ADP 2010 Year-End Accountant Guide.

Dated Material: Action required.

This guide contains information and critical dates that will help ease your and your clients' year-end tax filing. Fill in and submit all forms to give yourself peace of mind that everything is completed accurately and on time.

I use ADP because it makes my life easier. It takes a lot off my plate that I don't have to do. I don't have to worry about doing my quarterly reports or my year-end W-2s or 1099s. I highly would recommend ADP payroll service — Thomas Mayer
Owner › T.G. Mayer & Co. › Plymouth, Massachusetts

T.G. Mayer & Co. Paid by ADP.

Additional Resources

IRS Forms and Publications
1-800-TAX-FORM (800) 829-3676
http://www.irs.gov/formspubs/index.html

IRS Contact Information
(800) 829-4933
http://www.irs.gov

Social Security Contact Information
(800) 772-1213
http://www.ssa.gov

ADP Employer Resource Center
Access ADP calculators and tools, as well as up-to-date tax and compliance resources.
http://www.adp.com/tools-and-resources.aspx

ADP Small Business Services Client Center
Access payroll and tax-related resources designed for ADP Small Business Services clients.
http://smallbusiness.adp.com/small-business-services/client-support.aspx

KEEPING YOUR QUARTER-END ON SCHEDULE

If you and your clients need to schedule additional payrolls or adjustments **after** the last regularly scheduled payroll of 2010, please notify ADP.

If you and your clients call in or fax in payroll: Inform your ADP representative about additional payrolls.

If you and your clients are EasyPayNet℠ clients: 1. When entering an additional, off-schedule payroll, select "Special" as the monthly pay cycle number. 2. Verify scheduled deductions. 3. Enter the appropriate check date for the payroll.

Welcome to the 2010 Year-End Accountant Guide

The end of 2010 is approaching, and ADP is pleased to present this easy-to-use Year-End Guide to help you complete your and your clients' 2010 payroll processing year without any costly issues. We know that year-end can be confusing, so we've provided this easy-to-use guide to make it easy for you to entrust your and your clients' payroll to the payroll experts. Your attention to this process is greatly appreciated.

Use the forms and tools in this guide to help ensure you and your clients receive accurate and timely bonus payrolls, year-end reports and W-2s. Please have your clients review the tools in this guide by November 12, 2010 to avoid penalties for missing critical deadlines.

The 2010 Year-End Guide will provide you information on how to:

- Report critical information using the Year-End Reply Form.
- Schedule employee bonuses using the Bonus Payroll Reply Form.
- Verify the accuracy of the information ADP has on file for your and your clients' employees.
- Report final 2010 payroll adjustments.
- Prepare to file, if necessary, quarterly and annual tax forms.
- Avoid costly payroll adjustments and reruns.

ADP begins processing year-end forms and reports as soon as the final 2010 payroll is processed. Please keep the following items in mind to avoid delays and any additional fees and potential tax agency inquiries:

Verify Tax IDs

Confirm the accuracy of all tax identification numbers on the Payroll Summary report and correct any discrepancies by November 12, 2010.

Submit 2010 W-2 Information Changes

Provide corrected or missing employee W-2 information to ADP prior to the last payroll with a 2010 check date. (See page 15.)

Know Your Filing Responsibilities

In some cases you and your clients – not ADP – are responsible for filing taxes. Verify the filing responsibilities using the Quarterly Tax Verification Notice (issued with the last November payroll) or the third quarter Statement of Deposit (sent in the mail).

Submit Payroll Adjustments

You and your clients must report final payroll adjustments (e.g., manually issued or voided checks) to ADP before or with the last regularly scheduled 2010 payroll. This action must be completed no later than December 30, 2010.

Report Filing of Form W-2c

If you and your clients file Form W-2c with the IRS to correct errors on an employee's W-2, you and your clients will need to contact ADP so we can update our records. A correction fee may also be incurred.

Thank you in advance as we work together to make your and your clients' 2010 payroll year-end a success. We appreciate the opportunity to serve your and your clients' payroll processing needs and look forward to working with you in 2011.

Table of Contents

Welcome to the 2010 Year-End Accountant Guide Page 1
Critical Dates and Important Deadlines Page 3
Year-End Checklist Page 4

DUE DATE November 12, 2010

Year-End Reply Form Page 5, 7
Instructions for Completing the Year-End Reply Form Page 6, 8
- Fringe Benefits
- Qualified Pension and Retirement Plans
- Group Term Life (GTL) Insurance Premiums
- S-Corporation Health Insurance
- Other Miscellaneous Income/Tax Credits
- Statutory Employees
- Important Company Information
- Vacation/Sick Balances

Bonus Payroll Reply Form A Page 9
Bonus Payroll Reply Form B Page 11
Instructions for Completing Bonus Payroll Reply Form A Page 10
- Schedule a Bonus Payroll
- Taxing Options/Payroll Options

Instructions for Completing Bonus Payroll Reply Form B Page 12
- Schedule a Bonus Payroll
- Taxing Options

Preparing to Process and File Your 1099 Forms Page 13
- Processing 1099 Forms
- 1099 Submission Requirements
- 1099 Mailing Addresses
- Obtaining a Transmitter Control Code
- Information about IRS Forms

Client Filing Responsibilities Page 14
- Clients with Fewer than 250 Employees
- Clients with More than 250 Employees
- Annual Form 944 Required of Certain Employers
- Household Employers

DUE DATE Before the last payroll of 2010

Report Third Party Sick Pay Page 14
Report COBRA Assistance Payments Page 14
Report Job Tax Credit Exemptions Page 14
Verify Employee Information Page 15
Considerations for ADP Tax Filing clients Page 16
- Making Payroll Adjustments
- Correcting Employee W-2s using Form W-2c
- Absolution Letter

DUE DATE The first payroll of 2011 Page 16
- Updates to Employee Deductions
- Deactivation of Retirement Plan Catch-Up Contributions
- 2011 Tax Changes

Year-End Pricing Guide Page 17

Critical Dates and Important Deadlines

November

1: 2011 payroll processing schedule delivered with the first payroll on or after November 1, 2010.

