



2016 YEAR-END GUIDE

This year-end guide contains important processing deadlines and tax information. Please review this Year-End Guide to determine if the following information applies to your company. Please feel free to contact us with any questions at 518-363-0600.

HOLIDAY PROCESSING SCHEDULE:

Priority One Payroll will be closed on the days listed below. Please contact us if you need to make changes to your input day or check date.

- Monday, December 26th
- Monday, January 2nd

PROCESSING DEADLINES:

The deadline to process a payroll with a 2016 check date is on Friday, December 30th at 12:00 PM. All payrolls submitted after this deadline will be processed with a 2017 check date. **If any adjustments are necessary after this deadline, then additional fees will apply, unless prior arrangements were made with us.** If you expect to receive third party sick pay (disability) payment information from your third party administrator after the deadline, then please contact us immediately so we can delay the processing of your tax returns and W-2's.

Bonus Payrolls: Bonus checks can be processed with a regular payroll, as 2nd checks, or can be submitted as a separate payroll. If you would like to submit a separate payroll for bonus checks, then please contact us to make arrangements.

**Any adjustments made after December 30th may result in late payments, interest and penalties. Priority One Payroll is NOT responsible for any penalties and interest associated with these late payments. Please check with your accountant now to see if you will require any adjustments.

EMPLOYEE DATA REPORT:

Please contact your Customer Service Specialist to request an Employee Data Report in order to verify the employee's Social Security number, name and address. Any corrections need to be submitted to us by Wednesday, December 28th. If no corrections are reported, then we will assume your W-2's are ready to process and print. Any corrections submitted after this date will result in additional charges and delays in W-2 processing. Incorrect Social Security numbers that are discovered after year-end reports are produced require correction of returns and W2s and will result in additional processing fees, so we encourage you to contact your Specialist for this report prior to year-end to avoid preventable corrections and expense.

NOTICES FROM IRS AND STATE AGENCIES:

REMINDER: Please forward a copy of any correspondence from the IRS and state agencies as soon as possible to us. Priority One Payroll does NOT automatically receive this information on your behalf. You should receive 2016 NYS unemployment rates sometime in February. Please fax this notice to 518-363-0601 as soon as possible.

NYS MINIMUM WAGE INCREASE – EFFECTIVE 12/31/2016

Upcoming Minimum Wage Increases – The Minimum Wage rates are scheduled to increase each year on 12/31 based on the employer’s location. Employers must post a Minimum Wage Information Poster in their establishment. NYS Department of Labor will be updating required posters and FAQ’s on their website. Please visit <http://labor.ny.gov/workerprotection/laborstandards/workprot/minwage.shtm> to print out the new posters pertaining to your industry. The new posters must be posted conspicuously and must be posted by 12/31/2016. If you have any questions relating to the minimum wage increase, then please contact the NYS Department of Labor at 518-457-9000, or you can visit their website <http://www.labor.ny.gov/home/>.

MINIMUM WAGE FOR GENERAL EMPLOYEES:

GENERAL Minimum Wage Rate Schedule						
Location	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	2021*
NYC - Large Employers (of 11 or more)	\$11.00	\$13.00	\$15.00			
NYC - Small Employers (10 or less)	\$10.50	\$12.00	\$13.50	\$15.00		
Nassau, Suffolk & Westchester	\$10.00	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00
Greater New York State	\$9.70	\$10.40	\$11.10	\$11.80	\$12.50	*

*Annual increases for the rest of the state will continue until the rate reaches \$15 minimum wage (and \$10 tipped wage). Starting 2021, the annual increases will be published by the Commissioner of Labor on or before October 1. They will be based on percentage increases determined by the Director of the Division of Budget, based on economic indices, including the Consumer Price Index.

MINIMUM WAGE FOR TIPPED FOOD SERVICE EMPLOYEES:

The minimum wage for tipped food service employees will remain at \$7.50 per hour for 2017. Employees must claim enough tips to bring them up to the new minimum wage based on the chart above. If employees do not make enough in tips, then it is the employer’s responsibility to pay them the difference through payroll.

