



## **2008 Year-End Accountant Guide.**

This guide contains information on critical dates and deadlines that you and your clients will need when preparing for year-end tax filing.

**DATED MATERIAL: ACTION REQUIRED.**

Please read and respond by  
November 28, 2008.

## **ADDITIONAL RESOURCES**

### **IRS contact information**

Forms – (800) 829-3676

General – (800) 829-4933

Web Site: Home Page – <http://www.irs.gov>

Forms – <http://www.irs.gov/formspubs/index.html>

### **Social Security contact information**

General Information – (800) 772-1213

Web Site – <http://www.ssa.gov>

### **ADP Employer Resource Center**

Web Site – [http://www.adp.com/rc\\_index.asp](http://www.adp.com/rc_index.asp)

### **ADP Small Business Services Client Center**

Web Site – <http://accountant.adp.com>

# TABLE OF CONTENTS

Welcome to the 2008 Year-End Accountant Guide .....	ii
Year-End Checklist .....	1
Calendar of Important Year-End Dates .....	2
<b>Critical Deadlines for Changes and Adjustments</b> .....	3
Additional information needed by November 28, 2008.....	3
Year-end processing dates .....	3
Keeping your quarter-end on schedule.....	3
Verification of employee information .....	3
Verification of Social Security numbers.....	3
<b>Additional Wage Information</b> .....	4
Allocated tips .....	4
Dependent care.....	4
Golden parachute payments.....	4
Group term life (GTL) insurance .....	4
Moving expenses.....	4
Qualified pension and retirement plans .....	4
S-Corporation health insurance .....	4
Taxable fringe benefits.....	5
Third party sick pay .....	5
Uncollected FICA on insurance premiums.....	5
Uncollected FICA on tips .....	5
Unsubstantiated employee expense reimbursements .....	5
Additional procedures for <i>EasyPayNet</i> clients.....	5
<b>Bonus Payroll Processing Guidelines</b> .....	6
Schedule a separate bonus payroll .....	6
Bonus payrolls with federal tax liabilities in excess of \$100,000.....	6
Funding requirements .....	6
Calculating FICA and inflated gross for bonus checks .....	7
Additional procedures for <i>EasyPayNet</i> clients.....	7
<b>Year-End Price List</b> .....	8
2008 Base + per item charges.....	8
Reprinting one Form W-2 .....	8
<b>Tax Filing Considerations</b> .....	9
Making payroll adjustments .....	9
Absolution letter .....	9
<b>Filing Information</b> .....	9
Form 944 .....	9
Federal W-2 electronic filing .....	9
<b>1099 Information</b> .....	10
1099 submission requirements .....	10
Form 1096 .....	11
Obtaining a Transmitter Control Code (TCC) .....	11
Form 945 .....	11
<b>Terminated Employees</b> .....	11
<b>Reply Forms</b>	
Year End Reply Form .....	12
Bonus Payroll Reply Form (for Phone or Fax Clients).....	14
Bonus Payroll Reply Form (for <i>EasyPayNet</i> Clients).....	15
Absolution Letter - Responsibility for Penalty & Interest .....	16

# WELCOME TO THE 2008 YEAR-END ACCOUNTANT GUIDE

Because this guide contains deadlines and reply forms, we strongly encourage you and your clients to read it and respond by November 28, 2008.

As the end of the tax year approaches, we want to make sure that we assist you and your clients in every way. This *2008 Year-End Accountant Guide* will help you and your clients gather and submit the information needed by the ADP service representative so that ADP may provide you and your clients with the appropriate year-end services. It also explains the concepts underlying year-end payroll processing. Furthermore, this guide includes reply forms that may apply to you and your clients: *Year-End Reply Form* and *Bonus Payroll Reply Forms*. These reply forms are used to request a bonus payroll or for wage categories to be set up. Please note: Use these forms if you are processing payrolls for clients. If clients are processing their own forms, do not send in duplicate forms.

ADP begins processing year-end forms and reports as soon as the final 2008 payroll is processed. As you and your clients prepare for year end, keep the following items in mind:

- **Submitting Payroll Adjustments**—Final payroll adjustments (e.g., manual or voided checks) must be reported with or before the last regularly scheduled 2008 payroll to avoid W-2 and/or end-of-year reprocessing fees.
- **Submitting 2008 W-2 Information Changes**—This information (e.g., corrected, missing, or invalid Social Security numbers or addresses) must be provided prior to the last 2008 payroll to avoid W-2 and/or end-of-year reprocessing fees. Refer to *Verification of employee information* on page 3 of this guide for the information needed.
- **Verifying Tax IDs**—Verify that all tax identification numbers on the *Payroll Summary* that accompanies every payroll are accurate.
- **Determining Reporting by Check Date**—Checks dated between January 1, 2008 and December 31, 2008 will be reported in 2008. Checks dated January 1, 2009 or later will be reported in 2009.
- **Determining Filing Responsibilities**—To verify or determine quarterly and annual filing responsibilities, refer to the *Quarterly Tax Verification Notice* (issued with the last November payroll) or the third quarter *Statement of Deposit* (sent in the mail to clients).

If you and your clients have any questions about the information contained in this guide, the ADP service representative is available to assist in submitting the year-end information.

Thank you for being a valued partner as we work together to make your and your clients' 2008 payroll year end a success. We appreciate the opportunity to serve your and your clients' payroll processing needs and look forward to working with you in 2009.

## REMINDER!

Remember to use the reply forms beginning on page 12 to send ADP important year-end information by November 28, 2008.

If you process payrolls for your clients, be sure to complete a form for each client.

If your clients process their own payrolls, the forms are for your reference only. Please do not send the forms to ADP if your clients are sending the forms.

# YEAR-END CHECKLIST

Use this checklist to ensure the following items are completed *before* the last payroll of 2008.

