Tax Reform, Year End and What’s up for 2019!

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“A tax loophole is something that benefits the other guy. If it benefits you, it’s tax reform.”

Russell B. Long
Senator from Louisiana 1948-1987
Tax Cuts and Jobs Act

- Nearly doubles standard deduction to:
  - $12,000 (Single or Married Filing Separately)
  - $18,000 (Head of Household)
  - $24,000 (Married Filing Jointly)
- Doubles child tax credit to $2,000
- Adds nonchild dependent tax credit - $500
- Limits SALT to $10,000
- Limits interest deduction for high-end mortgages
- Changes COLAs to from CPI-U to Chained CPI-U
- Clarifies ‘tangible personal property’ for awards
Tax Cuts and Jobs Act

● Reduces personal exemption value to zero
● Makes moving expense reimbursements taxable other than certain military moves; eliminates deduction as well
● Eliminates bicycle commuter reimbursement as a Qualified Transportation Fringe
● Adds family and medical leave employer tax credit for paid leave
● Employer can’t deduct cost of Qualified Transportation Fringe
● Some changes to employer meals & entertainment deductions
IRS Implementation

- 140 integrated software systems at IRS
- 465 forms and guidance documents
- Tax administration and funding >$320M
- Tax Reform Implementation Office (TRIO)
APA’s TCJA Efforts

- Letter to Congressional Conference Committee warning of consequences
- Letter to IRS requesting:
  - Transitional relief
  - Time to implement new withholding tables
  - Guidance on need for new W-4 for all EEs
  - Certainty on supplemental withholding rate
Tax Cuts and Jobs Act

Benefits spared from the chopping block before TCJA was passed

- Adoption assistance programs
- Dependent care assistance programs
- Educational assistance plans
- Employee achievement awards
- Employer-provided housing and meals
Tax Cuts and Jobs Act

TCJA Effects on Payroll

• 2018 withholding tables out Jan. 11, need to be in effect by Feb. 15
• Optional supplemental withholding rate – 22% (was 25%)
• Some inflation adjustments recalculated for 2018
  • HSA contribution max from $6,900 to $6,850
  • Foreign Earned Income exclusion decrease from $104,100 to $103,900
  • Adoption assistance exclusion decrease from $13,840 to $13,810
Tax Cuts and Jobs Act

TCJA Effects on Payroll

- **Form W-4 for 2018**
  - Not released until Feb. 28
  - Exempt claim renewal extended to Feb. 28, can use 2017 W-4
  - Adds allowances for higher child tax credit, new nonchild dependent credit
  - Allowances for employee, not spouse and kids
Tax Cuts and Jobs act

TCJA Effects on Payroll

● Form W-4 for 2018

● Tell employees to check withholding if:
  ◦ 2-income families
  ◦ 2 or more jobs
  ◦ With itemized deductions
  ◦ High income and complex tax returns

  ◦ Employees may still have time to submit new Form W-4 / add additional withholding
TCJA Effects on Payroll

- Early release draft 2019 Form W-4 June 8
  - Major changes in how withholding is addressed
  - Employee gets 2 or 3 allowances based on filing status:
    - 2 if Single or Married Filing Separately; 3 if Head of Household or MFJ
  - Adjustments are added to or subtracted from taxable wages before w/h is calculated for:
    - Other income not withheld on – interest, self-employment
    - Income from other jobs and/or spouse’s job
    - Itemized deductions above standard deduction

IRS will not require all EEs to complete and submit a 2019 W-4;
Prior forms submitted before 1/1/19 can continue to be used
5. Enter the amount, if any, of nonwage income not subject to withholding, such as interest and dividends.

6. Enter the amount, if any, of itemized and other deductions.

7. Enter the amount, if any, of tax credits, such as the child tax credit.

8. Complete this line only if you have multiple jobs at the same time or file as married filing jointly and both you and your spouse work; otherwise, leave it blank. Enter the total pay of all lower paying jobs.

