

Client Services

2020 Year-End Seminar



Pit Crew:

- 2020 DP Year End guide
- Year End checklist
- Breakdown of IRS Publication 15b
- iSolved
- Friendly customer service team

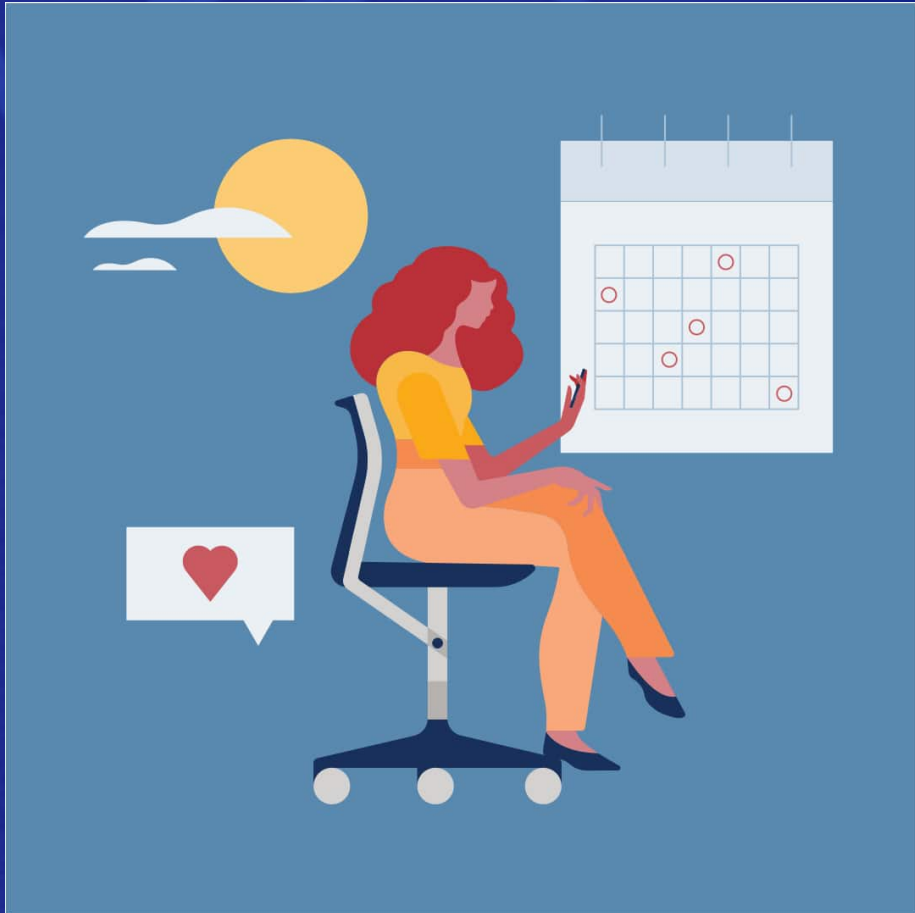


Important Dates:

- Federal Holidays - Dominion Payroll is CLOSED
 - Thursday, November 26 - Thanksgiving Day
 - Friday, December 25 - Christmas Day
 - Friday, January 1 - New Year's Day 2021
 - Monday, January 18 - Martin Luther King, Jr. Day 2021
- Wednesday, December 30: Last day to process payroll for 2020
- Monday January 11: Paper W-2's start going out with payroll packages; electronic W-2's are available for viewing



2021 Payroll Schedule:



Please review your payroll calendar schedule for 2021 and contact the customer service team with any necessary changes.



Year-End Adjustment Deadline:



KEEP
CALM
IT'S
CRUNCH
TIME

Please notify customer service no later than **Monday, December 14** of any year-end payroll adjustments.

We understand that some information related to closing your 2020 payroll records may not be available by this date.



Issuing a bonus?



Complete our Bonus Checklist!

