wages will be reported in box 3 (Social Security wages)
- Do not include any deferred Social Security tax in box 4 (Social Security tax withheld)
- Report any employee social security tax deferred on Form W-2c. Enter tax year 2020 in box c and adjust the amount previously report in box c on the Form W-2 to include the deferred amount that were withheld in 2021. All forms should be filed with SSA as soon as possible after you have finished withholding the deferred amounts.

# Schedule B

In October, the IRS made a change on how to report the tax liabilities.





# Schedule B

<https://www.irs.gov/instructions/i941sb>

The total tax liability must equal the amount report on Form 941, line 12.

12 Total taxes after adjustments and nonrefundable credits. Subtract line 11d from line 10 . 12

# Schedule B- Deferred Social Security

If you defer the employer and/or employee share of social security tax and subsequently pay or deposit that deferred amount in the same quarter, you should report the amount of the payment or deposit on Schedule B on the date of the payment or deposit and not the date of the liability.

For example, if you're a semiweekly schedule depositor that has an employment tax liability of \$10,000 every 2 weeks in the third calendar quarter of 2020 and you defer \$2,000 of the employer's share of social security tax from your first deposit, but deposit your deferred amount of \$2,000 together with your last deposit of \$10,000 during the same calendar quarter, you would report \$8,000 for your first tax liability on your Schedule B (\$10,000 minus \$2,000) and \$12,000 for your last liability on Schedule B (\$10,000 plus \$2,000).

# Amending the Schedule B

- You made an error on Schedule B and the correction won't change the total liability for the quarter, you may be able to reduce your penalty by filing an amended Schedule B.
- Prepare an amended return. Write "amended" at the top of Schedule B. The IRS will refigure the penalty and notify you of any change in the penalty.
- File your return at the address provided in the penalty notice your received.

# 941X Instructions

Instructions

<https://www.irs.gov/instructions/i941x>

Form

<https://www.irs.gov/pub/irs-pdf/f941x.pdf>

New lines in Part 3 to adjust for reporting of COVID-19 related tax credits





# Year-End Action Items

# Review your calendar

- Identify dates of last payrolls in 2020
- Prepare calendar for 2021
- Identify dates of first payroll in 2021
- Review holiday schedule
- Review ACH calendar (days the Federal Reserve Banks are closed)
- IRS Publication 509: Tax Calendars <https://www.irs.gov/pub/irs-pdf/p509.pdf>
- Refer to your contracts for guidance on pay dates

## ACH Processing (holiday) Calendar

Holiday	2020	2021	2022
New Year's Day	Wed, Jan 1	Fri, Jan 1	Sat, Jan 1 <sup>1</sup>
Martin Luther King Jr. Day	Mon, Jan 20	Mon, Jan 18	Mon, Jan 17
President's Day	Mon, Feb 17	Mon, Feb 15	Mon, Feb 21
Memorial Day	Mon, May 25	Mon, May 31	Mon, May 30
Independence Day	Sat, Jul 4 <sup>1</sup>	Mon, Jul 5 <sup>2</sup>	Mon, Jul 4
Labor Day	Mon, Sep 7	Mon, Sep 6	Mon, Sep 5
Columbus Day	Mon, Oct 12	Mon, Oct 11	Mon, Oct 10
Veteran's Day	Wed, Nov 11	Thu, Nov 11	Fri, Nov 11
Thanksgiving Day	Thu, Nov 26	Thu, Nov 25	Thu, Nov 24
Christmas Eve/Christmas Day <sup>3</sup>	Fri, Dec 25 <sup>3</sup>	Sat, Dec 25 <sup>1</sup>	Mon, Dec 26 <sup>2</sup>



# Review Due Dates

- W-2 Report Due Dates
  - Furnish employees with Forms W-2 no later than February 1, 2021
  - File paper Forms W-2 with SSA no later than February 1, 2021
  - File Forms W-2 electronically with SSA no later than February 1, 2021
- 1095-C Reporting Due Dates
  - Furnish employees with Form 1095C no later than March 2, 2021
  - File paper Forms 1095C with the IRS no later than February 28, 2021
  - File Forms 1095C electronically with IRS no later than March 31, 2021

# Review Due Dates

- 1099 NEC Due Dates
  - Furnish employees with Forms 1099 NEC no later than February 1, 2021
  - File paper Forms 1099 NEC with IRS no later than February 1, 2021
  - File Forms W-2 electronically with IRS no later than February 1, 2021
- 1099 MISC Due Dates
  - Furnish employees with Form 1099 MISC no later than February 1, 2021
  - File paper Forms 1099 MISC with the IRS no later than March 1, 2021
  - File Forms 1099 MISC electronically with IRS no later than March 31, 2021

# More action items

- If printing in house, order forms
  - Print a test W-2 to verify form is correct
  - Print a test 1095C to verify form is correct
  - Verify window envelopes are correct size
  - New 1099 NEC form
- Establish adjustment schedule for taxable fringe benefits
  - Calculate group term life
  - Calculate personal use of company cars
  - Record education assistance

# Contact employees claiming exempt on their W-4

Employees claiming exempt from withholding during the prior year on their Form W-4 must complete a new Form W-4 by February 16, 2021 to maintain their exempt status. If employees claiming exempt do not give their employer a new completed W-4 form by February 16, 2021, the employer must begin withholding federal income tax using the most recent valid W-4 or if none is available, withhold as if they are a single filer with no other adjustments. Any taxes withheld on or after February 16 and by the time the employee furnishes a new exempt W-4 are not refunded; the employee did not have a valid W-4 on file during that time.

