



IN THE BUSINESS OF YOUR SUCCESSSM

2011 Year-End Accountant Guide

Dated Material: Action Required.
Please read and respond by November 11, 2011

This guide contains information and critical dates that will help ease 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.

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>

ADP Accountant Portal

Access valuable tools and resources as well as login to your client's reports.

www.accountant.adp.com

KEEPING THE QUARTER-END ON SCHEDULE

If you and your clients need to schedule additional payrolls or adjustments **after** the last regularly scheduled payroll of 2011, please notify ADP. **If you or your clients call in or fax payroll:** Inform your ADP representative about the additional payrolls.

If your clients are EasyPayNetSM 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 2011 Year-End Accountant Guide

The end of 2011 is approaching, and ADP® is pleased to present this easy-to-use Year-End Guide to help you complete your clients' 2011 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 and your clients to entrust their payroll to the payroll experts.

Use the forms and tools in this guide to help ensure that your clients receive accurate and timely bonus payrolls, year-end reports and W-2s. Please review it by November 11, 2011 to avoid penalties for missing critical deadlines.

Your attention to this process is greatly appreciated.

The 2011 Year-End Guide will provide you and your clients 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 clients' employees.
- Report the final 2011 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 2011 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 11, 2011.

► **Submit 2011 W-2 Information Changes**

Provide corrected or missing employee W-2 information to ADP prior to the last payroll with a 2011 check date. (See page 15.)

► **Know The 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 2011 payroll. This action must be completed no later than December 29, 2011.

► **Report Filing of Form W-2c**

If your clients file Form W-2c with the IRS to correct errors on an employee's W-2, you or 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 the 2011 payroll year-end a success. We appreciate the opportunity to serve you and your clients payroll processing needs and look forward to working with you in 2012.

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Critical Dates and Important Deadlines

November

- 1:** 2012 payroll processing schedule delivered with the first payroll on or after November 1, 2011.
- 11:** **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)
- 21-22:** **High Call Volume Days:** ADP anticipates high client call volumes on these days.
- 24:** **ADP is CLOSED. This is a federal banking holiday.**

December

- 5:** Use the schedule you received with the first payroll processed on or after November 1 to report any changes in the payroll processing dates to ADP.
- 6-8:** **High Call Volume Days**
- 16:** If the regular payroll is scheduled or dated for Monday, December 26, 2011, please refer to the annual schedule as the processing date may have been adjusted.
- 19-20:** **High Call Volume Days**
- 23:** If the regular payroll is scheduled or dated for Monday, January 2, 2012, please refer to the annual schedule as the processing date may have been adjusted.
- 26:** **ADP is CLOSED. This is a federal banking holiday.**
- 29:** **DEADLINE:** Last day to submit the final 2011 payroll with check date December 31.
DEADLINE: Last day for Tax Filing Service clients to process changes without potential penalties.
High Call Volume Day
- 30:** **High Call Volume Day**

January 2012

- 2:** **ADP is CLOSED. This is a federal banking holiday.**
- 3:** **High Call Volume Day**
- 6:** Last day for Tax Filing Service clients to submit 2011 fourth-quarter adjustments without incurring ADP reclose fees.
- 10:** **High Call Volume Day**
- 24-27:** **High Call Volume Days**
- 31:** **DEADLINE:** Distribute the employees' W-2 and 1099 forms before January 31.

Year-End Checklist

ADP makes it simple to complete 2011 processing and get ready for 2012. Use this checklist to track what needs to happen and when.

DUE DATE November 11, 2011

- ☐ **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 the 1099 Forms** Page 13
Some action **MAY** be required by November 11.
- ☐ **Filing Responsibilities** Page 14

DUE DATE Before the last payroll with a 2011 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 2011 payroll.
- ☐ **Report Third Party Sick Pay to ADP** Page 14
- ☐ **Report COBRA Assistance Payments to ADP** Page 14
- ☐ **Report Form W-3 Kind of Employer to ADP** Page 14
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- ☐ **Report Final 2011 Payroll Adjustments** Page 16
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DUE DATE The first payroll of 2012

- ☐ **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 26, 2011. 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 in early November 2011.

