



Sage Payroll Full Service

2018 Year-end processing guide

October 2018

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Introduction

This guide provides information you need to know about year-end payroll processing with Sage Payroll Services.

Important! Be sure to complete the "Year-end readiness checklist" (page 8).

Support and resources

Sage strives to provide you with the best help and support in the industry. If you have a question, we're here to help!

- **Customer Services.** To learn about available support options, visit www.sage.com/en-us/payroll/services/support.
- **Sage Knowledgebase.** Search articles for answers to common questions and problems. Visit support.na.sage.com
- **Sage City.** Join industry peers, certified partners, and Sage pros online 24/7 to ask questions and share product tips and tricks. Visit sagecity.na.sage.com/support_communities/spr/
- **Sage Year-End Center.** Bookmark the Sage Year-end Center for 24/7 access to the latest year-end information—including informative articles; task checklists, and interactive discussions. Visit www.sagecity.com/yearend
- **Help and documentation.** Many answers to common questions can be found in online help. Click  in Online Payroll to open help or visit <http://help-payrollservices.na.sage.com>.

Review earnings, taxes, and deductions

Carefully review each employee's total earnings, taxes, and deductions for the calendar year. Review, and if necessary, enter amounts for fringe benefits, group-term life insurance (GTL), third-party sick pay, taxable auto allowances, and employer cost of health insurance when you process payroll. Also be sure to record all paychecks written manually (or in-house), any paychecks voided in 2018, and any special 1099 additions.

If you need an adjustment to your 2018 payroll data, use the Year-end Adjustment Form provided in the online [Forms Library](http://cdn.na.sage.com/docs/en/customer/spr/documentation.htm) (<http://cdn.na.sage.com/docs/en/customer/spr/documentation.htm>).

Processing year-end payroll adjustments

Whenever possible, enter your taxable adjustments (fringe benefits and group-term life insurance, for example) with your payroll when you process online. This way the employees' wages from payroll can cover the taxes for any adjustments. [Learn more about entering adjustments with payroll](#). If you're not using the online system, please submit the year-end adjustment form to your Customer Care Specialist.

When to process adjustments

Important! If you cannot process the adjustments yourself, you must send requests before your last scheduled payroll of the year, and no later than **Friday, December 28, 2018**.

Adjustments received after close of business Friday, December 28, 2018 will require amended tax returns and W-2 form corrections at an additional cost to you. This is due to the accelerated filing deadline from the IRS and SSA to provide W-2 forms by January 31, 2019.

If you have Third-Party Sick Pay amounts to report, first verify with your Third-Party Sick Pay provider if they will process and file the W-2 forms, or if you, as the employer, need to do so. This information should be reported only once. If they do not file W-2 forms, use the Third-party Sick Pay Form provided in the online [Forms Library](#) to send the amounts to us so that W-2 forms are created.

Prepare for bonus payrolls

Refer to the Year-End Bonus Form provided in the online [Forms Library](#) to help you prepare for additional payments made outside of regularly scheduled payroll. If you're an Online customer, you are responsible for entering bonus amounts; otherwise, you can submit bonus information to your Customer Care Specialist using the bonus form.

The recommended practice is to schedule your bonus payrolls in advance and pay them off-cycle from regularly scheduled payroll.

When planning your bonus payroll, you must determine the following:

- **Will the bonus be paid as a specific net amount (with gross-up taxes)?** For example, if you want the employees to receive exactly \$500 for their bonuses, the taxes must be calculated up to determine the gross pay.
- **Will the federal tax liability exceed \$100,000?** If yes, we require you to wire transfer the tax liabilities.
- **Should deductions (health insurance, 401(k), and so on) be taken from bonus pay?** Typically, these deductions wouldn't apply to a bonus payroll if it's issued separately from your scheduled payrolls.
- **Should bonus pay be direct deposited?** Some employers prefer to hand out paper check bonuses.
- **Do you want to use the supplemental tax rate?** Per IRS regulations (and many state regulations), supplemental wages, such as bonus pay, should be taxed at the supplemental tax rate. For wages subject to federal income tax (under \$1 million), the current federal supplemental tax rate is 22%.

Tip: When you enter payroll online, you can stop (or disable) deductions and direct deposits for the bonus pay run when you set the pay run options. Use the Pre-Commit Register report to verify the accuracy and totals of your bonus payroll before you submit it.

Comply with Affordable Care Act (ACA) requirements

If you need to prepare Affordable Care Act 1095-C and 1094-C forms, you can purchase a subscription to ACA Comply. Contact Customer Support for more information.