9. Additional amount, if any, you want withheld from each paycheck.

10. I claim exemption from withholding for 2019, and I certify that I meet both of the following conditions for exemption.
   - Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and
   - This year I expect a refund of all federal income tax withheld because I expect to have no tax liability.

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

**Employee's signature**

(this form is not valid unless you sign it.)

**Date**

11. Employer's name and address (Employer: Complete boxes 11 and 13 if sending to IRS and complete boxes 11, 12, and 13 if sending to State Directory of New Hires.)

12. First date of employment

13. Employer identification number (EIN)
Tax Cuts and Jobs Act

How does ER figure w/h using 2019 W-4?

- Step 1: Divide amounts in Lines 5-8 by pay period frequency
- Step 2: Add amounts from Lines 5 & 8 to EE’s taxable wages
- Step 3: Subtract amount from Line 6 (itemized deductions)
- Step 4: Calculate FITW using allowances – 2 (S); 3 (HOH or MFJ)
- Step 5: Reduce FITW by amount from Line 7 (tax credits)
- Step 6: Separately calculate FITW on amount from Line 8
- Step 7: Subtract amount from Step 6 from Step 5 result
- Step 8: Add any extra withholding amount from Line 9 to get final FITW for EE
On September 20, the IRS announced it will delay major revisions to Form W-4, *Employee's Withholding Allowance Certificate*, until the 2020 version. The 2019 form will be similar to the 2018 version. The IRS hopes to release a new draft version of the 2019 Form W-4 “in the coming weeks” [IRS Statement on Form W-4, 9-20-18].

The IRS decided to delay the changes to the 2019 Form W-4 “following feedback from the payroll and tax communities.” In July, the APA submitted detailed comments to the IRS on the preliminary draft 2019 Form W-4. The IRS also said that it will continue to work closely with these communities to develop the Form W-4 for 2020. The 2020 version will “fully reflect” tax law changes made by the Tax Cuts and Jobs Act (TCJA; Pub. L. 115-97) and is intended to help employees improve the accuracy of their federal income tax withholding.
**Tax Cuts and Jobs Act....W4 delayed until 2020!**

- On October 12, the IRS released the new draft of the 2019 Form W-4.
- The form has not changed from 2018 with the exception of updates to the wage brackets used on the “Personal Allowance”, “Deductions, Adjustments and Additional Income” and “Two Earner / Multiple Jobs” Worksheets.

**Notice 2018-92 released Nov 26**

- The temporary suspension of the requirement that employees must give employers new Forms W-4 within 10 days for reductions in allowances solely resulting from changes made by the tax code overhaul (Pub. L. 115-97) remains until April 30, 2019, i.e. employee may submit a new W-4 by May 10, 2019.

- Defaults for no W-4 remain the same:
  - W-4 – Single, 0
  - W-4P – Married, 3
Tax Cuts and Jobs Act....State W-4s

• States that have been using the Federal W-4 may be looking at issuing their own forms, e.g. Oregon is planning to release a state specific W-4 form for use in 2019

• Currently CO, ID, MT, NE, NM, ND, OR, SC, UT, and VT use the federal W-4 only
ALL Moving Expenses Provided On and After January 1, 2018 are taxable income to the employee

*Only nontaxable relocation reimbursements paid directly to the employee are reported with code P. For 2018, this code will only be used for excludable relocation reimbursements related to a military reassignment.

Relocation is NOT taxable in the following states:
AR, AZ, CA, HI, IA, MA, MN, NY, VA

PA and NJ generally do not conform to IRC and have their own rules!
IRS allows exclusion of 2017 moving expenses paid in 2018

On September 21, the IRS announced that employer payments or reimbursements in 2018 for employees’ qualified moving expenses incurred in 2017 are excluded from the employees’ wages for income and employment tax purposes [IRS Notice 2018-75, 9-21-18].

Reimbursements an employer pays to an employee in 2018 for qualified moving expenses incurred prior to January 1, 2018, are not subject to federal income or employment taxes. The same is true if the employer pays a moving company in 2018 for qualified moving services provided to an employee prior to January 1, 2018.

