



2 0 1 5 Y e a r E n d G u i d e

ADS Year End Guide

December 2015

Dear Valued Client:

It is that time of the year again and year-end is upon us! This document is a crucial part of our fourth quarter and year-end processing, which will guide you to a smooth and successful year end. Please read this document carefully and respond to us with any notifications and/or adjustments as soon as possible.

Please feel free to call or write anytime with any questions, comments, or suggestions you may have. Client feedback is always appreciated and will help us continue to provide you with the best service, support and solutions.

All of us at ADS would like to wish you and your organization a happy and healthy holiday season.

Sincerely,

Advanced Data Source

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W-2 PROCESSING AND SHIPPING INFO

Below is ADS standard schedule and procedures for W2 Processing and Printing. Please make sure to notify your CSR by Jan 7th 2016 for ***any changes***. Failure to notify us timely may incur additional fees.

- Printing of W-2s will commence on January 17th and will be printed in several batches. You can expect to receive your W-2s no later than January 25th.
- Employee copy W-2s will be sent to Company/Employer Main address sorted by Alpha last name, first name with the exception of direct mail clients.
- If you have used 1099MISC to code an employee's/subcontractor's tax type; a 1099 will be processed and printed the last week in January and sent directly to employer's main address. If you do NOT want ADS to process a 1099 please be sure to advise your CSR no later than January 15th
- Employer copy W-2s will be available online on Doc Delivery. If you are not a Citrix client, your Employer copies will be emailed to you by our processing department.

ITEMS THAT WILL AFFECT THE ACCURACY OF YOUR W2 FORMS1

Third Party Sick Pay:

Contact your disability insurance carrier for summaries of all sick pay made by a third party. Review the information provided by your insurance carrier.

IMPORTANT: ONLY RECORD DISABILITY PAYMENTS TO BE INCLUDED ON YOUR EMPLOYEE'S W2. If you have entered third party sick pay throughout the year, ONLY enter the additional amounts. If you have a question about what to enter, contact your Service representative. This information must be reported so your employee's (YTD) year to date earnings is accurate. The employer's portion of FICA must be deposited, as well as reported in the 4th quarter for accurate quarterly returns and W2's.

Manual Checks:

Verify that all manual payroll checks have been included and reported during the year.

Void Checks:

- All 4th quarter voids should be processed preferably with a live payroll in 4th quarter.
- If you have checks from prior quarters that need to be voided or 4Q voids after your final 2015 payroll, please contact your Service representative no later than by Jan 6th , to have a special batch prepared to process this info.

Fringe Benefits:

Please check with your accounting department or accounting firm to determine if any adjustments/ payments for fringe benefits need to be recorded. Fringe

benefits include personal use of company car, group term life insurance, subchapter S corporation medical insurance premiums, reimbursement for moving expenses and dependent care benefits. Please note: Fringe benefits often require employee taxes withheld and therefore it is recommended to process these items together with a live payroll. If you are not sure which code to use or how to enter please confirm with your CSR don't assume.

HSA Employer Contributions:

Both the amount that is withheld from the employee and any employer contribution must be reported on the W2 box 12 code W. If the ER contribution is currently not maintained in ADS system please reach out to your CSR for assistance.

Bonus Checks:

Companies preparing bonus payrolls should advise their payroll representative of exactly how these items would be taxed.(i.e. supplemental wage/FICA only) Remember to block any automatic deductions or earnings if applicable.

POTENTIAL PENALTIES AND INTEREST FOR LATE PAYMENTS

If you are increasing your payroll liability for the fourth quarter with an adjustment processed after December 31, 2015, the additional taxes due will be late and your company is responsible for any and all penalties and interest applicable to this situation. Also should the federal liabilities of any adjustment processed after your last normal payroll of December 2015 results in the new aggregate federal liabilities exceeding \$100,000, the total taxes will be considered late and your company is responsible for any and all penalties and interest applicable to this situation.

PAYROLL TAX REFUNDS FROM YEAR-END ADJUSTMENTS

If you are decreasing your payroll liability for the fourth quarter with an

adjustment made after your last normal payroll processed, any overpayment of taxes will be refunded to you directly from the tax agency involved.

COST OF EMPLOYER HEALTH COVERAGE FORM W-2 REPORT

The Affordable Care Act requires employers to report the cost of coverage under an employer-sponsored group health plan. Reporting the cost of health care coverage on the Form W-2 does not mean that the coverage is taxable. The value of the employer's excludable contribution to health coverage continues to be excludable from an employee's income, and it is not taxable. This reporting is for informational purposes only and will provide employees useful and comparable consumer information on the cost of their health care coverage.

Employers that provide "applicable employer-sponsored coverage" under a group health plan are subject to the reporting requirement. This includes businesses, tax-exempt organizations, and federal, state and local government entities (except with respect to plans maintained primarily for members of the military and their families).

TRANSITION RELIEF

For certain smaller employers (those preparing fewer than 250 W-2 forms) the IRS has continued to make this requirement optional in 2015.

REPORTING ON THE FORM W-2

The value of the health care coverage will be reported in Box 12 of the Form W2, with Code DD to identify the amount. There is no reporting on the Form W-3 of the total of these amounts for all the employer's employees.

In general, the amount reported should include both the portion paid by the employer and the portion paid by the employee.

An employer is not required to issue a Form W-2 solely to report the value of the health care coverage for retirees or other employees or former employees to whom the employer would not otherwise provide a Form W-2.