Note: The 1094-C and 1095-C forms are mandatory for applicable large employers (employers with at least 50 full-time employees, including full-time equivalent employees). The 2018 forms must be prepared, filed, and distributed to employees by January 31, 2019. The efile deadline for the 1094-C Transmittal and 1095-C forms is April 1, 2019.

Complete year-end payroll preparations

Please review and complete the Year-end readiness checklist (also available on the online [Forms Library](#)) and review the additional service options we offer. Note that some services are assumed and you must opt out if you don't want them. Please return the checklist to us by fax, mail, or use the survey link we emailed to you that will record your preferences.

Preparing for 2019

Monitor unemployment tax rates and deposit frequencies:

Every year, federal and state tax agencies send new tax filing frequencies and unemployment rate changes specific to your company for the following year. When you receive this information, please securely upload it using our [online form](#) at this URL:

<https://paychoice.quickbase.com/db/bee7txqj9?a=dbpage&pageID=200>. Send us any recently-applied-for tax ID numbers, as applicable.

Tip: You can verify your company's tax rates and IDs on the **Tax Liability Report** included with your payroll reports.

Verifying employee W-2 form information

Important! In 2016, U.S. Congress passed a law requiring employers to file W-2 and 1099 forms with the Social Security Administration and IRS by January 31 of the new year. This accelerated deadline reduces the amount of time we have to prepare and file your year-end information, so please review this document carefully to make sure you're prepared.

Verifying your employees' W-2 form information

If you process payroll online, use the **W-2 Verification Report** to review employee information. If you don't process payroll online, we will mail your W-2 Verification Report directly to your company. Please submit data corrections by **Friday, December 7** to allow time for updating.

Review your employees' information to make sure W-2 information is correct. When reviewing, verify that all of the following is entered correctly for each employee in the online payroll program:

- First and last names
- Social security number
- Physical street address

Tip: If you don't know an employee's address, consider entering the company's address in the employee record. You are responsible for providing the W-2 form to the employee, but in this case you can provide it in person.

Preparing W-2 forms for 2018

Important! Sage will mail employee W-2 and 1099 forms directly to employees and contractors by *January 25, 2019*. If any W-2 forms are undeliverable by the USPS, they are returned to your company's legal address on file.

Note: Mailing W-2 and 1099 forms directly to employees and contractors is the default delivery method; however, bulk packaging sent to your legal address is available if you select this option on the Year End Checklist. This allows time to distribute the forms to employees either in person or by mail by January 31, 2019.

We'll send your Fourth Quarter Package (electronic delivery or online), and it will include the employer W-3 Transmittal and employee W-2 forms.

Note: Your company's W-2 form and year-end processing fees will be included in regular payroll invoices in January.

Annual Payroll Archive

We will also send you an **Annual Payroll Archive** with your 2018 payroll and year-end information on a password-protected USB flash drive for a fee. The archive will be delivered and billed by the end of March, 2019. If you don't want the Annual Payroll Archive, please opt out in the checklist.

2018 year-end calendar and reminders

December 2018

Su	Mo	Tu	We	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

January 2019

Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

November 2018

Typically, federal and state tax agencies send any unemployment tax rate and tax filing frequency changes to employers. Watch for these notices and send the information to Customer Services.

December 2018

- **Friday, December 7:** Year-end readiness checklist and W-2 form changes due to Sage Payroll Services.
- **Monday, December 24:** Sage Payroll Services offices are closed.
- **Tuesday, December 25:** Federal Holiday. Sage Payroll Services offices are closed.
- **Friday, December 28:** Last day for 2018 payroll adjustments. Adjustments received after this date will result in amended returns and W-2C forms.

January 2019

- **Tuesday, January 1:** Federal Holiday. Sage Payroll Services offices are closed.
- **Monday, January 21:** Federal Holiday (Martin Luther King, Jr. Day). Sage Payroll Services offices are open.
- **Thursday, January 31:** Deadline to distribute W-2 and 1099 forms to employees. Filing deadline for Q4 2018 tax returns. Filing deadline for W-2 and 1099 forms.

Year-end readiness checklist

Complete this checklist and send it to your regional service bureau by **Friday, December 7, 2018**. If you have questions about your current settings or this checklist, contact your Customer Care Specialist. Save a copy of this page (completed) for your records.

Attn Customer Care Specialist:		Sage Payroll Fax:	
Company Name:		Customer Number:	
Payroll Contact Name:		Email:	

W-2/1099 Delivery

Your W-2 and 1099 forms will be mailed directly to individual employees unless indicated.

- We prefer to have W-2 and 1099 forms sent in bulk to our legal address on file. An additional delivery fee will apply.