- The following complete and accurate employee information has been submitted:
  - Social Security numbers
  - Names (spelling) and addresses
  - Income tax states and unemployment tax states (located in the Taxes section of your *Master List*)
  - City and local tax coding, if applicable
  - Marital status and exemptions
  - Federal and state tax status

The tax status of “Exempt” indicates wages are NOT subject to taxation and will not appear on the Form W-2. The tax status of “No” indicates the employee is subject to taxation, but tax is not withheld. Employees with a tax status of “No” will receive a Form W-2 with wages reported as taxable income.
  - Year-to-date figures
  - Employment status (e.g., active, terminated, leave of absence)

All terminated employees must be marked for termination so they will be purged with the new year. The letter “T” will appear before the employee number on the Master List. Employees who are active or on leave of absence will remain in the database. See page 11 for more information on purging terminated employees.
- The tax identification numbers and filing responsibilities have been verified using the *Quarterly Tax Verification Notice* (issued with the last payroll in November) or using the third-quarter *Statement of Deposit* (sent in the mail to clients and payroll processors) and corrections submitted.
- All adjustments to 2008 have been applied, or an adjustment payroll has been scheduled. Report information to ADP using the *Year-End Reply Form* on pages 12 and 13.

This includes reporting additional wage items such as:

  - Allocated tips
  - Dependent care
  - Golden parachute payments
  - Group term life (GTL) insurance
  - Moving expenses
  - Qualified pension and retirement plans
  - S-Corporation health insurance
  - Taxable fringe benefits
  - Third party sick pay
  - Uncollected FICA on insurance premiums
  - Uncollected FICA on tips
  - Unsubstantiated employee expense reimbursements

The following items should be completed when reporting the first payroll of 2009.

- Updates to employee deductions such as medical, dental, life insurance, 401K, etc.
- Updates to “Allowed and Taken” hours, if applicable (for example, vacation and sick hours)
- Deactivation of 401K catch-up contributions, *if desired*
- If you or your clients have a 401K plan through a provider—not through ADP—and one or more of the employees are set up with a 401K catch-up deduction, both the regular and catch-up deductions will automatically come out of the first pay of 2009 *unless you or your clients request a change*. If an employee only wants the regular 401K deduction taken, you or your clients should notify the ADP service representative.

# CALENDAR OF IMPORTANT YEAR-END DATES

Note: Write the bonus payroll processing dates for your local service center in the appropriate date boxes in this calendar. The dates are provided in the letter accompanying this guide.

	SUN.	MON.	TUES.	WED.	THURS.	FRI.	SAT.
NOV	11/16	11/17 Review this guide by today to schedule the year-end needs.	11/18	11/19	11/20	11/21	11/22
	Reminder: Report additional wage items to ADP by November 28, 2008 using the reply form on pages 12 and 13.						
NOV	11/23	11/24	11/25	11/26	11/27 Thanksgiving Federal banking holiday ADP is closed.	11/28 Important: Report additional wage items to ADP by today. See page 4 for details.	11/29
	Reminder: Submit bonus payrolls on the scheduled date.						
NOV / DEC	11/30	12/1	12/2	12/3	12/4	12/5	12/6
	Reminder: Clients must verify all employee information and report any changes prior to the last 2008 payroll.						
DEC	12/7	12/8	12/9	12/10	12/11	12/12	12/13
	Reminder: Clients must verify all employee information and report any changes prior to the last 2008 payroll.						
DEC	12/14	12/15	12/16	12/17	12/18 Reminder: If the regular payroll is scheduled for Thursday, 12/25, refer to the annual schedule for the appropriate date.	12/19	12/20
	Reminder: Submit bonus payrolls on the scheduled date.						
DEC	12/21	12/22	12/23 Reminder: If the regular payroll is scheduled for Thursday, 1/1, refer to the annual schedule for the appropriate date.	12/24 ADP is open with full service.	12/25 Christmas Federal banking holiday ADP is closed.	12/26 Deadline: Last day for banking clients (Direct Deposit and ADPCheck) to submit final 2008 payroll with check date 12/31.	12/27
	12/28	12/29	12/30 Deadline: Last day for non-banking clients to submit final 2008 payroll with check date 12/31 without incurring penalty and interest. Last day for Tax Filing clients to process changes without penalty and interest. Refer to page 8 for ADP fees.	12/31 ADP is open with full service. A tax filing reclose fee may be incurred for adjustments processed after this date. Refer to page 8 for ADP fees.	1/1 New Year's Day Federal banking holiday ADP is closed.	1/2	1/3
DEC / JAN							

## Important 2009 Dates

- January 1, 2009 – Federal banking holiday. ADP is closed.
- January 12, 2009 – Last day for Tax Filing Service clients to submit 2008 fourth-quarter adjustments without incurring amendment fees
- February 2, 2009 – Deadline for distribution of employees' W-2s and 1099s

# CRITICAL DEADLINES FOR CHANGES AND ADJUSTMENTS

✓ For your convenience, a *Calendar of Important Year-End Dates* is provided on page 2.

## Additional information needed by November 28, 2008

All of the wage categories listed below need to be set up in ADP's system by the ADP service representative prior to year end. If you and your clients plan to report any of these categories, complete the Year-End Reply Form on pages 13 and 15 and return it to ADP via mail or fax by November 28, 2008 so they can be set up in advance. Then, the actual amounts can be reported with any remaining 2008 payrolls following the setup.

- Allocated tips
- Dependent care
- Golden parachute payments
- Group term life (GTL) insurance
- Moving expenses
- Qualified pension and retirement plans
- S-Corporation health insurance
- Taxable fringe benefits
- Third party sick pay
- Uncollected FICA on insurance premiums
- Uncollected FICA on tips
- Unsubstantiated employee expense reimbursements

Please refer to page 4 for further information on the wage categories listed above.

For more information on a variety of payroll and tax-related topics, refer to our Resource Center Web site at: [http://www.adp.com/rc\\_index.asp](http://www.adp.com/rc_index.asp).

## Year-end processing dates

ADP will process the annual tax reports after the last payroll of 2008 is processed:

- December 26, 2008 is the deadline for banking clients (those with Direct Deposit, Full Service Direct Deposit, and ADPCheck™) to submit their final 2008 payroll using the check date December 31, 2008.
- December 30, 2008 is the deadline for non-banking clients to submit their final 2008 payroll using the check date December 31, 2008.