12: **DUE:** Year-End Reply Form (page 5, 7)
DUE: Bonus Payroll Reply Form (page 9, 11)
1099 & W-2 Filing Preparation may also be required (page 13 & 14)

22-23: **High Call Volume Days:** ADP anticipates high client call volumes on these days.

25: **ADP is CLOSED. This is a federal banking holiday.**

December

6: Use the schedule you and your clients received from the first payroll processed on or after November 1 to report any changes in your and your clients' payroll processing dates to ADP.

7-9: **High Call Volume Days**

17: If your and your clients' regular payroll is scheduled or dated for Friday, December 24, 2010, please refer to your and your clients' annual schedule as the processing date may have been adjusted.

20-21: **High Call Volume Days**

23: If your and your clients' regular payroll is scheduled or dated for Friday, December 31, 2010, please refer to your and your clients' annual schedule as the processing date may have been adjusted.

24: **ADP is open with full service.**

25: **This is a federal banking holiday.**

27: **High Call Volume Day**

29: **DEADLINE:** Last day to submit the final 2010 payroll with check date December 31.
High Call Volume Day

30: **DEADLINE:** Last day for Tax Filing Service clients to process changes without potential penalties.
High Call Volume Day

31: **ADP is open with full service.**
High Call Volume Day

January 2011

1: **This is a federal banking holiday.**

3: **High Call Volume Day**

7: Last day for Tax Filing Service clients to submit 2010 fourth-quarter adjustments without incurring ADP amendment fees.

11: **High Call Volume Day**

25-28: **High Call Volume Days**

31: **DEADLINE:** Distribute employee W-2 and 1099 forms before January 31.

Year-End Checklist

ADP makes it simple to complete 2010 processing and get ready for 2011. Use this checklist to track what needs to happen and when.

DUE DATE November 12, 2010

- ☐ **Complete and Return the Year-End Reply Form** — Page 5, 7
- ☐ **Complete and Return the Bonus Payroll Reply Form** — Page 9, 11
- ☐ **Prepare to Process and File 1099 Forms** — Page 13
  Some action MAY be required by November 12.
- ☐ **Filing Responsibilities** — Page 14

DUE DATE Before the last payroll with a 2010 check date

- ☐ **Update "Allowed and Taken" Hours, if applicable** — Page 8
  Vacation and sick balances are automatically cleared after the last December payroll, so be sure to report any changes before the last 2010 payroll.
- ☐ **Report Third Party Sick Pay to ADP** — Page 14
- ☐ **Report COBRA Assistance Payments to ADP** — Page 14
- ☐ **Report Job Tax Credit Exemptions to ADP** — Page 14
- ☐ **Verify and Submit Changes to Employee Information** — Page 15
- ☐ **Report Final 2010 Payroll Adjustments** — Page 16
- ☐ **Report Filing of Form W-2c** — Page 16

DUE DATE The first payroll of 2011

- ☐ **Update Employee Deductions** — Page 16
- ☐ **Deactivate Retirement Plan Catch-Up Contributions, if desired** — Page 16

Required Reports

As you move through this guide, you may require these reports to complete certain tasks.

- **Master List.** If you and your clients call in payroll, a free Master List will be delivered with a payroll after September 27, 2010. EasyPayNet clients can request a free Master List with any payroll.
- **Employee List with SSNs.** Request this report with the Year-End Reply Form on page 5 of this guide.
- **Quarterly Tax Verification Notice.** This report is issued with the last November payroll.
- **Statement of Deposit.** This report will be mailed to you and your clients in early November 2010.

Year-End Reply Form

Completed form due to ADP by November 12, 2010

The end of 2010 is quickly approaching. Completing this form now will help ensure that we process your and your clients' year-end payrolls and filings accurately and on time. Please see the back of this form for additional information.

Employee List with Social Security Numbers

☐ I would like to receive a free Employee List with SSNs report to verify employee Social Security numbers.
(For security reasons, an ADP representative will contact you to discuss your preferred delivery method.)

Your Company Information

Branch/Client Code: _____ Company Name: _____

Contact Name: _____ Phone Number: _____

Section 1

Fringe Benefits

Please indicate any fringe benefit(s) and taxing option(s) you or your client will report below:

☐ Automobile fringe benefits for personal use of a company car. Withhold all taxes. (AUTO)

☐ Fully taxable fringe benefits. Withhold all taxes. (FNG1)

☐ Fully taxable fringe benefits. Withhold FICA (Social Security/Medicare) only. (FNGR)

☐ Non-taxable fringe benefits. Do not withhold taxes or report benefits on W-2s. (NTAX)

Section 2

Qualified Pension and Retirement Plans

A response is only required in this section if your or your client's qualified pension plan is 100% company-funded. If so, please check the appropriate box:

☐ All employees are covered by a company-funded pension plan.

☐ Some employees are covered by this plan. (Please attach a list of employees.)

If you or your client have employees who make contributions through payroll to any deferred compensation plan, ADP automatically completes Form W-2 with the required information.