The end of 2011 is quickly approaching. Completing this form now will help ensure that we process 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 my employees' Social Security numbers.
(For security reasons, an ADP representative will contact you to discuss the 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) your clients 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. Report federal/state wages on W-2s. (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 clients qualified pension plan is 100% company-funded. If so, please check the appropriate box:

- ☐ All of my employees are covered by our company-funded pension plan.
- ☐ Some of my employees are covered by this plan. (Please attach a list of employees.)

If your clients 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 your clients 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 your clients 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. (SCRJ)

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 11, 2011

As the end of 2011 approaches, it is important that you and your clients verify that the account and employee information is accurate and arrange for special processing, if needed. After submitting this form, you or your clients must report these items with one of the remaining regular payrolls with a 2011 check date 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 the Checklist (page 4) to learn more about where to 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://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 your clients have employees who make contributions through payroll to any deferred compensation or associated catch-up plan, ADP automatically completes Form W-2 with the required information. These include:

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

Section 3 Group Term Life (GTL) Insurance Premiums

When you or your clients' pay premiums 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 2011.

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.

Your Company Information

Branch/Client Code: _____ Company Name: _____

Contact Name: _____ Phone Number: _____

Section 5

► Other Miscellaneous Income/Tax Credits

Check the items that will be reported at the end of the year:

- | | |
|---|--|
| <input type="checkbox"/> Allocated Tips | <input type="checkbox"/> Uncollected FICA (Social Security/Medicare) on Tips |
| <input type="checkbox"/> Golden Parachute Payments | <input type="checkbox"/> Unsubstantiated Employee Expense Reimbursements |
| <input type="checkbox"/> Uncollected FICA on Insurance Premiums | <input type="checkbox"/> COBRA Payments/Third Party Sick Pay - If these will be reported after the last payroll of 2011, please contact ADP. |
| <input type="checkbox"/> Moving Expenses | |
| <input type="checkbox"/> Dependent Care | |

Section 6

► Statutory Employees

Please include a list of any statutory employees who worked for the company this year with this form.

Section 7

► Important Company Information/Form W-3 Kind of Employer

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

Effective Date _____

Email Address _____

Legal Name _____

Legal Address _____

Federal Employer Identification Number (FEIN) _____

State Tax Identification Number _____ State Abbreviation _____

Unemployment Tax Identification Number _____ State Abbreviation _____

If the company falls into one of the following categories, has ADP been notified? If no, complete this section.

- ☐ Non-governmental tax-exempt section 501(c) organization
- ☐ State or local government or instrumentality that is *not* a tax-exempt section 501(c) organization
- ☐ Dual status state or local government or instrumentality that is also a tax-exempt section 501(c) organization
- ☐ Federal government entity or instrumentality

Section 8

► Vacation/Sick Balances

Does your client wish to carry over vacation and/or sick balances to 2012?

- ☐ Yes, vacation balances should be carried over to 2012.
- ☐ Yes, sick balances should be carried over to 2012.

Checkpoint

If your clients have changes, please send this form to ADP by November 11. No action is required if there are no changes.

The mailing address and fax number are on the letter that accompanies this guide.

Thank you for completing the Year-End Reply Form.

Section 5**Other Miscellaneous Income/Tax Credits**► **Allocated tips**

If your clients' business requires the reporting of tips, and they find after completing restaurant Form 8027 that sufficient tips were not reported, your clients 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 2011 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. The total amount incurred for dependent care assistance provided to employees.

► **Golden parachute payments**

If golden parachute payments 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.

► **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 2011 if these amounts are not reported by the third party.

► **Uncollected FICA on insurance premiums and tips**

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

► **Unsubstantiated employee expense reimbursements**

Your clients must report amounts paid to employees for business expenses if:

- The employee does not or is not required to substantiate the expenses. (i.e., furnish receipts or expense reports) **OR**
- Advance amounts 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/Form W-3 Kind of Employer**

Complete ONLY if any of the company information has changed or has not been reported.

