UKG Payroll Services

Year-End Guide 2021

**UKG Payroll Services are delivered by Kronos SaaShr, Inc, a UKG Company*

STEP #1 - Review & Update Company Information

Review & Update Company Contacts

Admin >> Global Setup >> Company Setup >> Company Info tab

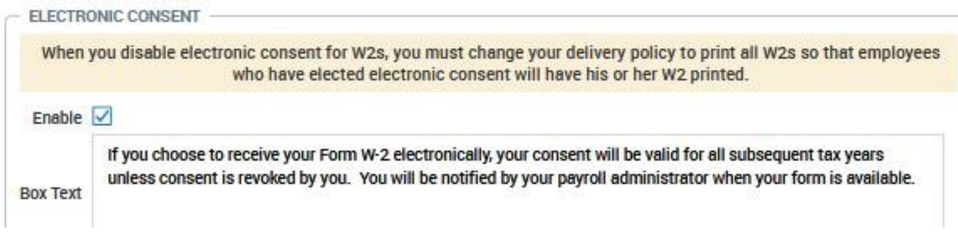
It is best practice to not have the same admin set to both contacts.

Employee Electronic consent & launch campaign

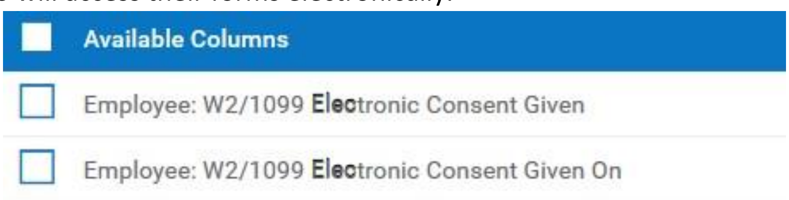
Admin >> Global Setup >> Company Setup >> Payroll tab

Employees who wish to receive their W2 or 1099 form electronically, **must** complete the consent process. If an employee has provided consent for prior years, and not rescinded their approval, they do not need to complete the process again.

- To determine if electronic consent is enabled on your company go to **Company Setup** and review the **Printed W2/1099 Options** on the Payroll Tab. Electronic Consent can be enabled by checking the appropriate box.
- Once Electronic Consent is enabled, additional steps will need to be taken within the W2 Delivery Policy Settings. Steps are shown in the Verify Delivery Policies



- If electronic consent is enabled at the company level, you can identify the employees who have provided consent at **Team >> Payroll >> Forms >> W2s**. Verify the correct year is chosen from the toolbar and **add columns for W2/1099 Electronic Consent Given/Given On** to view all employees who will access their forms electronically.



Review Company Tax Settings

Admin >> Payroll Setup >> Company Taxes

If notification is received from a tax agency regarding a Tax filing frequency change or tax rate change, please make the rate change within the Company Taxes option for that applicable tax.

Review Tax Accounts with Missing Tax ID's

Admin >> Payroll Setup >> Company Taxes

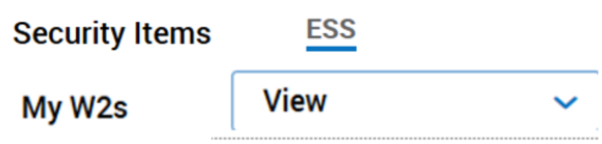
Tax accounts marked as "Applied For" or Missing Tax IDs will cause electronically filed tax returns to be rejected and generate notices, penalties and interest charges for the client. Returns with no valid Tax ID must be filled on paper, however, many agencies require electronic payments and filings, so paper returns will not be accepted. For those agencies where they are accepted, clients can expect delays posting the returns and payments. As a result, it is likely that tax notices will be generated, and penalties and interest charged by the agency.

You can find the taxes missing a tax id by checking the 'Show Only Missing Or Applied For Tax EIN' checkbox within the Company Taxes.

