

# Quarter-End Instructions

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## Processing Deadline

Please be aware your deadline for reporting first quarter payroll information or changes to your payroll specialist is **8:00 p.m. ET, March 29, 2012, or before a payroll with an April 2012 check date**. If you work with an accountant, remind your CPA to report payroll adjustments no later than the deadline date. If any adjustments are needed after the deadline, please let your payroll contact know immediately. We can reprocess the tax returns after the deadline; however, **there will be an additional charge and a processing delay**.

Please review your first quarter information and report any of the following items to your payroll contact on or before your final payroll of the quarter so that we can accurately calculate your payroll and tax deposit information:

- Payroll checks you issued in-house and have not reported
- Payroll checks you voided and have not reported
- Sick pay or disability payments made to your employees by a third party

## Payroll Processing Reminders

To ensure timely processing and receipt of your payroll:

- All payrolls must be received by 3:00 p.m. ET, two business days before your check date. If there is a bank holiday, we must receive your payroll three business days prior to the check date.
- When faxing information to us, please use the fax payroll cover sheet that we have provided; the cover sheet asks for critical information that we need to accurately process your payroll, notify your payroll contact if you do not have a copy of the fax cover sheet.
- Please fax or mail garnishment orders directly to the attention of the Garnishment Department to allow for timely receipt and processing. Use fax numbers: 727-556-2615 or 800-668-7296.

## Processing Bonus Payrolls

Bonus checks can be processed with your regular payroll, but must be processed independently if a separate payroll journal is necessary, or if checks are issued with a date other than your normal payroll date.

**Note:** Bonus payrolls will be processed with the standard Internal Revenue Service (IRS) supplemental wage withholding tax of 25 percent. If the supplemental wages are over \$1,000,000 year-to-date, the tax will be withheld at 35 percent.

# Quarter-End Instructions

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## Income Tax Withholding

The amount of federal income tax withheld must be based on marital status and withholding allowances, per IRS regulations (Publication 15). Your employees may not base withholding amounts on a fixed-dollar amount or percentage; however, employees may specify a dollar amount to be withheld **in addition** to the amount of withholding based on filing status and withholding allowances claimed on Form W-4.

## Negative Wages

Negative wages are not accepted by federal or state tax agencies. Verify quarter-to-date wages when voiding checks to ensure voided payroll entries will not result in a negative wage situation for the current quarter. If you have questions, ask your payroll contact.

## Earning Records and Payroll Reports

We can provide you with a printed copy of your Employee Earnings Records, our most comprehensive employee management report.

You can safely access your Payroll Reports and Employee Earnings Records for each employee at your convenience using a customized date range via our free Paychex Online Reports Service.

This report provides a wealth of information, including:

- Individual employee rate and salary history.
- Employment verification to help employees substantiate earnings within a period of time for mortgages and loans.
- Details about adjustments and amount information to reconcile deductions such as health insurance or retirement plan contributions.
- Wage information for completing Worker's Compensation, disability, and unemployment claims.

Notify your payroll contact if you would like to sign up for online access, or if you want to receive printed copies of this report.

## Paychex Website

For forms and additional information, access the Paychex website at [www.paychex.com](http://www.paychex.com), click **Employers**, and then at the Login scroll down to **Paychex HR Solutions forms**. You will be required to enter your branch number (0741) and client number (XXXXXXXX). This information is located in the upper left corner of your payroll reports.

# Quarter-End Instructions

## Reporting Changes and Missing Information

Please review your company name, address, and federal and state ID numbers on your payroll reports. If any of this information has changed or is missing, notify your payroll specialist.

Changing or Missing Information	Client Responsibility	Paychex Responsibility
Company's legal name changed. Federal, state, local, and SUI ID numbers, organization, or ownership did not change	<ul style="list-style-type: none"> <li><input type="checkbox"/> Provide us with name change documentation from the Internal Revenue Service (IRS).</li> <li><input type="checkbox"/> Provide us with name change documentation from the SUI, state, and local withholding tax agency.</li> </ul>	We will make a name change only if we receive verification from the IRS.
Business federal address changed	<ul style="list-style-type: none"> <li><input type="checkbox"/> Request an IRS Form 8822, Change of Address form. You can access this form online at: <a href="http://www.irs.gov/pub/irs-pdf/f8822.pdf">http://www.irs.gov/pub/irs-pdf/f8822.pdf</a>.</li> <li><input type="checkbox"/> It is your responsibility to complete Form 8822 and file the form with the IRS. Complete Form 8822. Send the original to the IRS and a copy to your payroll contact.</li> <li><input type="checkbox"/> Send the IRS confirmation of your address change to your payroll contact.</li> </ul>	We will make an address change when you inform your payroll contact.
Business, state, and local agency address changed	<ul style="list-style-type: none"> <li><input type="checkbox"/> Refer to the state or local agency website where your business is located for procedures on how to change your address.</li> <li><input type="checkbox"/> Complete the appropriate paperwork with the state/local agency to change your business address.</li> </ul>	We will make an address change when you inform your payroll contact or human resource generalist.

