

**YEAR END PAYROLL CHECKLIST**  
**2014 | 2015**



**Payroll Internal Checklist**

Review and complete the following topics as needed, and communicate the information to your payroll department or your outside payroll processor. Some may be completed jointly with your processor, and are for your information.

- Schedule bonus payrolls
- Report Taxable S-Corp Owner Health payments to your payroll processor before the end of the year
- Holiday Pay Schedule - Review the holiday processing schedule with your payroll processor
- Cut manual checks for employees fired in between the last payroll of the current year and the first payroll of the next year. Enter on your payroll software so that it records as current year
- Budget for 940 (Federal Unemployment) FUTA Credit Reduction Tax for employees in states that have defaulted on their federal loans. This is up to 5.6% of first \$7000 of employee annual wages
- W2 Verification - Send reminder to employees to verify social security number and address on pay stubs. Provide corrections to your payroll processor before end of the year
- Non Cash Wages - Capture all information (ex: personal use of company car, relocation, bonuses, etc.). Notify employees if you're not withholding on their personal use of company cars or are using the special accounting rule to value noncash fringe benefits
- Check third party sick pay (short or long term disability) postings to make sure you have captured all information required
- Review your accounting software for a final review of "hidden" wages, notably noncashfringes
- Uncashed Payroll Checks - Create a list of outstanding checks to insure you comply with your State Escheat Laws (unclaimed property)
- Inform other departments (HR, MIS and Accounting) the cut-off date for the previous year's payroll and the first payroll for the new year
- Check for excess contributions to qualified plans, including 401(k), 403(b) and SIMPLE plans, especially for highly-compensated employees
- Review list of which employees have life insurance over \$50,000 to report taxable income for Taxable group term life insurance
- Ensure that terminated employees have zero balances for loans, garnishments, vacation, and sick time. These discrepancies were uncovered while preparing for the last payroll of the calendar year and should be corrected or adjusted
- Compile Census information for retirement plan testing (highly compensated).
- Verify Flexible Spending Account balances to confirm that employees will have total amount deducted by end of calendar year

**Payroll Processor Responsibility**

The following will be conducted by your payroll department or your outside payroll processor:

- Test reasonableness of Social Security tax withholding (multiply total wages less excess wages by 6.2%)

- W-3 Verification - Compare payroll register totals to Form W-3 totals
- W-2 Verification - Compare Forms W-2 to State and local report totals
- Compare total wages reported for each tax; reconcile any differences
- W-2s - prepare

### **New Year Payroll Planning**

- IRS Tax Forms - Check the IRS website to ensure you have the most recent Forms 941, 940, 944, and 945
- State Unemployment Rates and Wage Limits for new year - Verify the employer's new state unemployment insurance tax rate and taxable wage limit for each state where the employer has workers. Enter in payroll software
- State Disability Rates and Wage Limits for new year - Verify new state disability insurance rate and taxable wage limit, where applicable. Enter in payroll software. IRS and State W-4 and Withholding Forms - Check the IRS and State(s) websites to ensure you have the most recent W-4 and Withholding Forms. Add to your new hire packet. submit to your payroll processor
- Before processing the first payroll of the new year, make sure the new Social Security wage base, state unemployment and disability wage bases (if applicable), federal and state withholding allowances, federal and state tax rates and employees' benefits data are input into the system.
- Confirm that for the new year the schedule of pay dates, period ending dates and quarter closing dates, are as intended and do not fall on holidays or weekends
- W-2 Mailing - mail or distribute W-2s to employees by January 31, 2015

### **Human Resources**

- See our separately published Human Resources end of year and new year checklist for more items
- If vacation isn't allocated on a calendar-year basis, check that employees', vacation balances aren't re-set to zero with the first payroll of the new year
- Verify home address for all employees.
- Reconcile all vacation/sick and/or Paid Time off balances for year-end payout or carryover if applicable.
- Remind employees to file an amended W-4 if there has been a change in their filing status, exemptions, etc.
- Employees whose family status changed, or those who claimed an exemption from income tax withholding in the current year, must file new forms; everyone else may refile.
- Inform your service bureau of any changes for the coming year, including employees' benefits deductions and new Forms W-4
- Move current year terminated personnel files to storage.

### **Benefits**

- Verify current employee and accurate dependent coverage
- Distribute new health/dental insurance cards

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