Review Security Profiles

Admin >> Profiles/Policies >> Security

If electronic consent is enabled, the **Employee security profile** should be checked to ensure employees have access to view W2 in ESS. On ESS tab, My W2s set to **View**



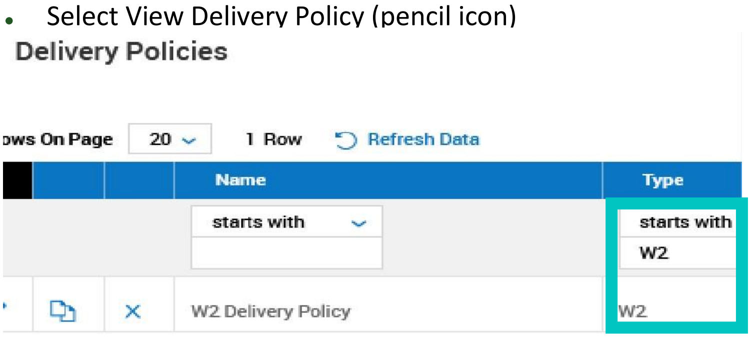
Verify Delivery Policies

Admin >> Profiles/Policies >> Delivery

Delivery Policies tell UKG Payroll Services where to send printed forms for distribution to your employees. Prior to closing the Tax Year, we recommend verifying W2 Delivery Policies are setup correctly.

To verify W2 Delivery Policies:

- Filter screen by Type = W2.
- Select View Delivery Policy (pencil icon)



Within the Delivery Policies confirm the following:

- Skip Employees with Electronic Consent:
  - If Yes, Employees who elect Electronic Consent will not receive a paper copy of form W2.
  - If No, W2's **will print** for those that have elected Electronic Consent.

STEP #2 - Confirm Employee, Tax & Wage Data

Generate & Review Final Data Audits

Clients are responsible for the accuracy of the data in the system. No one knows your employees and your organization better than you do! To make sure year-end processing can be completed in a timely manner regular audits should be performed.

In Appendix A, you will find information on the audit reports we recommend reviewing. There may be additional items specific to your organization that you will want to review as well.

Your final audit should be performed as soon as you have processed your final payroll for the year.

Review the Tax Wage Detail Report

Team >> Payroll >> Reports >> Taxes >> Tax Wage Details >> Tax Wage Detail

This report will show you the breakdown for each tax throughout the quarter. You can run high level checks and balances from this report. For example: taking FICA taxable wages and multiplying it by the 6.2% tax rate. Does that equal the withheld column? If not, that would indicate there is a variance that needs to be addressed.

The same high- level checks can be done with FUTA and SUTA, since those are also flat percent tax rates. Reference Appendix A for more detail on data you may wish to review on this report.

Audit Employee Addresses for W2s

Team >> Payrolls >> Forms >> W2s

When an address change occurs after the last payroll of the year for an employee, the new address will not carry over to the W2. To verify all employee addresses have been updated, you may add in an 'Employee Address' column and an 'Employee Address: Address 1' column.

This report compares current addresses within the employee information screen against the W2 report.

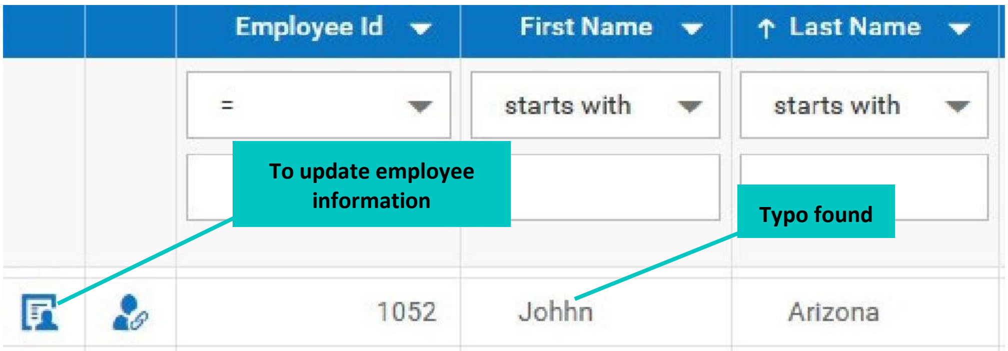
To correct any discrepancy, you will need to recalculate W2 forms.

- **Team >> Payrolls >> Quarter/Year End Process >> Company Tax Year**
- Select the year end process icon (blue paper/dollar symbol) for the correct year.
- Select Recalculate W2/1099s.
- Recheck the Employee W2 using the report: **Team >> Payrolls >> Forms >> W2s.** It should no longer appear on the report as a discrepancy.

Review Names for Accuracy

Team >> Payrolls >> Forms >> W2s

Complete a quick review of employee's first and last names. If corrections are needed access the employee information screen to update.



