

# YEAR-END BEST PRACTICES

HR & Payroll Tips





# A message to our clients

To Our AMAZING Clients,

It is that time again... year-end is upon us! This document is a crucial part of our fourth quarter and year-end education process and will help guide you smoothly through a successful end of the year. Please read this document carefully and respond to us with any adjustments and notifications as soon as possible.

As always, if you have questions that are not addressed in these documents or need further clarification, you may contact our service team at:

**[customer care@threadhcm.com](mailto:customer care@threadhcm.com)**

Thank you,  
The Thread Team



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## Important Contact Information

**Client Service:** [customercare@threadhcm.com](mailto:customercare@threadhcm.com)

**Tax assistance:** [tax@threadhcm.com](mailto:tax@threadhcm.com)

**Phone number:** 678-366-3447

Thread (and banks) will be closed on Christmas Day, December 25th, and New Year's Day, January 1st. Please plan accordingly.





# Important Deadlines

## Deadlines for Year-End

**December 15, 2023** – Complete the survey and provide the required documentation

**December 29, 2023** – Last day to process payroll for 2023

**January 20, 2024** – W-2s available to employees via Employee Self Service (ESS)

**January 25, 2024** – W-2s and 1099's delivered to clients no later than this date

**February 2, 2024** – Employers will need to approve 1095 forms for 2023 in isolved

**March 4, 2024** – ACA 1095 form must be provided to employees

## Standard Deadlines

Payrolls need to be submitted at least two banking days in advance of the check date to allow enough time for payroll funding and employee direct deposits to be received and posted by the check date. Although exceptions can be allowed to this two-day rule, it is important to keep in mind that high liability payrolls may require funds verification. Any payroll with \$100,000 or more in federal tax liability or total ACH debit of \$500,000 or more is considered a high-liability payroll. If your payroll does not normally exceed these high liability thresholds, and you anticipate it may exceed these thresholds due to year-end adjustments or bonuses, please contact your HCM Specialist at least one week in advance of processing the payroll. This will allow us to prepare you for any additional steps required to verify funds.

## Year-End Adjustment Processing Deadline

Please notify us no later than December 22, 2023 of any year-end payroll adjustments. This will provide sufficient time to record adjustments prior to your last payroll process of 2023. We understand that some information related to closing your 2023 payroll records may not be available by this date, and we will make arrangements to report information as it becomes available. Please keep in mind that reporting adjustments after your last payroll in 2023 could delay your 4th quarter and year-end returns as well as causing additional processing fees for corrections, off-cycle payroll runs, and amendments. Examples of adjustments are as follows:

- Void and/or manual checks
- Bonuses and other gifts given to employees
- Health insurance premiums
- Third-party sick payments
- Fringe benefits
- Vendor 1099 payment recording
- Year-end distributions

# W2 & 1099 Deadlines

W-2 deliveries will begin Monday, January 15th. W-2s will be shipped to your offices no later than January 26th. The forms will be in a separate package labeled 'W-2'. Electronic W-2s will also become available to all employees on January 20th. If you are a paperless client, we will deliver paper W-2's to your delivery address on file.

How to review and confirm accuracy of your company and employees' information: On the first payroll in your Year End Period, a SSN Verification Report and a Tax ID & Rate Report will be included with your payroll reports. Please review this report to ensure that all of the Tax IDs for your employee and employer tax accounts are correct prior to running your last 2023 payroll.

## W2 & 1099 Deadlines

**\*Please note, after January 31st, 2024 the IRS fine for each incorrectly filed W-2 SSN is \$50. In addition, please note that Thread charges \$30 for every W-2 it must amend and refile with a corrected SSN.**

Directions:

- Log into isolved.
- Select Client Reports in the Reporting module.
- Select "Employee W-2 Verification" and/or "Employee W-2 Preview".
- Hit the "Run Report" button.
- Review the reports and make any updates in isolved prior to processing your final payroll of 2023.

## Electronic W-2 Option

The first time an employee logs in to ESS, they are greeted with the message box below which gives them the option to accept to electronic W-2s. Employees need to login and hit "I Accept" before the last payroll of the year in order to take advantage of this option, otherwise they will receive a paper W-2. Keep in mind, if they already accepted last year, they do not need to do it again.

Note: Terminated employees will immediately be reverted back to a paper W-2.

# 1099 Miscellaneous Forms

If you have paid 1099 miscellaneous income through the payroll system in 2023, Thread will produce these forms. If you have additional 1099's (for vendors or contractors who were paid earlier in the year and not reported), enter them using manual adjustments before you process your last payroll for 2023. Always use 1099 Earnings codes to pay 1099 contractors and/or vendors in the payroll system to ensure that the 1099 tax forms are generated properly.

