ENGAGE PEO

EXPECT MORE

YEAR END GUIDE FOR CLIENTS

2020

As the end of the year approaches, your Engage PEO payroll team is available to assist you and your employees in order to provide a smooth and efficient year end experience. This packet contains important, time-sensitive information that will ensure your business is prepared for the new year, meets required filing deadlines, and avoids potential fees.

Do not hesitate to contact your Engage Payroll or Implementation Specialist with any questions.

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Holiday Schedule

Depending upon your processing schedule, holiday schedule and business closings, your payroll processing may require adjustment in order to ensure timely and accurate processing and delivery. Depending upon your check date earlier submission, invoice funding and or delivery may be required. Please work with your Payroll or Implementation Specialist to inform of any change in your processing schedule.

Thanksgiving:

- Engage PEO offices will be closed for Thanksgiving on Thursday, November 26th and Friday, November 27th.
- FedEx will not deliver on Thanksgiving November 26th.
- Banks will be closed on Thursday, November 26th and close early on Wednesday, November 25th:

Check Date	Payroll Submitted	Payroll Funded	Payroll Delivered
11/25/2020	11/23/2020	11/24/2020	11/25/2020
11/27/2020	11/24/2020	11/25/2020*	11/27/2020**
11/30/2020	11/24/2020	11/25/2020*	11/30/2020**
12/01/2020	11/25/2020	11/30/2020	12/01/2020

*To accommodate different bank closing schedules wire clients must have funding completed by *noon* on Thanksgiving Eve, Wednesday, November 25th.

** Please inform your Payroll Specialist if we need to adjust delivery of payroll package to accommodate your holiday schedule.

Christmas:

- Engage PEO will be closed for Christmas on Friday, December 25th
- FedEx will not deliver on Friday, December 25th
- Banks will be closed on Friday, December 25th and will close early on Thursday, December 24th

Check Date	Payroll Submitted	Payroll Funded	Payroll Delivered
12/24/2020	12/22/2020	12/23/2020	12/24/2020 **
12/28/2020	12/23/2020	12/24/2020*	12/28/2020
12/29/2020	12/24/2020	12/28/2020	12/29/2020
12/30/2020	12/28/2020	12/29/2020	12/30/2020**

*To accommodate different bank closings schedules wire client must have funding completed by *noon* on Christmas Eve Thursday, December 24th

** Please inform your Payroll Specialist if we need to adjust delivery of payroll package to accommodate your holiday schedule

New Year's Day:

- Engage PEO and FedEx will be closed on Friday, January 1st for New Year's Day
- FedEx will not deliver on New Year's Day
- Banks will be closed on New Year's Day, Friday, January 1st and close early on New Year's Eve, Wednesday December 31st

Check Date	Payroll Submitted	Payroll Funded	Payroll Delivered
12/31/2020	12/29/2020	12/30/2020	12/31/2020**
01/04/2021	12/30/2020	12/31/2020*	01/04/2021
01/05/2021	12/31/2020	01/04/2021	01/05/2021

*To accommodate different bank closings schedules wire client must have funding completed by *noon* on New Year's Eve Thursday, December 31st

** Please inform your Payroll Specialist if we need to adjust delivery of payroll package to accommodate your holiday schedule

Year End Adjustment Information

The information below is crucial to the preparation of year-end, in order to ensure accurate earnings, W-2 statements and avoid any additional penalties and or fees all year-end adjustments must be reported, funded and processed by ***4 pm Wednesday, December 30th***.

Bonus Payroll:

If issuing a bonus payroll, please communicate with your Payroll or Implementation Specialist any of the following:

- Bonus amounts Gross or Net
- Are the bonus payments to be paid on same or separate check?
- If client sponsored 401k plan, should we deduct 401k?
- Will the bonus checks be live or direct deposit?
- Required check date
- Delivery requirements

Manual Checks:

If any manual checks have been issued (checks issued outside of Engage PEO payroll processing), please ensure all checks have been reported to Engage PEO. We will need to add any unrecorded manual checks for any active or inactive employees.

Third Party Sick Pay:

If you do not participate in Engage's Short-Term or Long-Term disability plan and an employee has received benefits. Please forward the information to Engage to record and report accordingly. However, any information

reported will be on the employee's W-2, please ensure your provider is not preparing W-2s for your company.