- Use the Quarterly Tax Verification Notice or the third-quarter Statement of Deposit to verify the company's:
- Legal name and address
 - Federal Employer Identification Number (FEIN)
 - State tax identification number
 - State unemployment tax identification number

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

- Use the Quarterly Tax Verification Notice to verify the company's Form W-3 Kind of Employer. If the company fits any one of the categories listed and you or your clients have not notified ADP, complete this section so that the proper box is checked on Form W-3.

Section 8**Vacation/Sick Balances**

All vacation and sick balances will be cleared after the last December payroll, unless you and your clients have made other arrangements with ADP. You must notify ADP if your clients 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 11, 2011

Bonuses are an important way to recognize employee performance. Completing this form now will help ensure that we process 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 the bonus information on the date above.

KEY INFORMATION

- If using one of our banking features, such as Full Service Direct Deposit or ADPCheck™, report the bonus payroll at least three business days before the check date.
- Once bonus payroll is processed, 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 the 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 your clients plan to issue bonus checks, please send this form to ADP by November 11. No action is required if your clients are not planning to issue bonus checks.

The mailing address and fax number are on the letter that accompanies this guide.

Thank you for completing the Bonus Reply Form.

Instructions for Completing Bonus Reply Form A

ACTION REQUIRED BY November 11, 2011

If you and your clients 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 the 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 clients must be available on the day of delivery to check that the payroll is accurate and to wire funds, if necessary.

If you and your clients 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 the 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 clients bonus payroll, ADP will supply 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 and your clients know what net bonus you and your clients would like to award an employee and FICA (Social Security/Medicare) is the only tax deducted from a bonus check, 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 ÷ 0.9435	5.65% 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 or your clients 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 11, 2011

Bonuses are an important way to recognize employee performance. Completing this form now will help ensure that we process your clients 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 the regularly scheduled payrolls stay on schedule.
- If using one of our banking features, such as Full Service Direct Deposit or ADPCheck, report the bonus payroll at least three business days before the check date.
- If distributing bonus checks, be sure to cancel direct deposit for this payroll.
- Once bonus payroll is processed, 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.

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 and your clients can easily obtain gross-to-net figures for bonus payrolls using your clients employees' withholding and deduction data and save the results as pre-calculated checks to be processed when you or your clients submit the bonus payroll.

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 your clients plan to issue bonus checks, please send this form to ADP by November 11. No action is required if your clients are not planning to issue bonus checks.

The mailing address and fax number are on the letter that accompanies this guide.

Thank you for completing the Bonus Reply Form.

Instructions for Completing Bonus Reply Form B

ACTION REQUIRED BY November 11, 2011

If you and your clients 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 the 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 and your clients 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 the 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 clients' bonus payroll, ADP will supply you or your clients 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 and your clients 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, 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 ÷ 0.9435	5.65% 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.

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 and your clients can cancel Direct Deposit for a bonus payroll so that your clients 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 the 1099 Forms

ACTION REQUIRED BY November 11, 2011

IMPORTANT

You or your clients may require the Master List to complete this form. Refer to the Checklist (page 4) to learn more about where to 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 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 provide your clients Transmitter Control Code by November 11, 2011, 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.

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

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

Information about IRS forms

► Form 1099-MISC

Reports distributions for independent contractors who have provided services to your clients 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 yours or 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 or your clients need to file Form 945, it is yours or 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).

Client Filing Responsibilities

ACTION **MAY BE** REQUIRED BY November 11, 2011

IMPORTANT

If you and your clients are responsible for filing the 2011 annual returns, this section has important information.

If ADP files your clients annual returns, skip this section.

If you and your clients use ADP's Tax Filing Service, refer to the Quarterly Tax Verification notice to determine the filing responsibility. Refer to the Checklist (page 4) to learn more about where to find this report.

► **Companies with Fewer Than 250 Employees**

If the 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 or 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 your W-2s and Form W-3 to the Social Security Administration by February 29, 2012. If filing electronically, it may be submitted as late as April 2, 2012.

► **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 the federal W-2 data so that you or your clients may file electronically, you or your clients will first need to register with the SSA to obtain a unique Personal Identification Number (PIN). The password must be changed at least once a year in order to keep the PIN active. You or your clients can change the password or update company information at <http://www.ssa.gov/bso/>.