Final payroll adjustments (e.g., manual or voided checks) must be reported with or before the last 2008 payroll to avoid W-2 and/or year-end reprocessing fees. Compliance with these deadlines will help ensure timely delivery of W-2s and annual reports.

## Keeping your quarter-end on schedule

The *Worksheet* for the last *scheduled* payroll of 2008 will indicate that this should be the last pay of the quarter. If this is incorrect because additional payrolls or adjustments still need to be processed, do the following:

- If you or your clients call in or fax the payroll, please inform the ADP service representative about additional payrolls.
- For *EasyPayNet*™ clients, when entering an additional, off-schedule payroll (e.g., bonus or adjustment payrolls), "Special" should be selected as the monthly pay cycle number, scheduled deductions should be verified, and the appropriate check date should be entered for the payroll.

## Verification of employee information

The Social Security Administration (SSA) requires that all company and employee information that appears on W-2 forms be complete and accurate. Please refer to the *Master List*, which can be requested with the clients' payroll, to verify the following information. **Report any changes to this information prior to the last 2008 payroll:**

- Names and addresses
- Income tax state and unemployment tax state (found in the Taxes section of your *Master List*)
- City/local tax coding, if applicable
- Year-to-date figures

**Note:** ADP strongly recommends that clients print a check stub message that asks the employees to verify their names and addresses. Refer to the section below for more information regarding verification of Social Security numbers.

## Verification of Social Security numbers

If the employees' SSNs are suppressed from their checks or vouchers, ADP provides an on-demand report, *Employee List with SSNs*. This free report lists all the employees with their SSNs and is a valuable tool for validating SSNs prior to quarter close and year end. To receive this report, you or your client can contact the ADP service representative and request the *Employee List with SSNs* report. Social Security numbers will continue to be suppressed on checks and vouchers.

✓ Tax agencies may impose a penalty for each W-2 having a missing or incorrect Social Security number (SSN).



## ADDITIONAL WAGE INFORMATION

- ✓ The additional wage categories listed below need to be set up in ADP's system by the ADP service representative. If you or your clients plan to report any of the categories listed below, complete the Year-End Reply Form on pages 12 and 13 and return it to ADP via mail or fax by November 28, 2008 so they can be set up in advance. Then, the actual amounts can be reported with any remaining 2008 payrolls following the setup.

ADP strongly recommends that these items be processed with a regular payroll so you and your clients can ensure that the employees have adequate pay from which to withhold the taxes, thus relieving you and your clients of the potential liability of paying the employees' taxes.

### Allocated tips

If, after completing the restaurant Form 8027, you or your clients determine that sufficient tips were not reported, contact the ADP service representative to report an adjustment and add allocated tips for the affected employees. This will ensure the tips appear on their W-2s.

### Dependent care

Dependent care expenses are treated as incurred when the dependent care is provided, not when the employee is billed or charged for the care. You or your clients must report the total amount incurred for dependent care assistance provided to the employees.

### Golden parachute payments

If your clients made golden parachute payments to key corporate executives, and the excess payments are considered wages, the 20% excise tax on these payments is considered to be income tax withholding and must be reported.

### Group term life (GTL) insurance

When your clients pay premiums on GTL insurance for employees, premiums for coverage over \$50,000 are subject to Social Security/Medicare withholding. The amount of such "excess" premiums must be reported with a payroll before the end of 2008. This ensures that both the taxable amount and the withholding will be reported on quarterly Form 941 as well as on the employees' W-2s. The insurance company should provide the necessary amounts.

### Moving expenses

Any nonqualified moving expenses provided, for example, reimbursements for house-hunting trips before the actual move, temporary living expenses at the new location, the cost of purchasing a new home, etc., are taxable and must be reported as income.

### Qualified pension and retirement plans

SSA regulations require Form W-2 to contain a box marked "Retirement Plan." An indicator of "X" must appear in this box for employees who were active participants in a retirement plan or a simplified employee pension plan during any part of the year. For employees with monies in any deferred compensation plan, the Retirement Plan box will automatically display an "X." No further action is required. However, if the qualified pension plan is 100% company-funded, the ADP service representative must be informed of the affected employees. The ADP service representative must set up the employees so that the box will be checked with an "X" on their W-2s.

### S-Corporation health insurance

Accident and health insurance coverage provided by an S-Corporation to its 2% shareholder employees must be included in their income, and the cost of the premiums must be reported on their W-2 forms as income.



## **Taxable fringe benefits**

Under certain circumstances, the value of some non-cash fringe benefits must be considered income to employees. These benefits must be reported on Form 941 and employees' W-2s.

Such benefits may include: personal use of company automobiles, personal flights on employer-provided aircraft, employer-provided vacations, and some gifts.

Taxable fringe benefits are included as wages, making them subject to federal income tax, Social Security/Medicare, FUTA, and possibly state income tax and unemployment insurance (based on state regulations). The IRS has issued regulations defining what is considered a taxable fringe benefit and how to arrive at its value. The taxing on these benefits varies by each company's interpretation of the law.

## **Third party sick pay**

Federal legislation requires the reporting of both taxable and non-taxable sick pay made to employees from a third party. Taxes withheld on those payments must also be reported. Sick pay should be included either on employees' W-2s or on a separate form provided by the third party. If third party sick pay is not reported by the third party, it must be included on the employees' W-2s. ADP will provide this information on a separate W-2. An "X" will be printed on the separate W-2 in the area of box 13 labeled either "3rd party sick pay" or "3 PSP."

It is important that you or your clients obtain this information from the appropriate third party provider as soon as possible. These entries must be processed on or before the last 2008 payroll to ensure that the Form 941 and W-2 reports are accurate. We realize some third party providers do not provide the final amounts until after the last payroll of the year. In these cases, an ADP service representative should be contacted to discuss the year-end processing schedule.

## **Uncollected FICA on insurance premiums**

If clients were unable to collect all of the required FICA tax on premiums paid for group term life insurance (e.g., the client is still paying the premium on a retired employee), the amount that was not collected must be reported. This amount should not be reported as Social Security tax withheld, but rather as uncollected Social Security and Medicare.