Other Fringe Benefits:

Below is a list of common fringe benefits that need to be reported to Engage to add to employee's earnings and report on Form W-2:

- Personal Use of Company Car
- Moving Expenses
- Group Term Life
- Tuition Assistance
- Employer HSA contributions (plans not administered by Engage)
- Taxable allowances (i.e., Mobile Phone, Car Allowance)
- Employee Stock Options
- Meals and or Lodging
- Transportation Benefits (plans not administered by Engage)

Client Sponsored Medical Plans:

Employers that are subject to Affordable Care Act and do not participate in Engage Medical Plan, will need to record the total cost of health care coverage on Form W-2. Please provide the total Employer paid medical cost for 2020 for each of your participating employees by *Monday, December 28th*. Engage will record this information to report in conjunction with employee deduction on Form W-2 box 12DD.

2020 W-2S

Understanding Form W-2:

Form W-2 reports the annual amount of taxable wage and tax withholding of an employee's wages. Engage PEO prepares form W-2 and provides a copy to worksite employees. Copies of Form W-2 are also provided to the Social Security Administration, which shares the data with the Internal Revenue Service.

Employer and Employee Identification:

Box	Title	Description
A	Employee's Social Security Number	Your Social Security Number
B	Employer Identification Number	Engage's unique Tax Identification Number
C	Employer's Address	Engage's Address
D	Control Number	Engage does not utilize this field
E	Employee's Name	Your full name (First, Middle and Last)
F	Employee's Address	Your address, city, state and zip

Explanation of the Boxes on Form W-2:

1. *Wage, Tips, Other Compensation* reports your total taxable wages for federal income tax purposes. This figure includes your wages, tips reported, bonus, and other taxable compensation. Any taxable fringe benefits (such as Group Term Life) is also included. Box 1 wages do not include any pre-tax benefits such as 401(k), 403(b), or health insurance.

2. *Federal Income Tax Withholding* reports the total amount withheld from your paycheck for federal income taxes. This represents the amount of federal tax paid throughout year.

3. *Social Security Wages* reports the total amount of taxable wages subject to Social Security tax. For tax year 2020, Social Security tax is assessed on taxable wages up to $137,700.
4. *Social Security Tax Withheld* reports the total amount of Social Security tax withheld from your paychecks. Normally, the Social Security tax is a flat rate of 6.2 percent of your taxable wage income, up to a maximum wage base of $132,900. Taxable wage above this amount is no longer subject to Social Security tax withholding.
5. *Medicare Wages and Tips reports* the total taxable wage subject to Medicare tax withholding. There is no limit for Medicare taxes.
6. *Medicare Tax Withheld* reports the total amount of Medicare Tax withheld from your paychecks. The Medicare tax is a flat tax rate of 1.45 percent of your Medicare taxable wages. Employee with taxable wages of $200,000 are subject to additional Medicare withholding at an additional .9 percent.
7. *Social Security Tips* reports the a of tips income that was reported to Engage PEO. If you did not report tips during payroll processing, there will not be an amount is this box. The amount from Box 7 is included in Box 1 and Box 5 amount.
8. *Allocated tips* report any tips income allocated to you. This amount is not included in the wages reported in Box 1, 3, 5 or 7
9. *No Longer Used*
10. *Depended Care Benefits* reports amounts that include the total dependent care benefits that your employer paid to you or incurred on your behalf

11. *Nonqualified Plans* reports any amounts distributed to your form a non-qualified compensation plan or non-government Section 457 pension plan. The amount is box 11 is included in box 1

12. *Deferred Compensation and Other Compensation* can reflect several types of compensation and benefits represented by code followed by a dollar amount

Code	Description
A	Uncollected Social Security or RRTA tax on tips
B	Uncollected Medicare tax on tips
C	Taxable benefit of group term life insurance over $50,000. This amount is included in Box 1,3 and 5
D	Non-taxable elective salary deferral to 401(k) or Simple 401(k) retirement plan
E	Non-taxable elective salary deferral to 403(b) retirement plan
F	Non-taxable elective salary deferral to 408(k)(6) SEP retirement plan
G	Non-taxable elective salary deferral and non-elective employer contribution to 457(b) retirement plan
H	Non-table elective salary deferral to 501(c)(18)(D) tax-exempt plan. This amount is included in box 1
J	Non-taxable sick pay. This amount is not included in Boxes 1,3 or 5
K	Excise tax (equal to 20%) on excess golden parachute payments
L	Non-taxable reimbursements for employee business expenses
M	Uncollected social security or RRTA tax on taxable cost of group term life insurance over $50,000
N	Uncollected Medicare tax on taxable cost of group-term life insurance over $50,000