## 1099 changes effective for 2023 Year-End:

In accordance with IRS requirements, we will only be producing 1099s for anyone with \$600 or more in non-employee compensation. Below is a copy of the 1099-NEC.

## 1099-NEC

7171       VOID       CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116 Form <b>1099-NEC</b> (Rev. January 2022) For calendar year 20 ____		<b>Nonemployee Compensation</b>
PAYER'S TIN		RECIPIENT'S TIN		
RECIPIENT'S name		1 Nonemployee compensation \$		<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> <small>For Privacy Act and Paperwork Reduction Act Notice, see the <b>current General Instructions for Certain Information Returns.</b></small>
Street address (including apt. no.)		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code		3		
Account number (see instructions)		4 Federal income tax withheld \$		
2nd TIN not. <input type="checkbox"/>		5 State tax withheld		6 State/Payer's state no.
		\$		7 State income \$

Form **1099-NEC** (Rev. 1-2022)      Cat. No. 72590N      [www.irs.gov/Form1099NEC](http://www.irs.gov/Form1099NEC)      Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

# Affordable Care Act (ACA)

As an employer, if you meet any one of the following three criteria then ACA compliance and reporting will be required by your company.

- Your company is an Applicable Large Employer- the IRS defines an Applicable Large Employer (ALE) as a company with 50 or more full-time equivalents. Reporting for the current calendar year (2023) is determined by the number of FTE in the prior calendar year (2022).
- There is common ownership between multiple FEIN.
- Your company offers self-insured healthcare coverage.

If as an employer you meet any of the above criteria ACA compliance and reporting is required, you must:

- provide affordable healthcare coverage to your applicable employees track variable employee hours and offer coverage to employees that meet the 30 or more hours threshold
- provide Form 1095 to your employees
- file Forms 1094 and 1095 with the IRS

Thread can help! We can help you determine if you are an ALE, track variable employee hours and help determine if coverage should be offered, prepare both Forms 1094 and 1095 and file with the IRS on your behalf! If you think you may meet any one of these three criteria and are not currently utilizing our ACA Service, please reach out to [customercare@threadhcm.com](mailto:customercare@threadhcm.com). We will first help you to determine if you need the ACA Compliance and Reporting service and if so, coordinate with our Sales Department for pricing and then begin the set-up process.

## Important Deadlines for Reporting

For calendar year 2023 reporting, Form 1095 is due to your employees by March 4, 2024 and the Form 1094 and 1095 IRS Filing Deadline is March 31, 2024. Employers, you will need to approve the 2023 Form 1094 and 1095 in isolved no later than February 2, 2024 to ensure timely printing and mailing as well as IRS filing. Thread will mail a copy of the 2023 Form 1094 for your records and all 2023 Form 1095 to the primary address of your company. You will be responsible for handing out or postmarking for mailing the Form 1095 to your employees no later than March 4, 2024.

## Reviewing and Approving ACA Forms

- Log into isolved
- Select Client Management > ACA Setup Options > ACA Forms Approval
- Click "Preview Report" and/or "Preview Forms" and review for accuracy
  - \*Preview Report provides a condensed version of information and Preview Forms provides the information in the exact form view employees will receive.

- Once you have reviewed and made corrections if necessary, click “Approve Forms”
  - *\*Approve Forms will commit the forms to be printed, mailed and for Thread to file with the IRS*

## Special Payrolls

Many companies issue bonus checks and other supplemental wage payments in December, and these checks/adjustments can be run with regular payroll. If a separate payroll check date or period end date is desired, the extra checks must be run as a “Special” payroll that is added to the payroll schedule at an additional cost, based on the amount of employees being paid. Please keep in mind that the default check types that will be included are different for Regular Payrolls and Special Payrolls:

## Default System Settings for Paid Items on Isolated Payrolls

	REGULAR PAYROLL	SPECIAL PAYROLL
Salaries	X	
Auto-Pay Hourly Employees	X	
Additional Checks/Manual Checks	X	X
Entries from Time Entry Grid	X	
Entries from Additional Time Entry Grid	X	X

### How will you enter bonus pay?

- Hand Key
- Spreadsheet
- Other

### How are you scheduling the bonus payroll?

- Combined with normal
- Separate checks on normal pay run
- Separate payroll with same check date
- Separate payroll with different check date

### Who will cover taxes on the bonuses?

- Employee (start with gross pay, calculate net)
- Employer (start with net pay, calculate gross)

### How will the employees be paid their bonus?

- Cash
- Live check
- Direct deposit

### What deductions are you taking from the bonuses?

- Social Security taxes only
- All taxes
- All taxes + retirement plan deductions
- Other

### When should employees see electronic stubs for their bonuses?

- When payroll runs
- On check date
- Other



**TOPIC**

Void Checks

**DO**

Do void fourth quarter checks on or before your last payroll process for 2024.

