

1. Update Employee Contact Information

Audit employee data to ensure you are not missing critical W-2 information, such as complete Social Security numbers, employee names and addresses. The IRS may impose a penalty for each Form W-2 with a missing or incorrect Social Security number or employee name. For some employees, updated addresses can be garnered from a new W-4 if their withholding allowances changed or will change in 2012. Remind employees to fill out a new W-4 if their situation has changed.

- Ensure employee names are entered correctly
- Confirm accuracy of employee addresses
- Confirm accuracy of employee Social Security numbers

If your payroll processor offers an [employee self-service](#) feature, as APS does, you may recommend employees use it as a means to review and edit critical data.

2. Process All Year-End W-2 Adjustment Information

Before you process your last payroll of 2011, verify that all non-cash and cash income has been recorded and taxed properly so that it can be reported on the W-2 and the quarterly 941 tax return. Items that may require W-2 adjustments include:

- Group-term life insurance in excess of \$50,000
- Personal use of company vehicle
- Third-party sick pay
- Company provided transportation or parking
- Non-qualified moving expense reimbursements
- Non-accountable business expense reimbursements or allowances
- Bonuses and other annual incentive pay
- Employer-paid education not related to the employee's job
- Non-cash payments

Another common year-end adjustment is employer-paid health insurance for Sub-chapter S shareholders that own at least two percent of the company. Although it is fairly easy to adjust a W-2 record to reflect this amount, it is always best to include it with a payroll run to ensure that it is reported on the applicable quarterly and yearly payroll tax returns.



4. Process All Manual and Voided Checks

Any employee checks issued outside of the regular payroll process must be recorded and their tax liabilities paid prior to the beginning of 2012. Confirm that all “manual checks” cut during the year have been accounted for and updated in the system. Likewise, all voided checks should be recorded.

Some payroll checks cut throughout the year may never have been cashed. These checks should not be voided in the payroll system, but should instead be considered unclaimed property and reported to the appropriate state agency. The unclaimed property office may be a division of your state’s department of revenue or treasurer’s office.

- Account for manual checks written during 2011
- Confirm that all voided checks have been recorded
- Report un-cashed checks to the appropriate state agency as unclaimed property

5. Address How W-2 Reprints Will Be Handled

If you plan to charge a fee to reprint an employee’s W-2, be sure to inform your employees of the fee prior to distributing the W-2s. In many cases this will ensure responsible maintenance of the document.

If your payroll processor publishes W-2s to an employee self-service site, as APS does, instruct your staff about accessing the document online and the expected date the W-2 will be available online.

If you would like to find out more about APS’s payroll tax services, [contact us](#) at 888.277.8514 or sales@apspayroll.com.