Diacritical characters should also be removed from employee names and addresses as they will cause issues with tax filings. Examples of these characters are:

- **Acute Accent** á ñ ü
- **Diaresis**

Confirm Earning/Deduction Code Settings

Admin >> Payroll Setup >> Earnings/Deductions

Within Earning or Deduction page >> Select Columns >> Add the following columns to the page:

- **1099 Box Type**
- **W2 Box Type**
- **W2 Box Type # 2**
  - Verify that all earnings/deductions are reporting to the proper boxes (listed above).
  - If the proper box is not setup, select View Earning (blue pencil)
  - Enter correct W2 Box Information as shown in the example below:

Review 1099 Data

Team >> Payroll >> Forms >> 1099-MISC or 1099-NEC

Confirm all needed 1099 data is correct for year 2021.

Year	Approval Status	Box 1: Nonemployee Compensation	Box 6: State	Box 7: State Income
2021	New	$500.00	KY	$500.00
		$500.00		$500.00

Employer OASDI (FICA) Deferral

UKG Payroll Services Resource Center >> ER FICA Deferral Payment Resources

CLIENTS WHO DEFERRED EMPLOYER FICA in 2020 under the CARES Act must make the first payment for deferred taxes **no later than December 31, 2021.** **The Client is responsible for making payment directly to the IRS.** Review the **CARES ACT - Employer FICA Deferral Repayment FAQs** for more information.

STEP #3 - Complete All Payrolls for Year-End

Verify all Manual and Void Checks have been recorded

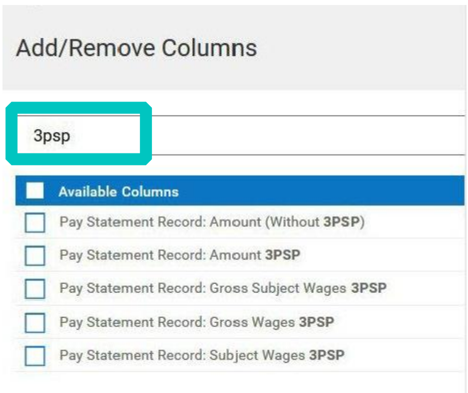
Team >> Payroll >> Process Payroll

Confirm all needed adjustments for the year have been entered and finalized within the system prior to the year-end deadline date.

Confirm Third Party Sick Pay has been entered

Team >> Payroll >> Reports >> Taxes >> Tax Wage Details >> Tax Wage Detail

Using the Tax Wage Detail Report, reconcile all 3PSP entered for this quarter by adding the 3PSP columns into the view.

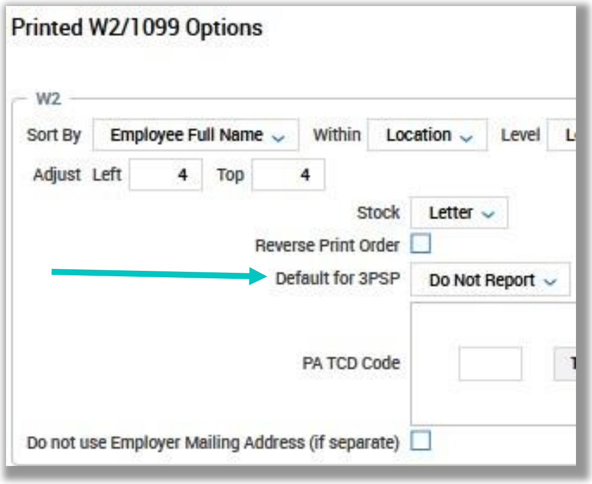


3rd Party Sick Pay – W2 Settings

Admin >> Global Setup >> Company Setup >> Payroll Tab

Verify the configuration for Default 3PSP is correct. Modify the settings if needed. View 3PSP configuration at **Company Settings> Global Setup>Company Setup>> Payroll Tab**. The available options are:

- **Single W2** – Third party sick pay will be included with all regular pay on the W2.
- **Separate W2** – A separate W2 will be issued for third party sick pay.
- **Do Not Report** – The third party is issuing the W2 Form for the third-party sick pay.



Confirm all other payroll adjustments have been entered

Team >> Payroll >> Process Payroll (To Process adjustments/payroll)

At year-end companies often need to adjust for earnings such as:

- ✓ Group Term Life Imputed Income
- ✓ Taxable Fringe Benefits
- ✓ Other Compensation
- ✓ Personal Use of Auto
- ✓ ER & EE medical cost on W2 (Box DD)

Process Reconciliation Payroll prior to Year-End Deadline

Team >> Payroll >> Process Payroll

Reconciliation Payrolls are commonly processed at the end of the year to balance FUTA/SUTA taxes. Best practice is to process a reconciliation payroll after the last payroll of each quarter has been completed.