How will you be entering the bonuses? *

- ☐ Hand-key
- ☐ Spreadsheet import
- ☐ Other

How many employees are receiving bonuses? *

Scheduling *

- ☐ Combined with normal pay
- ☐ Separate checks on a normal pay run
- ☐ Separate payroll with the same check date
- ☐ Separate payroll with different check date

Bonus Payroll Check Date *

Pay Method *

- ☐ Direct Deposit
- ☐ Live Checks
- ☐ Cash

Tax Coverage *

- ☐ Employee (start with gross pay, calculate net)
- ☐ Employer (start with net pay, calculate gross)

Deductions & Taxes *

- ☐ Social security taxes only
- ☐ All taxes
- ☐ All taxes + retirement plan deductions
- ☐ Other

Pay Stubs *

- ☐ When payroll runs
- ☐ On check date
- ☐ Other

Comments

If you marked "Other" on any of the above questions, please elaborate here:



High Liability Payrolls:

Funds verification may be required by our ACH processors for any payroll with \$100,000 or more in federal tax liability or total ACH debit of \$500,000 or more, which is considered a high liability payroll.

The 2-business day processing deadline still applies for timely funding and posting.



Types of Fringe Benefits:

Common Fringe Benefits include:

- Group Term Life
- Insurance Premiums paid by the Employer
- Auto allowances
- Rent paid by employer
- Tuition assistance
- Awards & Prizes, i.e., gift cards or non-cash compensation
- Moving Expenses*

Definition:

The IRS defines a fringe benefit as “a form of payment for the performance of services.” We use the term as a catch-all to refer to different types of non-cash employee compensation items – many of which are reported as a lump sum at the end of the calendar year.



Fringe Benefits - *What's Changed for 2020?*

- The business mileage rate for 2020 increased to 57.5 cents per mile.
- For 2020, the monthly exclusion for qualified parking and commuter highway vehicle transportation and transit passes increased to \$270.
- For plan years beginning in 2020, a cafeteria plan may not allow an employee to request salary reduction contributions for a health FSA in excess of \$2,750. An increase of \$50 over last year.
- New Form 1099-NEC. There is a new Form 1099-NEC to report nonemployee compensation paid in 2020. The 2020 Form 1099-NEC will be due February 1, 2021. For nonemployee compensation paid in 2019, continue to use Form 1099-MISC, which is due January 31, 2020.



Fringe Benefit Checklist:

W-2 Year *

How many employees are being included in the fringe reporting? *

Fringe Benefit Type *

Have you reported this type of fringe with DP before? If so, what W-2 year?

Tax Coverage *

NOTE: FICA + Medicare covered by YTD Fed Withholding is most often used in cases involving terminated employees and/or after the benefit calendar year has already closed.

- ☐ Employee (FICA + Medicare deducted from normal pay)
- ☐ Employee (all taxes deducted from normal pay)
- ☐ Employee (FICA + Medicare covered by YTD Fed Withholding)
- ☐ Employer (gross up for FICA + Medicare)
- ☐ Employer (gross up for all taxes)

Taxability *

- ☐ Social security taxes only
- ☐ All taxes
- ☐ Withholding taxes only
- ☐ No taxes

Is there a specific Box 12 code for these earnings on the W-2? If so, what is the code?

Would you like a description of the earnings to appear in Box 14? If so, what description?

How will you be entering the Fringe Benefit information?

- ☐ Hand-key
- ☐ Spreadsheet import
- ☐ Other

Comments

If you marked "Other" on any of the above questions, please elaborate here:

File Attachments

Drag and drop files here or [browse files](#)



1099 Changes Effective for 2020 Year-End:

In accordance with IRS requirements, we will only be producing 1099s for anyone with \$600 or more in non-employee compensation. The IRS has also made a change to the 1099-Misc form and has created a new form, 1099-NEC, to report these payments.