## Federal Updates

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**Please review this summary of changes to federal tax deposit rules and regulations that could affect you.**

### Line Added to Form 941 for Unreported Tips

Tipped employees can submit Form 4137 (Social Security and Medicare Tax on Unreported Tip Income) to declare unreported tips with their personal tax returns. The Internal Revenue Service (IRS) can use this data to assess whether employers owe additional FICA tax.

If the IRS determines that additional liability is due based on these unreported tips or based on an examination of the employer's records by an auditor, the agency issues a Section 3121(q) Notice and Demand letter to affected employers, this notice will indicate how much tax is owed; this tax must be remitted based on our federal tax deposit frequency.

**Note:** The IRS does not issue these notices retroactively. When the IRS determines that additional employer taxes are owed on tips (regardless of when the tips were earned), it becomes a liability as of the date on the notice.

Effective for 2011 and after, this information must also be reported separately on Form 941. A new line, 5e, has been added to the return to report the additional employer FICA tax due titled "Section 3121(q) Notice and Demand – Tax due on unreported tips."

These notices are not common; however, if we receive a notice on behalf of your employees, we will inform you and you will be invoiced for any tax amount due. If you receive one of these notices, you must notify your payroll contact immediately and send us a copy of the notice.

### Supplemental Wages over \$1,000,000

Special rules apply if supplemental wages paid to any one employee exceed \$1,000,000 during the calendar year. If total supplemental wage payments to an employee for the year exceed \$1,000,000, the excess is subject to withholding at 35 percent for 2012 – regardless of any other withholding rules and the employee's Form W-4. Supplemental wages paid to an employee during the calendar year that are equal to or less than \$1,000,000 follow regular withholding rules for supplemental wages.

- Notify your payroll contact if your payroll includes a payment that will put your employee over \$1,000,000 in supplemental wages paid year-to-date.

## Federal Updates

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# Reporting Taxable Adjustments for Separated Employees

Taxable adjustments (for example, personal use of a company car, imputed value of group-term life insurance) should be reported with regular payroll whenever possible. Regular reporting of these adjustments allows required employee taxes to be withheld from wages. If taxable adjustments are reported without wages, the employer may be liable for the employee portion of taxes.

- ❑ When employees leave the company voluntarily or involuntarily, report taxable adjustments with the employees' last check; otherwise, you may be liable for the employee portion of taxes.

If you pay any part of an employee's income tax or FICA withholding, the amount paid must be reported as additional taxable wages for the employee. Additional employment taxes, both employee and employer portions, must be withheld on this added income.

- ❑ If you cannot report taxable adjustments on an employee's last check, discuss it with your payroll contact. We can help you calculate the additional amount needed to cover the employee FICA.

## State Updates

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### State Unemployment Insurance Rate (SUI)

You should receive notification of your SUI tax rate for 2012 for the following states. We do not automatically receive this information from the tax agency. To correctly calculate your SUI expense, we need this rate information.

- ❑ If you receive a SUI tax rate notice from one or more of the following states, write your client number on the notice and immediately fax it to 800-668-7296, or mail a copy of the notice to your payroll contact:

<b>Alaska</b>	<b>Kansas</b>	<b>Nebraska</b>	<b>South Dakota</b>
<b>Arkansas</b>	<b>Kentucky</b>	<b>North Dakota</b>	<b>Tennessee</b>
<b>Connecticut</b>	<b>Maine</b>	<b>Ohio</b>	<b>Vermont</b>
<b>Delaware</b>	<b>Massachusetts</b>	<b>Pennsylvania</b>	<b>Washington</b>
<b>Illinois</b>	<b>Minnesota</b>	<b>Rhode Island</b>	<b>Wyoming</b>
<b>Iowa</b>	<b>Mississippi</b>	<b>South Carolina</b>	

# State Updates

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## **Additional State Assessments**

Due to financial insolvency, many states have indicated they may be assessing additional charges to repay interest on federal loans borrowed to pay state unemployment insurance benefits. You may be receiving these notices directly from the state or as a separate billing from Paychex based on an allocation of the assessed charges (you will receive a separate notification prior to being billed). These assessments will be due outside the normal state unemployment insurance return process and you will be responsible for paying these assessments directly. Please contact your payroll specialist or human resource generalist if you have additional questions.

# State Updates

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## Alaska Employers

The Alaska Department of Labor and Workforce Development requires that employee occupational codes and geographic codes be entered on the Contribution Report Form TQ01C.

- ❑ If these codes are not already on file, obtain both codes by referencing the Occupational Coding Manual at <http://www.labor.state.ak.us/research/erg/occmanual.pdf>. Report these codes to your payroll contact.

# State Updates

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## Arkansas Employers

The Arkansas Department of Workforce Services requires the agency ID number on Arkansas returns.

- ❑ Obtain your employer ID number by calling the Arkansas Department of Workforce Services at 501-682-2121. Report the ID number to your payroll contact.

