

A BEGINNER'S GUIDE TO YEAR-END FORMS



Abstract

Even under the best circumstances, year-end form processing is often a tedious yet essential process for payroll professionals. In addition to addressing the increasingly complex policies and pay rules set forth by the IRS and other regulatory bodies, challenges can be compounded by staffing shortages, skyrocketing inflation, supply chain issues, and more. As a result, employers need to find creative responses to unique situations.



For more than 20 years, Greenshades has been helping small and mid-sized businesses to successfully navigate the intricacies of payroll, taxation, and HR-related issues. We know you have a lot on your plate, so we've created a curated set of solutions and services that allows us to deliver a flawless year-end close for you and your employees so that you can focus on more strategic endeavors.

If you would like to book a discussion with one of our year-end forms processing experts, contact sales, sales@greenshades.com or call us at 888-255-3815, and we'll set up a time to discuss your specific needs.

Should you decide to handle the process independently, we hope you find this collection of dates, deadlines, and best practices helpful.



Legal Disclaimer: While we are experts in tax and compliance, this eBook and our year-end form resources are not to be taken as formal legal advice. You should consult your local counsel and your organization's legal and accounting teams. Greenshades also partners with myHRCounsel to provide Greenshades customers with affordable, online, and on-demand legal advice.

Chapter 1:

What is the year-end forms process?

The term “closing out the books” is one we frequently hear in finance and HR circles, but what does that really mean from a payroll perspective? This process has become more complex and challenging, particularly given the intricacies of remote work, reciprocity, and other factors that have become more prevalent in the past few years. This section will provide an overview of the year-end form process and what you (and your teams) need to do to get ready.



The annual year-end forms process consists of payroll tax reporting that requires business owners to evaluate their business’s tax liabilities, creating and distributing forms to anyone they do business with, like employees, vendors, or independent contractors.

Closing out company books is the first step to providing the appropriate government agencies with information on how much you paid for services in the fiscal year. All businesses are required to go through the process of year-end payroll forms as there are rules and regulations at the federal, state, and local levels. The types of forms, however, will depend on the type of business/types of employees, your state/local jurisdictions, and your industry.



While complicated and complex, year-end forms are crucial to mitigating risks and avoiding costly penalties, legality issues, and unbalanced books. The types of forms also dictate which department the forms are sent to, mainly the IRS or the SSA – this is because different parts of the government oversee different tax liabilities. State and local tax jurisdictions also affect the forms.

The year-end process occurs at the end of the year, roughly from November to January. By January 31, all employees should have access to their W-2s or 1099s.

Chapter 2:

Why does the YEF process matter?

The year-end process for payroll represents your organization's opportunity to clarify and quantify local, state, and federal tax liabilities, balance your payroll books for the calendar year, and to prepare and file all the necessary paperwork (and checks) related to the above. It also represents the body of work you must do before sending forms W-2, 1099, and others to employees and contractors so they have an accurate accounting of their tax liabilities. This section explores why the process is vital to your business, its workers, and the US economy.



For your business:

“Closing the books” and successfully completing the year-end forms process ensures you enter the next fiscal year with clean books and positive momentum.



For workers:

For your employees, receiving a complete and accurate accounting of funds earned and withheld allows them to review their annual financial snapshot and determine if they wish to make any changes in the year ahead. It also ensures you'll never be a bottleneck in their own personal income tax filing activities.



For the US economy:

The US economy heavily depends on businesses filing year-end forms and paying taxes. Employment tax is the single most significant contributor to Federal revenue. In the fiscal year 2021 alone, 66% of total federal revenue, roughly \$2.7 trillion dollars, was contributed by employment tax. The payroll payments in 2021 included the following:

- \$1.53 trillion in withheld individual income taxes
- \$1.17 trillion in employer and FICA (Federal Insurance Contributions Act, federal payroll) taxes
- \$6.28 billion in unemployment insurance taxes
- \$5.31 billion in Railroad Retirement Tax Act taxes

Employers are highly valued, visible, and regulated because they're the primary source of revenue for the US economy.

Chapter 3:

What forms do you need?