Section 3

Group Term Life (GTL) Insurance Premiums

If you or your client will be reporting GTL insurance premiums, indicate how they should be taxed:

☐ Withhold FICA (Social Security/Medicare) only. Report federal and state wages on W-2s. (INSP)

☐ Withhold all taxes. (INS2)

Section 4

S-Corporation Health Insurance

If you or your client will be reporting S-Corporation health insurance, check the applicable taxing option:

☐ Fully taxable for federal income tax, FICA (Social Security/Medicare) and most states. (SCRF)

☐ Only taxable for federal income tax and most states. (SCRP)

New Jersey S-Corporation Employers only

☐ Only taxable for federal income tax. (SCRJ)

☐ Taxable for federal income tax and FICA (Social Security/Medicare). (SCRN)

Instructions for Completing the Year-End Reply Form

ACTION REQUIRED BY November 12, 2010

As the end of 2010 approaches, it is important that you and your clients verify that the account and employee information is accurate and special processing is arranged. After submitting this form, you or your clients must report these items with one of the remaining regular payrolls with a check dated in 2010 to ensure that employees have sufficient pay from which to withhold taxes.

IMPORTANT

You and your clients may require the following reports to complete this form. Refer to your Checklist (page 4) to learn more about where you can find these reports.

- **Master List**
- **Quarterly Tax Verification Notice**
- **Statement of Deposit**

Section 1 Fringe Benefits

Sometimes the value of some non-cash fringe benefits must be considered income to employees and must be reported on Form 941 (or 944 if applicable) and employees' W-2s. Taxable fringe benefits are included as wages, making them subject to federal income tax, FICA (Social Security/Medicare), federal unemployment (FUTA), and possibly state income tax and unemployment insurance (based on state regulations). Taxable fringe benefits may include:

- Personal use of company automobiles
- Personal flights on employer-provided aircraft
- Employer-provided vacations
- Some gifts

For EasyPayNet clients
Find easy-to-use instructions on entering additional wage information with a payroll at: http://smallbusiness.adp.com/small-business-services/client-support/year-end-central.aspx

Though the IRS has issued regulations defining taxable fringe benefits, the tax on these benefits varies by each company's interpretation of the law.

Section 2 Qualified Pension and Retirement Plans

A response is only required in this section if the qualified pension plan is 100% company-funded.

The SSA requires that employees' W-2s reflect active participation in a retirement plan or a simplified employee pension plan during any part of the year. If you or your clients have employees who make contributions through payroll to any deferred compensation plan, ADP automatically completes Form W-2 with the required information. These include:

- 401(k)
- 403(b)
- 408(k)
- 457
- 501(c)
- Roth 401(k)
- Roth 403(b)
- Roth SIMPLE 401(k)
- SIMPLE 401(k)
- SIMPLE IRA

Section 3 Group Term Life (GTL) Insurance Premiums

When premiums are paid on GTL insurance for an employee, premiums for coverage in excess of $50,000 are subject to FICA (Social Security/Medicare) withholding and must be reported with a payroll before the end of 2010.

Section 4 S-Corporation Health Insurance

The cost of premiums for accident and health insurance coverage provided by an S-Corporation to its 2% shareholder–employees must be reported as income on Form 941 (or 944 if applicable) and Form W-2.

Completed form due to ADP by November 12, 2010

Your Company Information

Branch/Client Code: _____ Company Name: _____

Contact Name: _____ Phone Number: _____

Section 5

Other Miscellaneous Income/Tax Credits

Check the items that you or your client will be reporting at the end of the year:

- ☐ Allocated Tips
- ☐ Golden Parachute Payments
- ☐ Uncollected FICA on Insurance Premiums
- ☐ Moving Expenses
- ☐ Dependent Care
- ☐ Uncollected FICA (Social Security/Medicare) on Tips
- ☐ Unsubstantiated Employee Expense Reimbursements
- ☐ COBRA Payments/Third Party Sick Pay - If these will be reported after the last payroll of 2010, please contact ADP.
- ☐ HIRE Act (Job Tax Credits)

Section 6

Statutory Employees

Please include a list of any statutory employees who worked for your or your client's company this year with this form.

Section 7

IMPORTANT COMPANY INFORMATION

Has your or your client's company information changed? If so, please notify ADP using this section:

Effective Date _____

E-mail Address _____

Legal Name _____

Legal Address _____

Federal Employer Identification Number (FEIN) _____

State Tax Identification Number _____ State Abbreviation _____

Unemployment Tax Identification Number _____ State Abbreviation _____

Section 8

Vacation/Sick Balances

Do you or your client wish to carry over vacation and/or sick balances to 2011?

- ☐ Yes, vacation balances should be carried over to 2011.
- ☐ Yes, sick balances should be carried over to 2011.

Checkpoint

If you have changes, please send this form to ADP by November 12. No action is required if you have no changes.

The mailing address and fax number are on the letter that accompanied the Year-End Client Guide.

Thank you for completing the Year-End Reply Form.

Section 5 Other Miscellaneous Income/Tax Credits

Allocated tips

If your or your client's business requires the reporting of tips, and you or your client finds after completing restaurant Form 8027 that sufficient tips were not reported, you or your client must report an adjustment to add allocated tips for the affected employees. This helps to ensure that the tips appear as income on their W-2s.

COBRA payments

Notify ADP of any unreported COBRA payments made on behalf of former employees in calendar year 2010 so that they may be included on Form 941.

Dependent care

Dependent care expenses are incurred when the care is provided, not when the employee is billed or charged. You must report the total amount incurred for dependent care assistance provided to your or your client's employees.

Golden parachute payments

If golden parachute payments were made to key corporate executives and the excess payments are considered wages, they are subject to FICA (Social Security/Medicare), federal unemployment (FUTA) and income tax. The amount of excess payments must be reported on the employee's W-2. The 20% excise tax on these payments is considered income tax withholding and must be reported.

