



2017 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.

- Thursday, November 23rd
- Friday, November 24th
- Monday, December 25th
- Monday, January 1st

PROCESSING DEADLINES:

The deadline to process a payroll with a 2017 check date is on Friday, December 29th at 12:00 PM. All payrolls submitted after this deadline will be processed with a 2018 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 29th 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 Friday, December 29th. 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 W-2's and will result in additional processing fees, so we encourage you to contact your Customer Service 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 2017 NYS unemployment rates some time in February. Please fax this notice to 518-363-0601 as soon as possible.

NYS MINIMUM WAGE INCREASE – EFFECTIVE 12/31/2017

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. Please visit <https://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 12/31/2017. 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:

Location	12/31/17	12/31/18	12/31/19	12/31/20	2021*
NYC - Large Employers (of 11 or more)	\$13.00	\$15.00			
NYC - Small Employers (10 or less)	\$12.00	\$13.50	\$15.00		
Nassau, Suffolk & Westchester	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00
Remainder of New York State	\$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:

Location	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21
NYC - Large Employers (of 11 or more)	\$8.65	\$10.00			
NYC - Small Employers (10 or less)	\$8.00	\$9.00	\$10.00		
Nassau, Suffolk & Westchester	\$7.50	\$8.00	\$8.65	\$9.35	\$10.00
Remainder of New York State	\$7.50	\$7.50	\$7.85	\$8.35	TBD

MINIMUM WAGE FOR FAST FOOD WORKERS:

The minimum wage for fast food employees employed *OUTSIDE OF NEW YORK CITY* is \$11.75. The minimum wage for fast food employees employed *IN NEW YORK CITY* is \$13.50.

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

1. Small Employer is defined by NYS Department of Labor as any business that (1) employs one or more employees in New York City and (2) has **not** employed more than 10 employees at any time during the current or prior calendar year and among all worksites.
2. Large Employer is defined by NYS Department of Labor as any business that (1) employs one or more employees in New York City, and (2) has employed more than 10 employees at any time during the current or prior calendar year and among all worksites.

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 \$10,900.00. The wage base will be adjusted on January 1st of each year as follows:

2018 - \$11,100	2021 - \$11,800
2019 - \$11,400	2022 - \$12,000
2020 - \$11,600	2023 - \$12,300

NYS PAID FAMILY LEAVE (PFL)

Effective 1/1/2018, NYS Paid Family Leave (PFL) will be a mandatory benefit in NY. In order to alleviate upfront financial burden on the employer, the employer may begin to collect the weekly employee contribution through a payroll deduction effective 7/1/2017. Please contact your Customer Service Specialist if you would like to start deduction NYS PFL from your employees.

WHAT IS PFL?

Starting 1/1/2018, PFL will be a mandatory benefit that provides job security and paid time off to employees to bond with a new child, care for a seriously sick family member, or address family matters due to a qualifying military exigency. In 2018, eligible employees may take up to 8 weeks of paid leave and paid leave can be taken in daily increments. Benefits are paid to employees by the insurance carrier.

WHO IS ELIGIBLE?

Virtually every full-time or part-time private employee in New York State will be eligible for Paid Family Leave. Participation in the program is not optional for employees. Employees with a regular schedule of 20 or more hours per week are eligible after 26 weeks of employment. Employees with a regular schedule of less than 20 hours per week are eligible after 175 days worked. Employees do not have to take all of their sick leave and/or vacation before using paid family leave. An employer may permit you to use sick or vacation leave for full pay, but may not require you to use this leave. There are excluded occupations & classes of employees. Download the ABCs of PFL from ShelterPoint: <http://pfl.shelterpoint.com/blog/abcs-of-pfl>.

WHO PAYS FOR THE BENEFIT?

PFL is considered an employee-funded benefit, however employers don't have to collect the weekly contributions from their employees. Similar to NYS disability, employers will be billed directly from their disability carrier and employers must pay the premium for the entire group, even if you don't withhold weekly deductions through payroll. Priority One Payroll does not collect and remit the employee deductions on your behalf. If you would like to deduct PFL from your employees, then please contact your Customer Service Specialist to have this turned on.

HOW MUCH IS THE EMPLOYEE'S PFL DEDUCTION?

There is no fixed rate as it is a percent of the employee's salary. The 2018 maximum contribution rate is 0.126% of the employee's annual wages, capped at \$67,907.84 per year. The 2018 maximum annual premium that you may deduct from an employee is \$85.80. This is an average of \$1.65 per week per employee, depending on their wages.

WHAT NEW OBLIGATIONS DOES PFL BRING TO MY BUSINESS?

You must add PFL to your written guidance for employees concerning employee benefits or leave rights, such as an employee handbook, and you must display and keep posted a printed notice that will be published by NYS.