MINIMUM WAGE FOR FAST FOOD WORKERS:

The minimum wage for fast food employees employed *OUTSIDE OF NEW YORK CITY* is \$10.75. The minimum wage for fast food employees employed *IN NEW YORK CITY* is \$12.00.

NYC: DETERMINING IF YOU ARE A SMALL OR LARGE EMPLOYER:

The initial minimum wage will be determined by the number of active employees on 12/31/16. Then, the minimum wage may change each week if the number of active employees is above or below 11. NYS Department of Labor recommends erring on the side of caution and paying at the Large Employer rate if the number of active employees will fluctuate between fewer or greater than 11. Otherwise, you will need to need to change the rate of pay depending on the number of active employees you have each week.

NYS UNEMPLOYMENT WAGE BASE INCREASE – EFFECTIVE 01/01/2017

Employers pay Unemployment Insurance contributions on each employee’s earnings up to a certain threshold called the wage base. Currently, the wage base is \$10,700.00. The wage base will be adjusted on January 1st of each year as follows:

2017 - \$10,900	2022 - \$12,000
2018 - \$11,100	2023 - \$12,300
2019 - \$11,400	2024 - \$12,500
2020 - \$11,600	2025 - \$12,800
2021 - \$11,800	2026 - \$13,000

AFFORDABLE CARE ACT (ACA) REPORTING

ALL employers must provide an Exchange Notice to all new employees within 14 days of date of hire.

1. If health insurance is offered: <https://www.dol.gov/ebsa/pdf/FLSAwithplans.pdf>
2. If health insurance is not offered: <http://www.dol.gov/ebsa/pdf/FLSAwithoutplans.pdf>

Determine if you are an Applicable Large Employer (ALE) by calculating Full-Time Equivalent Employees (FTE)

1. CONTROLLED GROUP: The IRS defines a group of companies as a controlled group if the same people or company owns or controls all companies in the group, even if the companies have different EIN's and locations. In this case, all companies combined must be considered when determining the number of FTE's.
2. FULL-TIME EMPLOYEES + PART-TIME EMPLOYEES = FULL-TIME EQUIVALENT EMPLOYEES (FTE)
 - a. Full-Time Employees: 30 or more hours per week or 130 hours per month. Hours include any hour for which employee is paid or entitled to payment (vacation, holiday, military duty, jury duty, etc).
 - b. Part-Time Employees: Work on average less than 30 hours per week.
 - c. Full-Time Equivalent (FTE): Calculate FTE's by adding hours worked by part-time employees in a month (up to a max of 120 hours per part-time employee) and dividing by 120. Add this number to the number of full-time employees and the result is your total FTE's.

Applicable Large Employers (ALE) with 50 or more full-time equivalent (FTE) employees:

1. File forms 1094-C and 1095-C with the IRS and provide form 1095-C to each employee by 1/31/16.
2. Provide affordable health care coverage beginning in 2016.

ACA 1094/1095 REPORTING

What companies have to provide the 1094-C and 1095-C Forms? Companies that have over 50 FTE's in the calendar year must file these forms. Please contact your health insurance provider to ensure that these forms are being filed on your behalf. Please contact Priority One Payroll with any questions.

NEW OVERTIME RULES EFFECTIVE 12/1/2016

US Department of Labor announced new overtime rules that will automatically extend overtime pay eligibility to 4.2 million workers. On May 18, 2016, The Department of Labor published final overtime rules changes. The effective date of the following rules is **December 1, 2016**.