HIRE Act (Job Tax Credits)

Notify ADP of all eligible employees so these exemptions may be reported on your 2010 Forms W-2, W-3, and 941.

Moving expenses

Nonqualified moving expenses are taxable. However, both *qualified* and *nonqualified* moving expenses reimbursed to or paid on behalf of an employee must be reported on Form W-2.

Third party sick pay

Notify ADP of any third party sick pay and taxes withheld on those payments for 2010 if these amounts are not reported by the third party.

Uncollected FICA on insurance premiums and tips

If you or your client were unable to collect all of the required FICA (Social Security/Medicare) tax on premiums paid for group term life insurance (e.g., the premium on a retired employee is still being paid) or employee tips, the amount must be reported as uncollected FICA – not as Social Security tax withholding.

Unsubstantiated employee expense reimbursements

Amounts paid to your or your client's employees for business expenses must be reported if:

- The employee does not or is not required to substantiate the expenses. (i.e., furnish receipts or expense reports) **OR**
- Amounts were advanced to the employee for business expenses, and the employee does not or is not required to return amounts not used for business expenses.

Section 6 Statutory Employees

Certain categories of workers who are independent contractors under common law but treated by statute as employees must be identified as statutory employees to ADP so the proper notation is included on their W-2s.

Section 7 Important Company Information

Complete this section ONLY if any of your company information has changed.

Use the Quarterly Tax Verification Notice or the third-quarter Statement of Deposit to verify your or your client's company:

- Legal name and address
- Federal Employer Identification Number (FEIN)
- State tax identification number
- State unemployment tax identification number

These items (with the exception of your legal address) may also be verified with the Payroll Summary, issued with every payroll. ADP may request supporting documentation.

Section 8 Vacation/Sick Balances

All vacation and sick balances will be cleared after the last December payroll, unless saved on a fiscal basis. You or your client must notify ADP if you or your client want to carry over vacation and/or sick balances into the new year.

If you and your clients use EasyPayNet, please skip this form and use Bonus Reply Form B.

Bonus Payroll Reply Form A	Completed form due to ADP by November 12, 2010

Bonuses are an important way to recognize employee performance. Completing this form now will help ensure that we process your or your client's bonus payroll accurately. Please see the back of the form for additional information.

Step 1: Schedule your bonus payroll

Branch/Client Code: _____ Company Name: _____

Contact Name: _____ Phone Number: _____

☐ Yes, I will be processing a separate bonus payroll on _____

I would prefer to be called in the: Morning _____ Afternoon _____

☐ I will not be processing a separate bonus payroll.

I will be including my bonus checks in a regular payroll on _____

☐ Please check here if you will fax your bonus information on the date above.

KEY INFORMATION

- If you are using one of our banking features, such as Full Service Direct Deposit or ADPCheck™, you must report your bonus payroll at least three business days before the check date.
- Once you process a bonus payroll, the bonus amounts will be included in the year-to-date section of the employees' check stubs. To prevent bonus amounts from appearing on an earlier check, schedule the bonus payroll as the last payroll prior to distribution of the bonus checks.
- When selecting a date above, please refer to the letter that accompanied this guide, which specifies the designated bonus payroll processing dates from which you can choose.

Step 2

Taxing Options

To help ensure that bonuses are taxed correctly, select *one* of the following options:

☐ Tax my bonus payroll using regular table rates for all taxes.

☐ Tax my bonus payroll at the supplemental wage rate for federal tax and withhold all applicable state, city, FICA (Social Security/Medicare), unemployment and disability taxes. (SUPW) **The federal supplemental tax rate is a flat 25% for earnings up to $1,000,000.00 and a flat 35% for earnings over $1,000,000.00.**

☐ Do *not* withhold federal or state tax, but withhold all other applicable taxes. (BONS)
Using this option, wages are considered taxable for federal and state and will be included on W-2s.

☐ I will provide ADP with pre-calculated gross-to-net figures.
Refer to http://www.adp.com/tools-and-resources.aspx for calculators that can assist you.

Step 3

Payroll Options

☐ Cancel Direct Deposit and issue all checks. ☐ Cancel the voluntary deductions listed below.

Refer to your Worksheet issued with each payroll for deduction codes and names. Changes will be made to all employees that are set up for the deduction. For each voluntary deduction you want to cancel, provide the deduction code and name below:

Code	Name	Code	Name	Code	Name	Code	Name

Checkpoint	**If you plan to issue bonus checks, please send this form to ADP by November 12. No action is required if you are not planning to issue bonus checks.** The mailing address and fax number are on the letter that accompanied the Year-End Client Guide.

Thank you for completing the Bonus Payroll Reply Form.

Instructions for Completing Bonus Reply Form A

ACTION REQUIRED BY November 12, 2010

If you and your client use EasyPayNet, use Bonus Payroll Reply Form B.

Step 1 Schedule the Bonus Payroll

When scheduling a bonus payroll, keep these points in mind:

- Processing bonus payrolls separately prevents issues with employee taxes and/or voluntary deductions.
- Please allow at least 48 hours between reporting a regularly scheduled payroll and the bonus payroll to afford ample time for reviewing and making changes, if necessary.
- Bonus amounts will be included in the year-to-date section of employee check stubs – so schedule it as the last payroll prior to distribution of the bonus checks.
- You or your client must be available on the day of delivery to check that the payroll is accurate and to wire funds, if necessary.

If you or your client are using one of our banking features, such as Full Service Direct Deposit or ADPCheck, the bonus payroll must be reported to ADP at least three business days before your check date.