After obtaining the PIN, please contact ADP by November 11, 2011. 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 yours or your clients responsibility to file this form.

For 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 the 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 2011

► **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 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 2011, please contact ADP.

► **Report COBRA Assistance Payments**

Notify ADP of any unreported COBRA payments made on behalf of former employees in calendar year 2011. COBRA payments made in 2011 cannot be reported and/or credited in 2012. 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 2011, please contact ADP.

► **Report Form W-3 Kind of Employer**

The IRS requires that all filers complete the Kind of Employer section on Form W-3. If your clients company fits any one of the following categories, notify ADP so that the proper box is checked on Form W-3. All other filer types will automatically be marked as such.

- Non-governmental tax-exempt section 501(c) organization
- State or local government or instrumentality that is not a tax-exempt section 501(c) organization
- Dual status state or local government or instrumentality that is also a tax-exempt section 501(c) organization
- Federal government entity or instrumentality

Refer to the Quarterly Tax Verification Notice to verify the Form W-3 Kind of Employer indicator. If it is not correct, use the Year-End Reply Form on page 7 to notify ADP.

YEAR-END PROCESSING DATES

ADP will process your clients' annual tax reports after the last payroll of 2011 is processed. Final payroll adjustments (e.g., manually issued or voided checks) must be reported with or before the last 2011 payroll.

Verify Employee Information

ACTION REQUIRED BEFORE THE LAST PAYROLL OF 2011

IMPORTANT

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

- ▶ **Master List**
- ▶ **Employee List with SSNs**
- ▶ **Quarterly Tax Verification Notice**
- ▶ **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 the 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 2012, 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 2012, the balances must be removed. To remove balances for a terminated employee, report these adjustments to your ADP representative before the last payroll of 2011.

The EasyPaySM 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 2011, contact us before the last 2011 payroll to discuss options to postpone year-end processing.

Considerations for ADP Tax Filing Clients

ACTION REQUIRED BEFORE THE LAST PAYROLL OF 2011

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 2011.

► 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 the employment tax returns previously filed by ADP. If the employment tax returns are not properly corrected, you and your clients will receive notices from the IRS and/or SSA requiring you and your clients to resolve discrepancies.

► Absolution letter

If you and your clients will process 2011 payroll adjustments after December 29, 2011, 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 2011 if you and your clients require an absolution letter.

The First Payroll of 2012

ACTION REQUIRED for accuracy of 2012 payrolls

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

- Medical
- Life Insurance
- Dental
- 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 the 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 2012 unless you and your clients request a change.

► 2012 Tax Changes

Your and your clients' employees may see changes in their first 2012 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 2012 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 29, 2011	
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 or your clients may photocopy the employer copy or request a reprint from ADP. Please note there will be charges per item and for delivery.



IN THE BUSINESS OF YOUR SUCCESSSM

Focus on what matters and leave the processing to us.

ADP offers additional services that enable you and your clients 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 employees enter time and attendance through an electronic timesheet or time clock, the 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 Retirement Services provides clients with easy-to-manage retirement plans, free from hidden fees that reduce fiduciary risk and help participants get retirement-ready. We have integrated our easy-to-use recordkeeping services with our payroll data processing expertise to provide 401(k) plans of all sizes with superior value.

► **Pay-by-Pay[®] Premium Payment Program for Workers' Compensation****

Improves cash flow by eliminating the large, upfront premium¹ which frees up funds that you can invest in your business to build profitability. With ADP's Pay-by-Pay Premium Payment Program, premium payments are calculated accurately for your clients based on actual, real-time payroll data and carrier rates, which can help minimize the risk of over or under payment at the year-end audit.

► **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 clients' mission-critical HR functions will be implemented into a single-source delivery model that is flexible, secure and powerful.

HR. Payroll. Benefits.

*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. CA License #0D04044. 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. ¹While premium deposits may be eliminated, mandatory state assessment fees may be required in some states. The ADP Logo, ADP, and Pay-By-Pay are registered trademarks, ADPCheck is a trademark, and EasyPay, EasyPayNet and In the Business of Your Success are service marks, of ADP, Inc.