P	Excludable moving expense reimbursements paid directly to a member of the U.S. Armed Forces (not included in box 1, 3, or 5)
Q	Nontaxable combat pay.
R	Employer contributions to your Archer MSA
S	Non-taxable salary deferral to 408(p) SIMPLE plan
T	Adoption benefits. This amount is not included in Box 1
V	Income from exercise of non-statutory stock option(s) This amount is included in boxes 1, 3 and 5
W	Employee and Employer paid contribution to Health Savings Account
Y	Salary deferrals under 409A non-qualified deferred compensation plan
Z	Income received under non-qualified deferred compensation plan that fails to satisfy section 409A. This amount is included in Box 1
AA	Designated Roth contributions under 401(k)
BB	Designated Roth contributions under 403(b)
DD	Cost of employer- sponsored health coverage. This amount is not taxable
EE	Designated Roth contributions under governmental section 457(b) plan.
FF	Permitted benefits under a qualified small employer health reimbursement arrangement
GG	Income from qualified equity grants under section 83(i)
HH	Aggregate deferrals under section 83(i) elections as of the close of the calendar year

13. There are three options for this box:

a. Statutory employee: For a discussion of what constitutes a statutory employee and the rules that apply, please refer to Publication 15 Circular E, Employers Tax Guide

b. *Retirement Plan*: Check if you participated in retirement plan during the year.

c. *Third-party sick pay*: checked if you received sick pay under a third-party plan

14. *Other Tax Information*: Employers may use this box to report information such as state disability insurance taxes withheld, union dues, uniform payments, educational assistance payments or a member of the clergy's parsonage allowance and utilities

15. *State and State Employer's Identification*_reports Engage's state and state tax identification number.

16. *State Wages* reports the total amount of taxable wages earned in that state. If you worked in multiple states, you can have multiple lines of information or multiple W-2s

17. *State Income Tax Withheld* reports the total amount of state income tax withheld from your paychecks.

18. *Local Wages* reports total amount of taxable wages subject to location, city or other state income taxes

19. *Local Income Tax Withheld* reports the total withholding for local, city or other state income tax from your paychecks

20. *Locality Name* provides a brief description of the local, city or other state tax being paid

NOTE: Engage PEO does not provide tax advice. It is important that you consult a professional tax advisor regarding your individual tax situation

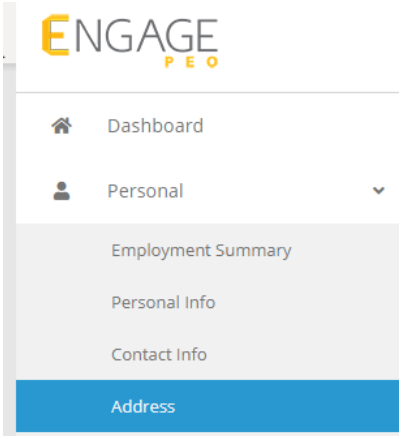
Obtaining Form W-2:

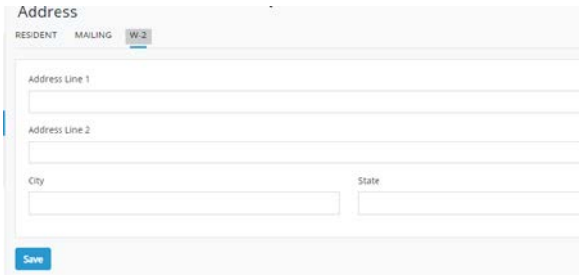
Employees will receive their W-2s via mail by January 31, 2020. Additionally, W-2s will be available for download from Employee or

Manager Portal by January 31, 2020. Any changes to employee's W-2 must be reported to Engage by ***Wednesday, December 30th***.

