2019 Payroll Year-End Checklist

October
Form year-end committee to include:
- Departments that touch year-end process
- Service-provider representatives

Hold first year-end committee meeting:
- Review prior year-end issues; current year and upcoming policy changes; and calendar of processing, due dates, and holidays for year-end and the new year
- Receive updates from information-technology and human-resources information-systems departments on implementing Publication 15-T, Federal Income Tax Withholding Methods, and revised Form W-4, Employee Withholding Certificate
- Draft communication on revised 2020 Form W-4 to employees

Preview current-year Forms W-2 and employee data, to include:
- Verifying Earned Income Credit statement is properly on employee copies
- Running mock year-end for Form W-2, Wage and Tax Statement, with third-quarter data. Verify that:
  - No one has negative amounts in any Form W-2 field
  - Social Security numbers are verified (identifying those without)
  - Social Security numbers are not truncated
  - Total wages on mock Forms W-2 reconcile with Form 941, Employer’s Quarterly Federal Tax Return
  - Bank reconciliations are up to date
- Look for 2020 Social Security wage base and pension plan limit announcements

November
- Communicate Form W-4 changes for 2020 to employees
- Meet with Accounts Payable on payments and noncash items deemed taxable that may not yet be recorded in payroll system, including deceased employee wages from prior year paid to estate; process them in November and December
- Identify, develop, and schedule any unique or special year-end reports
- Gather facts, calculate income amounts, and impute into pay in November and December noncash fringes under the Special Accounting Rule (e.g., personal use of company car)
- Collect 2020 information, such as Social Security wage base, deferral limits, and other threshold amounts for the new year
- Identify any state changes to withholding methods
- Modify employee self-service system to conform with Form W-4 for 2020

December
Meet with:
- Information technology and/or third-party providers on implementing withholding changes and all new tax updates
- Accounts Payable: Request data on payments since last meeting requiring taxation
- HR/Benefits: Get information on new and updated policies for 2020
- HR/Benefits: Schedule testing of Form W-2, Box 12, special codes
- Benefits: Update 2020 benefit deduction tables for new amounts; verify that third parties have updated tables

Do:
- Ensure service providers that are calculating tax withholding are ready for 2020 changes
- Message employees on requirements to claim “exempt” tax withholding status for 2020
- Determine if any estimated tax deposits for adjusted payrolls are needed and coordinate if necessary with third-party provider
- Verify that the service provider has been informed of any state unemployment experience notices
- Test 2020 calculations and Form W-4 self-service changes

Don’t:
- Accept any personal checks from employees to be applied to year-to-date tax withholding buckets
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January

Verify:

☐ Tax withheld using new formulas on first pay for 2020
☐ Late-December information (e.g., third-party sick pay) is transferred and managed
☐ All payroll bank-account reconciliations are up to date
☐ All federal, state, and local tax returns balance to summarized tax reports and ongoing reconciliations

Review Form W-2 distribution process:

☐ With any service provider tasked with distributing and filing the forms
☐ For electronic filing with employees, ensure acceptance by employees and send a notice to them when forms are available on secure site
☐ To ensure any special state notification of the Earned Income Credit related to Form W-2 filing is adhered to for California, Illinois, Louisiana, Maryland, New Jersey, Texas and Virginia

Communicate to employees any changes for the new year, including:

☐ Social Security wage base, 401(k) limits, tax rate, withholding, etc.
☐ 2020 Form W-4 is required for all new hires and for employees who need to make adjustments

File:

☐ All Forms W-2 or equivalents with employees and jurisdictions by their due dates
☐ Fourth-quarter Form 941 (by Jan. 31 if balance due; Feb. 10 if no balance due)
☐ Form 941 Schedule D if any mergers or acquisitions occurred in 2019
☐ Any third-party sick pay recap form (Form 8922)
☐ Form 940, Employer’s Annual Federal Unemployment (FUTA) Tax Return, on same schedule as fourth-quarter Form 941

February

☐ File fourth-quarter Form 941 and annual Form 940 by Feb. 10 if no additional amounts are due
☐ Follow up with service providers to verify that all returns were filed in a timely manner
☐ Message employees (again) about claiming “exempt” from income tax withholding; exempt status needs to be renewed by Feb. 18. If the new Form W-4 has not been received, update the employee record to single, using standard withholding
☐ Ensure any further prior-year returns due in February are filed in a timely manner

March

State Unemployment Insurance:

☐ Verify service provider is informed of any state unemployment insurance experience notices
☐ Verify that new wage bases and rates are included in payroll system

Year-end debriefing meeting:

☐ Discuss successes, failures, and outstanding issues with year-end team
☐ Document lessons learned for use in the next year-end season
☐ Highlight processes that went well and suggested improvements
☐ Celebrate the end of year-end

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