



IMPORTANT YEAR END INFORMATION

Crescent Payroll Solutions will begin year-end processing as soon as you process your last scheduled payroll of 2017. It is extremely important to review the following information in order to notify us of any changes as soon as possible.

CPS holiday schedule: Our normal business hours are M-F, 8:00am – 5:00pm. Thursday, November 23rd and Friday, November 24th, our office will be closed for the Thanksgiving holiday. On Friday, December 23rd, we will be operating with minimal staff after 12:00pm. We will be closed on Monday, December 25th and Monday, January 1st, in observance of the Christmas and New Year holidays. We will resume normal business hours on Tuesday, January 2nd, 2018.

W-2 Verification Report: Please verify all information on the Personnel Verification Report to ensure it is complete and accurate. This report will be delivered electronically along with your last scheduled payroll in November. The deadline to submit changes is Friday, **December 15th**. Additional fees will apply if you request changes after we have commenced year-end processing.

Banking holidays & check date verification: Please verify that your scheduled payroll check dates during November, December and January are correct. You must notify us as soon as possible, but **no less than 2 business days prior to the check date**, if you need to change it. Please remember that all ACH prefunding requirements must be maintained for direct deposit. ***Payrolls submitted less than 48 business hours before the check date will incur a minimum premium processing fee of \$35.00.***

Special unscheduled payrolls: If you are planning to run a special, unscheduled year-end payroll for bonuses, distributions, or adjustments of any kind, you must notify us **no later than December 15th**. This ensures that we do not begin year-end processing prior to the special payroll being processed. Additional fees will apply if you request a special payroll after we have commenced year-end processing. Year-end adjustments done in January may result in penalties for late tax deposits.

Wire Required Payrolls: Please note that any payroll processed with the one or more of the following circumstances will require that funds are wire transferred to CPS prior to processing the payroll:

- *Total tax liability is \$100,000.00 or more*
- *Total direct deposit amount is \$500,000.00 or more*
- *Single employee direct deposit totals \$100,000.00 or more*

VOIDS and Manual checks at year-end: Remember that any voids and/or manual checks that are stored in the payroll batch after you have processed your last scheduled payroll of 2017 will post on your first payroll check date in January 2018. If you need a void and/or manual check to be recorded in 2017, then you must contact CPS to setup and process a special payroll dated in 2017 if you have already run your last scheduled payroll of the year.

Fringe Benefits: The IRS defines a fringe benefit as “a form of pay, in addition to stated pay, for the performance of services”. Under IRS Code section 61, ALL income is taxable unless an exclusion applies. Some common forms of “fringe benefits” include Personal Use of a Company Car (PUCC), Group Term Life, education assistance, and qualified moving expenses. For more information on the taxation of Fringe Benefits, visit www.irs.gov and

search Publication 5137. Please report these additional items to your payroll specialist as soon as possible for annual reporting purposes.

S-Corporation 2% Shareholder health benefit reporting – due to the Affordable Care Act, health insurance premiums for S-Corp 2% shareholders are fully taxable for all taxes *unless* the company offers a group health insurance plan. If the company offers a group health insurance plan, then the 2% shareholder health benefits are only subject to federal and state withholding taxes. Please notify your Payroll Account Specialist by December 15th if you will be reporting 2% shareholder health benefit amounts for 2017 so that we can hold your year-end processing until those entries are recorded. Additional charges will apply should you require us to re-process or amend your W-2's or quarterly reports.

Third Party Sick Pay: if you have Third Party Sick Pay for 2017, your third-party provider is required to furnish you with a final sick pay statement by January 15, 2018. Please notify your Payroll Specialist by Dec. 15th if you anticipate any additional third party sick pay amounts to report for 2017 so that we can hold your year-end processing until those entries are recorded. Additional charges will apply should you require us to re-process or amend your W-2's or quarterly reports. In most instances the third party provider provides W-2 forms directly to the employees. If you need us to report 3rd party sick amounts on the W-2 forms that we prepare for your employees, you must request that we include those values on your W-2 forms. Please check with your 3rd party provider if you are uncertain whether or not they will prepare the W-2 forms.

Allocated Tips: if you are a restaurant that is required to file form 8027 (Employer's Annual Return of Tip Income and Allocated Tips) you must notify Crescent Payroll by December 15th if you will need to report allocated tips on your employee W-2 forms. You must provide us with the employee allocated tip amounts no later than Wednesday, January 3, 2018. Additional charges will apply should you require us to re-process or amend your W-2's.

W-2 Reporting - Employer-Provided Health Coverage: For tax year 2017, the **Affordable Care Act** requires employers subject to section 4980H of the Internal Revenue Code ("Code"), generally meaning employers with 50 or more full-time employees (including full-time equivalent employees) in the preceding calendar year, to report the information required under Code sections 6055 and 6056 about offers of health coverage and enrollment in health coverage for their employees. Please notify us no later than Dec. 8th if you need to report the employer-provided health coverage costs on your employees' 2017 W-2 forms. Full details on ACA Reporting for 2017 are available at the following site: <https://www.irs.gov/Affordable-Care-Act/Employers>

W-2/1099 forms: Printed W-2s and 1099's will be shipped as soon as possible after year-end processing has completed. Employee copies will be uploaded to Employee Self-Service accounts in late January for clients enrolled in our Employee Self-Service program. Our default method of providing the Employer Copy D is through our Virtual Mail Room (VMR). Clients that do not currently receive payroll reports via electronic delivery will receive paper copies with their employee W-2 package.

