



Dear Client:

Year-end is rapidly approaching and we both need to prepare for the completion of your employee's W-2s. Please review this information and call us with any questions.

Checklist of Year-end Tasks

- | | Done | N/A |
|---|--------------------------|--------------------------|
| 1. Please verify the <i>2011 W-2 Verification Sheet</i> for changes that we need to make to employee addresses or social security numbers. Please return this form no later than December 26, 2011. Changes made to employee addresses or other W-2 information after W-2s are run in early January will be subject to a <u>minimum \$100 re-processing fee</u> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. TAXABLE EMPLOYEE BENEFITS – Typically these include such items as personal use of autos , Group Term Life insurance over \$50,000, shareholder health insurance , etc. We ask you respond to our <i>Fringe Benefits and W-2 Planning Worksheet</i> , or <i>Personal Use Information Schedule</i> worksheet by December 19, 2011 OR BEFORE YOUR LAST PAYROLL of 2011. Please return this worksheet whether your company offers benefits or not. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. YEAR-END BONUSES – Please submit requests for year-end bonuses no later than Monday, December 26th . | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Review the <i>2012 Client Processing Calendar</i> and notify our office of changes to payroll frequency or any other changes as soon as possible. | <input type="checkbox"/> | <input type="checkbox"/> |

SHIPPING: We cannot guarantee USPS mail delivery during the holidays. Complete Payroll will not be responsible for delays of external delivery companies, and we ask for your patience and understanding in these matters. It is important you adhere to your assigned processing schedule and, when possible, transit your data as early as possible. If you currently are using USPS mail for delivery of your payroll, we can deliver by UPS for a nominal charge, or hold your payroll for pickup.

IMPORTANT DATES: Our offices will be closed on the following dates

Christmas	December 26	Closed All Day
New Years	January 2	Closed All Day

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COMPLETE PAYROLL, INC.
YEAR-END 2011 PAYROLL GUIDE

PAYROLL ISSUES

There are several issues that must be addressed for year-end payroll reporting. Among the most common are health insurance premiums paid to s-corp shareholders or their families, personal use of company provided automobiles, and company-provided life insurance. It is important to report these fringe benefits properly.

Health Insurance Premiums Paid to 2% Shareholders

The Internal Revenue Service requires health insurance premiums paid by Subchapter S corporations for employees owning more than 2% of the corporation and/or their family members (“2% shareholders”), to be treated as additional wages to the employee. These wages are subject to federal income tax withholding, but exempt from FICA, Medicare and FUTA.

Reasonable Compensation for S-corporation Shareholders

The IRS is increasingly auditing tax returns of s-corporations where the owners have taken less than a reasonable salary. If you are an owner of a profitable s-corporation and have not taken salary or have taken a very low salary that could be deemed as not reasonable, you are at risk of an IRS audit.

Group Term Life Insurance

The value of company-provided group term life insurance in excess of \$50,000 must be included in the employee’s income and is subject only to FICA and Medicare withholding. The value of includable compensation is calculated according to the following table:

UNIFORM PREMIUMS FOR \$1,000 OF
GROUP-TERM LIFE INSURANCE PROTECTION

5-year Age Bracket	Cost per \$1,000 for one month
Under 25.....	\$0.05
25 to 29.....	.06
30 to 34.....	.08
35 to 39.....	.09
40 to 44.....	.10
45 to 49.....	.15
50 to 54.....	.23
55 to 59.....	.43
60 to 64.....	.66
65 to 69.....	1.27
70 and above.....	2.06

For 2% shareholders, the entire amount of premiums paid must be included as income on the shareholder’s W-2, subject to federal income tax withholding, but exempt from FICA, Medicare and FUTA.

Personal Use of Auto

When providing an employee (including shareholder/employees in corporations) the use of a company-provided vehicle, a value representing the personal portion of usage of the vehicle must be included in the employee's W-2 income. The value computed must be included in the employee's W-2 as wages and is taxable for federal income tax, FICA, Medicare and FUTA. Although FICA and Medicare withholding is required, federal withholding is not required if notice was provided to the employee of the Company's decision not to withhold by January 31st.

If SMT & Associates is not your accounting and tax firm, we suggest contacting your accountant for this calculation. If SMT & Associates is your accounting firm, please call them at 815-788-5114 and request a information sheet to calculate this amount if it pertains to your employees.

We will include this amount as W-2 income before the end of the year.

Independent Contractors - How to Classify Workers

One of the steps we recommend to clients who use independent contractors and who therefore face a heightened risk of a costly IRS payroll tax or benefits audit, is a quick review of some of the key things the IRS tells its agents to look at in determining whether a worker is really an employee.

The primary inquiries fall into three categories. Who has financial control of the job? Who can exercise control over how the worker performs the specific task? And how do the parties themselves view the relationship? When reviewing the checklist, keep in mind that the IRS will make its decision based on the whole picture, not just a single factor.

Workers are more likely to be classified as independent contractors if they:

- Make a significant investment in business property (a home computer is not significant);
- Pay their own business expenses;
- Receive a flat fee that is not based on an hourly or similar rate;
- Are not prohibited from doing work for other companies;
- Can pay subcontractors to get the job done;
- Are not performing services as an integral part of your regular business;
- Have a contract with an enforceable liquidated damages provision;
- Can make a profit;
- Can suffer a loss.

Workers are more likely to be classified as employees if they:

- Are given specific instructions and on-going training in how to get the work done;
- Cannot work for others;
- Have expenses paid by your company;
- Are paid with a salary or hourly wage;
- Do not have a significant investment in their trade or business;
- Are an integral part of your regular business;
- Receive direct reimbursement for all, or almost all, expenses.

Less important is:

- Whether or not the work is performed on the business' premises;
- Whether the worker has flexibility in setting hours;
- Whether the relationship is temporary or short-term;
- Whether the work is full- or part-time;
- Whether the worker performs services for one or more businesses.

After reviewing this list, if you suspect there might be a problem, we would be happy to come in and perform a review of your hiring practices. Then, if necessary, we could suggest effective solutions.

Other Services We Offer

Pay-As-You-Go Workers' Compensation Insurance

Pas-as-you-go workers' comp insurance is offered through The Hartford and other leading insurance companies. This type of policy charges premium based on your actual payroll and **eliminates the need for large down payments and helps to smooth out cash flow.**



Online 401(k)

With a partnership through The Online 401(k), we offer competitively priced 401(k) options for you and your employees, fully integrated through our payroll service.



Time Clocks

We offer many types of time clocks, both physical clocks and virtual time-clocks.



Online Payroll

With our online payroll service, you can access your payroll records anywhere. As the employer, you can enter employee time online, and access historical payroll records online as well. Your employees can access their paychecks each payroll, as well as access their W-2's online.



Background Checks

Through our partnership with National Crime Search (NCS), we now offer instant and affordable background searches. Our partnership provides you with secure and instant access to a web-based national criminal and sex offender directory. This directory includes over 507 million criminal records covering all 50 states plus the District of Columbia.

Please call our office at 815-788-2932 or visit our website at www.completepayrollinc.com for more information about any of these products.

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