As a payroll or financial professional, you're likely already on top of the most common forms and documents you'll need to address for your year-end closing initiatives... but it doesn't hurt to have a refresher every now and again. This section will include a checklist of the most common forms you'll need at the Federal level, as well as guide you to resources you can check out to ensure you're meeting your state and local obligations as well.



W-2 (& W-3)

W-2 form is a wage and tax statement. Employers must fill out W-2s for all employees that have income, social security, or Medicare taxes withheld. W-2s require essential information from both the business owner and the employees. The W-3 is a summary form of the information on the W-2 and gets sent to the SSA alongside the W-2.



W-4

W-4 form is completed by an employee upon hiring (and can be updated when personal, living, or financial situations change) that lets the employer know how much federal tax to withhold.



1099

1099 form is often used by freelancers, independent contractors, or those who are self-employed. The form is used to document compensation given to a person by an individual or business that isn't their primary employer.



1099-NEC

(NEC stands for Non-Employee Compensation) Since 2020, businesses have been required to use Form 1099-NEC to report non-employee compensation rather than Form 1099-MISC. Companies must fill out a 1099-NEC if they have paid more than \$600 to an independent contractor.



1099-MISC (& 1096)

(MISC stands for Miscellaneous Income) Form 1099-MISC is used to report payments made to others during the year for your business (this does not include the payments made to non-employees). Before 2020, both non-employee compensation and miscellaneous income were in the same form. Form 1096 is a summary form for any contractors to whom you gave a 1099-MISC form.



940

Form 940 reports the annual Federal Unemployment Tax Act (FUTA) tax. Only business owners/employers pay this tax. (FUTA provides the funds to pay for unemployment payments for those who have lost their jobs).



941

Form 941 reports Social Security tax, income tax, or Medicare tax withholdings from an employee's paycheck. 941 and W-2's must match up at the end of the year-end forms process – so it is always recommended (and vital) to reconcile any inconsistencies between the 941 and the W-2 before filing.



1095-B

Form 1095-B is a health-coverage form. Specifically, the form is used to report information to the IRS and taxpayers about those covered by minimum essential health coverage. If a business offers health insurance, this form must be sent to both the IRS and the employee.



1095-C

Form 1095-C is a health-coverage form. The form provides information about the healthcare coverage offered by an employer and helps determine your eligibility for the premium tax credit.



Did you know?

For fiscal year 2021, over 78% of all year-end forms were filed electronically.

Chapter 4:

What are the deadlines?

As with all things related to the IRS and other regulatory bodies, deadlines exist for a reason. Filing the appropriate paperwork, paying taxes, and doing it all ahead of the deadlines not only meets your business obligations but getting ahead of the curve can take some pressure off during an already hectic time of year. This section will provide a high-level snapshot of the most significant deadlines, but as always, check with your state and local agencies to ensure you're hitting deadlines specific to your location and business type.

Electronic filings are recommended across many industries, especially since the COVID-19 pandemic. The paper industry has been affected by supply chain issues resulting in the current paper shortage. Promoting electronic consent and distributing year-end forms is a great way to reduce liabilities and problems with misdelivered, missing, or late recipient copies. E-file also reduces the accessibility of sensitive information through mail fraud.

For most forms:

The due date is January 31 of the following year (i.e., for forms summarizing business operations in 2022 – forms must be filed by January 31, 2023). Forms may have different due dates if filed manually or electronically.

For 1099s:

- Due to recipients by January 31
- Paper filing must be sent to the IRS by February 28
- E-file by March 31
- 1099-NEC recipient and IRS copies due by January 31



Did you know?

There is always a chance of errors when completing year-end forms. However, when using e-file, the chance is a minimal 1%. When filing on paper, it can be as high as 20%.



If you choose not to file electronically, proceed with caution. The IRS and SSA are making efforts to increase the amount of year-end forms that are e-filed. Most recently, the Taxpayer First Act of 2019 decreed that by midnight on January 31, 2023, if employers are filing ten or more W-2s, they must file electronically.



Chapter 5: What's at stake?

