



2022 Year-end Processing Guide

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Contents

Processing Deadlines	3
Year-end Preparation Checklist	4
Holiday Schedule	5
Year-end Housekeeping Details	6
Audit	6
401(k) Update	6
Exempt W-4s	6
Adjustment Payrolls	6
Manual and Void Checks	6
Third-Party Sick Pay	6
New Clients	6
Tax Documentation Requirements	7
W-2 Forms.	7
1099s, and 1095-Cs	8
Year-end Payrolls	8
Bonus Payrolls	8
Group Term Life	8
Uniform Premium Table for Group Term Life (GTL)	9
Employer Portion of Healthcare	9
FUTA Credit Reduction	10
Additional Resources	10
Attachment–Fringe Benefits Checklist	11

The end of the year 2022 is almost here. This time of the year is very busy and can be very stressful for everyone. We are here to help you through the year-end process. We hope this year-end guide will be useful for you and your staff as your company closes out the year. We really appreciate the opportunity to provide your company payroll services and look forward to working with you through year-end 2022 and into 2023. Please do not hesitate to call us if you have any questions or require assistance.

Processing Deadlines

Standard Deadlines

In keeping with our standard processing deadlines, Inova Payroll must receive all payroll information by the deadline indicated on the payroll-processing contract, which is **two banking days prior to the check date**. Any payroll information, such as adjustments, received after the deadline may not be processed timely due to the necessary processing and handling time.

Year-end Deadlines

The deadline to process adjustment or supplemental payrolls with a 2022 check date is 12/28/22, 3:00 p.m. EST, 2:00 p.m. CST, 4:00 p.m. MST. All payrolls received after this deadline will have a 2023 check date. Adjustments with \$100,000 or more in federal tax liability (or 12/31/22 adjustments combined with 12/31/22 payroll totaling \$100,000 or more in federal tax liability) must be received by **12/28/22, 3:00 p.m. EST, 2:00 p.m. CST, 4:00 p.m. MST**, to ensure a timely federal deposit.

Please be advised that amended return fees processed after 12/31/2022 may apply. **Any late IRS tax deposit penalties generated due to adjustments after 12/31/2022 will be the sole responsibility of the client.**



Information submitted AFTER December 28, 2022 must be in writing. In the event that you are unable to process all 2022 payrolls by December 28, 2022, please notify your Inova representative **IN WRITING** immediately.

Adjustments needed to correct payroll information that are received after December 31, 2022, will have to be in the form of a W-2C. All standard processing fees will apply, as well as any fees associated with reprocessing payroll tax returns.



IMPORTANT: Payrolls processed in 2022 that have a CHECK DATE of 2023 will NOT show up as wages on the 2022 W-2! These wages will NOT be part of your 2022 YTD totals.

Year-end Preparation Checklist

- Review holiday table for Federal Reserve holidays and Inova Payroll limited support hours.
- Review processing deadlines and identify your last payroll(s) for 2022.
- Inform your Inova representative of any year-end adjustments to record such items as relocation expenses, group term life, personal use of company cars, third-party sick pay, etc., **prior to your final 2022 payroll**. Please refer to the attached Fringe Benefits Checklist.
- For any 1099 type payments issued throughout the year through payroll, for 1099-NEC forms will be processed and billed along with W-2s. added. For any clients wishing to file their own 1099-NEC forms, the worker type should be Draw.
- Enter any additional manual checks and/or voided checks that need to be recorded in the current year, prior to December 28th.
- Perform an audit of employee data related to SSN, name, and mailing address by the end of the year in preparation for the creation of 2022 W-2s.
- Identify and process any end of year payrolls, such as a bonus payroll, by December 28th.
- Call your Inova representative with ANY questions regarding year-end processing well in advance of December 28th so that there will be ample time to address and resolve any outstanding issues.