## **Uncollected FICA on tips**

If clients were unable to collect all of the required FICA tax on employee tips, the amount that was not collected must be reported as uncollected Social Security and Medicare. This amount should not be reported as Social Security tax withheld.

## **Unsubstantiated employee expense reimbursements**

Amounts paid to employees for business expenses must be reported if either of the following conditions are met:

- The employee is not required or does not substantiate the expenses to the client (i.e., furnish receipts or expense reports).
- The client advances amounts to the employee for business expenses, and the employee is not required or does not return any amounts not used for business expenses.

## **Additional procedures for *EasyPayNet* clients**

For easy-to-use instructions on entering additional wage amounts with a payroll, refer to our Small Business Services Client Center Web site at: <http://smallbusiness.adp.com/clientssupport/index.asp>.

It is recommended that *EasyPayNet* clients who need additional wage categories set up call their ADP service representatives *at least 48 hours prior to entering any payroll data for a payroll that will include the additional wages.*

## **REMINDER!**

Remember to use the Year-End Reply Form on pages 12 and 13 to report additional wage categories by November 28, 2008.

# BONUS PAYROLL PROCESSING GUIDELINES

## Schedule a separate bonus payroll

ADP strongly recommends that bonus payrolls be processed separately from regular payrolls. If you and your clients report bonus checks with the regular payroll (same check or second check), it may negatively impact the employees' taxes and/or voluntary deductions. Therefore, refer to the letter that accompanied this guide to determine the local ADP service center's bonus payroll processing dates.

Bonus payrolls with a 2008 check date will be included in 2008 wages and be reflected on all fourth-quarter 2008 tax reports and W-2s.

- ✓ Bonus payrolls should be scheduled at least 48 hours prior to input. To schedule a bonus payroll, complete the applicable *Bonus Payroll Reply Form* on page 14 or 15 of this guide and return it by November 28, 2008.
  - *EasyPayNet* clients use the reply form on page 15.
  - All other clients use the reply form on page 14.

If you and your clients are using one of our banking features such as Full Service Direct Deposit or ADPCheck, schedule the bonus payroll processing at least three days before the check date.

- ✓ Keep the following in mind when you and your clients schedule the bonus payroll information. Once a bonus payroll is processed, the bonus amounts will be included in the year-to-date section of employees' subsequent check stubs. Therefore, if clients plan to present bonus checks on a specific date, the bonus payroll must be scheduled as the last payroll to process prior to the distribution of the bonus checks. This will prevent the bonus amounts from appearing on an earlier check stub.
- ✓ Please allow at least 48 hours between reporting the regular payroll and the bonus payroll to afford ample time for reviewing and making changes, if necessary.
- ✓ If you and your clients require assistance determining pre-calculated bonus check amounts, check out the Payroll Accounting and Tax area for calculators on our Resource Center Web site at: [http://www.adp.com/rc\\_index.asp](http://www.adp.com/rc_index.asp).

## Bonus payrolls with federal tax liabilities in excess of \$100,000

Please note that federal tax liabilities in excess of \$100,000 must be deposited by the next banking day *after* the check date to avoid penalty and interest. Moreover, if you or your clients use ADP's Tax Filing Service and anticipate having a payroll with a liability in excess of \$100,000, that payroll must be submitted to ADP for processing at least three business days *prior* to the check date.

## Funding requirements

In addition to federal regulations, ADP also applies certain restrictions to large bonus payrolls that may require a wire transfer prior to check date. These restrictions apply to clients who have Tax Filing Service, Full Service Direct Deposit, and ADPCheck. If these restrictions apply to the bonus payroll, ADP will supply you or your clients with the necessary wire information by the next business day after the bonus payroll has been processed.

- ✓ Clients must be available on the day of delivery to check that the payroll is accurate and to wire funds, if necessary.

## Calculating FICA and inflated gross for bonus checks

If FICA is the only tax being deducted from a bonus check that is being grossed up, use one of the formulas listed in the table below for calculating FICA and the inflated gross for the bonus check. The formula to use depends on the employee's year-to-date gross earnings.

The FICA taxable wage limit for 2008 is \$102,000.00.

Year-To-Date Gross	Inflated Gross	FICA
Under \$102,000.00	$\text{Net Bonus Pay} \div 0.9235$	$7.65\% \times \text{Inflated Gross}$
Over \$102,000.00	$\text{Net Bonus Pay} \div 0.9855$	$1.45\% \times \text{Inflated Gross}$

## Additional procedures for *EasyPayNet* clients

For information on the procedures that *EasyPayNet* clients should follow for bonus payrolls, refer to our Small Business Services Client Center Web site at: <http://smallbusiness.adp.com/clientssupport/index.asp>. If you or your clients require additional assistance, don't hesitate to contact the ADP service representative.

- ✓ *EasyPayNet* clients should select "Special" as the monthly pay cycle number, verify scheduled deductions, and enter the appropriate check date for off-schedule (e.g., bonus) payrolls.
- ✓ *EasyPayNet* clients may want to cancel Direct Deposit for a bonus payroll so they can hand out the checks.
- ✓ *EasyPayNet* clients can use the *EasyPayNet* Paycheck Calculator to obtain gross-to-net or net-to-gross breakdowns for bonus checks, and can commit the results as pre-calculated checks to be processed with payroll.

### REMINDER!

Remember to return the Bonus Payroll Reply Form on page 14 or 15 by November 28, 2008 if you or your clients are planning to submit a bonus payroll.

## YEAR-END PRICE LIST

- ✓ All information, changes, or forms submitted after the dates specified in this guide may incur an additional late submission charge.

