

Everything employers need to know about W-2 compliance



Important W-2 filing deadlines for employers

- January 31, 2022**
 - Deadline to mail or distribute W-2s to employees.
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 - Wage reports for the 2021 tax year must be filed with the Social Security Administration.
- January 31, 2022**
 - You need to send form 1099-NEC to any independent contractors paid over \$600 in the 2021 tax year.
 - You must send Copy A of the 1099-NEC form to the IRS and send a copy to the payee as well.
- April 15, 2022**
 - It's tax day for individuals. By this date, you should have sent out all W-2s.
 - Current or past employees may request a last-minute copy, so be sure to retain a copy that you can mail or transmit electronically.

2021 is coming to a close. For businesses and employers, that means end-of-year accounting and W-2 filing is right around the corner. However, with frequent changes, shifting deadlines, and more, keeping compliant can feel like a daunting task.

Form W-2 is the Wage and Tax Statement that employers use to report wages paid to employees. These are the tax forms that your employees need to file their yearly tax returns. W-2 compliance is extra important this year, as there are a couple of changes. Here is what you need to know to stay on top of your W-2 compliance for tax year 2021.

Reporting requirements

At the beginning of each year, employers have to send Copy A of Form W-2 to the Social Security Administration (SSA) to report the wages paid and taxes collected for your employees during the previous calendar year. Employers also have to send a copy of the W-2 to the employee.

Employers are required to file a Form W-2 for wages paid to each employee from whom:

- Income, Social Security, or Medicare taxes were withheld
- Income tax would have been withheld if the employee had claimed no more than one withholding allowance or had not claimed exemption from withholding on a Form W-4, (Employee's Withholding Allowance Certificate).

Employers also need to report and deposit payroll taxes to the internal revenue service (IRS) every quarter. Employers must **report income and employment taxes withheld** from their employees on an Employer's Quarterly Federal Tax Return (Form 941) and deposit these taxes in full to an authorized bank or financial institution pursuant to Federal Tax Deposit Requirements. Employers are also responsible for filing a FUTA return annually, and depositing those taxes.

Important filing deadlines for employers

January 31, 2022 - Deadline to mail or distribute W-2s to employees.

January 31, 2022 - Wage reports for the 2021 tax year must be filed with the Social Security Administration.

January 31, 2022 - If you utilize independent contractors, you need to send form 1099-NEC to any contractors that you paid over \$600 in the 2021 tax year. You must send Copy A of the 1099-NEC form to the IRS and send a copy to the payee as well. Independent contractor pay was previously reported on a 1099-MISC form prior to the 2020 tax year.

April 15, 2022 - Tax Day for Individuals. By this date, you should have sent out all W-2s, but do keep this date in mind if you mailed paper forms, as there are bound to be some last-minute tax filers who have misplaced their copy or forgot to give you their change of address information. Current or past employees may request a last-minute copy, so be sure to retain a copy that you can mail or transmit electronically.

Deferred payroll taxes from 2020

In response to the coronavirus pandemic, the Treasury and IRS provided employers with the option to defer the employee portion of Social Security tax from September 1, 2020 through December 31, 2020. This deferral applied to employees who earned less than \$4,000 per bi-weekly pay period (or the equivalent threshold amount with respect to other pay periods) on a pay period-by-pay period basis. If you deferred payroll tax for your employees in 2020, and if you collected this tax in 2021, then you need to send in a W-2c to correct Tax Year 2020 Social Security taxes.

HR departments see a spike in such requests in early April before Tax Day.

Distributing W-2s to employees

Many employers are still sending out paper versions of the W-2 form by mail. If your company is in this boat,

you may need to start looking at electronic options.

Beginning in 2022, if you send out 100 or more W-2 forms, you are required to send them electronically. In 2023 that limit is lowered to 10 W-2 forms, meaning that this rule will soon apply to the majority of employers. This information is being shared by the SSA and is pending publication of the finalized IRS regulations.

Sending out electronic employee w-2 forms can actually help reduce the burden on your HR department as well. Every year, there are inevitably employees or past employees that forget to update their address and end up having to request a new mailing of their tax forms. Electronic filing can prevent such requests or issues.

Regardless of whether you put employee W-2s in the mail or send them out online, be sure to distribute them by the January 31st deadline.

Submitting W-2s to the SSA

The Social Security Administration has encouraged all employers to e-file their W-2 forms for 2021. E-filing is an efficient option, and you may be required to use it. If you are required to file 250 or more Forms W-2 or W-2c for 2021, you must e-file. You can request a waiver from this requirement by submitting Form 8508, to the IRS at least 45 days before the January 31st due date for W-2s.

The Social Security Administration's Business Services Online (BSO) allows employers to file W-2/W-2C forms online and verify employees' legal names and social security numbers against the SSA's records.

The SSA's BSO website gives you two options for filing W-2s:

- If you need to file 50 or fewer W-2 forms at a time, you can use BSO to create them online. BSO will guide you through the process of creating W-2 or W-2c forms. You can save and print them to send to employees and submit them to the SSA electronically. This is a great option for small to medium-sized businesses.
- If you need to file more than 50 Forms W-2 or more than 25 Forms W-2c, you can use the file upload feature in BSO instead to mass upload completed W-2 forms.

You can also use BSO to verify employees' social security numbers in large batches for W-2s, or in smaller batches as you hire new staff.

Start preparing for W-2 season now

January will be here before you know it, so start getting ready for W-2 season now. If you haven't e-filed before, set up your Business Services Online account at ssa.gov so that you are ready to enter your W-2s in January. Also decide how you will distribute W-2s this year, particularly if you are planning to distribute them electronically for the first time this year.

It's also a great idea to send out a reminder at the start of the new year to encourage employees to update their mailing addresses if you plan to mail out paper copies of W-2 forms to your staff. This is especially important if your company has been operating remotely or announced permanent remote options this year, and many remote workers have taken permanent remote work models as an opportunity to relocate.

And lastly, be sure to mark your calendars so you don't miss any important deadlines!