2018 Annual Payroll Archive

We create and send your 2018 Annual Electronic Archive on a password-protected USB flash drive unless you indicate otherwise here. **Additional fees apply.** As an employer in the U.S., you are legally required to retain payroll records for a minimum of 3 years.

- No, we do not want the 2018 Annual Payroll Archive.

Paid Time Off (PTO) balances calculated in payroll

Your current PTO carryover settings will remain unless you indicate here:

- Vacation. Notes: _____
- Sick. Notes: _____
- Personal. Notes: _____

Terminated employee data retention (applies only to some services)

Your current Data Retention settings will remain the same as last year unless you indicate here:

- Retain terminated employees (recommended if you need cross-year reporting, such as for Workers' Comp audits).
- Remove terminated employees.

1099-M (Miscellaneous) information

Sage Payroll Services will not plan for 1099-M information for 2018 unless you indicate here:

- We will send 1099-M information for 2018

Important! You must send this information to Sage before the last payroll of 2018 to avoid additional fees.

2019 Payroll Schedule

Your current payroll schedule will remain the same unless indicated here:

- We have changes to our 2019 payroll schedule, and I will contact my Customer Care Specialist with the details.

Appendix: Information about year-end payroll adjustments

To help you prepare, refer to these guidelines for the terms and settings for year-end payroll adjustments.

Employer healthcare cost (ERHCST)

Description: Used for W-2 reporting of the aggregate (employee and employer) cost of applicable employer-sponsored health insurance coverage. The amount reported with code DD is not taxable. This amount is used to provide employees with consumer information about the cost of their healthcare coverage and is required of employers under the Affordable Care Act.

Affected tax forms: W-2 box 12, code DD

Fringe benefit (FRING2)

Description: Fringe benefits are included in taxable wages for federal and state reporting, but only Social Security and Medicare (FICA) taxes are withheld. These types of fringes must be submitted with other paid wages to cover the tax amounts. Or the fringe benefit can be submitted as an adjustment to allow FICA taxes to catch up on a current or subsequent live check, in which case it cannot be the last payroll. Usually reported as “live” earnings (included in net pay). Typical fringe benefits include: cars provided by employer, flights provided by employer, free or discounted commercial flights, discounts on property or services, country club membership or social memberships, tickets for entertainment/sporting events, and vacation expenses paid by the employer. To withhold all taxes from the benefit, use code 51 (FRING1).

Affected tax forms: W-2 boxes 01, 03, 05, and 14

Reporting third-party sick payments (3PSICK)

Description: Sick pay made on account of personal injury or illness is taxable to the employee to the extent that the employer paid the payments for premiums. A third-party payer (i.e. an insurance company) of sick pay is considered the employer for the purposes of FICA taxation of these payments. Consequently, the third-party payer not only must withhold employee FICA taxes, but also is responsible for paying the employer’s share of FICA, depositing taxes in a timely fashion, and reporting those taxes to the employee and the IRS. In this case, the third-party insurance company would file and provide the employee’s W-2 form. However, the third party can transfer liability for the employer portion of FICA to the actual employer by withholding and depositing the employee tax and notifying the employer on or before the date that the taxable sick pay is required to be deposited.

Sub S health insurance for shareholders (SUBSHP)

Description: S Corporation health insurance premiums paid by the corporation and only for owners with at least 2% ownership in an S Corp where an employee “non-discriminatory” medical plan is offered. This memo deduction is FICA and FUTA exempt, but taxable for federal, state and local income taxes.

Affected tax forms: W-2 boxes 01 and 14

Taxable auto allowance (AUTO\$1)

Description: Taxable auto allowance including either 100% value of the employee's use of the vehicle or only the value of the personal use of the vehicle, depending on the employer's accounting policy. Taxed same as FRING1, subject to all taxes.

Affected tax forms: W-2 boxes 01, 03, 05, and 14

Taxable group-term life over \$50,000 (INSPRM)

Description: Taxable group-term life insurance premiums paid by the employer on coverage in excess of \$50,000 per year. This memo earning is fully taxable, however the taxes (FICA, FUTA and SUI) are withheld only when the adjustment is processed. With this earning, federal, state or local income taxes are not withheld from the employee's wages, which means the employee resolves any taxes due as part of their personal tax return.

Affected tax forms: W-2 boxes 01, 03, 05, and 12 (c)

Taxable group-term life over \$50,000 (INSPR2)

Description: This memo earning is the same as the other taxable group-term life earning code (59), with one exception. When this earning is used, it will withhold federal income tax.

Affected tax forms: W-2 Boxes 01, 03, 05, and 12 (c)