

For 2015, A New Year Means New Payroll Withholding

By Taija Jenkins, Assistant Editor

Now that the New Year has started, it's a great time to perform an audit of your clients' payroll system to ensure everything is in order. The past few months were spent preparing clients for the upcoming year and making changes to employees' withholdings. Before the year gets ahead of you and it's business as usual, take the time to make sure that any changes were implemented correctly.

If you or your clients switched payroll software, make sure that all the data transferred over correctly. Check employees' names, addresses, employment status, etc. Verify that there are no typos or spelling errors and that the information is matched to the correct employee. This is especially important for employees with similar or common names. You want to make sure Mike D. Smith's address isn't listed for Mike T. Smith.

In line with verifying information transferred over from the old system to the new system, you'll also want to ensure any changes to employee information from the previous year carried over as well. Changes to pay and withholdings should all be accounted for. Make sure that the open enrollment elections employees selected the previous year went into effect. If your clients offer any discounts or incentives, such as a non-smoker medical insurance discount, double-check that they have been applied. Make sure the proper surcharges have been applied as well. Verify that the correct vacation changes have been populated for eligible employees. The same applies to sick time and other time off, if applicable.

Identify any errors or glitches that occurred in the first payroll of the year and determine the root cause. Were they due to technical or human error? Work with the necessary personnel to create an action plan to solve them.

This is also a good time to review the current process for filing quarterly forms. Identify any areas of improvement within the current process and brainstorm solutions to increase efficiency. Make sure your clients are aware of the required information and deadlines.

Lastly, make sure that your clients have all the necessary tools and information needed to ensure compliance. Update all payroll systems with the most current tax withholding rates. Inform your clients of any new laws or amendments that affect their business. Make sure their systems are set up to capture and file the necessary information.

Keep track of any issues or glitches that you and your clients run into. You'll want to ensure they are properly resolved in a timely fashion. Having a detailed log will also prove helpful if you or your clients need to follow up with individual employees regarding their withholdings or any other issues.



Whether you and your clients made small changes or big changes to their payroll process last year, it's always important to ensure that everything is working as it should. A simple New Year checkup will

make sure that all systems and processes are running efficiently and without problems. It will also make you aware of any issues before they snowball into bigger problems. ●

Payroll Accountant's Checklist for January

- ☑ Remind clients to distribute the following forms by January 31 (or the next business day, if January 31 is a nonbusiness day):
 - Forms W-2 to employees
 - Forms 1099-R to retirees
 - Form 1099-MISC forms to independent contractors
- ☑ File Form 941 for the fourth quarter
- ☑ File Forms 940 and 945 for the previous year
- ☑ Validate data from the previous year to ensure accuracy
- ☑ Ensure any changes to employee information from previous year carried over in system
- ☑ File Form 8809 for W-2 extension, if necessary

Employees or Contractors: Which Should a Business Hire?

by Taija Jenkins, Assistant Editor

Busy season has arrived and with it comes longer days and increased workloads. As you help your clients prepare for tax season, it's imperative that you take the time to assess your own needs to navigate through the season.

Start by evaluating what your clients need from you. Once you have a good idea of what's going to be required of you, you can then determine if you have the right resources available. Are you fully equipped and staffed to handle your clients' needs during the busy season? If not you may consider reducing your client list or ramping up your staff.

Before you hire additional staff, there are a few things to consider. Is this a short-term or long-term need? Can you meet clients' needs by having current staff members work longer hours? Do you plan to keep additional staff after the busy

season? What does your budget allow for?

Once the decision has been made to hire additional workers, it's time to decide if they will be contractors or employees. There are pros and cons to both, as well as tax implications that need to be considered. If your clients need services that your firm doesn't typically provide, hiring a contractor that specializes in that area could enhance your service offering without adding too much of an additional cost. However, there may be situations where it's more cost-effective and efficient for your clients to hire the third party directly.



Outlined below are a few of the differences between employees and contractors and things payroll practitioners should consider before deciding.

CONTRACTORS:

- Operate under their own business name
- Advertise their business' services
- Invoice for work completed
- May work for more than one client at a time
- Provide own business tools and resources
- Set own hours
- Keep business records
- Have reduced labor costs and liability
- Provide flexibility in hiring and firing
- Usually have a pre-determined work length
- Must complete a W-9
- Must receive a 1099-MISC for any payment in excess of \$600

EMPLOYEES:

- Perform work assigned by others
- Work for only one employer
- Must be provided employee benefits
- Require employers withhold state, federal income, Social Security, Medicare and unemployment taxes
- Have no set employment end date
- Must receive a W-2 form

Classifying someone as a contractor when they qualify as an employee can have serious tax implications. You'll be liable for paying employment taxes and face penalties as well. Therefore, it's important that their work conditions and workload match their classification.

The best way to determine what a good fit is for your firm is to assess your clients and the work that each requires. Make a decision based on the perceived longevity of the additional workload, as well as which services are needed. ●



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