To qualify, reimbursements or payments must be for work-related moving expenses that would have been deductible by the employee if the employee had directly paid them prior to January 1, 2018. The employee must not have deducted them on the employee’s 2017 personal income tax return.
IRS allows exclusion of 2017 moving expenses paid in 2018

Because it was unclear whether the TCJA’s suspension of the exclusion for qualified moving expenses applied to reimbursements made in 2018 for costs incurred in 2017, employers were not sure how to treat the expenses. Many companies elected to tax all relocation expenses paid on or after January 1, 2018.

Now employers may need to make corrections by filing Form 941-X before the end of 2018. Employers that need to make corrections because they withheld and paid federal employment taxes or grossed-up the income and employment taxes on the qualified moving expenses may use the adjustment process under IRC §6413 or the refund claim process under IRC §6402 to correct the overpayment of federal income and employment taxes on these amounts. The adjustment or refund claim for federal income tax must occur before January 1, 2019 (see The Payroll Source®, §8.6).
Bicycle Commuting Benefits (Repeal of Payroll Tax Exclusion)

Under the TCJA, Bicycle Commuting Benefits ($20 a month) are federally taxable after January 1, 2018.

Bicycle Commuting Benefits are NOT taxable in the following states:
AR, AZ, CA, HI, IA, MN, MS, VA

PA and NJ generally do not conform to IRC and have their own rules!

Note also that HI and MA do not use the federal exclusion amount for other qualified transportation benefits.
Tax cuts and jobs Act

Transition Relief

- **Health Savings Accounts**
  - Family plan contribution max for 2018 reduced from $6,900 to $6,850
  - Some EEs had already contributed the max

- APA requests relief

- April 26: IRS grants relief, restores $6,900 max, adds procedures for ERs
Tax cuts and jobs act

- **Personal exemptions & tax levies**
  - If Form 668-W Part 3 not submitted
    - TCJA says use married filing separately, no dependents
    - Before TCJA married filing separately, 1 exemption

- **Levy exempt amount tables (Pub. 1494) issued 12/31/17**
  - Did not account for new standard deduction
  - Did not have columns for zero dependents

- **Revised Pub. 1494 issued 5/2/18**
  - Added TCJA changes, but had several math errors/typos
  - APA pointed them out to IRS

- **Newly revised Pub. 1494 issued 9/12/18**
  - Fixed all but one error – $171.11 s/b $117.11 – HOH, Daily PR Period, 3 Dependents;
  - no new table to be issued
Entertainment Expenses (Business Deduction Rules)

The interim guidance says that taxpayers may continue to claim an income tax deduction equal to 50% of an otherwise allowable business meal expense if:

• The expense is an ordinary and necessary expense under Code Sec. 162(a) paid or incurred during the taxable year in carrying on any trade or business;
• The expense is not lavish or extravagant under the circumstances;
• The taxpayer, or an employee of the taxpayer, is present at the furnishing of the food or beverages;
• The food and beverages are provided to a current or potential business customer, client, consultant, or similar business contact...

Action Steps: Entertainment Expenses

• General Ledger Accounts
• Entertainment Policy
• Inclusion of Entertainment Reimbursements in Taxable Wages
What about Tax Reform 2.0?

  - Would make permanent:
    - New tax rates and brackets
    - Standard deduction increase
    - Child tax credit increase
    - SALT deduction cap at $10,000
What about Tax Reform 2.0?

  - Would make permanent:
    - Taxability of moving expense reimbursements
    - Elimination of bicycle commuting benefit
    - Reduction of personal exemption amount to zero
    - Elimination of miscellaneous itemized deductions
Thresholds for 2019 already announced

The IRS has announced the 2019 maximum contribution levels for health savings accounts (HSAs) and out-of-pocket spending limits and deductible minimums for High Deductible Health Plans (HDHPs) that must be used in conjunction with HSAs. [Rev. Proc. 2018-30, 5-10-18].

2019 Annual Contribution Levels for HSAs:

The maximum annual HSA contribution for an eligible individual with self-only coverage is $3,500 ($3,450 in 2018).