Holiday Schedule Remaining 2022 and 2023 dates

Inova Payroll

Holiday	Date Observed (Inova Offices Closed)
Thanksgiving 2022	Thursday, November 24 & Friday, November 25
Christmas Day 2022*	Friday, December 23
Christmas Day 2022* <i>Former IPS (St. Louis) & Link HCM (So Cal) clients</i>	Monday, December 26
Memorial Day 2023	Monday, May 29
Independence Day 2023	Monday, July 3
Labor Day 2023	Monday, September 4
Thanksgiving 2023	Thursday, November 23 & Friday, November 24
Christmas Day 2023	Monday, December 25

**Please note: Christmas Day is observed in some offices on December 23rd and others on December 26th this year. Contact your account manager for clarification if you're unsure which date applies to you.*

Federal Reserve

*When the Federal Reserve is closed, no direct deposit or tax payments will be sent nor will funds be settled on those days. Inova Payroll clients should **NOT** have check dates on Federal Reserve holidays. Please be sure your payroll information is communicated to your support team well enough in advance of these dates for direct deposits and tax liabilities to be issued.*

Holiday	Date Observed (Federal Reserve Closed)
Thanksgiving Day 2022	Thursday, November 24
Christmas Day 2022	The Federal Reserve is closed Monday, December 26 and no payrolls will be processed. Inova's St Louis and California offices will be closed on December 26. Other offices will have limited staff available for client support on Friday the 23rd and Monday the 26th. Communications will be sent to clients in advance with any office-specific schedules and/or changes.
New Year's Day 2023	The Federal Reserve is closed Monday, January 2 and no payrolls will be processed. Inova offices will be closed Monday, January 2.
Martin Luther King, Jr. Day 2023	Monday, January 16
Presidents Day 2023	Monday, February 20
Memorial Day 2023	Monday, May 29
Juneteenth 2023	Monday, June 19
Independence Day 2023	Tuesday, July 4
Labor Day 2023	Monday, September 4
Columbus Day 2023	Monday, October 9
Veterans Day 2023	Friday, November 10
Thanksgiving Day 2023	Thursday, November 23

Year-end Housekeeping Details

Audit

Have employees independently verify their SSN, name and address during the remainder of 2022 leading up to year-end. Also, please have employees update their account with any corrections PRIOR to the final 2022 payroll.

401(k) Update

The contribution limit for 2022 is \$20,500 and the over age-50 catch-up contribution amount is \$6,500.

Exempt W-4s

W-4s for employees claiming tax exempt (blocked withholding in UKG) expire **February 15** of the next year and employees must provide a new W-4. If not provided, they should be setup as single with no dependents or adjustments

Adjustment Payrolls

Manual and Void Checks

All pending and processed manual and/or void checks must be recorded PRIOR to the final 2022 payroll.



Adjustments completed after closing for year-end will require you to contact your Inova representative for assistance. *All standard payroll processing fees will apply on the adjustment payroll run in addition to fees for reprocessing tax returns.*

Third-Party Sick Pay



As part of year-end processing, if you find that you have third-party sick pay that needs to be entered in the system, please contact your Inova representative. This must be completed **PRIOR** to the final payroll processing for your company in 2022.

New Clients

If you were a new client on or after April 1, 2022 and Inova is filing your W-2s, you must have supplied Inova with copies of all tax returns filed prior to your Inova service start date. If copies of those returns have not been supplied to the implementation team, you will be required to sign an absolution letter acknowledging Inova cannot guarantee the accuracy of your annual returns or your employee's W-2s.

It is also **imperative** you make sure any previous provider is not filing any further monthly, quarterly or annual returns.

Tax Documentation Requirements

Please forward new state or local ID numbers from any that you have applied for recently as well as any updated electronic requirements received from those agencies. Please forward pre-printed tax forms directly to your Inova representative. Be sure to include your company identifier(s) in your email subject line.

Tax Rate and Frequency Change Notices

Please forward all unemployment tax rate and deposit frequency notices to your Inova support representative as soon as you receive them.