### 2008 Base + per item charges

Listed below are the charges that will be incurred for additional year-end items:

Year-End Item	Base Charge	Per Item Charge
Employee Earnings Summary/W-2s/1099s	\$30.00	\$5.40 per form
Delivery of Earnings Summary/W-2s/1099s	\$10.50	
Federal W-2 CD-ROM (Required by federal law for employers with 250 or more W-2 forms)		\$125.00 per CD-ROM
Federal 1099-MISC CD-ROM (Required by federal law for employers with 250 or more 1099 forms)		\$125.00 per CD-ROM
1099-MISC and/or 1099-R forms only	\$30.00	\$5.40 per form
Year-end reprocessing fee*	\$100.00 + W-2 reprints and cost of adjustment payroll	
Tax filing reclose fee	A \$50.00 fee may be incurred for adjustments processed after December 31, 2008.	
For additional controls: Employee Earnings Summary/W-2s/1099s	\$20.00	\$5.40 per form
Employee Attendance Records (request with payroll)	\$11.00	\$0.25 per employee

#### \*Reprinting one Form W-2

If a W-2 is lost or destroyed, you or your clients may photocopy the employer copy or request a reprint of the form at the per item charge plus delivery.

## TAX FILING CONSIDERATIONS

- ✓ This section applies only to clients who use ADP's Tax Filing Service.

### Making payroll adjustments

Report manual checks, voided checks, and adjustments no later than the last scheduled payroll of the year to help ensure that accurate tax amounts are deposited according to prevailing tax agency rules or guidelines.

### Absolution letter

If you or your clients need to process late payroll adjustments on or after December 30, 2008, you or your clients must submit an absolution letter to discharge ADP of responsibility for any potential penalties and interest.

A sample absolution letter is included in this guide on page 16. The letter applies to a specific payroll processing. Complete the letter with the necessary information including client code, check date, approximate liabilities, and reason for the adjustment. The ADP service representative will require the signed letter to be faxed prior to processing the adjustment.

## FILING INFORMATION

**If ADP files your clients' annual returns, this section does *not* apply to you and your clients. If you or your clients are responsible for filing the 2008 annual returns, this section has important information for you and your clients.**

**Note:** Clients who have ADP's Tax Filing Service should refer to the *Quarterly Tax Verification Notice* (issued with the last payroll in November) or the third-quarter *Statement of Deposit* to determine annual tax filing responsibility. Clients who do not have ADP's Tax Filing Service are responsible for filing their annual returns.

If you or your clients—not ADP—are responsible for filing the W-2s, you or your clients will receive filing copies of federal (Copy A) W-2s along with federal Form W-3, Transmittal of Income and Tax Statements, with the year-end reports. You or your clients must submit Copy A of the W-2s along with Form W-3 to the Social Security Administration (SSA). The address and filing instructions will be printed on the Form W-3.

### Form 944

The Internal Revenue Service notified certain employers to begin filing the Annual Form 944 in lieu of the quarterly Form 941. If you or your clients were instructed to file this form and are not on ADP's tax filing service, it is your or your clients' responsibility to complete and file this form with the IRS. If you and your clients need more information regarding Form 944, access the IRS website at [www.irs.gov](http://www.irs.gov) and type "employment tax|944" in the search box and then click the Search button. Note that to type "l", press SHIFT + \.

### Federal W-2 electronic filing

- ✓ If you or your clients—not ADP—are responsible for filing the W-2s, this federal electronic filing option is available to you and your clients.

Federal law stipulates that any employer with 250 or more W-2 forms (in a given year) *must* file the W-2 data electronically. Employers with fewer than 250 W-2 forms are not subject to this requirement.

If you or your clients file federal W-2 data electronically, you or your clients will first need to register with the SSA to obtain the unique Personal Identification Number (PIN). You or your clients may register via the SSA Web site at: <http://www.ssa.gov/employer> or by phone at 1-800-772-6270. After registering and obtaining the PIN, please contact the ADP service representative to provide this information by November 28, 2008.

A CD-ROM cannot be produced without this information.

- ✓ If you or your clients registered with the SSA last year, you or your clients will need to change the password for 2008. The password must be changed at least once a year in order to keep your PIN active. The password can be changed or company information updated via the Web at: <http://ssa.gov/bsol/>.
- ✓ ADP will produce a federal W-2 CD-ROM only if the Personal Identification Number (PIN) is provided by November 28, 2008.

# 1099 INFORMATION

Form 1099-MISC is used to report distributions for independent contractors who have provided services to the organization.

Form 1099-R is used to report distributions of annuities, retirement and profit sharing plans, and IRAs.

The accuracy of the information reported on 1099s is as important as the information on W-2s. The same steps should be taken to verify all data.

The following copies of Form 1099 are produced:

- Copy A—IRS federal copy (pre-printed, scannable)
- Copy B—Employee copy
- Copy C—Payer copy (employer)
- Copy 1—State copy (employer)
- Copy 2—State filing copy (employee)

✓ **ADP's Tax Filing Service (TFS) does not file 1099s. Therefore, all ADP clients, including TFS clients, are responsible for filing 1099s and Form 1096 with the appropriate agencies. See the next page for more information on Form 1096.**

Use the following table to determine where to send copy A of Forms 1099-MISC and 1099-R.

If your principal business, office, or agency, or legal residence in the case of an individual, is located in:	Use the following Internal Revenue Service Center:
AL, AR, AZ, CT, DE, FL, GA, KY, LA, MA, ME, MS, NC, NH, NJ, NM, NY, OH, PA, RI, TX, VA, VT, WV	Austin, TX 73301
AK, CA, CO, DC, HI, ID, IL, IN, IA, KS, MD, MI, MN, MO, MT, NE, ND, NV, OK, OR, SC, SD, TN, UT, WA, WI, WY	Kansas City, MO 64999

## 1099 submission requirements

Federal law stipulates that any employer with 250 or more 1099-MISC forms (in a given year) must file electronically. Employers with fewer than 250 1099-MISC forms are not subject to this requirement. The same rules apply to Form 1099-R; however, ADP does not provide 1099-R data on CD-ROM.

ADP can provide 1099s in either paper or CD-ROM format as indicated in the table below:

Form	Jurisdiction	Paper	CD-ROM
1099-MISC	Federal	Yes	Yes*
1099-MISC	States and cities	Yes	No
1099-R	All jurisdictions	Yes	No

\* ADP will produce a federal 1099-MISC CD-ROM only if the Transmitter Control Code (TCC) is provided by November 28, 2008. Refer to the next page for more information regarding the TCC.

If you or your clients need to electronically file 1099 data to jurisdictions for which ADP does *not* provide a CD-ROM, please contact the applicable tax authorities for specific rules and regulations.



## Form 1096

ADP will not produce or file Form 1096, which is required for filing the 1099 forms with the IRS. **If you or your clients file 1099s, it is your or your clients' responsibility to complete and file Form 1096.** To obtain a Form 1096 access the IRS Web site at: <http://www.irs.gov/formspubs/index.html> or call 1-800-TAX-FORM (1-800-829-3676).

The filing address and instructions will be provided along with the 1099s in your clients' year-end package.

## Obtaining a Transmitter Control Code (TCC)

If you or your clients require a 1099-MISC CD-ROM and have not previously filed this information with the IRS electronically, you or your clients will first need to apply for an IRS/MCC-assigned Transmitter Control Code (TCC). To obtain a TCC, Form 4419 must be filed with the IRS. Form 4419 can be obtained from the IRS Web site at: <http://www.irs.gov/formspubs/index.html> or by calling 1-800-TAX-FORM (1-800-829-3676). **Once you have the TCC, please contact the ADP service representative to provide this information by November 28, 2008.** Please note that once you or your clients have been approved by the IRS and have received the TCC, you or your clients do not need to reapply each year.

## Form 945

Form 945 is an annual federal return for reconciling taxes withheld and deposited on non-payroll earnings (e.g., backup federal withholding and tax withheld on 1099-R and 1099-MISC income). **ADP does not produce or file Form 945. If you or your client need to file Form 945, it is your or your clients responsibility to complete and file this form with the IRS.** Form 945 can be obtained from the IRS Web site at: <http://www.irs.gov/formspubs/index.html> or by calling 1-800-TAX-FORM (1-800-829-3676).

## TERMINATED EMPLOYEES

Please be sure to refer to your client's *Master List* for terminated employees. The letter "T" will appear before the employee number on the *Master List*. ADP will purge all terminated employees with the first payroll of 2009 *except* terminated employees with one or more of the following:

- A loan or garnishment balance
- Premium Only Plan (POP), if the POP plan does not end on the calendar year
- Fiscal year-to-date figures
- Vacation, sick, and personal balances, if carried over to the next year

If there is a terminated employee with a balance (i.e., vacation, sick, personal, or loan balance) and you and your client want his or her information purged with the first payroll of 2009, the balances must be removed. In order to remove balances for a terminated employee, these adjustments must be reported to the ADP service representative *before* the last payroll of 2008.

The EasyPay<sup>SM</sup> system accommodates employees who take a leave of absence.

- ✓ Employees marked with a status of leave of absence (the letter "L" appears before the employee number on the *Master List*) will remain on file for the new year.



# YEAR-END REPLY FORM

Please mail or fax this form to your or your client's processing center by November 28, 2008. The address and fax number are contained in the letter provided with this guide. *If you or your client have already submitted your additional wage categories and miscellaneous income/special reporting information to ADP, this form does not need to be completed.*

- ✓ It is recommended that *EasyPayNet* clients wait 48 hours after this form has been faxed to the service center before entering any payroll information. This will allow the ADP service representative sufficient time to complete the setup.

Branch/Client Code: \_\_\_\_\_ Company Name: \_\_\_\_\_

Contact Name: \_\_\_\_\_ Phone Number: \_\_\_\_\_

## Important Earnings Information

In order for ADP to properly prepare your or your clients' year-end forms and reports, all of the miscellaneous income and special reporting items listed below and at the top of the next page need to be set up by the ADP service representative by *November 28, 2008*. If you or your clients plan to report any of these wage items, please check the appropriate response(s). ADP will ensure the account is ready when you or your client report the actual data with a payroll.

To ensure that the employees have adequate pay from which to withhold the taxes, ADP strongly recommends that the items below be processed with a regular payroll prior to December 29, 2008.

### Fringe Benefits

Under certain circumstances, the value of non-cash fringe benefits must be considered as income and reported on Form 941 and Form W-2. Benefits may include personal use of company automobiles, moving expenses, personal flights on employer aircraft, employer provided vacations, and some gifts.

- We will be reporting automobile fringe benefits for personal use of a company car. Withhold all taxes. (AUTO)  
 We will be reporting fully taxable fringe benefits. Withhold all taxes. (FNG1)  
 We will be reporting fully taxable fringe benefits. Withhold FICA *only*. (FNGR)  
 We will be reporting *non-taxable* fringe benefits. Do not withhold taxes or report benefits on W-2s. (NTAX)

### Company-Funded Qualified Pension Plans

The IRS requires company-funded pension plan data to be displayed on employees' Form W-2. *If your clients have employees who are covered by a company-funded pension plan, please let us know by checking one of the following options. We will then ensure that an "X" is placed in the Retirement Plan box on your employees' W-2s.*

- All employees are covered by company-funded pension plan.  
 Some employees are covered by this plan. (Please provide a list of employees covered.)

**Note:** If your clients have employees who make contributions to a deferred compensation plan (e.g., 401(k), 403(b), 457, 501(c), SIMPLE, 408(k), Roth 401(k), Roth 403(b), Roth SIMPLE 401(k), and associated catch up plans), ADP *automatically* completes Form W-2 with the required information.

### Group Term Life (GTL) Insurance Premiums

When your clients pay premiums on Group Term Life insurance for an employee, premiums for coverage in excess of \$50,000.00 are subject to Social Security and Medicare. The IRS requires that "excess" premiums be reported on Form 941 and Form W-2.

- We will be reporting GTL insurance premiums. Withhold FICA *only*. Report federal and state wages on W-2s. (INSP)  
 We will be reporting GTL insurance premiums. Withhold all taxes. (INS2)

### S-Corporation Health Insurance

The cost of premiums for accident and health insurance coverage provided by an S-Corporation to its 2% shareholder employees must be included in their income and reported on Form 941 and Form W-2.