Delete any unused payrolls for the year

Team >> Payroll >> Process Payroll

The quarter/year cannot be closed with unprocessed payrolls.

Review any open or unfinished payrolls within the Process Payroll screen. If you have open payrolls for the year, you will not be able to complete the close and sign-off process. Open payrolls that will not be used should be deleted from the system.

- From the Process Payroll Screen, filter by Payroll Status = OPEN
- Use the checkbox feature on all applicable payrolls

- Select the More Actions option from the right (**...**) >> Delete

STEP #4 - Close the Tax Year

Recalculate W2 Forms

- Recalculating the W2 forms is necessary to pull in all the latest system updates; example: employee address changes.
- Any changes to W2 information should be made through a payroll process.
- All W2 forms should be recalculated prior to approval. The recalculation process will remove any manually edited data.

Complete System Process to close the Tax Year

Team >> Payroll >> Quarter / Year End Process >> Company Tax Years

- Locate the applicable Tax Year (reference screenshots below).
- Click the icon at the beginning of the line to launch.
- Complete each step of the Year End Process
- Confirm Recalculation of W2's and 1099 forms (if applicable) is complete
- Confirm W2 forms and 1099 forms (if applicable) are correct and Click to Approve
- Click - Sign off on tax year

STEP #5 - Distribute W2 & 1099 Forms to Employees

Employers must distribute W2 forms to employees by January 31st

- If a Form W-2 is lost or destroyed, you can re-print a copy. Click on **Team > Forms > W2s**, set to year and select employee. It can be downloaded to PDF and printed again. If your employees have access to ESS, they will also be able to view and print their W2 Form.
- Any adjustment payrolls needed after your standard payroll submission deadline on Monday, January 6th will require Form W2C.
- If the employee's address printed on the Form W2 is incorrect (e.g., returned by the post office), search for the correct address and mail the Form W2 with the incorrect address (same form) to the employee in an envelope showing the correct address or hand deliver it to the employee. Do NOT file Forms W2C with the SSA for an address correction.
- **Description of each W2 box can be found here**: https://www.irs.gov/pub/irs-pdf/iw2w3.pdf

Appendix A – Data Validation Audits

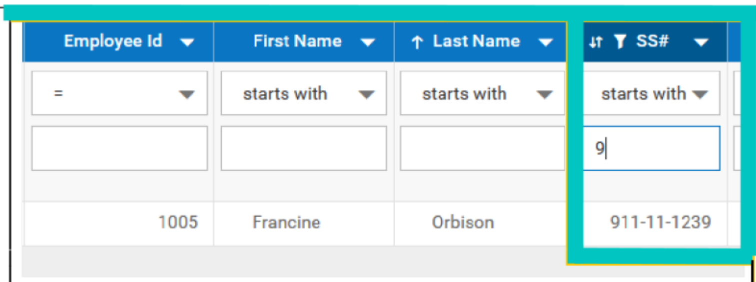
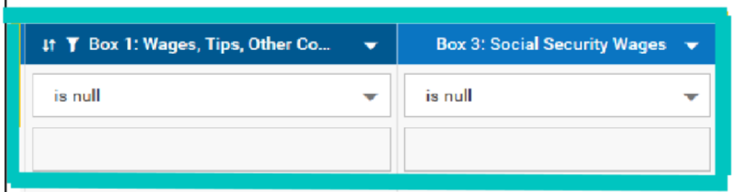
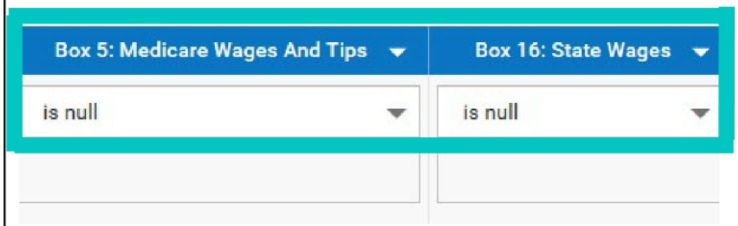
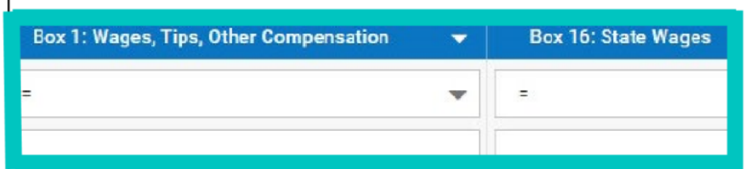
An important step in preparing to process year-end is to run your Regular Audit and Validation reports. These are the audits you have run throughout the quarter. When all payroll processing for the year is complete you will run your final audits.