W-2/1099 E-Delivery for Employee Copies: We offer secure W-2 & 1099 delivery directly to your employees using our Virtual Mail Room e-delivery service. Please contact your Payroll Account Specialist by December 8th for details on adding this *free* service for the current year.

1099-MISC: Please report any additional 1099 payments for the current year no later than December 22nd. In addition, if we are issuing 1099 payments to employees on your behalf, but you or your CPA will prepare the associated year-end returns, please let us know immediately so that we can avoid processing double wages for your account. Please note that you should not issue a 1099-MISC to Crescent Payroll Solutions for your 2017 billing charges per IRS regulations.

2018 FUTA Credit Reduction States: Employers with unemployment wages in California and the Virgin Islands may be subject to a reduction of 2.1% in the FUTA credit on their IRS Form 940 for tax year 2017. The additional FUTA taxes owed for as a result of credit reductions are due with the fourth quarter FUTA tax deposit. Clients on our Full Tax Service

will have these additional amounts debited in mid-January and remitted on your behalf by the due date of January 31, 2018.

2018 W-4 forms (Employee’s Withholding Allowance Certificate) & required notifications: All employee’s claiming Exempt on their current W-4 are required to complete a new W-4 form for 2018 by 2/15/18 in order to keep their exempt status. If the employee does not submit a new W-4, the employer must withhold at S-0 beginning 2/16/18. Per IRS regulations you are required to notify your employees before December 1st to file a new W-4 if their filing status, exemptions allowances or exempt status has changed since they last filed the form.

2018 Federal Tax Deposit Requirements: The IRS may or may not send you a notice of your new federal tax depository requirements. Whether or not you receive a printed notice from the IRS, it is your responsibility to notify Crescent Payroll of your 2018 federal tax deposit frequency based on the IRS look back rules (see IRS publication 15 at www.irs.gov) no later than Dec. 15th. Failure to notify CPS of a change in your federal tax depository requirements may result in late payment penalties that are your responsibility.

2018 State Unemployment Tax Rates & Deposit Guidelines: You should be receiving 2018 state unemployment tax rate notices and/or withholding tax deposit frequency notices soon (although several states do not send these out until March). Please forward these notices to your Payroll Account Specialist as soon as you receive them so we can update your account as soon as possible for the new year.

2018 Labor Law Compliance Posters: We offer Labor Law Compliance posters that meet Federal and State posting requirements. Please contact our office if you are interested.

2018 Contribution and Wage Limits:

401k Plan Limits	2017	2018
401k Elective Deferrals	\$18,000	\$18,500
Annual Defined Contribution Limit	\$54,000	\$55,000
Annual Compensation Limit	\$270,000	\$275,000
Catch-Up Contribution Limit	\$6,000	\$6,000
Highly Compensated Employees	\$120,000	\$120,000
Non-401k Related Limits	2017	2018
403(b)/457 Elective Deferrals	\$18,000	\$18,500
SIMPLE Employee Deferrals	\$12,500	\$12,500
SIMPLE Catch-Up Deferral	\$3,000	\$3,000
SEP Minimum Compensation	\$600	\$600
SEP Annual Compensation Limit	\$270,000	\$275,000
Social Security Wage Base	\$127,200	\$130,500
HSA Contribution Individual Limit	\$3,400	\$3,450
HSA Contribution Family Limit	\$6,750	\$6,900
HAS Catch-Up Contribution Limit	\$1,000	\$1,000
Flex Spending – health care FSA	\$2,600	\$2,650
Flex Spending – dependent care FSA:		
Qualified Individuals & Married filing jointly	\$5000	\$5300
Married filing separately	\$2500	\$2500

2018 State Minimum Wage Changes:

Minimum Wage			
State	Current	New	Effective Date
Arizona	\$10.00	\$10.50	January 1, 2018
Arkansas	\$8.50	\$8.50	2018 legislation pending
California**	\$10.50	\$11.00	>25 EE's; 1/1/2018
California**	\$10.00	\$10.50	<25 EE's; 1/1/2018
Colorado	\$9.30	\$10.20	January 1, 2018
District of Columbia	\$12.50	\$13.25	July 1, 2018
Florida	\$8.10	\$8.25	January 1, 2018
Hawaii	\$9.25	\$10.10	January 1, 2018
Maine	\$9.00	\$10.00	January 1, 2018
Maryland	\$9.25	\$10.10	July 1, 2018
Michigan	\$8.90	\$9.25	January 1, 2018
Minnesota	\$9.50	\$9.65	January 1, 2018
Montana	\$8.15	\$8.30	January 1, 2018
New Jersey	\$8.44	\$8.60	January 1, 2018
New York base rate	\$9.70	\$10.40	December 31, 2017
Long Island/Winchester	\$10.00	\$11.00	December 31, 2017
10 or fewer employees	\$10.50	\$12.00	December 31, 2017
11 or more employees	\$11.00	\$13.00	December 31, 2017
Ohio	\$8.15	\$8.30	January 1, 2018
Oregon	\$10.25	\$10.75	July 1, 2018
South Dakota	\$8.65	\$8.85	January 1, 2018
Vermont	\$10.00	\$10.50	January 1, 2018
Washington	\$11.00	\$11.50	January 1, 2018

**Visit www.dir.ca.gov for more information on California minimum wage regulations.

This listing is informational and is not intended as legal advice. Please consult your tax authority directly for exact specifications. Other states and localities may have increased minimum wage for 2017. Please make sure that you are in compliance if you have employees in other states/localities and adjust accordingly. You can consult the US Department of Labor's site for more information: <http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx>