

CBIZ Payroll Quarterly

4TH QUARTER 2011



Deadline for 2011 Adjustments

It is very important to transmit all year-end adjustments before your last payroll of 2011. Timely submission of this information allows you to review for accuracy and compliance and ensures timely delivery of W-2 forms. We will begin printing W-2s on January 5, 2012. The last day to make changes to your 2011 payroll information is December 31, 2011. If you anticipate a 2011



adjustment after December 31, please contact your client service team to have all year-end processing placed on hold. Adjustments received after December 31 may result in additional processing fees, as well as tax agency penalties and interest. **For this reason, CBIZ requires that clients complete an adjustment agreement before processing any backdated or same-day payroll adjustment.**

Note to PC Input/Payentry.com clients: CBIZ must make all changes or additions to your 2011 calendar to ensure timely creation of tax deposits. Please let your client service team know of any additional check dates (such as special bonus runs) as soon as possible.

Please check www.cbiz.com/payroll for year-end information/forms. Many additional forms are also available for your use throughout the year.

our **business**
is growing **yours**



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Reporting Year-End Benefits/Earnings

The value of **Group Term Life Insurance** in excess of \$50,000 must be included in income. Our payroll system can automatically calculate GTL throughout the year, eliminating the need to manually calculate the taxable figure at the end of the year. If you are interested in setting this up for your company, please contact your payroll service team.

Third Party Sick Pay (short/long term disability) must also be included on the employee's W-2, possibly as taxable wages. Your disability administrator will mail you statements, which should be recorded in the payroll system.

Some **Moving Expense Reimbursements** are considered taxable. Please contact your tax advisor for information on the IRS definition of these benefits.

(continued on page 2)

Year-End Processing Information

Weather Delays

Throughout the year, your area may expect inclement weather such as hurricanes, flooding, ice, or snow. We would like to remind you that you are welcome to process payroll early so that you can avoid shipping delays or office closings due to these circumstances.

Quarterly Employee Edit Report – Save Time and \$\$\$

With your last payroll of the year (as well as at the end of each quarter throughout the year), you will find this report in with your payroll package. Utilize this report to confirm W-2 information (i.e. name, SSN, state W/H or SUI) with your employees. Please make sure to get any changes back to us no later than December 31. Adjustments involving amended returns and W-2Cs can be costly; see the fees listed at the end of this letter for more information.

The number one reason for amended return needs is due to employees set up with an incorrect Social Security Number.

W-2 Reissue Tip

If an employee misplaces his/her Form W-2, you can reissue the form from your employer copies. Simply make a photocopy and mark it 'REISSUED' and the employee may use this for federal, state, or local filings. For your convenience, we can also provide you with copies of your W-2s on a CD or send them electronically to you via the Secure FTP site.

1099-MISC Processing

If you would like for us to file your Forms 1099 with Federal and State agencies and CBIZ did not perform this service for you last year, you must notify your payroll service team by December 31. All individual copies of the Form 1099, as well as the employer copies, will be shipped to your company for distribution. All 1099 payroll information must be transmitted on or before your last payroll of 2011.

Record Retention Service

Along with this newsletter, you will find your notice for our Record Retention service. If you do not elect this service, please sign the notice to decline and forward it to us no later than December 31.

2012 Calendars

With your first payroll processing in January, you should receive a calendar showing your 2012 check dates in your payroll package. Please review your calendar thoroughly and fax any corrections to your service team. It is very important to maintain an accurate payroll calendar in our system.

Reporting Year-End Benefits/Earnings *(continued from page 1)*



Any **Personal Use of an Employer-Provided Vehicle** is taxable income and must be reported in taxable gross wages.

Please consult your tax advisor for the proper taxability of **bonuses and commissions**. If CBIZ keys your payroll, CBIZ will tax these earnings according to your normal payroll frequency unless we receive prior notification from you.

Qualified Business Expense Reimbursements can be issued to employees tax free, but may still need to be reported in box 12. These expenses can be reported to CBIZ any time throughout the year; however, please adhere to adjustment deadlines to report any remaining expenses.

If your company made contributions to employee **Health Savings Accounts**, you will need to record this information in the payroll system for W-2 reporting purposes. Box 12-W of the employee Form W-2 should include BOTH the employee and the employer contributions.

The **Retirement Checkbox - Form W-2** should be checked for any employee that either contributed to a defined contribution plan (for example, 401(k)) during the taxable year or was eligible to participate in the plan. Our payroll system will automatically check this box on the employee's Form W-2 if the employee made contributions. If the employee did not, but was eligible to participate, then you will need to ensure that this box is physically checked in the payroll system. Contact your payroll service team for additional information. Note: Do not check this box for contributions made to a nonqualified or section 457(b) plan.

To Our Full Tax Service Clients:

Tax Notice Resolution

In the event that you should receive a letter from a tax agency requesting correspondence, immediately fax this document to the tax department at 877.282.3016 or email to cbizpayrolltax@cbiz.com. Please be sure to include your email address on the fax cover sheet. Upon receipt of your fax, the tax department will log your issue into a web-based software, which will send you periodic email updates when the status of your notice changes.

Processing a Same-Day Check Date

CBIZ requires that clients complete an adjustment agreement before processing any backdated or same-day payroll adjustment. A same-day check date processing could result in delayed or late Federal or State tax deposits, especially if the tax liabilities are greater than \$100K for the period. Should you require a same-day check date processing (for example, processing a 12/31 check date on 12/31), please contact us to discuss our requirement that you wire transfer the tax funds to us if your tax liability will be greater than \$100K, as well as our deadlines, in order to expedite your tax payments to the agencies.

Account Numbers

In an effort to improve efficiency and accuracy, CBIZ has made great strides to ensure that all of our clients' tax payments are sent via electronic funds transfer (EFT). In order to send our clients' payments EFT, it is imperative that we have a valid account number for each state in which we are filing. In order to properly register your company for an account number, you can either contact the state by phone or visit their website. Many agencies have the capability to apply for an account number online and you can receive the account number within a matter of minutes. Once the account number is received, you should forward that information to CBIZ Payroll. Accounts in an 'Applied For' status result in 15% of all tax notices we receive. Agencies misapply the deposits or do not apply the deposits at all when a valid account number is not available. In order to minimize the number of tax notices you receive and allow us to better serve you, please apply for these account numbers as soon as possible.

State Unemployment Rates

Unemployment taxes submitted to an agency with an incorrect rate result in approximately 25% of unemployment tax notices. Once you receive your 2012 state unemployment rates, please forward the documentation to CBIZ immediately to ensure accurate

filing and payment of state unemployment insurance. These rates may come in the form of a state issued rate notice or a blank unemployment form. If you do not receive a rate notice from the state, please contact the agency to obtain the 2012 rate.

Withholding Taxes

Many state agencies change filing frequencies at the beginning of the year by utilizing a look-back period. Once you receive your 2012 state withholding information, please forward the documentation to CBIZ immediately to ensure accurate and timely filing of your withholding taxes.

Local Taxes

If CBIZ Payroll is filing local taxes for you, it is very important to forward us a copy of any local tax information you receive from the agency. Localities change collectors frequently and unless we are notified of the change, payments may be sent to the incorrect collector and payment postings will be delayed, which creates a tax notice.

Note: All W-2 packages will be shipped out of our office via UPS Ground by January 16, 2012. You should expect to receive your package no later than January 23. Employee copies of the Form W-2 are shipped to your company for distribution.

To Our Flex Service Clients:

If your plan year ends on December 31, please forward all new enrollment information to the Flex department. The codes for your Flexible Spending Accounts will remain the same from year to year: MRFLX (Medical reimbursement) and DCFLX (Dependent Care reimbursement).

To activate the 2012 deductions (PC or Payentry clients):

1. Make sure that all 2011 deductions have an end date of 12/31/11.
2. Add a new MRFLX and/or DCFLX deduction code on the employee's deduction tab.
3. Adjust the beginning and end dates according to your plan year (1/1/2012 to 12/31/2012).
4. Enter the Rate/Amount – per pay period deduction.
5. Enter the Goal Amount – full election amount for the year that the employee chose.

Fax-in clients: the FSA department will forward a copy of your enrollment information to your service team for input.

Year-End Checklist

- Verify the employer data that is used in processing your quarterly tax reports.
- Review the employee data for accuracy and completion: addresses, state and local tax setups, and social security numbers. You can use your Quarterly Edit report for this.
- Determine amounts to be reported and tax to be withheld for employee taxable fringe benefits and submit before last processing of the year.
- Verify 2012 processing calendar is accurate and schedule any special bonus payments for the remainder of 2011.
- Request any special reports needed for year end.
- Remind employees to complete a new W-4, if necessary.
- Confirm that all 'manual' checks written during the year and any voided paychecks have been recorded in the system.
- Submit your new employer's state unemployment tax rate once received.



IRS Information

Federal Tax Withholding Tables – awaiting release by the IRS

We are still awaiting the IRS to release the new Federal income tax withholding tables for 2012. We do anticipate some changes due to inflation. CBIZ Payroll will be ready to implement any necessary changes in our payroll system once this information is announced.

Healthcare Coverage W-2 Reporting – optional for 2011

Under the Patient Protection and Affordable Care Act (PPACA), employers will be required to report the aggregate cost for applicable employer-sponsored health coverage on an employee's Form W-2. For now, the reporting of this information is only voluntary for the tax year 2011. This requirement will apply to larger employers with 250 or more W-2s beginning with the 2012 tax year (to be issued to employees in 2013). The IRS has issued further relief for smaller employers with fewer than 250 employees who will not be required to comply until the 2013 tax year (to be issued to employees in 2014).

The aggregate cost of all applicable employer-sponsored health coverage (employee and employer cost) is to be shown in Box 12, Code DD on the Form W-2. The IRS Form W-2 includes a highlighted notice to the employee stating that the information reported in Box 12, Code DD is for informational purposes only and that the amount is not taxable to the employee.



Employers should begin to plan developing a process of gathering and tracking this information for once this becomes a requirement for your company. When you are ready to begin recording the employer cost of healthcare, contact us at CBIZ Payroll. We can create a new memo earning/deduction code for your use that will reflect amounts in Box 12, Code DD on the Form W-2. You will record the employer cost for each employee using this memo code and it will not affect employee wages and will be used for reporting purposes only.

Click [HERE](#) for additional information regarding the guidance and FAQs that the IRS has released for this reporting requirement.

2011 - 2012 Holidays

We'd like to express our appreciation for your business over the last year and wish you a very happy holiday season. Best wishes for the New Year from our family to yours!

CBIZ Payroll's offices will be closed as follows:

Christmas

Monday, December 26, 2011

New Year's Day

Monday, January 2, 2012

Memorial Day

Monday, May 28, 2012

Independence Day

Wednesday, July 4, 2012

Labor Day

Monday, September 3, 2012

Thanksgiving

Thursday, November 22, 2012

Friday, November 23, 2012

Christmas

Monday, December 24, 2012

Tuesday, December 25, 2012

Federal Tax Rates/Limits

2011 Rates/Limits
Social Security Wage Base: \$106,800.00
Social Security Max EE Tax: \$4,485.60 (4.2% EE, 6.2% ER)
401(k) Annual Comp. Limit: \$245,000.00
401(k) Annual EE Deferral: \$16,500.00
401(k) Catch-Up Contribution (Over 50): \$5,500.00

2012 Rates/Limits
Social Security Wage Base: \$110,100.00
Social Security Max EE Tax: \$6,826.20 (6.2% EE, 6.2% ER)
401(k) Annual Comp. Limit: \$250,000.00
401(k) Annual EE Deferral: \$17,000.00
401(k) Catch-Up Contribution (Over 50): \$5,500.00

2011 Year-End Fee Schedule

The following year-end fees will be charged on an invoice with a payroll processing during the month of January:

2011 Standard Year-End Fees

W-2 Base Processing Fee	\$42.00
Per W-2 Fee.....	\$5.25
W-2 E-File Base.....	\$12.00
Per W-2 E-File	\$0.60, max \$225.00
W-2 Shipping & Handling	\$30.00

Optional Year-End Services:

1099 Processing Fees

1099 Base Processing Fee	\$45.00
Per 1099 Fee	\$5.50
1099 Shipping & Handling	\$30.00

Record Retention \$140.00

Employee W-2 or 1099 Reprints

(beginning 1/05/2012)

Base Fee	\$35.00
Per W-2 or 1099 Form.....	\$5.25

Employer W-2 Copies

(No initial charge-paper copies)

Paper Reprints.....	\$80.00
W-2 Copies on CD.....	\$80.00
W-2 PDF Copies sent Secure FTP	\$55.00

2011 Adjustment/Bonus Run

Processing Fees	Full Payroll processing fees/\$30.00 minimum
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Amended Tax Returns

(beginning 1/09/2012)

941c, 940, SUI, State W/H.....	\$110.00 per return
W-2 C Base Fee	\$85.00
Per W-2C Form	\$5.75

For all other rates, please check www.irs.gov and www.ssa.gov

Note: We are monitoring closely for the possibility of a change to the Social Security Wage Base and/or the tax percentage. We will be ready to implement any necessary changes and will communicate them to you as quickly as possible.



CBIZ Payroll

Record Retention Service

Action is required if you do NOT wish to elect this service

Why choose Record Retention?

Are you interested in saving time, money, and the worries of lost or misplaced payroll information? This is a major issue for today's businesses and that is why CBIZ offers Record Retention Services.

Federal and state law **requires** that employers maintain complete payroll and employee information for at least 4 years (regulations differ by agency and state). There are costly fines associated with the failure to retain these records. Complete payroll records can protect companies from costly lawsuits, tax assessments, and insurance adjustments.

What does Record Retention Service include?

CBIZ can store all payroll history by year and reproduce it, in detail, upon request. Some examples of reports that are commonly misplaced or needed throughout the year:

- Form 941 (Quarterly Federal Tax Return)
- Form 940 (Annual Federal Unemployment Tax Return)
- Reports created by CBIZ with prior year's data (i.e. 401(k), Worker's Compensation reports, Payroll Register)

Frequently Asked Questions

Q: If I have Millennium³ installed on my PC, I have access to my historical data. Why would I need this service?

A: Record Retention can be viewed as "insurance". If your PC corrupts, you could lose valuable information stored in the M³ database. With this service, your database and historical reports could be restored.

Q: I use the web product Payentry.com™ and have access to my information any place, any time. Why should I select this optional service?

A: If for any reason you decide to terminate services with CBIZ Payroll, you will no longer have access to our web product. With Record Retention Service, you could contact our customer service department to request any report that you may need from the prior year.

Q: What is the cost of Record Retention Service?

A: Record Retention Service for 2011 is \$140 and will be billed on your first invoice in January 2012.

Q: What happens if I do not elect this service and then need access to my reports or historical data?

A: Declining this service will make your future requests for archived information subject to processing fees. A base fee of \$175 per year, per occurrence will be billed as well as \$7.50 per report, per occurrence.

Q: How do I elect this service?

A: Since CBIZ Payroll highly recommends this service, it will automatically be added to your account. **If you decide to decline this service, please sign below and fax to 877.282.3016 Attn: Data Support by December 31, 2011.** If you have any further questions in regards to this service, please contact customer service at 800-815-3023.

Company Name: _____ Company ID#: _____

Signature: _____ Date: _____