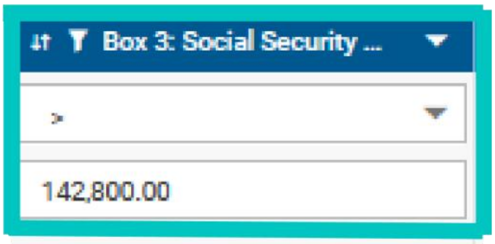
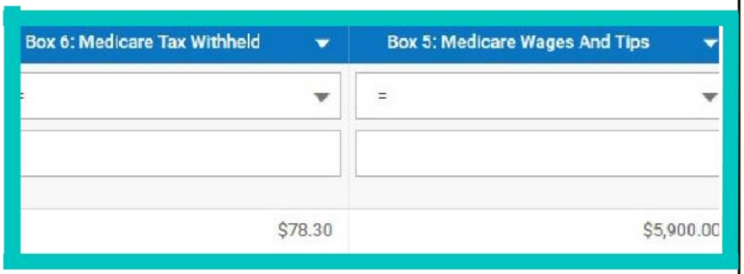
Performing regular audits will ensure issues are identified as they occur to allow timely correction and avoid the need for amended tax returns and W-2C forms. There are many reporting tools available to assist you. The most common scenarios are provided in this guide, but every account is unique. Review as appropriate for your company including Box 12 items.

These reports will only deliver results when there is a discrepancy that needs to be addressed.

✓ **Review Data Validation Reports: Go to: Team > Payroll > Forms > W2S**

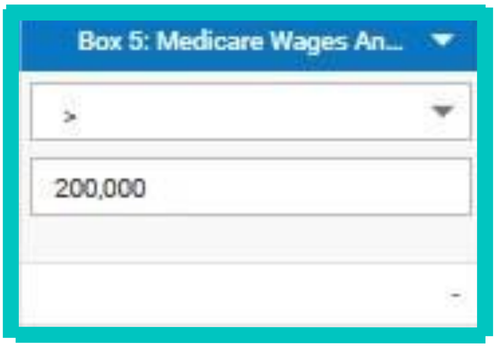
Data Validation	Report Location/Instruction	Details
Verify Social Security Numbers	* **Team >> Payrolls >> Forms >> W2s** * Insert SS # Column * Verify all SS# are populated and valid.	Social Security Number cannot begin with the following: ▪ 000 ▪ 666 ▪ 900-999

		Social Security Number cannot be among the following: ▪ 123-45-6789 ▪ 111-11-1111 ▪ ***-00-**** ▪ ***-**-0000
Verify Federal, Social Security, Medicare & State Wages/Tax	▪ **Team >> Payrolls >> Forms >> W2s** ▪ Set filter to "Is Null" on Box 1: Wages, Tips, Other Compensation, see screenshot below. Click Refresh Data. Continue to filter each wage column with "is null"; do not process more than one filter at a time as it can impact results. If **No Results Returned** appears, no additional action is needed.  	If an employee is listed, their Federal/State Tax settings may be set to Exempt. Exempting Federal Tax prevents wages from reporting in Box 1 on the W-2. If this is incorrect, update the employee's tax settings and run a reconciliation payroll to correct. Remove the filter from Box 1 and repeat process for boxes 2, 3, 4, 5, 6, 16 & 17. Columns for Box 16 & 17 must be added to view. In the Available Columns search field type 16 and click the blue arrow to move Box 16: State Wages from the available to the selected columns, repeat with 17. Addition of columns for Box 16 & 17 is only required if your employees pay State Income Tax.
Verify Federal Wage V State Wage	▪ **Team >> Payrolls >> Forms >> W2s >> SAVED: 2021-W2 Audit Box 1 vs Box 16** ▪ Review employees who have variances between federal and state wages 	In many cases, the taxable wages should be the same. Exceptions may occur when operating in a non-income tax state or when operating in states where wages must be recorded in multiple states. PA and NJ are also States that will not have the same state and federal wages due to 401k taxability for PA and Section