Key Elements of the new regulations that you need to know:

1. Salary Threshold
 - a. The standard salary threshold has increased from \$455.00 per week to \$913.00 per week, or \$47,476.00 annually.
 - b. Highly Compensated Employees (HCE) salary level has increased from \$100,000.00 to \$134,004.00 per year.
2. The DOL will update the salary threshold every three years beginning 1/1/2020.
3. The final rule allows for up to 10 percent of the salary threshold to be met by non-discretionary bonuses, incentive pay or commissions, provided these amounts are paid on at least a quarterly basis.
4. The final rule does not make any changes to the duties test that determines whether an employee is ineligible for overtime pay.

In response to the new rules, employers have the following options:

1. Pay time-and-a-half for overtime work.
2. Raise employee's salary above the new threshold (\$913.00 per week).
3. Limit an employee's hours to 40 hours per week.
4. Some combination of the above.

How do I know if my employee should be paid overtime?

If an employee has worked more than 40 hours in a pay week, then the employee must be paid an overtime rate for all hours over 40. However, some employees may be exempt from the overtime pay provisions, such as employees employed as bona fide executive, administrative, professional, outside sales employees and certain computer employees. To qualify for exemption, **employees must meet certain tests regarding their job duties** and be paid on a salary basis at not less than \$455 per week, or \$913 per week effective 12/1/2016. Please visit <https://www.dol.gov/whd/overtime/final2016/SmallBusinessGuide.pdf> to determine if your employees are exempt from overtime.

How can I keep track of my employee's hours?

Priority One Payroll does offer Time & Attendance solutions. Please contact your Customer Service Specialist for more information.

For more information, please visit the US Department of Labor.

- <https://www.whitehouse.gov/the-press-office/2016/05/17/fact-sheet-growing-middle-class-paychecks-and-helping-working-families-0>
- <https://www.youtube.com/watch?v=UFJaDm720FU>
- <https://www.dol.gov/whd/overtime/final2016/overtime-factsheet.htm>
- <https://www.dol.gov/whd/overtime/final2016/faq.htm>
- <https://www.dol.gov/whd/overtime/final2016/webinars.htm>

FUTA CREDIT REDUCTION FOR 2016

Due to high unemployment claims over the last few years, many states took loans from the federal government to continue paying unemployment benefits. States that borrow money from the Federal Unemployment Account have a specific amount of time to repay the loan. If loans are not repaid by that time, then the FUTA credit for employers in those states is reduced by 0.3%, and the extra FUTA taxes that are paid by employers are applied to the outstanding balance. The reduction will increase by 0.3% for each year until the loan is paid.

WHAT DOES THIS MEAN FOR THE EMPLOYER?

NEW YORK STATE HAS REPAID THEIR OUTSTANDING ADVANCES THEREBY ELIMINATING ANY FUTA CREDIT REDUCTION IN 2016.

If you paid an employee in 2016 in any of the states listed in the table below, then you must pay an additional amount in FUTA tax. Please refer to the table below to determine the additional amount that you will have to pay PER EMPLOYEE. If an employee earned less than \$7,000.00 in 2016, then the amount will be less for that employee.

Priority One Payroll will not know the final amount that needs to be collected until the 1st week of January 2017. This amount will be debited from your account by January 20, 2017 in order to make the payment by January 31, 2017. The additional percentages listed below have not yet been finalized.

POTENTIAL FUTA CREDIT REDUCTION

STATE	ADDITIONAL %	EMPLOYER RESPONSIBILITY
California	2.4%	\$168.00 per employee paid in 2016
Connecticut	0.6%	\$42.00 per employee paid in 2016
Ohio	0.6%	\$42.00 per employee paid in 2016
Virgin Islands	2.4%	\$168.00 per employee paid in 2016

Please feel free to contact Brianna Holmes directly with any questions at 518-363-0600 X105 or email Brianna@priorityonepayroll.com.

2016 YEAR-END CHECKLIST

- ACA Reporting & Compliance – ensure your company is in compliance. Employers with 50 or more full-time equivalents and employers that provide self-insured health coverage need to file annual reporting for health insurance purposes and are also subject to the Employer Shared Responsibility Provisions. <https://www.irs.gov/affordable-care-act/employers/employer-shared-responsibility-provisions>
- Contact your health insurance provider if you have more than 50 FTE's to ensure they are completing the 1094/1095 reporting for you.
- Report Employer-provided Healthcare Costs before your last payroll in 2016 is processed. **THIS IS ONLY REQUIRED FOR EMPLOYERS THAT FILED MORE THAN 250 W-2'S IN 2015.** Please visit <http://www.irs.gov/uac/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage> for more information.
- Request the Employee Data Report from your Customer Service Specialist to review Employee SS#'s, names and addresses. Report any corrections to us by Wednesday, December 28th.
- Any payments made to subcontractors (1099) over \$600.00 must be reported. If we are filing 1099's on your behalf, then the wages must be reported by Wednesday, December 28th. **Any wages reported after this date will result in additional processing fees.**
- Report any manually issued or voided checks before your last payroll in 2016.
- Contact your accountant and submit any adjustments with a regular payroll in 2016, so that taxes can be paid and paid timely. Examples of adjustments include: S-Corp Health Insurance, Group term life, personal use of company cars and any other non-cash fringe benefits.
- Third Party Sick Pay payments (Disability Payments) need to be reported on the employee's W-2. Contact your administrator for an annual statement.
- Employer HSA Contributions: If you contributed to your employee's HSA account in 2016, then this amount needs to be reported on the employee's W-2. Please contact us if you have not reported these deposits through payroll.
- Time Off Accrual balances: If we are tracking the balance for you, then please submit any updates for the new year with your first scheduled payroll of 2017.
- The IRS requires that employers remind their employees to file a new 2017 W4 Form if any of the following has changed since their last W4 on file: Filing status, number of allowances or exempt status.
- Employees claiming exempt on their W4 in 2016 have until February 16th, 2017 to submit a new W4 in order for their exempt status to continue. If the employee does not submit a new W4 by this date, then you must withhold as if the employee is claiming Single-0. Please contact your Customer Service Specialist if any changes need to be made.
- W-2's must be distributed to employees by Tuesday, January 31st. Priority One Payroll will not distribute W-2's to your employees. W-2's will be sent to you before this date.
- 2017 Priority One Payroll Calendar has been posted on our website.
- Report any deduction changes, such as Health, Dental and 401K, with your first payroll in 2017.
- W-2 fees will be included on your first payroll processed in January 2017.

2017 WAGE LIMITS AND TAX RATES:

2017 Tax Type	Rate	Max Tax
Employee Social Security tax rate	6.2%	\$7,886.40
Employer Social Security tax rate	6.2%	\$7,886.40
Employee Medicare tax rate (Wages up to \$200,000.00)	1.45%	\$2,900.00
Employee Medicare tax rate (Wages above \$200,000.00)	2.35%	No Limit
Employer Medicare tax rate	1.45%	No Limit

2017 PENSION PLAN LIMITS:

401(k)	\$18,000.00
401(k) catch-up contributions	\$6,000.00
403(b)	\$18,000.00
403(b) catch-up contributions	\$6,000.00
457	\$18,000.00
457 catch-up contributions	\$6,000.00
SIMPLE Plan	\$12,500.00
SIMPLE Plan catch-up contributions	\$3,000.00

HELPFUL WEBSITES AND LINKS:

Priority One Payroll www.priorityonepayroll.com
Internal Revenue Service www.irs.gov
IRS – Affordable Care Act www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions-Home
DOL - Affordable Care Act www.dol.gov/ebsa/healthreform/
Health Insurance Marketplace www.healthcare.gov/
Social Security Administration www.ssa.gov
NYS Department of Labor www.labor.state.ny.us
NYS Department of Tax & Finance www.tax.state.ny.us
IRS – Work Opportunity Tax Credit <https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit-1>

Please feel free to contact us with any questions or concerns. All of us at Priority One Payroll wish you a happy holiday season and prosperous new year!