

5 things you should do now to prepare for year-end payroll reporting

Some stores have already brought out the holiday decorations and Christmas music. However, Payroll teams are busy preparing for a different season — year-end reporting. While this may be the most stressful time of the year, good preparation can smooth out a lot of the kinks. So what can you start doing now to get ahead and reduce the stress when prime time arrives? We've made a list, and checked it twice.

1. Plan for a lower mandatory e-filing threshold

We don't yet know whether the IRS will issue final regulations dropping the mandatory e-filing threshold down to 100 or more information returns from 250 or more returns. These regulations would also require you to aggregate your W-2s, 1099s, and 1095s to determine whether you are a mandatory e-filer.

Even though time is ticking down, it would be prudent to act as if the IRS will issue these regs in time for 2023 filing.

With this in mind:

- First-time e-filers must register with the IRS's [FIRE system](#) for 1099 filing and its [AIR system](#) for 1095 filing, and apply for separate Transmitter Control Codes.
- First-time W-2 e-filers must register with the Social Security Administration's [Business Services Online](#).
- The e-filing mandate applies to all information returns, including Forms 1099-DIV, which are often filed by Shareholder Services. If the total of all information returns is 100 or more, inform all relevant departments of the potential e-filing requirement.

2. Confirm Social Security numbers and addresses

You can be penalized for filing W-2s, 1099s, and 1095s on which you report incorrect Social Security numbers. For 1095 reporting by self-insured group health plans, you can also be penalized for not reporting employees' dependents' SSNs.

- Unmask employees' SSNs and ask them to confirm their SSNs. Then use the SSA's [Social Security Number Verification Service](#) to validate their responses.
- Check employees' addresses against your computer-generated mailing labels.
- Send independent contractors [Form W-9](#) to capture their SSNs and addresses. Then use the IRS' [TIN matching program](#) to validate their responses.
- Review employees' health benefit applications for dependents' SSNs. Reach out to employees if SSNs are missing.

YEAR-END PAYROLL REPORTING



With this in mind:

3. Beef up computer security

Phishers count on year-end stress to trick you and your staff into responding to the “CEO’s” email asking for employees’ W-2 data. And employees are going to want to access their W-2s on their phones.

With this in mind:

- Odds are, this email isn’t from the CEO, but just in case it is, fax your response to the CEO’s computer instead of hitting the reply button on your email. Unlike email, faxing to a computer is a closed system.
- Work with IT to ensure the computer you use to file your returns is safe by implementing application whitelisting, which allows only specific programs to run, and keeping the payroll software up to date with the latest patches and antivirus software.
- Require employees to change their employee self-service passwords, and make sure those passwords are strong by having them use upper- and lowercase letters, at least one number, and at least one symbol.
- Require multi-factor authentication for employees who wish to receive their W-2s on their phones. In addition to their ESS passwords, send them a code via email or text that they’ll need to input to access their forms.

4. Test your systems for 2022 filing

The IRS rarely changes paper forms but often changes the specs for e-filing.

With this in mind:

- For W-2s, download [42-007](#)
- For 1099s, download [1220](#) (the 2022 booklet hasn't been released yet).
- For 1095s, download [5165](#).

5. Review consents to e-delivery

Employees and independent contractors may consent to have their forms delivered electronically. [Pub. 15-A](#) sets out the rules for these consents.

With this in mind:

- Determine whether their consent is ongoing or was for 2021 forms only.
- Send updated consent forms to those who consent on a year-by-year basis.
- Send consent forms to those who received their 2021 forms on paper.