# State Updates

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## California Employers

The California Employment Development Department requires that wages be reported on a separate Form DE9C for employees who meet the following criteria:

- Religious Exemption - employees who file and are approved by the state for an exemption from state disability insurance (SDI) taxes under Section 2902 of the California Unemployment Insurance Code (CUIC).
- Sole Stockholder - an individual approved by the state who elects to be excluded from SDI coverage for benefits and taxes under Section 637.1 of the CUIC.
- Free Venture Program - youth employees who are incarcerated with the California Youth Authority.
- Joint Venture Program - adult employees who are inmates of the California Department of Corrections.

If you have employees who qualify:

- Provide the names of current qualifying employees to your payroll contact and report this information as you add new employees.

# State Updates

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## Colorado Employers

The Colorado Department of Labor and Employment 20 percent tax credit will not be in effect for 2012.

# State Updates

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## Iowa Employers

Iowa Workforce Development requires employers to report wages by Reporting Unit. If an employer has multiple worksite locations, wages should be reported separately by Reporting Unit number, or worksite. The Reporting Unit number used should be the number reported on the Multiple Worksite Report.

- ❑ Employers with multiple worksites should report all Reporting Unit Numbers to their payroll contact immediately.

# State Updates

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## Massachusetts Employers

The Massachusetts Department of Unemployment Assistance (DUA) has mandated that all employers regardless of subjectivity are required to electronically file their quarterly unemployment tax and wage data via the MA QUEST system. Massachusetts quarterly wage data must now be reported to MA DUA instead of the MA Department of Revenue. Paper submissions of the previously accepted MA DOR Form WR-1 and MA DUA Form-1 and 1700-HI will no longer be accepted by the DUA.

The Massachusetts DUA will no longer send a SUI Form-1, a Health Form 1700-HI or a quarterly wage report to employers.

- Report the Massachusetts unemployment tax and health insurance tax rates to your payroll contact immediately.

# State Updates

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## Nevada Employers

If you are subject to SUI tax in Nevada, we are required to file the Nevada Modified Business Tax return quarterly with the Nevada Department of Taxation. If you have employer contributions to health insurance/health benefits plans that are not being processed through us, this amount must be reported to your payroll contact or tax team specialist prior to each quarter-end process. If employer contributions are not reported on time, it will be entered in the following quarter.

- ❑ For us to properly prepare the Nevada Modified Business Tax return, please report employer-paid health care amounts that are not being processed through us prior to the quarter-end deadline.

# State Updates

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## New York Employers

### ***New York Metropolitan Commuter Transportation Mobility Tax***

The New York State Department of Taxation and Finance administers the transportation mobility tax for the Metropolitan Transportation Authority. The Metropolitan Commuter Transportation Mobility Tax (MCTMT) is imposed on certain employers engaging in business within the Metropolitan Commuter Transportation District (MCTD). The MCTD includes New York (Manhattan), Bronx, Kings (Brooklyn), Queens, Richmond (Staten Island), Rockland, Nassau, Suffolk, Orange, Putnam, Dutchess, and Westchester counties. To learn more about this tax requirement, refer to <http://www.tax.ny.gov>.

An update to this tax is expected April 1, 2012.

# State Updates

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## Pennsylvania Employers

### *Act 32 Local Earned Income Tax Reporting Changes*

The Act 32 requirements effective January 1, 2012, mandate that all employers require every new employee to complete a certificate of residency form, which is used as an addendum to the federal Form W-4. Employers are also mandated to require a new certificate of residency form for any employee that changes their address or domicile. The certificate of residency form provides information to help identify the political subdivisions (PSD) where an employee lives and works.

If an employee address change results in a new resident political subdivision, the local setup for that employee **must** be changed to ensure compliance with Act 32.

Employers are required to withhold local earned income tax at the higher of the employee's total resident rate where they live, and the non-resident rate where they work. Each political subdivision has its own rates and PSD code. Additional information regarding Act 32 can be found at <http://www.newpa.com/node/6710>.

# State Updates

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## Vermont Employers

Employers with more than four employees will be required to report and pay an employer's health care contributions premium that is based on a calculated number of uncovered full-time equivalent employees (FTEs) multiplied by a rate of \$113.03.

- Report the number of uncovered FTEs to your payroll contact.

**Note:** Additional information regarding the health care contributions is available at the Vermont Department of Labor website at [www.labor.Vermont.gov](http://www.labor.Vermont.gov).

# State Updates

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## Washington Employers

Washington Employment Security, as well as Washington Labor & Industries, requires that the number of hours worked by all employees (including salaried employees) be reported. Washington Employment Security also requires the social security numbers (SSNs) of all employees to be reported.

- Review the last timesheet from your payroll package for incorrect SSNs.
- Report any missing or incorrect information to your payroll contact.

# State Updates

## West Virginia Employers

- Notify your payroll contact if your employees are subject to one or more of the fees listed in the following table:

Employees Who	Fee per Week	Employers Were Notified By
Work in Huntington	\$3.00	the Division of Finance
Physically report to the Charleston location	\$2.00	the City Collector's Office
Work in Weirton	\$2.00	the Division of Finance
Work in Fairmont	\$2.00	the Division of Finance
Work in Parkersburg	\$2.50	the City Collector's Office