PLEASE VISIT THE FOLLOWING WEBSITES FOR MORE INFORMATION:

New York State: <https://www.ny.gov/new-york-state-paid-family-leave/paid-family-leave-how-it-works>

ShelterPoint: <http://pfl.shelterpoint.com>

ShelterPoint – ABCs of PFL: <http://pfl.shelterpoint.com/blog/abcs-of-pfl>

NYS Workers' Comp Board: <http://www.wcb.ny.gov>

A NEW HEALTHCARE REIMBURSEMENT OPTION FOR SMALL EMPLOYERS

From www.irs.gov: On December 13, 2016, Congress enacted the 21st Century Cures Act, which permits an eligible employer to provide a qualified small employer health reimbursement arrangement (QSEHRA), which is not a group health plan and thus is not subject to the requirements that apply to group health plans. An eligible employer is an employer that is not an applicable large employer and that does not offer a group health plan to its employees. A QSEHRA is an arrangement that meets the following criteria: (1) the arrangement is funded solely by an eligible employer, and no salary reduction contributions may be made under the arrangement; (2) the arrangement generally is provided on the same terms to all eligible employees of the employer; (3) the arrangement provides, after the employee provides proof of coverage, for the payment or reimbursement of medical expenses incurred by the employee or the employee's family members; and (4) the amount of the payments and reimbursements for any year do not exceed \$4,950 for employee-only arrangements or \$10,000 for arrangements that provide for payments and reimbursements of expenses of family members. For QSEHRAs provided in 2017, the maximum dollar amount for employee-only arrangements remains \$4,950, and the maximum dollar amount for arrangements that provide for payments and reimbursements for expenses of family members is \$10,050.

An eligible employer generally must furnish a written notice to its eligible employees at least 90 days before the beginning of a year for which the QSEHRA is provided (or, in the case of an employee who is not eligible to participate in the arrangement as of the beginning of the year, the date on which the employee is first eligible). The written notice must include: (1) a statement of the amount that would be the eligible employee's permitted benefit under the arrangement for the year; (2) a statement that the eligible employee should provide that permitted benefit amount to any health insurance exchange to which the employee applies for advance payments of the premium tax credit; and (3) a statement that if the eligible employee is not covered under minimum essential coverage for any month, the employee may be liable for an individual shared responsibility payment under section 5000A for that month and reimbursements under the arrangement may be includible in gross income. For years beginning after December 31, 2016, a penalty is imposed on eligible employers that fail to timely furnish eligible employees with the required written QSEHRA notice. An eligible employer that provides a QSEHRA during 2017 or 2018 must furnish the initial written notice to its eligible employees by the later of (a) February 19, 2018, or (b) 90 days before the first day of the plan year of the QSEHRA.

The total amount of permitted benefits must be reported on the W-2 in box 12 code FF. The QSEHRA contribution limits for 2018 are as follows:

Self-only employees: \$5,050.00
Employees with a family: \$10,250.00

For more information, please visit <https://www.irs.gov/affordable-care-act/affordable-care-act-tax-provisions-for-employers1>.

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/sites/default/files/ebsa/laws-and-regulations/laws/affordable-care-act/for-employers-and-advisers/model-notice-for-employers-who-offer-a-health-plan-to-some-or-all-employees.pdf>
2. If health insurance is not offered: <https://www.dol.gov/sites/default/files/ebsa/laws-and-regulations/laws/affordable-care-act/for-employers-and-advisers/model-notice-for-employers-who-do-not-offer-a-health-plan.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 1/31/17.
2. Provide affordable health care coverage beginning in 2016.

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. Priority One Payroll does not produce these forms.

2017 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 2017 is processed. **THIS IS ONLY REQUIRED FOR EMPLOYERS THAT FILED MORE THAN 250 W-2'S IN 2016.** Please visit <http://www.irs.gov/uac/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage>.
- Request the Employee Data Report from your Customer Service Specialist to review employee SS#'s, names and addresses. Report any corrections to us by Friday, December 29th.
- 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 Friday, December 29th. **Any wages reported after this date will result in additional processing fees.**
- Report any manually issued or voided checks before your last payroll in 2017.
- Contact your accountant and submit any adjustments with a regular payroll in 2017, 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 and send this report to us ASAP.
- Employer HSA Contributions: If you contributed to your employee's HSA account in 2017, 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.
- NYS Paid Family Leave (PFL): Do you want to deduct NYS PFL from your employees? If so, then you must let us know to turn this on.
- 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 2018.
- The IRS requires that employers remind their employees to file a new 2018 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 2017 have until February 16th, 2018 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.
- W-2's must be distributed to employees by Wednesday, 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.
- Print the 2018 calendar on our website.
- Report any deduction changes, such as Health, Dental and 401K, with your first payroll in 2018.
- Note: W-2 fees will be included on your first payroll processed in January 2018.

2018 WAGE LIMITS AND TAX RATES:

2018 Tax Type	Rate	Max Tax
Employee Social Security tax rate (Wages up to \$128,700.00)	6.2%	\$7,979.40
Employer Social Security tax rate (Wages up to \$128,700.00)	6.2%	\$7,979.40
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

2018 PENSION PLAN LIMITS:

401(k)	\$18,500.00
401(k) catch-up contributions	\$6,000.00
403(b)	\$18,500.00
403(b) catch-up contributions	\$6,000.00
457	\$18,500.00
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
NYS Paid Family Leave	https://www.ny.gov/programs/new-york-state-paid-family-leave
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!