For family coverage, the maximum annual HSA contribution is $7,000 ($6,900 in 2018).

The catch-up contribution for an individual age 55 or older is $1,000 (no longer adjusted for inflation).
More thresholds for 2019!

2019 Amounts for Out-of-pocket Spending on HSA-compatible HDHPs:
The maximum annual out-of-pocket amount for HDHP self-only coverage is $6,750 ($6,650 in 2018), and the maximum annual out-of-pocket amount for HDHP family coverage is twice that, $13,500 ($13,300 in 2018).

2019 Minimum Deductible Amounts for HSA-compatible HDHPs:
The minimum deductible for HDHPs is $1,350 (same as 2018) for self-only coverage and $2,700 (same as 2018) for family coverage.
More thresholds for 2019!

FSA Contributions (Rev Proc 2018-57)
• Health FSA limit (under 125 cafeteria plan) is increased to $2,700 (from $2,650)
• Dependent care limit remains at $5,000 (MFJ/Single) or $2,500 (MFS) - not inflation adjusted

Qualified Transportation and Qualified Parking (Rev Proc 2018-57)
• Monthly exclusion limit increased to $265 (from $260)
More thresholds for 2019!

Adoption Assistance Programs (Rev Proc 2018-57)
• Exclusion increased to $14,080 per year (from $13,810)
• Phase out begins for modified AGI in excess of $211,160
• Completely phased out for modified AGI of $251,160 or more

Foreign Earned Income Exclusion (Rev Proc 2018-57)
• Increased to $105,900 (from $103,900)
• Must meet Sec 911 criteria and have Form 2555 on file for 2019

Federal Tax Levy Exempt Amount (Rev Proc 2018-57)
• Increased to $4,200 (from $4,150 in 2018)
• New as a result of tax reform, for use when the personal exemption amount is zero
More thresholds for 2019!

**Standard Deduction (Rev Proc 2018-57)**
- Increased to $24,400 (from $24,000) MFJ
- Increased to $12,200 (from $12,000) for Single and MFS
- Increased to $18,350 (from $18,000) for HoH

**Reporting Penalties (Rev Proc 2018-57)**
- Returns required to be filed in 2020
- For failure to timely file accurate information return / failure to timely furnish accurate employee statement
- Per return penalties remain the same - $50 if filed / corrected within 30 days, $100 if before Aug 1 and $270 after Aug 1
- BUT maximum penalties have increased to $556,500, $1,669,500 and $3,339,000 respectively
More thresholds for 2019!

Employer Owned Vehicles
• Can only use cents-per-mile to value personal use of employer owned vehicles if the FMV is below a specified amount
• For 2019, this is $15,700 (up from $15,600 in 2018)
• For trucks and vans, it is $17,600 (unchanged from 2018)

Per Diem Rates
• US domestic per diem rates were issued by GSA Aug 14, effective 10/1/18 – standard per diem increased to $149 (from $144)
• High-low substantiation method (Notice 2018-77) – high rate $287 ($71 meals only); low rate $195 ($60 meals) - up from $284 ($68); $191 ($57)
  • Some changes in high cost localities
  • Effective for amounts paid after Oct 1, 2018, for travel after Oct 1
• Foreign per diem rates updated effective 12/1/18
More thresholds for 2019!

Pension Plan Limits

- Elective deferrals to 401(k), 403(b), most 457 plans – increased to $19,000 (from $18,500)
- Catch up contributions – remains at $6,000
- Annual contributions to an IRA – increased to $6,000 (up from $5,500); catch up remains at $1,000
- Max annual benefit under defined benefit plan - $225,000 (up from $220,000)
- The compensation amount under Treas. Reg. §1.61-21(f)(5)(i), concerning the definition of “control employee” for fringe benefit valuation purposes, remains unchanged at $110,000
- The limitation under §416(i)(1)(A)(i) concerning the definition of “key employee” in a top-heavy plan increases to $180,000 (from $175,000)
SSA ‘No-Match’ Notices

