

What's New for Year-End 2011

Updates for year-end are included here. To view and review all year-end instructions, federal, and state updates, please visit <http://services.paychex.com/referenceguide/>. Ask your service provider if you would like the full paper version of this reference guide sent to you.

Holiday Hours

Our office will be closed **Monday, December 26, 2011**, and **Monday, January 2, 2012**. For specific holiday processing schedules for your local Paychex branch, please contact your payroll contact.

Federal Updates

Line Added to Form 941 for Unreported Tips

There has been a change to the 2011 Form 941 that may affect you if your employees receive 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 your businesses' 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, 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 you do receive a notice Paychex is prepared to handle the situation. If you receive one of these notices, you must notify your payroll contact immediately and send us a copy of the notice. We will report this information on the appropriate Form 941. If you are a Taxpay client, we will also remit this tax to the IRS on your behalf. If you are a non-Taxpay client, you will be responsible for remitting the tax due based on your federal deposit frequency.

FUTA Threshold

For 2011, employers are required to make a quarterly deposit for FUTA if accumulated tax exceeds \$500.00 in the quarter.

Note: The effective FUTA tax rate for the second half of 2011 has decreased from .8 percent to .6 percent.

IRS Electronic Federal Tax Payment System (EFTPS) Mandate Letters

The IRS has discontinued accepting Form 8109 deposits. If you are not on our Taxpay[®] service, you will need to register your business and make payments electronically on www.eftps.gov.

The only exception to this rule is taxpayers who file Form 941 may send a check with the return if their liability is \$2,500.00 or less for the quarter. Similarly, if the taxpayer is a Form 944 filer, they may remit taxes due with the return if their liability is \$2,500.00 or less annually.

Employee Social Security Number (SSN)

A listing of missing or invalid SSNs may be provided to you upon request. The Social Security Administration (SSA) may impose a penalty for missing or incorrect SSNs. An SSN is invalid if:

- It is all ones (111111111) or all threes (333333333)
- It is 123456789
- The first three digits are 000, 666, 900-999; the middle digits are 00, or the last four digits are 0000.

If an invalid SSN is identified, ask the employee to provide the social security card for verification. If the number is invalid, instruct the employee to contact the local SSA office. For more information regarding invalid social security numbers, visit the SSA Web site at:

<http://www.ssa.gov/employer/ssnvhighgroup.htm>.

Social Security Administration Note

The SSA has cautioned payroll service providers about duplicate Form W-2 reporting. We will prepare and file Forms W-2 for tax year 2011 for all clients who are on our service at the end of the year.

Note: We will not prepare or file Forms W-2 for any clients who leave our service prior to year- end, unless specifically requested.