**DON'T**

Do not void prior quarter checks.

Manual Checks

Do enter them on or before your last payroll process for 2023.

Do not enter negative manuals for prior quarters without consulting a Thread service representative.

Address Changes

Do make all address changes on or before your last payroll process for 2023.

Payroll Calendar

Do verify payroll processing schedule/ calendar by 01/10/2024.

Verification

Review the following from Client Reports:

- Employee W-2 Verification Report
- SSN Verification Report
- Tax ID & Rate Verification Report
- ACA Reports
- Year-End Exceptions Report

1099 master file information

Internet customers enter online/ non-internet clients submit to customer service before you process the last payroll of 2023.

1099 information

Internet customers enter online/ non-internet clients submit 1099 earnings to customer service before you do the last process of 2023.

Payroll Tax information

Do send all payroll tax documents received from federal, state and/or local tax authorities to the Tax Department.

Group Term Life (GTL)

Do enter on or before your last payroll process for 2023.

Do not enter GTL on terminated employees. Call Thread for instructions.

Third Party Sick Pay

Send all 3rd Party Sick Pay to customer service with or before your last payroll process of 2023.

Fringe Benefits

Do report any additional fringe items on or before your last payroll process for 2023.

Do not enter manual adjustments after the last 2023 payroll process. Send them to customer service.

# Health Care Reporting on W-2: Requirement for Large Employers

- If your company filed more than 250 W-2's in 2022, the ACA W-2 reporting requirement applies, and you are responsible for reporting the total costs (regardless of employee-paid portion vs. employer - paid portion) of health insurance on their 2023 W-2's.
- Typical costs to include are those paid on behalf of the employees for group health insurance plans. For more detailed explanation of these items, please refer to the IRS website [1].
- Since this information may not be available until after the close of the 2023 calendar year, if we do not already have your employer portion of healthcare recorded in isolated, we ask that you compile we ask that you compile a list of the employees and their premiums in January and send us the spreadsheet by December 15th, 2023 so that we can add those values to your W-2s.

## IRS Notes for 2024

The FICA tax rate, which is combined Social Security tax rate of 6.2% and the Medicare tax rate of 1.45%, will be 7.65% for 2024 up to the Social Security wage base. The Medicare Supplemental rate of .09% applies to wages earned above \$200,000 for single filers and \$250,000 for joint files (\$125,000 for a married individual filing separately).

- This supplemental rate only applies to the employee Medicare portion of Federal Insurance Contributions Act (FICA) tax. Consequently, employers do not have to match the increased Medicare tax amount from employee's wages.
- NOTE: The employer is required to withhold the increased amount from all workers with wages exceeding \$200,000, regardless of the marital status claimed on the employee's Form W-4. Over- and under-withholding for the employee will be reconciled upon the filing of his/her tax.

Social Security Tax Wage Base: Increases to \$168,600 in 2024

401k Contribution Limits: \$23,000 with catch-up of \$7,500 for employees age 50+.

Traditional/Roth IRA Contribution Limits: The limit on annual contributions to an IRA remains unchanged at \$7,000, with a remaining catch-up of \$1,000 for employees age 50+.

Simple IRA Contribution Limits: Increased to \$16,000 with catch-up of \$3,000 for employees age 50+.

## **State Unemployment Rate and Deposit Frequency Notices for 2024**

You should receive your 2024 state unemployment rate and your state deposit frequency during the next two months. Once you receive these notices, please email them to the Tax Department. This will ensure the accuracy of your tax liability calculation and timely deposits of the associated taxes.

## **Payroll Schedules for 2024**

Please take a few moments to review your 2024 schedule during the first week of the new year. Internet clients (using isolved):

- Log into isolved.
- Select Payroll Processing.
- Select Client Run Schedule.
- Review the schedule to ensure that the appropriate dates are there for each check run.



# That's a wrap!



## Thanks for Reading!

We hope you found it helpful!

For more tools, visit our [Year-End Resources page](#) to breeze through year-end challenges with confidence!

**For more information on how Thread can help you with a seamless year-end process, contact us: 678-366-3447 | [customercare@threadhcm.com](mailto:customercare@threadhcm.com)**

And stay up to date with the latest industry changes by following us @ThreadHCM