- SSA starting to send out Form W-2 name/SSN “no-match” notices again
  - Official name is Educational Correspondence (EDCOR) notices or Employer Correction Request Notices
  - Summer 2018 – first notices since 2007
    - Initial notices to ERs with ≥1 mismatch on 2017 W-2s
    - PSP will get notice if any client has 2017 mismatches
    - Notices will not have number of mismatches or EE info
    - Provide information about SSA’s services and W-2 filing tips
    - Notices will ask for corrections before 2018 W-2 filing
    - Sample employer notice at https://www.ssa.gov/employer/notices/EDCOR.pdf
SSA ‘No-Match’ Notices

- SSA starting to send out Form W-2 name/SSN “no-match” notices again
  - Spring 2019
    - Correction request notices sent to ERs that timely e-filed but had ≥1 name/SSN mismatch
    - Sample correction request notice at [https://www.ssa.gov/employer/notices/EmployerCorrectionRequest.pdf](https://www.ssa.gov/employer/notices/EmployerCorrectionRequest.pdf)
  - September 2019
    - Correction request notices sent to ERs that filed W-2s late or on paper that had ≥1 name/SSN mismatch
SSA ‘No-Match’ Notices

- SSA starting to send out Form W-2 name/SSN “no-match” notices again
  - 2019 notices (only to ER, not EE or PSP)
    - Will say corrections are needed to allocate EE’s earnings
    - Notice does not address EE’s work authorization or immigration status
    - Tell ER not to take adverse action based on mismatch
    - Tell ER how many mismatches
    - Tell ER to use ‘Employer Report Status’ within Business Services Online to view mismatched names and SSNs
    - Tell ER to send SSA corrections on W-2c within 60 days
The Social Security Administration (SSA) announced on Thursday, October 11, 2018, that the 2019 social security wage base will be $132,900, which is an increase of $4,500 from $128,400 in 2018. As in 2018, wages paid in excess of $200,000 in 2019 will be subject to an extra 0.9% Medicare tax that will be withheld only from employees’ wages. Employers will not match the extra tax.

The maximum social security tax employees and employers will each pay in 2019 is $8,239.80, an increase of $279.00 from $7,960.80 in 2018.
Affordable Care Act: Repeal of the Individual Mandate

Changes Under the TCJA

• ACA reporting for tax year 2018- No change, still have to report!
• Effective January 1, 2019 the amount of the individual responsibility payment is reduced to zero for those who do not maintain health insurance.
• The 0.9% additional Medicare Tax remains in place.
• In 2017 and 2016 the IRS provided an automatic extension of the due dates to comply with ACA reporting from January 30 to March 2nd—will they give us the same courtesy in 2018?
IRS Continuing W-2 Verification Code Program for Filing Season 2019

The IRS has announced that it will continue its pilot program to verify the authenticity of Form W-2 data for the 2019 filing season.

The IRS has partnered with certain payroll service providers (PSPs) to include a 16-character verification code on many W-2 forms provided to employees. Verification codes will appear on more than 60 million 2018 W-2 forms. That’s nearly one out of every four W-2 forms filed.

A Form W-2 with a verification code will display in box 9 and be labeled "Verification Code." The verification code will be displayed in four groups of four alphanumeric characters, separated by hyphens (e.g., XXXX-XXXX-XXXX-XXXX).

The verification code will appear on Form W-2, copies B ("To be filed with employee's federal tax return") and C ("For employee's records"). Taxpayers without a verification code on their Form(s) W-2 may leave the verification code box blank in their tax software product.
California Tax Updates

• CA employers are no longer subject to FUTA credit reduction for 2018 (2.1% in 2017) – CA was subject to credit reduction for 2011 through 2017, but repaid its federal loans in April 2018, before the Nov 10 deadline
• 2019 withholding formula (Method B) & instructions released Nov 1
• CA UI rate schedule in effect for 2019 will continue to be Schedule F+, which provides for contribution rates from 1.5% to 6.2% (the Schedule in use is based on overall fund balance)
• New employer UI rate is to remain at 3.4%
• ETT rate will remain at 0.1% (for positive-rated and new employers)
• 2019 CA SDI wage base up to $118,371 (from $114,967 for 2018) – tax rate remains at 1%
• Max SDI withholding for employees will be $1,187.31 – a rise of $37.64 from $1,149.67 in 2018
FUTA / SUTA Updates

