

Learn from payroll year-end mistakes or repeat them

Not much of a choice, is it?

Hard to believe, but it's November. Which means now is the perfect time to think about the impending payroll year-end season. Here's some help to get you on your way.

Step No. 1: Organize for success

Payroll's annual year-end trek crosses many corporate boundaries. According to our tally, you'll probably be crossing paths with Accounts Payable, Benefits, HR and the executive compensation committee. Dealing with employees in other departments can be a chore, especially if they don't understand the pressure year-end entails.

Key: Reach out to your peers and formalize who will be responsible for what information. It's also crucial to set hard deadlines for when your co-workers must cough up their data to you.

Tip: One strategy for getting information from these sources is to bug them, bug them again and then bug them some more.

Step No. 2: Get the data

OK, you know who your peers are. Now it's time for you to specify what you need from them:

- **Accounts Payable:** taxable allowances, including moving allowances, car allowances, reimbursements made under nonaccountable plans, the amount of forgiven employee loans
- **Benefits:** offers of group health insurance made to full-time employees, the lowest cost monthly premium for self-only group coverage, the aggregate cost of employees' health benefits, employees' health and dependent care FSA contributions, employers' and employees' contributions into HSAs, small employers' contributions to employees' qualified health reimbursement accounts, employees' pretax 401(k) contributions, employees' contributions into Roth 401(k) accounts and group-term life insurance
- **HR:** employee awards and prizes, including the value of gift cards, income from qualified equity grants and aggregate deferrals related to qualified equity grants as of the close of the calendar year
- **Executive compensation committee:** 20% excise tax on golden parachute payments, income from the exercise of nonstatutory stock options and nonqualified deferred compensation.

Talking to Accounts Payable, Benefits, HR and the executive compensation committee is vital, but you also need to reach out to all employees:

- Send reminders to employees about name changes, Social Security numbers, W-4s (especially critical this year-end), beneficiaries, 401(k) information and direct deposit
- Remind managers of how the upcoming holidays will affect the deadlines for submission of nonexempts'

time sheets.

Step No. 3: Use the data

Year-end duties are so numerous, varied, and complex that prioritizing them is critical. Here are some key year-end payroll tasks:

- Balance and reconcile amounts in calendar quarters to each other and to W-2s, payroll reports, and W-3s
- Balance quarterly reports and Forms 941 with the general ledger
- Double-check pretax deductions, coding for W-2 Box 12, and year-to-date figures
- Ensure that payroll-related items (e.g., life and disability insurance) are processed before W-2s are processed
- Calculate car allowances, insurance costs, etc. for year-end adjustments
- Ensure that for accounting purposes, all income and expenses are accounted for prior to calculating shareholders' year-end bonuses.

And some general year-end tasks:

- Keep on things daily from Thanksgiving to the end of the year
- Double-check employees' names and Social Security numbers by using the Social Security Administration's [Social Security Number Verification Service](#)
- If possible, make sure you have the correct addresses for terminated employees
- Ensure that your W-2 software matches paper forms.

The best advice: Start early, go slow and balance, balance, balance. Making checklists can also help.