Please ask employees to review their address to ensure delivery of W-2 by mail. Employees can review their address on the Employee Portal by going to https://ep.engagepeo.com/

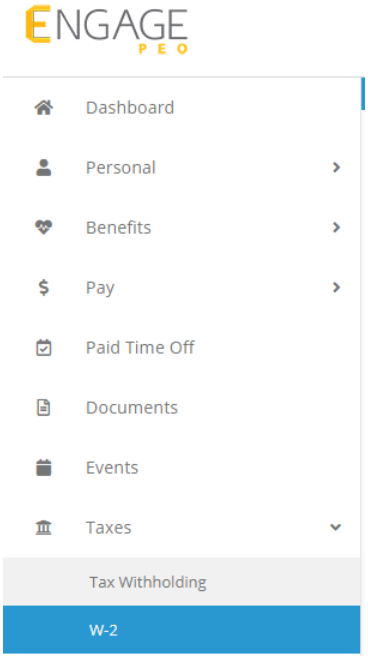
Mail Delivery:

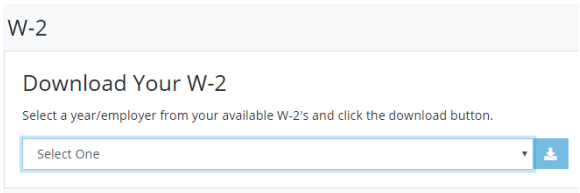




Update or Enter address in W-2 tab. The address will default to Resident address if this field is not populated.

W-2 Reprint:

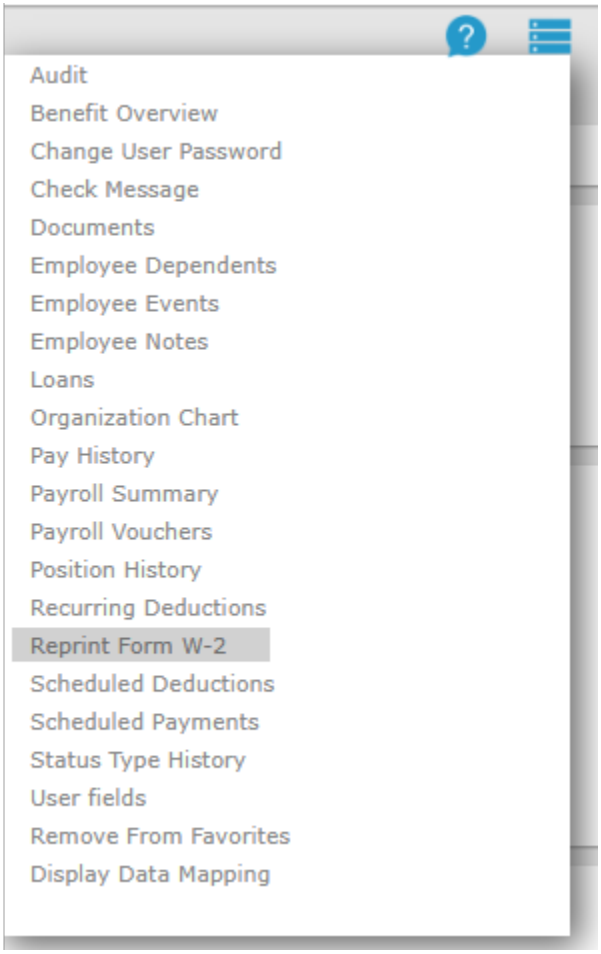




Select Year

Click to download W-2

Managers can view each employees W-2 by going to My Employees/ Employee Details/ Action Menu/Reprint Form W-2:



Select Employee

Go to Action Menu

Select Reprint Form W-2

Announced Changes for 2021

Social Security:

Social Security Wage Base Increases to $142,800 for 2021. This a change from $137,700 in 2020.

2021 Retirement Plan:

The IRS has announced the changes to the dollar limits on benefits and contributions under qualified retirement plans, as well as other items, for tax year 2021 [Notice 2020-79, 10-26-20].

IRC §415, which provides for dollar limits on benefits and contributions under qualified retirement plans, also requires that the IRS annually adjust these limits for cost-of-living changes. The IRC also requires various other amounts to be adjusted at the same time and in the same manner as these dollar limits.

- The limitation on the exclusion for elective deferrals under §402(g)(1)(e.g., §401(k) and §403(b) plans) *remains unchanged* at $19,500.
- The limit on annual additions to defined contribution plans under §415(c)(1)(A) increases to $58,000 (from $57,000).
- The limit on the annual benefit under a defined benefit plan contained in §415(b)(1)(A) *remains unchanged* at $230,000.
- The annual compensation limit under §401(a)(17), §404(l), §408(k)(3)(C), and §408(k)(6)(D)(ii) increases to $290,000 (from $285,000).