• US Virgin Islands is the only state with a FUTA credit reduction this year – 2.4% (2.1% in 2017)
• 2018 Form 940 and Schedule A released Nov 21

• Most states have released 2019 wage bases: https://www.americanpayroll.org/compliance/compliance-overview/state-unemployment-wage-bases
• Should be starting to receive 2019 rate notices (GA, NH, OK, TN, VT) – opportunities to audit rate notices / benefit charges, and review voluntary contributions / joint account elections to reduce rates
Misc State Updates

• Washington paid family leave
  • Contributions effective 1/1/19 – leave benefits begin in 2020
  • Premiums are 0.4% of gross wages up to the SS wage limit
    • EE: 63% of 0.4% of gross wages
    • ER: 37% of 0.4% of gross wages
  • Employees can generally receive up to 12 weeks of paid family leave for bonding with a child, caring for themselves or a family member with a serious health condition, or help to relieve family pressures when someone is called to active military service
**Misc State Updates**

- **New York voluntary employer tax**
  - Deadline to opt-in for 2019 is December 1, 2018
  - Levy is 1.5% of employees’ comp over $40,000 (increasing to 3% in 2020 and 5% in 2021)
  - Employee gets partial credit based on employer contributions

- **Massachusetts paid family leave**
  - Contributions effective 7/1/19; benefits payable from 1/1/21
  - Tax rate will be 0.63%
  - Up to 12 weeks of paid leave to care for sick family members of a newborn
  - Up to 20 weeks of paid leave to tend to one’s own medical needs
**Misc State Updates**

- Lots of minimum wage increases
  - Min wage for federal contractors increases to $10.60 on Jan 1, 2019 (from $10.35)
  - Min hourly cash wage for tipped employees performing on or in connection with covered contracts increases to $7.40 (from $7.25, based on 70% of $10.60)
- More than 20 states have a min wage increase in 2019
  - CA – increases to $12 effective 1/1/19 (from $11) for ERs with more than 26 EEs
  - DC – increase to $14 effective 7/1/19 (from $13.25)
  - NYC – increase to $15 effective 12/31/18 (from $13) for ERs with more than 11 EEs
Misc State Updates

• Illinois expense reimbursements
  • Under a measure signed by Gov Bruce Rauner (R) on Aug 26, IL employees are to be reimbursed for costs incurred that directly relate to their work, such as the workplace use of a personal mobile device effective 1/1/19

• East Lansing Michigan
  • New tax effective 1/1/19 – 1% for residents and 0.5% on non residents performing services in the City
Misc State Updates – States to Watch

• New Jersey
  • The state approved legislation on Jul 24, 2018 that would allow any municipality with a population of over 200,000 to impose an employer tax of up to 1.0 percent of the employer’s payroll, i.e. Newark & Jersey City
  • Revenue from the tax is required to be used toward funding public schools if the municipality has median household income of $55,000 or more
  • Jersey City council approved 1% payroll tax on Nov 19, 2018

• Seattle head tax – approved in 2018, but then rescinded
Misc State Updates – Ballot Initiatives

• San Francisco “homeless” tax
  • Authorizes the City and County of SF to fund housing and homelessness services by taxing certain businesses at the following rates:
    • 0.175 percent to 0.69 percent on gross receipts for businesses with over $50 million in gross annual receipts, or
    • 1.5 percent of payroll expenses for certain businesses with over $1 billion in gross annual receipts and administrative offices in San Francisco.
  • Passed with 60% of the votes, BUT is being challenged in court

• Mountain View head tax – passed on Nov ballot
Misc State Updates – Ballot Initiatives

- Maine employer payroll tax for Universal Home Care Program
  - Proposal for 3.8% payroll tax shared equally by ER and EE, on income above SS wage base, effective 1/1/19
  - Rejected by voters in November
Disaster Relief Programs

