



INNOVATIVE  
BUSINESS  
SOLUTIONS, INC.



November 2010

**"Thank you for your business!"**

[www.ibspayroll.com](http://www.ibspayroll.com)

### **Preparing for Year-End**

We want to stress the importance of reporting all of your 2010 payroll related items prior to January 1<sup>st</sup>.

You need to notify us of any earning or tax information that is not part of your ordinary payroll, but needs to be reported on your employees' W-2's. This should be done as early as possible prior to December 31<sup>st</sup> to avoid costly backdating of payrolls after 2010 has been closed. Some of the items to consider are:

1. Handchecks, voids or bonuses paid after your last scheduled payroll run for the year;
2. Employer provided life insurance in excess of \$50,000;
3. Personal use of company provided vehicles;
4. Reportable qualifying employee gifts or awards;
5. Employer contributions to a non-qualified deferred compensation or retirement plan;
6. Any other taxable fringe benefits (Employer HSA Contributions for W2 Disclosure and CA Tax Reporting, Health Club Memberships, Registered Domestic Partner Health Coverage, Unsubstantiated Cash Payments, etc).
7. Employer paid moving expenses;
8. Allocated Tips;
9. 'S' Corporation officer's medical;
10. Sick or disability pay reported to you by a third party administrator;

Another reason for reporting taxable fringe items with your regularly scheduled payroll is that associated taxes can be withheld from your employee's normal payroll check. If they are reported separately or the affected employee has terminated, the employer will often have to fund both

the employee's and employer's shares.

If you are unable to quantify any of these items before December 31<sup>st</sup>, please call us to let us know when you will have the information necessary to print your W-2's.

Keep in mind that any payrolls required to be run after your first payroll of 2011 is processed will almost invariably result in a late deposit of payroll taxes, and will carry a minimum fee of \$300 to re-open a previously closed year.

### **Schedule Your Special Year-End Payroll Runs**

In order to ensure the highest degree of service, we are requesting that our clients notify us in advance of upcoming special payroll runs (bonuses, taxable fringe, etc.). If you require a special year-end payroll, please give us as much advance notice as possible. Requests for special payroll runs without advance notice may result in additional processing fee premiums. Please complete the attached 'Special Unscheduled Payroll Request' Form and fax it back to IBS at (877) 586-4303.

### **Alert! Federal Tax Deposit Frequency Notice**

Every December, the IRS mails a notice to your company identifying your tax deposit frequency for the coming tax year. Please forward a copy of your notice to IBS.



**2011 TAX INFORMATION  
SHEET ON REVERSE SIDE**

### **Bonus Payments**

Don't forget to consider statutory required withholding rates of 25% and 6.6% for Federal and California respectively, for all supplemental payments to employees over and above their base salary. The state of California still uses a special rate of 10.23% for separate bonus payments.

### **No More Advanced Earned Income Credit in 2011**

As part of government budget cuts for next year, qualified employees will no longer have the option to receive their Earned Income Tax Credit (EITC) as part of an advance in their paycheck throughout the year. These low income workers can still take the tax credit as a lump sum at the time that they file their federal income taxes each year, but won't have the option to spread out the tax credit as a payment in their checks.

### **Employer W-2 Health Care Cost Reporting Mandate Postponed**

On 10/12/2010 the IRS announced that employer W-2 health care cost reporting will **NOT** be mandatory for 2011, as originally scheduled. It is pushed back instead to 2012. The Treasury Department and the IRS have decided to give employers additional time to make any needed changes to their payroll systems or procedures, to better prepare for compliance with the reporting requirement.