		125 deduction taxability for NJ.
Verify that no Employee is over the annual limit for Social Security wages	▪ **Team >> Payrolls >> Forms >> W2s >> SAVED: 2021-OASDI Wages are over base limit** ▪ On Box 3: Social Security Wages verify that noemployees are showing over the annual limit. 	Corrections and reconciliation payrolls may need to be processed to correct employees that exceed current years wage base limit. On Box 4: Social Security Tax Withheld, filter to verify no employees have paid over the annual limit. The filter can be set to “>” (amount) then click Refresh Data. If there are no Results Returned proceed to the next step. If employees have exceeded the annual limits, a reconciliation payroll will be needed.
Verify Social Security Tax Withheld is correct	▪ **Team >> Payrolls >> Forms >> W2s >> SAVED: 2021-W2 Audit Box 4** ▪ Report will show discrepancies for Social Security Wages X Social Security Tax Withheld 	Corrections and reconciliation payrolls will need to be processed to correct employees who are out of balance. Social Security withheld calculation is taxable wages (box 3) X 6.2% = Tax Withheld (box 4) .
Verify Medicare Tax Withheld is correct	▪ **Team >> Payrolls >> Forms >> W2s >> SAVED: 2021-W2 Audit Box 6** ▪ Report will show discrepancies for Medicare Wages X Medicare Tax Withheld 	Corrections and reconciliation payrolls will need to be processed to correct employees who are out of balance. Medicare withheld calculation is taxable wages (box 5) X 1.45% = Tax Withheld (box 6). If no results are returned, no additional action is required.

Verify Additional Medicare Tax Withheld is correct

- **Team >> Payrolls >> Forms >> W2s**
- Insert column Box 5: Medicare Wages & Tips
- Filter for > 200,000



- **Example calculation below:**

Taxable Medicare Wages	$260,000		
Medicare Tax	1.45%		
Tax Withheld	**$3,770.00**		
Taxable Additional Medicare Wage	$60,000.00	*Wages over $200,000	
Additional Medicare Tax	0.9%		
Tax Withheld	**$ 540.00**		
Total:	**$4,310.00**		

You will need to manually verify these employees by multiplying Box 5: Medicare Wages and Tips by 1.45% and any amount over $200k by 0.9%, then netting those amounts together to compare against the amount withheld.

Review additional data validations

- **Team >> Payrolls >> Forms >> W2s**
- <u>Update column filters to identify potential issues requiring attention:</u>

Retirement plan values in Box 12, codes F through H, are over annual limit or less than zero.

Box 12 code DD Employer Sponsored Health Insurance is less than zero.

- Any W2 Box with a negative wage or tax amount. Negative wage and tax amounts cannot be reported on a W-2.

	○ Review all boxes that are being reported especially Box 12 codes. For example, a correction is generally required when an employee is refunded a prior year 401k or Health Savings Account deduction with no current year deductions to offset any resulting negative balance on the W-2. ○ Verify any required earnings or deduction are coded to the applicable W-2 boxes and that the amounts are correct based on the most recent payroll process.

Verify Exempt Status	▪ **Team >> Payroll >> Employee Payroll Maintenance >> Taxes >> Taxes** ▪ **Look for employees who are set to Federal or State Tax "Exempt".** • "Exempt" means that no taxable wages will be reported. • "Block W/H" records taxable wages but directs the system not to withhold taxes. Ensure the appropriate option is chosen. A reconciliation payroll can be used to correct wages/taxes once an employee's setting is updated.
Review Tax Wage Detail	▪ **Team >> Payroll >> Reports >> Payroll >> Taxes >> Tax Wage Details >> Tax Wage Details** • Reports can be run by payroll, in summary, or by account. • Verify the employee and employer Social Security, Medicare and Unemployment wages tie to the tax withheld. • Verify the employee and employer Social Security wages are the same amount or within pennies. • Verify the employee and employer Social Security tax amounts match. Keep in mind that Social Security Tips will also need to be included in your report. • Verify employee and employer Medicare wages are the same. • Verify the employee and employer Medicare Tax are the same amount or within pennies. • Verify the unemployment subject wages are not over annual limit. • Verify the unemployment subject wages times rate match to the amount withheld or within pennies. • Verify any Local percentage taxes tie to the taxable wages