• The CA wildfires beginning Nov 8, 2018 were declared major disasters by President Trump
• IRS has extended filing deadlines for taxpayers who reside or have business in the disaster areas (Butte, Los Angeles, and Ventura counties), through April 30, 2019
• “Qualified disaster relief payments” can be made to impacted employees and not included in wages if specified conditions are met:
  • Payments must be to reimburse reasonable and necessary personal, family, living or funeral expenses incurred as a result of the disaster, OR
  • Expenses to pay reasonable and necessary expense incurred in the repair or rehabilitation of a personal residence or replacement of contents
  • (Cannot include payment for expenses compensated by insurance or otherwise)
Disaster Relief Programs

- Leave based donations
  - In the event of a major disaster, the IRS may issue an announcement allowing for leave-based donations
  - EEs can elect to donate the cash equivalent of their vacation, sick or personal leave to a qualified tax-exempt organization that provides relief for disaster victims
  - EE donations of leave are not includable in wages
  - ER deducts any contribution as a business expense
  - However, absent specific IRS guidance, such leave donations are included in gross taxable wages at the time of the EE election
2018 YEAR END – REMINDERS

Prior to 12/31
• Communicate year end plan and deadlines to stakeholders, e.g. last payroll, etc.

• Reconcile, reconcile, reconcile!
  • Avoid 941/W-2 mismatch notices
  • YTD 941 vs W-3/W-2s
  • File amended returns if needed
  • Taxable wage recon

• State and local account numbers
  • Are you using “Applied for” for any filings?
  • Work with third party provider to identify any filing failures throughout the year and correct
2018 YEAR END – REMINDERS

Prior to 12/31

• Review new earnings and deductions codes
  • Is everything being taxed/reported correctly?

• Preview W-2s / error reporting
  • Negative wages
  • Verify SSNs
  • Review high level execs
  • Box 12 codes, Box 10, Box 11, Box 13, etc.
  • Correct limits?

• Specific state and local corrections to taxable income, e.g. moving expenses, bicycle reimbursements, etc.
Prior to 12/31
- Gather imputed income items for processing before year end
  - Taxable expense reimbursements
  - Non cash fringe benefits
  - Gifts, prizes and awards
  - Relocation
  - Third party sick pay
  - Consider making year end estimated tax deposits

- Ensure ACA reporting plan is in place

- Confirm that all relevant compliance / legislative changes are implemented for current and following tax year
2018 YEAR END – REMINDERS

Prior to 12/31 - communications and employee reporting

• Review employees with FICA and other exemptions
• Collect wage repayments before year end if possible
• Review any work state allocations and update if necessary
• Communicate new FICA wage base, 401(k) limits, etc.
• Ask employees to review their paychecks for state withholding, etc.
• Remind employees to use the IRS tax calculator and update their W-4 if necessary (for 2018 and 2019)
• Communicate when W-2s will be available and how they will be provided
  • Have employees confirm home address
  • Give option to sign up for electronic W-2 if available
• Helpdesk support – training / FAQs, etc.
2018 YEAR END – REMINDERS

After 1/1
• Benefits audits, e.g. pre-tax limits, etc.
• Review and correct errors that may cause W-2 file to fail
• Final W-2 review (and issue W-2s by Jan 31)
• Notify EEs claiming exempt on Form W-4 – exemption for 2018 expires Feb 15, 2019
• Work with A/P to issue any 1099s required for deceased employees by Jan 31
• Earned income credit notices – CA, IL, LA, MD, NJ, TX and VA
• SUI rate updates (ongoing)
2018 YEAR END – REMINDERS

After 1/31
- Monitor tax filings to ensure all required returns are filed timely
- Reconcile, reconcile, reconcile!
  - Review 941 for reasonableness when available
  - Annual 941 vs final W-3

- Work with employee helpdesk to review common employee questions, provide training, etc.
- Year end debrief
Thank you for your attention!

And Happy Holidays from the APA LA Chapter!
Thank you for your support!