As with most things in life, missing deadlines has consequences. From a direct cost standpoint, that could be penalties and fines. However, the impact of missing deadlines – particularly regarding information your employees need – can be far more costly. This section will highlight the direct and indirect effects of missing deadlines or presenting erroneous information.



Direct Impacts:

Fines and Penalties for W-2s:

- \$50 per form if filed within 30 days of the due date
- \$110 per form if filed after 30 days but before August 1
- \$290 per Form W-2 if you file after August 1, do not file corrections, or do not file required Forms W-2
- \$580 per form for intentionally disregarding filing



Indirect Impacts:

- Miscalculating taxes or withholdings based on employee changes or new regulations could create severe financial headaches for your workers. “Unpleasant surprises” in the form of underpaid or missing tax withholdings – plus the penalties and fines that come along with it – can lead to negative financial consequences... particularly in 2022/2023 when record numbers of employees are living paycheck-to-paycheck.
- The risk of a damaged reputation and a negative perception of your employer brand is always a concern. Still, at a time when unemployment is low and recruiting/retention challenges remain high, the effect is amplified.
- Studies reveal that low employee engagement and morale can result from a single erroneous paycheck, so imagine the negative consequences of making errors that impact their entire year.



Chapter 6:

How Greenshades can help

As compliance and tax experts, Greenshades has been helping mid-sized companies to transform the year-end process from stress to simplicity for over 20 years. This section will provide a high-level overview of how Greenshades can help and how you can set up a discovery call with one of our year-end closing experts.

Greenshades handles every aspect of the year-end forms process and provides one solution that supports multiple form types, including W-2s, 1095-Cs, 1099s, 1099-MISCs, and 1099-NECs. The Greenshades solution collects and validates your data, creates forms, and allows easy reviews, bulk updates, and SSN verification. Completed forms are electronically distributed or printed and mailed to your employees, vendors, and independent contractors. The process is easy, secure, and ERP agnostic.



Streamline Your Year-End Process with Greenshades

- ✓ Take advantage of our user-friendly system to view, edit, and distribute your year-end forms.
- ✓ Our efficient “Welcome Wizard” will guide you through the steps to get everything done quickly and easily.
- ✓ Multiple checks throughout the system will help you catch any error that might cause a form to be rejected.
- ✓ Control employee visibility into the system and only grant access when your team is ready.
- ✓ Let us print and mail your forms for you, or easily download the ones you need to handle yourself.
- ✓ E-file with ease directly through our portal and take the stress out of meeting deadlines.

Chapter 7:

4 Simple steps to prepare

There is a lot of information that must be gathered a to file all your year-end forms. Staying organized is the key to success during that process. The team at Greenshades has provided a quick checklist for you to reference to help keep on track through it all.



1) Make sure you have the correct information for each of your workers.

- Send out a reminder to employees asking them to review their information.
- Verify your recipient names and corresponding tax IDs (SSNs and TINs) are correct.
- Confirm which employees contributed to a retirement plan.

2) Determine your distribution method.

- Educate employees on the ability to receive their W-2s and 1095s electronically. (Note: employees MUST consent to receive their forms electronically)
- Order your paper forms well in advance or, if you choose to e-file, prepare your data to upload into your YEF data management system (recommended to complete upload at least 2 weeks before the deadline).

3) Confirm wage, tax, and benefits information.

- Reconcile your quarterly 941's with the annual W-2.
- Ensure you have W-4 and W-9 copies for all employees and vendors.
- Review benefits to calculate and adjust for imputed income from group life insurance and other fringe benefits.
- Make sure you use the right 1099.
- Perform a quick audit of 401(k) contributions for excess contributions.

4) Verify all data.

- Make sure your data has accounted for any manual checks, special bonus payrolls, and/or any voided/reversed pay checks that occurred throughout the year.



Before next year end, make sure you have previous year copies of your year-end forms as well as a plan to store current year information. It's crucial to keep this information safe and secure!

THANK YOU

For additional resources, check out our dedicated [Year-End Forms](#) page to access all our webinars, recaps, and eBooks.

For more information

Contact sales@greenshades.com to discuss how Greenshades can support you during year-end.



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