- We will be reporting S-Corporation health insurance that is fully taxable for FIT, FICA and most states. (SCRF)  
 We will be reporting S-Corporation health insurance that is *only* taxable for FIT and most states. (SCRP)

*New Jersey S-Corporation Employers only*

- We will be reporting S-Corporation health insurance that is *only* taxable for FIT. (SCRJ)  
 We will be reporting S-Corporation health insurance that is taxable for FIT and FICA. (SCRN)

# YEAR-END REPLY FORM — CONTINUED

Branch/Client Code: \_\_\_\_\_ Company Name: \_\_\_\_\_

Contact Name: \_\_\_\_\_ Phone Number: \_\_\_\_\_

\*\*\*\*\*

## Other Miscellaneous Income/Special Reporting Information (Check the year-end items that you or your client will report.)

- |  |  |
|--|--|
| <input type="checkbox"/> Allocated tips            | <input type="checkbox"/> Third party sick pay (see below)                |
| <input type="checkbox"/> Dependent care            | <input type="checkbox"/> Uncollected FICA on insurance premiums          |
| <input type="checkbox"/> Golden parachute payments | <input type="checkbox"/> Uncollected FICA on tips                        |
| <input type="checkbox"/> Moving expenses           | <input type="checkbox"/> Unsubstantiated employee expense reimbursements |

### Third party sick pay

These entries must be processed on or before December 30, 2008 to ensure that the Form 941 and W-2 reports are accurate. We realize some third party providers do not provide the final amounts until after the last payroll of the year. In these cases, please call the ADP service representative to discuss your year-end processing schedule.

### Statutory Employees (Please provide a list of the applicable employees.)

Statutory employees are workers who, while they are not employees under the common law, are treated as employees for certain employment tax purposes. Statutory employees fall into four categories: agent-drivers or commission-drivers, full-time insurance salespersons, home-workers, and traveling or city salespersons.

\*\*\*\*\*

### Important Company Information

Provide changes to the following company information in the space provided. ADP may contact you to obtain documentation to support the change.

Your client's legal name, Federal Employer Identification Number (FEIN), and state and unemployment tax identification numbers are displayed on the Payroll Summary report. Use this report to verify these items.

Your client's legal name and FEIN

Your client's identification numbers for state and unemployment taxes

### The company legal address that should appear on the W-2s

Please complete **only** if this address changed during the calendar year.

\*\*\*\*\*

### Vacation/Sick Balances

All vacation and sick balances will automatically be cleared after the last December payroll. If you or your client wish to carry over vacation and/or sick balances to the new year, please indicate below. *Note: Terminated employees with vacation, sick, personal, or loan balances will not be purged with the first payroll of the new year.*

- Vacation balances should be carried over to the new year.  
 Sick balances should be carried over to the new year.

\*\*\*\*\*

### Free Reports

The Master List and Employee List with SSNs reports are useful tools for verifying year-end information. Please check the report(s) you or your client would like to receive.

- Master List (does not provide Social Security numbers if suppressed on payroll output)  
 Employee List with SSNs (provides Social Security numbers)

\*\*\*\*\*

We appreciate the opportunity to service your or your client's payroll processing needs and look forward to working with you or your client to ensure a smooth year-end experience.

# BONUS PAYROLL REPLY FORM (FOR PHONE OR FAX CLIENTS)

Branch/Client Code: \_\_\_\_\_

Company Name: \_\_\_\_\_

Contact Name: \_\_\_\_\_ Phone Number: \_\_\_\_\_

Yes, I will be processing a separate bonus payroll on \_\_\_\_\_

I will not be processing a separate bonus payroll. I will be including my bonus checks in a regular payroll on \_\_\_\_\_

Period beginning date \_\_\_\_\_ Period ending date \_\_\_\_\_ Check date \_\_\_\_\_

I would prefer to be called in the: Morning \_\_\_\_\_ Afternoon \_\_\_\_\_ or \_\_\_\_\_

Please check here  if you will fax your bonus information by noon on the date indicated above.

Do you anticipate processing any individual checks greater than \$100,000.00 gross? Yes or No (Please circle)

If yes, approximately how many? \_\_\_\_\_

- ✓ When selecting a date above, please refer to the letter from your service center that accompanied this guide; the letter specifies the service center's designated bonus payroll processing dates from which you can choose.
- ✓ If you are using one of our banking features such as Full Service Direct Deposit or ADPCheck, the processing date of your bonus payroll must be at least three business days before the check date.
- ✓ Keep the following in mind when you schedule your bonus payroll information. *Once you process a bonus payroll, the bonus amounts will be included in the year-to-date section of the respective employees' check stubs.* Therefore, if you plan to present bonus checks on a specific date, schedule your bonus payroll as the last payroll to process prior to distribution of the bonus checks. This will prevent the bonus amounts from appearing on an earlier check stub.

## Taxing Options

Choose *one* of the following taxing options. (Consult your accountant for additional information regarding bonus taxation.) Your ADP service representative will use the information below to set up the appropriate taxation for your bonus payroll.

Take regular taxes.

Take supplemental wage tax for federal and applicable state, city, FICA, unemployment, and disability taxes.

- ✓ If you are using this taxing option, cancel pre-tax deductions (e.g., 401K) for this payroll. See Payroll Options below.

Block federal and state withholding *only*.

I will provide ADP with pre-calculated gross-to-net figures.

- ✓ Refer to the Payroll Accounting and Tax area on our Resource Center Web site for calculators that can assist you. The address is: [http://www.adp.com/rc\\_index.asp](http://www.adp.com/rc_index.asp).

## Payroll Options

Cancel Direct Deposit and issue all checks.

Cancel the voluntary deductions listed below.

(Refer to your *Worksheet* for deduction codes. For example: 99 MISC, P1 401K)

Please mail or fax this form to your processing center by November 28, 2008.  
The address and fax number are contained in the letter provided with this guide.