- The compensation amount under §408(p)(2)(E) regarding elective deferrals to SIMPLE retirement accounts *remains unchanged* at $13,500.
- The limitation under §457(e)(15) concerning elective deferrals to deferred compensation plans of state and local governments and tax-exempt organizations (§457(b) plans) *remains unchanged* at $19,500.
- The limitation under §416(i)(1)(A)(i) concerning the definition of "key employee" in a top-heavy plan *remains unchanged* at $185,000.
- The limitation under §414(v)(2)(B)(i) for catch-up contributions to §§401(k), 403(b), and 457(b) plans for individuals age 50 or over remains unchanged at $6,500; the limitation under §414(v)(2)(B)(ii) for catch-up contributions to an employer's SIMPLE plan for individuals age 50 or over *remains unchanged* at $3,000.
- The limitation used in the definition of “highly compensated employee” under §414(q)(1)(B) *remains unchanged* at $130,000.
- The compensation amount under §408(k)(2)(C) regarding simplified employee pensions (SEPs) increases to $650 (from $600).
- The compensation amount under Treas. Reg. §1.61-21(f)(5)(i), concerning the definition of "control employee" for fringe benefit valuation purposes, *remains unchanged* at $115,000. The compensation amount under §1.61-21(f)(5)(iii) increases to $235,000 (from $230,000).
- The limit on annual contributions to an Individual Retirement Arrangement, *remains unchanged* at $6,000. The additional catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains $1,000.

Qualified transportation fringes

The amounts that may be excluded from gross income for employer-provided qualified transportation fringe benefits (transportation in a commuter highway vehicle and any transit pass) and qualified parking for 2021 both remain at $270 **.**

Health flexible spending arrangements

For plan years beginning in 2021, the dollar limitation under IRC §125(i) on voluntary employee salary reductions for contributions to health flexible spending arrangements remains at $2, 750.

Adoption assistance

For 2021, the maximum amount that can be excluded from an employee's gross income for qualified adoption expenses under an employer's adoption assistance program is $14,440 (up from $14,300 in 2020). The maximum amount that can be excluded in connection with the adoption of a child with special needs is $14,440 (up from $14,300 in 2020).

The amount excludable from an employee's gross income begins to phase out for taxpayers with adjusted gross income of $216,660 (up from $214,520 in 2020) and is completely phased out for taxpayers with adjusted gross income of $256,660 (up from $254,520 in 2020).

Engage PEO will continue to communicate changes that impact payroll as they are announced by Federal and State tax agencies.

Preparing for 2020 ACA Year-end Reporting to IRS

As the end of the year approaches, Engage PEO is preparing to assist you and your employees with required Internal Revenue Service (IRS) reporting requirements for 2020 1094c and 1095c must be postmarked on or before March 2, 2021 and will be available on the Manager Portal **(www.engagepeo.com)** on March 31, 2021.

The following outline includes important, time-sensitive information and the steps you need to follow to ensure compliance with IRS reporting requirements.

- To comply with IRS Forms 1094C and 1095C, historical data must be submitted by the following deadline dates if you joined Engage PEO mid-year. Historical data includes:
- Payroll hours by check date for each employee
- Data for 1095c reporting prior to Engage PEO
    - If needed, you may request a copy of the ACA information import template by emailing us at: **ACAReporting@engagepeo.com.**

- For Forms 1095c, historical data must be submitted to: ACAReporting@engagepeo.com no later than *January 5, 2021* to guarantee forms are post marked for delivery by the March 2, 2021 IRS deadline date.
- We have individual State Mandate Reporting due prior to March 31, 2021, these states are NJ, RI, MA, DC District, CA, and VT.
- Forms 1094c will be generated once historical ACA import is complete. Clients must review the generated forms for accuracy and report any Client Controlled group changes to ACAReporting@engagepeo.com by February 5, 2021.
- Engage will guarantee all forms received by January 31, 2021 will be electronically submitted on the Clients behalf to the IRS *on or before the March 31, 2021 deadline date*.

How are 1094-C forms distributed?

Form 1094-C will be generated for each Client Group who was deemed an applicable large employer (ALE); on Engage Aetna Master or Client Sponsor Plan for any part of 2020.

Control Group Clients should contact ACAReporting@engagepeo.com immediately to notify us of any changes in ownership or if you have added or removed location(s) to your client controlled group. This form will also be submitted to the IRS as part of year end reporting requirement by the March 31st IRS deadline date.