Please click here for more information on these changes:

<https://www.irs.gov/instructions/i1099misc>



NEW 1099-MISC

9595 ☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents \$	OMB No. 1545-0115 2020 Form 1099-MISC	Miscellaneous Income Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2020 General Instructions for Certain Information Returns.
		2 Royalties \$		
		3 Other income \$	4 Federal income tax withheld \$	
PAYER'S TIN	RECIPIENT'S TIN	5 Fishing boat proceeds \$	6 Medical and health care payments \$	
RECIPIENT'S name		7 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest \$	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2020 General Instructions for Certain Information Returns.
Street address (including apt. no.)		9 Crop insurance proceeds \$	10 Gross proceeds paid to an attorney \$	
City or town, state or province, country, and ZIP or foreign postal code		11	12 Section 409A deferrals \$	
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>	13 Excess golden parachute payments \$	14 Nonqualified deferred compensation \$	
		15 State tax withheld \$	16 State/Payer's state no.	17 State income \$

Form 1099-MISC Cat. No. 14425J www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service
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1099-NEC

7171 ☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116 2020 Form 1099-NEC	Nonemployee Compensation Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2020 General Instructions for Certain Information Returns.
		1 Nonemployee compensation \$	
PAYER'S TIN	RECIPIENT'S TIN	2	
RECIPIENT'S name		3	
Street address (including apt. no.)		4 Federal income tax withheld \$	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2020 General Instructions for Certain Information Returns.
City or town, state or province, country, and ZIP or foreign postal code			
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>		
Account number (see instructions)	2nd TIN not <input type="checkbox"/>	5 State tax withheld \$	
		6 State/Payer's state no.	7 State income \$

Form 1099-NEC Cat. No. 72590N www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service
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Group Term Life (GTL):

You may exclude the cost of up to \$50,000 in GTL coverage.

Here's what you need to know:

- The employer pays the insurance premiums on the employee's behalf.
- Only coverage in an amount greater than \$50,000 is taxable.
- Value of the GTL benefit is calculated using a table provided by the IRS.
- The amount is subject to Social Security and Medicare taxes.
- GTL for spouse or dependents, even for coverage greater than \$2000, can often be excludable as a de minimus fringe benefit.



Calculation of Group Term Life

- Employee's Salary = \$40,000
- Coverage = 2 x Salary
- Taxable = \$80,000 - \$50,000 non-taxable by law = \$30,000
- Employee's Age = 37
- IRS Factor = .09
- Calculation = $\$30,000 / \$1,000 = 30 \times .09 = \2.70 per month $\times 12$ months = \$32.40

Amount to report if reporting annually is **\$32.40**

IRS AGE TABLE

Age	Factor
Under 25	0.05
25 thru 29	0.06
30 thru 34	0.08
35 thru 39	0.09
40 thru 44	0.10
45 thru 49	0.15
50 thru 54	0.23
55 thru 59	0.43
60 thru 64	0.66
65 thru 69	1.27
70 and older	2.06



Auto Allowances:



There are several different vehicle-related benefits that are taxable and need to be reported.

Here's the two most popular:

- **Personal Use of Company Car (PUCC):** The non-business use of a company car is taxable.
- **Auto/Cash Allowance:** Paid allowance to an employee related to use of a personal car is taxable.



Employer-Paid Insurance for Owners:

If an “employee” is actually a 2% or more shareholder in an S-Corp, IRS rules exclude them from pre-tax medical or dental benefits.

Here’s how it’s handled:

- The “Employee” (2% Shareholder) may **not** have post-tax deductions made from their check
- The employer may pay the insurance premium on the employee’s behalf.
 - If the employer pays the insurance premium on behalf of the shareholder, the amount of the insurance premium paid is reported as taxable income in boxes 1 and 14 (where state tax is applicable)



How is it All Done? Client Prep:

Valuation: Check with CPA

Class of Employee: Check with Attorney

Taxability: IRS Publication 15b

NOTE: Fringe benefits are often taxable for all tax types, but a common practice is to withhold only FICA and Medicare and let the employee “true up” Fed or State when they file their return.

1. Call or email DP with what you need
2. DP will send a link with either the Fringe or Bonus checklist
3. Complete the e-form and attach spreadsheets, if applicable
4. Once we receive it back, we'll work with you to be sure it's taken care of



Resources and Additional Information:

- IRS publication 15-B: www.irs.gov/publications/p15b
- DP website: dominionpayroll.com
Under *Resources > Help & Guides*
- customerservice@dominionpayroll.com
- 877-DPS-PAYU {877-377-7298}



Questions?