## BONUS PAYROLL REPLY FORM (FOR EASYPAYNET CLIENTS)

Branch/Client Code: \_\_\_\_\_

Company Name: \_\_\_\_\_

Contact Name: \_\_\_\_\_ Phone Number: \_\_\_\_\_

Yes, I will be processing a separate bonus payroll on \_\_\_\_\_

Period beginning date \_\_\_\_\_ Period ending date \_\_\_\_\_ Check date \_\_\_\_\_

- ✓ If this payroll is separate from a regularly scheduled payroll, be sure to select "Special" as the monthly pay cycle number so your regularly scheduled payrolls stay on schedule.
- ✓ If you are using one of our banking features such as Full Service Direct Deposit or ADPCheck, the processing date of your bonus payroll must be at least three business days before the check date.
- ✓ If you want to distribute the bonus checks, be sure to cancel Direct Deposit for this payroll.
- ✓ Keep the following in mind when you determine a date for your bonus payroll. *Once you process a bonus payroll, the bonus amounts will be included in the year-to-date section of the respective employees' check stubs.* Therefore, if you plan to present bonus checks on a specific date, schedule your bonus payroll as the last payroll to process prior to distribution of the bonus checks. This will prevent the bonus amounts from appearing on an earlier check stub.

### Taxing Options

Choose *one* of the following taxing options.

Your ADP service representative will use the information below to set up the appropriate taxation for your bonus payroll.

\_\_\_\_\_ Take regular taxes.

\_\_\_\_\_ Take supplemental wage tax for federal and applicable state, city, FICA, unemployment, and disability taxes.

- ✓ If you are using this taxing option, cancel pre-tax deductions (e.g., 401K) for this payroll.

\_\_\_\_\_ Block federal and state withholding *only*.

- ✓ *EasyPayNet* clients can use the *EasyPayNet* Paycheck Calculator to obtain gross-to-net or net-to-gross breakdowns for bonus checks, and can commit the results as pre-calculated checks to be processed with payroll.

For additional information and procedures regarding bonus payrolls, refer to the ADP Small Business Services Client Center Web site at: <http://smallbusiness.adp.com/clientssupport/index.asp>.

Please mail or fax this form to your processing center by November 28, 2008.  
The address and fax number are contained in the letter provided with this guide.

# ABSOLUTION LETTER - RESPONSIBILITY FOR PENALTY & INTEREST



If you use ADP's Tax Filing Service and are processing an adjustment on or after December 30, 2008, complete and submit this form. *Refer to Tax Filing Considerations on page 9.*

Company Legal Name: \_\_\_\_\_ Branch/Client Code: \_\_\_\_\_ Date: \_\_\_\_\_

Due to the timing of my adjustments, I understand that ADP cannot guarantee timely deposit of taxes. ADP will make every effort to deposit the tax liabilities timely; however, should penalties and/or interest be incurred, I absolve ADP and accept responsibility for these charges.

CHECK DATE: \_\_\_\_\_ QUARTER/YEAR: \_\_\_\_/\_\_\_\_ PROCESSING DATE: \_\_\_\_\_

**Tax Jurisdiction:** (check all that apply)

- \_\_\_\_\_ Federal withholding
- \_\_\_\_\_ Social Security/Medicare
- \_\_\_\_\_ State withholding
- \_\_\_\_\_ State Unemployment/State Disability
- \_\_\_\_\_ City/County/School District withholding

**The reason for the adjustment or late deposit:** (check all that apply)

- |                                 |                                |
|---------------------------------|--------------------------------|
| _____ Manual checks/void checks | _____ Bonus payroll            |
| _____ Incorrect prior balances  | _____ One-time schedule change |
| _____ Incorrect prior taxables  | _____ 3rd party sick pay       |
| _____ Wrong state code          | _____ GTL adjustments          |

Other (please describe): \_\_\_\_\_

\*\*\*\*\*

- \_\_\_\_\_ I am responsible for paying a \$50.00 re-close fee to ADP.
- \_\_\_\_\_ I am not responsible for paying a \$50.00 re-close fee to ADP.

\_\_\_\_\_  
Signature of Corporate Officer

\_\_\_\_\_  
Print name and title

\*Please Note: For payroll tax liabilities exceeding \$1,000,000.00, ADP may require the funds to be wired.



71 Hanover Road, Florham Park, NJ 07932  
1-800-CALL-ADP [smallbusiness.adp.com](http://smallbusiness.adp.com)

## Focus on what matters and leave the processing to us.

ADP offers additional services that enable you to put your business first, without diverting valuable resources into data processing needs. Ask your ADP Sales Representative about these time-saving services:

### ■ Pay-by-Pay<sup>®</sup> Premium Payment Plan for Workers' Comp

Improves cash flow by eliminating large, upfront deposits<sup>1</sup>, allowing you to spread out your premium payments over an entire year. You'll never have to calculate premiums manually or write and send payment checks, and the increased accuracy of our Pay-by-Pay solution often results in dollar savings and reduces the probability of year end audit adjustments<sup>2</sup>.

### ■ Retirement Services – 401(k) Plan

ADP's seamless recordkeeping and administrative services make 401(k) plans easy to manage, allowing you to offer a valuable benefit that contributes to improved employee retention. In fact, users of ADP Payroll<sup>SM</sup> can also realize a 44% reduction in the number of staff hours spent on plan administration when they use our retirement solutions<sup>3</sup>.

### ■ HR Outsourcing

Small businesses face the same HR challenges as a large corporation, despite having only a fraction of the resources. ADP offers enhanced HR outsourcing services designed to streamline the HR process into a single point of contact. Your mission-critical HR functions will be implemented into a single-source delivery model that is flexible, secure and powerful.

### ■ Electronic Time and Attendance

Reduce your payroll error rate by 1.2% with an automated time and attendance system<sup>4</sup>. When your employees enter time and attendance through an electronic timesheet or time clock, your payroll process becomes faster, more accurate and easier to manage. Send the data electronically to ADP for processing and eliminate the need for rekeying.

<sup>1</sup> While premium deposits may be eliminated, mandatory state assessment fees may be required in some states. <sup>2</sup> 60% of clients have experienced dollar savings not related to premiums (increasing accuracy resulted in reduced administrative costs). Source: Small Business Services Workers' Compensation Client Study - January 2005. <sup>3</sup> Source: "ADP Payroll and 401(k) Integration Study - September 2004" conducted by Spring Consulting Group and Mathew Greenwald and Associates. <sup>4</sup> Source: Nucleus Research.