Another "Year-End" is almost upon us!

As 2017 is starting to wind down and come to an end, it is time for HR and payroll professionals to begin reviewing their year-end tasks and responsibilities. In the world of HR and payroll, there are many reporting obligations and processes to review and revise.

Let's begin with your health and welfare plans. Many employers who are on a calendar year plan year, find that the month of November is filled with open enrollment time. Employees are reviewing what their current needs are and which benefits you offer that can meet their needs.

During this time, it is the perfect opportunity to ensure your employees are receiving all the annual notices that you are required to provide and it's a great opportunity for HR to update employee records. Most times open enrollment is the time your employees pay the most attention to their benefits and need more information than other times of the year due to decision making and changes in their family status'.

The first items you may wish to review for your health & welfare plans, are your plan documents and Summary Plan Descriptions (SPDs) that are required under the Employee Retirement Income Security Act (ERISA). ERISA rules govern the administration of your employee benefit plans, including your retirement plans and your health & welfare plans. You are required to distribute an SPD to all new participants of your health plan within 90 days of their participation. If there are changes to those benefits, you are required to distribute a Summary of Material Modification (SMM) to participants in a certain timeframe depending on the significance of the change. Going into a new year (especially if it's your plan year), it's important to review these documents for accuracy and update if necessary.

The benefits you provide to your employees may also have some tax consequences. Your health insurance you provide is a non-taxable benefit for your employee and their legal tax dependents (spouse, children etc.) However, if you allow domestic partners to be covered under your health insurance plan, (you will want to verify your plan documents are updated to state that) there is imputed income that has to be calculated and reported as your employee must pay taxes on the value of that benefit you provide to cover their domestic partner. This is a calculation that can be confusing at best, but needs to be added to your employee's total income as a value-added benefit as a domestic partner is not a legal tax dependent (under most circumstances). If you need more information, please let me know and I can provide you with more details.

You need to provide a Summary of Benefits and Coverages (SBC) to all employees who are eligible for your insurance plans. This includes an SBC for your Health Reimbursement Arrangement (HRA) as well. HRAs are considered a self-insured employer plan and must meet certain rules and requirements be offered to employees.

You will want to review your contribution limits to a variety of employee benefit plans. Retirement contributions to a 401k or a similar pre-tax retirement plan have limits on the amount an employee can contribute on a pre-tax basis on an annual basis. You will want to review those limits, including limits to Health Savings Accounts (HSA) and out of pocket expenses.

The end of the year during or prior to open enrollment is the perfect time to remind your employees of a few important things:

- Their Flexible Spending Account (FSA) is a use it or lose it plan. Even with a grace period or an allowed rollover clause in your plan, employees need to carefully consider how much of their money to set aside to pay for out of pocket expenses or their Dependent Care expenses. With the Affordable Care Act, the health side of your FSA plan has to be offered to only those employees who are also eligible for your health insurance plan. You will also need to verify the new maximum allowed amount to contribute each year. For 2017 that limit was $2,600. The limit for 2018 has not been released as of yet.
- The Women's Health & Cancer Rights Act: Group health plans are required to notify employees ANNUALLY of the availability of coverage for breast reconstructive surgery expenses (when the plan provides coverages for mastectomies). Open enrollment is a good time to insure you are reaching all your employees with this notice.

You will also want to start preparing for 5500 reporting to the Dept. of Labor which is due 7 months after your plan year ends. Preparation is more important now than before, due to the expected changes in the 5500 reporting. New questions and information will be required for the 2018-2019 reporting year. Now is good time to start getting prepared! You are also required to provide a Summary Annual Report (SAR) to all participants of the plan once you file the 5500 forms. This is a report that gives all participants a snapshot of the financial information of the plan.

Moving into your payroll obligations at year end, in addition to any domestic partner taxation rules, many other types of benefits (called fringe benefits) you offer employees also could have tax obligations. Benefits such as group term life insurance and personal use of a company vehicle have taxable imputed income consequences. Information on taxable fringe benefits can be found in IRS Publication 15B. You will want to review this publication every year as the taxable amounts may change.

If as an employer you provide group term life insurance to employees in an amount over $50,000, you will have to calculate imputed income. Best practice dictates that this should be calculated on a per pay basis, many employers wait until year end to do that calculation which is another item to add to your list. The IRS has a chart that provides the taxable amount per $1,000 over the $50,000. The taxable amount is based on the employee's age at the end of the year.

Personal use of company vehicles – if you allow your employees to use company vehicles for any type of personal use (including commuting to and from work) you will need to calculate imputed income on the value of the personal use of that vehicle. The IRS has several ways you can calculate that imputed income, the key is to be consistent with that calculation for all affected employees.

Mileage reimbursements – if you reimburse your employees for mileage expenses, you need to be aware of the maximum rate the IRS allows you to reimburse on a non-taxable basis. This amount changes on a yearly (and sometimes mid-year) basis. If you reimburse at a level higher than the IRS maximum allowable amount, you will need to calculate imputed taxable income for the amounts over the maximum allowed.

Do you provide short term or long-term disability insurance? Depending on how those plans are set up on an employee level (employer paid, partially employee paid, totally employee paid) and how they are set up with the carrier, there will be tax obligations. Total earnings and tax withholding from disability payments have to be reflected in the employee's W-2 (or the carrier may produce a separate W-2).

If you have a relocation policy, there will be tax obligations depending on how that policy is written. Relocation has specific rules on what is taxable and what is not. Cash is always taxable. If you provide employees who are relocating a lump sum of money with no accounting for the actual amounts spent, that is all taxable. There are also W2 reporting obligations with relocation as well depending on whether the employer reimburses the employee or pays for a service directly for that employee. Any mileage reimbursed for relocation an only be paid at 23 cents per mile (for 2017) as opposed to the business mileage reimbursement (53.5 cents for 2017). These amounts change each year, you will want to make sure you add this to your list to "verify" each year.

You will want to update any tax tables in your payroll software (or insure your provider has done that). Tax tables change each year, so you will want to verify you are taxing your employees correctly based on the newest guidelines of the IRS.

In your payroll system, you will want to verify your paycheck dates that occur near the end of the year. You may need to change pay dates depending on if there is a holiday in that week. You will need to alert employees if there is a change of the pay date, and you may have to change your process timeline in order to meet the banking and Automated Clearing House (ACH) requirements.

You are required to let your employees know that if they have had a change in their family status, they can fill out a new W-4 form. Employees are never required to complete a new W-4 form UNLESS they claim exempt from withholding. Any employee claiming exempt has until Feb 1st of the following calendar year to provide a new W-4. If you do not receive one, you as the employer are required to change their withholding to Single One until you receive a new W-4 form. The IRS Publication 15 (Circ E) has information on W-4s.

You will want to verify employee's addresses as well to prepare their W-2s. My recommendation would be in November during open enrollment you provide an information sheet to your employees with all their information (name, address, withholdings, emergency contacts etc.) and ask employees to make any changes. They are already reviewing benefits, now is the perfect time to review payroll information as well.

One item that seems to get left off a checklist or forgotten about is your state escheat laws. Escheat laws determine how long you can keep money that is really an employee's (uncashed paycheck, unpaid vacation time etc.). Each state has rules on how long you can keep that money before it needs to be turned into the state treasury department. Part of your year-end process should be to reconcile any outstanding checks and verify the timeline you have to find that employee and return those funds, or send that money to the state.

Year-end can be a stressful time for HR and payroll, but if you start your preparation and checklists now, you will find it not as stressful as in previous years, and your processes will run much smoother!