## Prepare a deposit schedule to track federal, state and local income taxes and RECONCILE

[illegible]

# Prepare a reconciliation of taxable wages and taxes withheld and RECONCILE

941		1st	2nd	3rd	4th	Total	W-3	Difference
Fed. Wages						-		-
FWT						-		-
SS Wages						-		-
FICA						-		-
ER FICA Double Check								-
SS Wages Sick Leave						-		-
FICA Sick Leave						-		-
SS Wages Family Leave						-		-
FICA Family Leave						-		-
Medi. wages/tips						-		-
Medi. taxes						-		-
Additional Medi. wages						-		-
Additional Medi. Taxes						-		-
State wages						-		-
State withholding						-		-
Local wages						-		-
Local withholding						-		-
FUTA Wages						-		-
FUTA Tax paid		-	-	-	-	-	-	-
MESC Taxable Wages						-		-
MESC Wages						-		-
Tax rate	0.0290	-	-	-	-	-	-	-
Obligation	0.0120	-	-	-	-	-	-	-
Rounding						-	-	-
Interest		-				-	-	-
Total tax due		-				-	-	-
Paid						-	-	-
Balance		-				-	-	-

# IRS/SSA Annual Reconciliation Process

- Both the SSA and IRS use the totals from Forms W-2 and the totals from the four quarterly Forms 941 to reconcile.
- If more wages are reported to the IRS than to SSA, the SSA tries to resolve the discrepancy.
  - Sends questionnaire to employer. Be sure to use questionnaire when responding
  - No response from employer within 45 days, SSA sends a second notice.
  - No response from the employer, the IRS is responsible for contacting the employer and may impose penalties.

# Prepare a W-2 and 1095C Request Form

The IRS stated a fee may be charged for furnishing additional copies. Moreover, there are no penalties under the Internal Revenue Code for refusing to satisfy a request of another copy.

**Best practice:** Consider using a W-2 and 1095-C Request Form to authorize such a payroll deduction.

\* Employee self serve can reduce the need of reprints



# Verify Social Security Numbers

The SSA processes as many as 250 million W-2 forms each year and about 10% of these forms have names and SSNs that do not match. The SSA runs 23 processes on W-2 forms to try to match the name and number and is able to correct about 60% of the mismatches.

The Earnings Suspense File contains all the W-2 Form information since 1938 that SSA has not been able to process. Currently there are 367 million wage records recording \$1.6 trillion of uncredited wages.

# Verify Social Security Numbers

Social Security Administration recently announced that they will mail letters to employers that filed one or more 2019 Forms W-2 containing employee names and SSN that did not match SSA's records, beginning in December 2020.

Employers should make an effort to review their applicable source records and make any corrections to current payroll records, so that Forms W-2 for 2020 reflect correct information, minimizing the need to file W-2C for 2020.

# Verify Social Security Numbers

The letters will include instructions on how to register for and use Business Services Online (BSO) to view SSN mismatches, as well as how to file W-2C.

[www.socialsecurity.gov/bso/bsowelcome.htm](http://www.socialsecurity.gov/bso/bsowelcome.htm)

Failure to report correct SSN's on Forms W-2, may result in a penalty of \$280 per incorrect Form W-2 required to be filed in 2021.

# Verify Social Security Numbers

SSNs are assigned by a method called randomization, which keeps the SSA from running out of SSNs and helps protect against identity theft.

The SSA will not issue:

- SSNs beginning with the number “9”
- SSNs with the number “666” or “000” in positions 1-3
- SSNs with the number “00” in positions 4-5
- SSNs with the number “0000” in positions 6-9

# Verify Social Security Numbers

**Social Security Number Verification Service (SSNVS).** You can verify an employee's name and SSN who will have a Form W-2 prepared at year-end, including current and former employees.

<https://www.irs.gov/e-services>

**E-Verify.** Employers are able to verify the employment eligibility of all newly hired employees. The verification checks by the SSA and Department of Homeland Security.

<https://www.e-verify.gov>

# Reporting Social Security Numbers on W-2

## **\*New this year**

Employers may now use a truncate of social security number on employee copies of Forms W-2. Employers will replace the first 5 digits with X's or asterisks.

Do not truncate the employee's SSN on Copy A for SSA or copies sent to state or local governments.

# Business Services Online (BSO)

**Business Services Online (BSO).** The SSA has enhanced its secure BSO website to make it easier to register and navigate. Use BSO's online fill-in forms to create, save, and submit Forms W-2 and W-2c to the SSA electronically. BSO lets you print copies of these forms to file with state or local governments, distribute to your employees, and keep for your records. BSO generates Form W-3 automatically based on your Forms W-2. You can also use BSO to upload wage files to the SSA, check on the status of previously submitted wage reports, and take advantage of other convenient services for employers and businesses. Visit the SSA's Employer W-2 Filing Instructions & Information website at [SSA.gov/employer](https://ssa.gov/employer) for more information about using BSO to save time for your organization. Here you will also find forms and publications used for wage reporting, information about verifying employee social security numbers online, how to reach an SSA employer services representative for your region, and more.

# AccuWage

Free internet application that enables employers to check Form W-2 formatted wages files for correctness before submitting. AccuWage identifies many, but not all, wage file issues.

<https://www.ssa.gov/employer/accuwage/faqAccuWageOnline.pdf>



# Questions?

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