If this information is currently not being calculated in Millennium please contact your CSR on how to provide this information to ADS so we can upload this information

LIMIT CHANGES

Below are the wage base limits for 2016

OASDI (Social Security) portion: 6.2% on first 118,500—maximum tax \$7,347.00

MEDICARE portion: 1.45% with no limit on wages - no maximum tax

ADDITIONAL MEDICARE TAX: 0.9% FOR ALL WAGES PAID IN EXCESS OF \$200,000. (Please Note: This tax is for Employees only, Employers will not pay this extra tax)

401(k), 403(b), 457 the maximum contribution to the following plans remain unchanged at **\$18,000.00**

Catch-Up The maximum contributions for the above plans for individuals age 50 or over remain unchanged at **\$6,000.00**

The maximum contribution to **Simple Plans**, (Saving Incentive Match Plans) remain unchanged at **\$12,500.00**

Catch-Up The maximum contributions for Simple Plans for individuals age 50 or over remain unchanged at **\$3,000.00**

Transit Benefit Programs limits have been reduced to **\$130.00 a month, or \$1,560.00 per year.**

Qualified Parking limits have been increased to **\$255.00 a month, or \$3,060.00 per year.**

Please note: The above limits are as of the publish date December 2, 2015. Please consult with your tax advisor to determine if any of the above limits have been revised.

W-2 REFERENCE GUIDE

Below is a quick reference listing of identification codes used in Box 12:

Contact your tax advisor for advice on how to identify wages and benefits on Form W-2. Be sure to notify your payroll representative as early as possible. The above W-2 reference guide is as of **November 8, 2015** as published by the Internal Revenue Service

Code A -	Uncollected Social Security taxes on tips
Code B -	Uncollected Medicare taxes on tips
Code C -	Taxable cost of group-term life insurance over \$50,000.00
Code D -	Elective deferrals to a section 401(k) cash or deferred arrangement (including SIMPLE 401(k))
Code E -	Elective deferrals to a section 403(b) salary reduction agreement
Code F -	Elective deferrals to a section 408(k)(6) salary reduction SEP
Code G -	Elective deferrals to a section 457 (b) deferred compensation plan
Code H -	Elective deferrals to a section 501(C)(18)(D) tax-exempt organization plan
Code J -	Sick Pay not included as income (Non-Taxable)
Code K -	Tax on excess golden parachute payments
Code L -	Non Taxed Portion of employee business expense– (substantiated)
Code M -	Uncollected social security taxes on group term life insurance over \$50,000.00 for former employees
Code N -	Uncollected Medicare taxes on group term life insurance for over \$50,000.00 for former employees
Code P -	Excludable reimbursed moving expenses
Code Q -	Nontaxable combat pay
Code R -	Employer contributions to an Archer medical savings account
Code S -	Employee salary reductions for a Section 408(p) SIMPLE retirement account
Code T -	Employer provided (or employee salary reductions for) adoption expenses
Code V -	Income from exercise of non-statutory stock option(s)
Code W -	Employer and Employee contributions to an employee's health savings plan
Code Y -	Deferrals under section 409A nonqualified deferred compensation plan
Code Z -	Income under section 409A on a nonqualified deferral compensation plan
Code AA -	Designated Roth contributions to a section 401(k) plan
Code BB -	Designated Roth contributions under a section 403(b) salary reductions agreement
Code DD -	Cost of employer-sponsored health coverage
Code EE -	Designated Roth contributions under a governmental section 457(b) plan

YEAR END CHECKLIST

In addition to your normal verification procedures, do the following:

- Confirm that employee names, addresses and Social Security numbers are in the correct format. The IRS may impose a penalty for each Form W-2 with a missing or incorrect Social Security number or employee name.
- Check that all 1099 vendors/ payees as well as all 1099 payments are entered into ADS system. If you need to record the information for ADS to process 1099s (and you processed the actual payments in another system) contact your CSR to assist on getting that information into the ADS system.
- Confirm that deferred compensation plan type is correct and verify employee contribution amounts.
- Check that Group-Term Life Insurance adjustments have been updated and submitted.
- Ensure that other special tax items have been updated and submitted, such as Other Compensation, Third-Party Sick Pay, Employee Business Expense Reimbursements, Taxable Fringe Benefits, Tip Allocation information, and Dependent Care Benefits.
- Request any special reports needed for year end.
- Confirm that all "manual" checks written during the year have been accounted for and updated in the system.
- Determine that all voided or reversed paychecks have been accounted for in the system.
- Compare payroll register totals to Form W-3 totals.
- Check for excess contributions to qualified plans, including 401(k), 403(b) and SIMPLE plans, especially for highly-compensated employees.

2016 Holiday Calendar

Holiday	Date	Bank	ADS
New Year's Day	January 1	CLOSED	CLOSED
Martin Luther King Day	January 18	CLOSED	OPEN
President's Day	February 15	CLOSED	OPEN
Memorial Day	May 30	CLOSED	CLOSED
Independence Day	July 4	CLOSED	CLOSED
Labor Day	September 5	CLOSED	CLOSED
Columbus Day	October 10	CLOSED	OPEN
Veterans Day	November 11	CLOSED	OPEN
Thanksgiving Day	November 24	CLOSED	CLOSED
Christmas Day	December 26	CLOSED	CLOSED