For assistance determining pre-calculated bonus check amounts, check out our Resource Center Web site at http://www.adp.com/tools-and-resources.aspx

Special Information about Bonus Payrolls

Bonus payrolls with federal tax liabilities in excess of $100,000

Federal tax liabilities in excess of $100,000 must be deposited by the next banking day after the check date to avoid penalties and interest. ADP Tax Filing Service clients must report this payroll to ADP at least three business days prior to the check date.

Funding requirements

In addition to federal regulations, ADP also applies certain restrictions to large bonus payrolls that may require a wire transfer prior to check date. If these restrictions apply to your bonus payroll, ADP will supply you or your client with the necessary wire instructions by the next business day after the bonus payroll has been processed.

Calculating gross from net pay for bonus checks

If you know what net bonus you or your client would like to award an employee and FICA (Social Security/Medicare) is the only tax deducted from a bonus check, you or your client may use the following formulas to calculate FICA and the inflated gross amount:

Year-To-Date Gross*	Inflated Gross	FICA
Under $106,800.00	Net Bonus Pay ÷ 0.9235	7.65% x Inflated Gross
Over $106,800.00	Net Bonus Pay ÷ 0.9855	1.45% x Inflated Gross

* The employee's year-to-date gross earnings determines which formula should be used.

Step 2 Taxing Options

This explains how the bonus will be taxed.

Step 3 Payroll Options

This allows you to select paper checks for this bonus payroll and cancel any usual voluntary deductions. Consult the Worksheet issued with each payroll for deduction codes and names, and include them in Step 3.

For more information on payroll resources, federal, state and local tax information, and other tools, visit: **http://www.adp.com/tools-and-resources.aspx**

For EasyPayNet clients ONLY

Bonus Payroll Reply Form B	Completed form due to ADP by November 12, 2010

Bonuses are an important way to recognize employee performance. Completing this form now will help ensure that we process your or your client's bonus payroll accurately. Please see the back of the form for additional information.

Step 1: Schedule your bonus payroll

Branch/Client Code: _____ Company Name: _____

Contact Name: _____ Phone Number: _____

☐ Yes, I will be processing a separate bonus payroll on _____

☐ I will not be processing a separate bonus payroll.
I will be including my bonus checks in a regular payroll on _____

KEY INFORMATION

- If this payroll is separate from a regularly scheduled payroll, be sure to select "Special" as the monthly pay cycle number so your regularly scheduled payrolls stay on schedule.
- If you are using one of our banking features, such as Full Service Direct Deposit or ADPCheck, you must report your bonus payroll at least three business days before the check date.
- If you want to distribute the bonus checks, be sure to cancel direct deposit for this payroll.
- Once you process a bonus payroll, the bonus amounts will be included in the year-to-date section of the employees' check stubs. To prevent bonus amounts from appearing on an earlier check, schedule your bonus payroll as the last payroll prior to distribution of the bonus checks.

Step 2

Taxing Options

To help ensure that bonuses are taxed correctly, select *one* of the following options:

☐ Tax my bonus payroll using regular table rates for all taxes.

☐ Tax my bonus payroll at the supplemental wage rate for federal tax and withhold all applicable state, city, FICA (Social Security/Medicare), unemployment and disability taxes. (SUPW) **The federal supplemental tax rate is a flat 25% for earnings up to $1,000,000.00 and a flat 35% for earnings over $1,000,000.00.**

☐ Do *not* withhold federal or state tax, but withhold all other applicable taxes. (BONS)
Using this option, wages are considered taxable for federal and state and will be included on W-2s.

With the EasyPayNet Paycheck Calculator, you or your client can easily obtain gross-to-net figures for bonus payrolls using the employees' withholding and deduction data and save the results as pre-calculated checks to be processed when the bonus payroll is submitted.

For additional information and procedures regarding bonus payrolls, refer to the ADP Small Business Services Client Center Web site at: **http://smallbusiness.adp.com/small-business-services/client-support/year-end-central.aspx**

Checkpoint	**If you plan to issue bonus checks, please send this form to ADP by November 12. No action is required if you are not planning to issue bonus checks.** The mailing address and fax number are on the letter that accompanied the Year-End Client Guide.

Thank you for completing the Bonus Payroll Reply Form.

Instructions for Completing Bonus Reply Form B

ACTION REQUIRED BY November 12, 2010

If you and your client do not use EasyPayNet, use Bonus Payroll Reply Form A.

Step 1 Schedule the Bonus Payroll

When scheduling a bonus payroll, keep these points in mind:

- Processing bonus payrolls separately prevents issues with employee taxes and/or voluntary deductions.
- Please allow at least 48 hours between reporting a regularly scheduled payroll and the bonus payroll to afford ample time for reviewing and making changes, if necessary.
- Bonus amounts will be included in the year-to-date section of employee check stubs – so schedule it as the last payroll prior to distribution of the bonus checks.
- You or your client must be available on the day of delivery to check that the payroll is accurate and to wire funds, if necessary.

If you or your client are using one of our banking features, such as Full Service Direct Deposit or ADPCheck, the bonus payroll must be reported to ADP at least three business days before your check date.

For assistance determining pre-calculated bonus check amounts, check out our Resource Center Web site at http://www.adp.com/tools-and-resources.aspx.

Special Information about Bonus Payrolls

Bonus payrolls with federal tax liabilities in excess of $100,000

Federal tax liabilities in excess of $100,000 must be deposited by the next banking day after the check date to avoid penalties and interest. ADP Tax Filing Service clients must report this payroll to ADP at least three business days prior to the check date.

Funding requirements

In addition to federal regulations, ADP also applies certain restrictions to large bonus payrolls that may require a wire transfer prior to check date. If these restrictions apply to your bonus payroll, ADP will supply you or your client with the necessary wire instructions by the next business day after the bonus payroll has been processed.

Calculating gross from net pay for bonus checks

If you or your client know what net bonus you would like to award an employee and FICA (Social Security/Medicare) is the only tax deducted from a bonus check, you or your client may use the following formulas to calculate FICA and the inflated gross amount:

Year-To-Date Gross*	Inflated Gross	FICA
Under $106,800.00	Net Bonus Pay ÷ 0.9235	7.65% x Inflated Gross
Over $106,800.00	Net Bonus Pay ÷ 0.9855	1.45% x Inflated Gross

* The employee's year-to-date gross earnings determines which formula should be used.

If you or your client are an ADP EasyPayNet client, please select "Special" as the monthly pay cycle number, verify scheduled deductions and enter the appropriate check date for the bonus payrolls. Want to hand-deliver the checks? You or your client can cancel Direct Deposit for a bonus payroll so that you can personally deliver bonus checks.

Step 2 Taxing Options

This explains how the bonus will be taxed.

For more information on payroll resources, federal, state and local tax information, and other tools, visit: **http://www.adp.com/tools-and-resources.aspx**

Preparing to Process and File your 1099 Forms

ACTION REQUIRED BY November 12, 2010

IMPORTANT

You and your clients may require the Master List to complete this form. Refer to your Checklist (page 4) to learn more about where you can find this report.

ADP's Tax Filing Service (TFS) does not file 1099 forms.

Therefore, all ADP clients, including clients that use ADP's Tax Filing Service, are responsible for filing 1099s and Form 1096 with the appropriate agencies.

Processing 1099 forms

The integrity of your and your clients' 1099s is as important as an accurate W-2. Please verify all the reporting information using the Master List, including recipient name, address, federal identification number and year-to-date figures.

ADP will produce the following copies of Form 1099:

- Copy A — IRS federal copy (pre-printed, scannable)
- Copy B — Employee copy
- Copy C — Payer copy (employer)
- Copy 1 — State copy (employer)
- Copy 2 — State filing copy (employee)

1099 submission requirements

ADP can provide paper versions of both federal and state/city 1099-MISC forms, as well as 1099-R forms for all jurisdictions. However, federal law stipulates that any employer with 250 or more 1099-MISC or 1099-R forms in a given year must file electronically. If you and your clients provide your Transmitter Control Code by November 12, 2010, ADP will produce a federal 1099-MISC CD-ROM. ADP does not provide any 1099-R data or state/city 1099-M data on CD-ROM.

Information about IRS forms

Form 1099-MISC

Reports distributions for independent contractors who have provided services to your business.

Form 1099-R

Reports distributions of annuities, retirement and profit sharing plans, and IRAs.

Form 1096

Form 1096 is required to file 1099 forms with the IRS.

ADP does not produce or file Form 1096.

If you and your clients file 1099s, it is your and your clients' responsibility to complete and file Form 1096. Instructions will be provided with the 1099s in the year-end package.

Form 945

Form 945 is an annual federal return for reconciling taxes withheld and deposited on non-payroll earnings (e.g., backup federal withholding and tax withheld on 1099-R and 1099-MISC income).

ADP does not produce or file Form 945.

If you and your clients need to file Form 945, it is your and your clients' responsibility to complete and file this form with the IRS.

Forms may be obtained from the IRS Web site at: http://www.irs.gov/formspubs/index.html or call 1-800-TAX-FORM (1-800-829-3676).

1099 mailing addresses

Principal business, office or agency, or individual legal residence location:	Internal Revenue Center
AL, AR, AZ, CT, DE, FL, GA, KY, LA, MA, ME, MS, NC, NH, NJ, NM, NY, OH, PA, RI, TX, VA, VT, WV	Austin, TX 73301
AK, CA, CO, DC, HI, ID, IL, IN, IA, KS, MD, MI, MN, MO, MT, NE, ND, NV, OK, OR, SC, SD, TN, UT, WA, WI, WY	Kansas City, MO 64999

Obtaining a Transmitter Control Code (TCC)

If you and your clients require a 1099-MISC CD ROM and have not previously electronically filed with the IRS, you and your clients will need to apply for an IRS/MCC-assigned Transmitter Control Code (TCC.) To obtain the TCC, Form 4419 must be filed with the IRS.

Once you and your clients have been approved by the IRS and have received the TCC, you and your clients do not need to reapply each year.

Client Filing Responsibilities

ACTION MAY BE REQUIRED BY November 12, 2010

IMPORTANT

If you and your clients are responsible for filing the 2010 annual returns, this section has important information.
If ADP files your and your clients' annual returns, you may skip this section.
If you and your clients use ADP's Tax Filing Service, refer to the Quarterly Tax Verification notice to determine your and your clients' filing responsibility. Refer to your Checklist (page 4) to learn more about where you can find this report.

Companies with Fewer Than 250 Employees

If your and your clients' company has fewer than 250 employees, ADP will send copies of federal (Copy A) W-2s and federal Form W-3, Transmittal of Income and Tax Statements with the year-end reports. You and your clients must submit both forms to the Social Security Administration (SSA) using the instructions printed on the Form W-3.
Submit Copy A of Form W-2s and Form W-3 to the Social Security Administration by March 1, 2011. If you and your clients are filing electronically, you and your clients may submit as late as March 31, 2011.

Companies with More Than 250 Employees

Federal law requires that any employer with 250 or more W-2 forms in a given year must file W-2 data electronically. For ADP to provide a CD-ROM version of your and your clients' federal W-2 data so that you and your clients may file electronically, you and your clients will first need to register with the SSA to obtain a unique Personal Identification Number (PIN). You must change your password at least once a year in order to keep your PIN active. You can change your password or update your company information at: http://www.ssa.gov/bso/

After obtaining your PIN, please contact ADP by November 12, 2010. A CD-ROM cannot be produced without this information.

You and your clients may register via the SSA Web site at: http://www.ssa.gov/employer or by phone at 1-800-772-6270.

Annual Form 944 Required of Certain Employers

The IRS notified certain employers to file Annual Form 944 instead of the quarterly Form 941. If you and your clients received this notice and do not use ADP's Tax Filing Service, it is your and your clients' responsibility to file this form.
If you need more information regarding Form 944, perform a search for "944" at www.irs.gov

Household Employers

ADP will deposit and file state taxes for household employers. However, household employers are responsible for filing their federal taxes each quarter. Please use Form 1040 Schedule H to calculate and file your and your clients' total household employment taxes (Social Security, Medicare, FUTA and withheld federal income taxes) and Form 1040ES to deposit these taxes. ADP provides a Statement of Deposit (SOD) with filing instructions, as well as a credit for the total amount of taxes collected for the quarter prior to the deadline for depositing and filing estimated tax payments.

ACTION MAY BE REQUIRED BEFORE THE LAST PAYROLL OF 2010

Report Third party sick pay

Federal legislation requires reporting of both sick pay (taxable and non-taxable) made to employees from a third party and the taxes withheld on those payments. If third party sick pay is not reported by the third party, it must be included on your and your clients' employees' W-2s. ADP will provide this information on a separate W-2. An "X" will be printed on the separate W-2 in the area of box 13 labeled either "3rd party sick pay" or "3PSP." If this will be reported after the last payroll of 2010, please contact ADP.

Report COBRA assistance payments

Notify ADP of any unreported COBRA payments made on behalf of former employees in calendar year 2010. COBRA payments made in 2010 cannot be reported and/or credited in 2011. ADP will include these payments when preparing and filing form 941. If you and your clients are responsible for filing quarterly federal taxes, ADP will include the COBRA payment information on the form. If this will be reported after the last payroll of 2010, please contact ADP.

Report Job Tax Credit exemptions

For individuals hired after February 3, 2010 who were previously unemployed for at least 60 days, an Employer Social Security Tax exemption applies to 2010 wages paid after March 18, 2010. Ensure that you and your clients have notified ADP of all eligible employees so that we correctly report these exemptions on your and your clients' 2010 W-2 and W-3 forms. ADP will include these exemptions when preparing and filing Form 941.

YEAR-END PROCESSING DATES

ADP will process your and your clients' annual tax reports after the last payroll of 2010 is processed. Final payroll adjustments (e.g., manually issued or voided checks) must be reported with or before the last 2010 payroll.

Verify Your Employee Information

ACTION REQUIRED BEFORE YOUR LAST PAYROLL OF 2010

IMPORTANT

You and your clients may require the following reports to complete this form. Refer to your Checklist (page 4) to learn more about where you and your clients can find these reports.

- **Master List**
- **Employee List with SSNs**
- **Quarterly Tax Verification**
- **Statement of Deposit**

The Social Security Administration (SSA) requires that all company and employee information that appears on W-2 forms be complete and accurate. Incorrect employee information is the top cause of W-2 mistakes and reruns, and it is important that you and your clients verify this information on the Master List:

- **Names (spelling) and addresses**
- **Income tax state and unemployment tax state**
- **City and local tax coding, if applicable**
- **Year-to-date figures**

ADP can print a message on your and your clients' employee paycheck stubs asking them to verify their names and addresses.

Social Security numbers

Tax agencies may impose a penalty for each W-2 with a missing or incorrect Social Security number (SSN). Please verify employees' SSNs with a free Employee List with SSNs report.

Marital status and exemptions

Federal and state tax status

The tax status of "Exempt" indicates wages are not subject to taxation and will not appear on the W-2. The tax status of "No" indicates the employee is subject to taxation, but tax is not withheld – these wages will be reported on the W-2 as taxable income.

Year-to-date figures

Employment status

Please be sure to refer to the Master List for terminated employees. The letter "T" will appear before the employee number on the Master List. ADP will purge all terminated employees with the first payroll of 2011, except terminated employees with one or more of the following:

- A loan or garnishment balance
- Premium Only Plan (POP), if the POP plan does not end on the calendar year
- Fiscal year-to-date figures
- Vacation, sick and personal balances, if carried over to the next year

If you and your clients have a terminated employee with a balance (i.e., vacation, sick, personal or loan balance) and want his or her information purged with the first payroll of 2011, the balances must be removed. To remove balances for a terminated employee, you and your clients must report these adjustments to your ADP representative before the last payroll of 2010.

The EasyPay℠ system accommodates employees who take a leave of absence. Employees marked with a status of "leave of absence" (the letter "L" appears before the employee number on the Master List) will remain on file for the new year.

If you and your clients don't expect to receive this information in time to report it with the last payroll of 2010, contact us before the last 2010 payroll to discuss your options to postpone year-end processing.

Considerations for ADP Tax Filing Clients

ACTION REQUIRED BEFORE YOUR LAST PAYROLL OF 2010

This section applies only to clients who use ADP's Tax Filing Service. If you and your clients do not use this service, you may skip this section.

Making payroll adjustments

Report manually issued checks, voided checks and adjustments to ensure that accurate tax amounts are deposited according to tax agency rules or guidelines.

Report any payroll adjustments to your ADP representative before the last payroll of 2010.

Correcting an employee's W-2 using Form W-2c

If you and your clients file Form W-2c with the IRS to correct errors on an employee's W-2, the correction must also be reported to ADP. Corrections reported on Form W-2c may require corrections to your and your clients' employment tax returns previously filed by ADP. If your and your clients' employment tax returns are not properly corrected, you and your clients will receive notices from the IRS and/or SSA requiring you to resolve discrepancies.

Absolution letter

If you and your clients will process 2010 payroll adjustments after December 30, 2010, you and your clients must submit a signed absolution letter to absolve ADP of responsibility for any potential penalties and interest.

Contact your ADP representative before the last payroll of 2010 if you require an absolution letter.

The First Payroll of 2011

ACTION REQUIRED for accuracy of 2011 payrolls

The first payroll of 2011 is the perfect time to make updates to your and your clients' payroll information, including deductions like:

- Medical
- Dental
- Life Insurance
- 401(k)
- Other voluntary deductions

Deactivation of Retirement Plan Catch-Up Contributions, if desired

If you and your clients have a retirement plan through an administrator that is not ADP and any of your and your clients' employees are set up with a retirement plan catch-up deduction, both the regular and catch-up deductions will automatically come out of the first payroll of 2011 unless a change is requested..

2011 Tax Changes

Your and your clients' employees may see changes in their first 2011 paycheck as a result of new federal and state tax requirements, such as FICA (Social Security/Medicare) limits, state income tax rates, and 401(k) or pension plan limits. We will explain these changes in the 2011 Tax Changes letter which will be delivered with a payroll in mid-December.

Year-End Pricing Guide

All information, changes or forms submitted after the dates specified in this guide may incur an additional late submission charge.

Year-End Item	Base Charge	Per Item Charge
Master List	No additional charge	N/A
Employee List with SSNs	No additional charge	N/A
Employee Earnings Summary/W-2s/1099s	$35.00	$5.40 per form
Delivery of Earnings Summary/W-2s/1099s	$10.50	
Federal W-2 CD ROM (Required by federal law for employers with 250 or more W-2 forms)		$125.00 per CD ROM
Federal 1099-MISC CD ROM (Required by federal law for employers with 250 or more 1099 forms)		$125.00 per CD ROM
1099-MISC and/or 1099-R Forms Only	$35.00	$5.40 per form
Year-End Reprocessing Fee*	$100.00 + W-2 reprints and cost of adjustment payroll	
Tax Filing Reclose Fee	A $50.00 fee may be incurred for adjustments processed after December 31, 2010	
For Additional Controls or Related Companies: Employee Earnings Summary/W-2s/1099s	$22.50	$5.40 per form
Employee Attendance Records (request with payroll)	$11.00	$0.25 per employee

*** If a W-2 is lost or destroyed, you may photocopy the employer copy or request a reprint from ADP. Please note there will be charges per item and for delivery.**

ADP Small Business Services
71 Hanover Road, Florham Park, NJ 07932
smallbusiness.adp.com

Focus on what matters and leave the processing to us.

ADP offers additional services that enable you to put your business first, without diverting valuable resources into data processing needs. Ask your ADP Sales Representative about these time-saving services:

■ Electronic Time and Attendance

When your employees enter time and attendance through an electronic timesheet or time clock, your payroll process becomes faster, more accurate and easier to manage. Send the data electronically to ADP for processing and eliminate the need for rekeying.

■ Retirement Services – 401(k) Plan*

ADP's seamless recordkeeping and administrative services make 401(k) plans easy to manage, allowing you to offer a valuable benefit that contributes to improved employee retention. In fact, users of ADP Payroll® can also realize up to a 44% reduction in the number of staff hours spent on plan administration when they use our retirement solution.[1]

■ Pay-by-Pay® Premium Payment Program for Workers' Compensation**

Improves cash flow by eliminating large, upfront deposits[2], allowing you to spread out your premium payments over an entire year. You'll never have to calculate premiums manually or write and send payment checks, and the increased accuracy of our Pay-by-Pay solution often results in dollar savings and reduces the probability of year-end audit adjustments.[3]

■ HR Outsourcing

Small businesses face the same HR challenges as a large corporation, despite having only a fraction of the resources. ADP offers enhanced HR outsourcing services designed to streamline the HR process into a single point of contact. Your mission-critical HR functions will be implemented into a single-source delivery model that is flexible, secure and powerful.

[1] Source: "ADP Payroll and 401(k) Integration Study - September 2004" conducted by Spring Consulting Group and Mathew Greenwald and Associates. [2] While premium deposits may be eliminated, mandatory state assessment fees may be required in some states. [3] 60% of clients have experienced dollar savings not related to premiums (increasing accuracy resulted in reduced administrative costs). Source: Small Business Services Workers' Compensation Client Study - January 2005. *ADP's 401(k) plan enrollers are employees of ADP Broker-Dealer, Inc. One ADP Boulevard, Roseland, NJ 07068, subsidiary of ADP, member NASD, SIPC. **This information covers only the offering of the Pay-by-Pay® Premium Payment Program for Workers' Compensation payroll feature of ADP's payroll processing services and does not involve the offer or sale of any insurance products. All insurance products will be offered and sold only through the licensed agents of Automatic Data Processing Insurance Agency, Inc. or its licensed insurance partners. Certain services may not be available in all states. Clients must be using ADP's tax filing service to take advantage of Pay-by-Pay. The ADP Logo, ADP Payroll and Pay-By-Pay are registered trademarks, ADPCheck is a trademark, and EasyPay and EasyPayNet are service marks, of ADP, Inc.

11-737-080 509M Printed in USA © 2010 ADP, Inc.