For Federal Deposit Filing Frequency information - see Publication 15 for Look Back Period and/or \$100,000 in a Deposit period rules - it is your responsibility to notify Inova if your frequency is changing. See [2022 publication 15 \(irs.gov\)](#).

Note that many states are no longer sending paper copies of unemployment rate changes so for those, you will need to log into your account and obtain them. It is the employer's responsibility to ensure the correct unemployment rate is used in the computation of unemployment taxes. Unemployment taxes will be calculated using the unemployment rate supplied by the employer to Inova Payroll.

Social Security Numbers

Some states no longer accept quarterly tax and wage reports containing invalid Social Security numbers (SSNs), so it is important that employers take measures to ensure all employees have valid Social Security numbers. Some examples of the more common invalid SSN formats are multiple employees reported with the same number, SSNs beginning with 9 or containing dashes, and SSNs 123-45-6789 and 987-65-4321.

W-2s, 1099s, and 1095-Cs

With the understanding that all year-end processing deadlines have been met, and that Inova Payroll has been provided with all necessary information, W-2s and 1099s will be processed and delivered by January 31, 2022. 1095-Cs will be processed and delivered by January 31, 2022.

W-2 Forms

As was the case last year, the W-2 filing date has been moved up by the federal government to January 31, 2023, the same date the forms are due to your employees. Inova Payroll will electronically file W-2s. W-2s will be available for distribution to employees on or before January 31, 2023. ***The fees for W-2 forms will be automatically assessed on your scheduled payroll closest to January 15.***

Employees have the option in the Inova payroll system to consent to only an electronic copy of their W-2 form. If selected, a printed copy will not be provided for that employee.

1099 NEC Forms

Inova will also electronically file 1099s on your behalf if 1099 worker types exist for your company.. As with W-2s, the fees for 1099-NEC forms will be automatically assessed on your scheduled payroll closest to January 15 and will be available for distribution on or before January 31, 2023.

1094-C/1095-C Forms

Inova Payroll will file 1094-C and 1095-C forms for clients who requested ACA service and have performed all necessary data review as prescribed. In order for the forms to be available for distribution to your employee on or before March 2, 2023, your Inova ACA team will be sending you a comprehensive ACA year-end guide with specific procedures & deadlines that will need to be followed. *The fees for the ACA forms will be automatically assessed on your scheduled payroll closest to February 15 per your service agreement.*

Year-end Payrolls

Bonus Payrolls

Many of our clients choose to pay their employees a bonus at year-end. Bonuses can be paid on the same check the employee is receiving for the pay period or can be issued as a separate check depending on employer preference. Keep in mind that a completely separate bonus payroll can be run independently of the final payroll but that standard processing fees will apply. Please be sure to provide 48 hours notice of any bonus payrolls to allow for timely processing. Shorter time-frames cannot be guaranteed.

Group Term Life (GTL)

With regard to closing out year-end details, any employer-paid life insurance in excess of \$50,000 per employee is considered a taxable fringe benefit. The amount in excess of the \$50,000, less any employee after-tax deductions related to the insurance, is treated as taxable income with the exception of FUTA, SUI, and SDI. Even though GTL is subject to all taxes, an employer is only required to withhold Social Security and Medicare from the taxable amount. The employer may at their discretion withhold the FIT on behalf of the employee.

The GTL amount can be entered per payroll or entered as a final lump sum at the end of the year. It is the employer's responsibility to calculate the cost of the coverage OVER \$50,000 and then input the amounts for taxation for the employee and employer portions.

Uniform Premium Table For Group Term Life (GTL)

This is the Uniform Premium Table taken directly from the IRS website as fair market value per \$1,000

Age	Monthly Rate	Age	Monthly Rate
Under 25	\$0.05	Age 50-54	\$0.23
Age 25-29	\$0.06	Age 55-59	\$0.43
Age 30-34	\$0.08	Age 60-64	\$0.66
Age 35-39	\$0.09	Age 65-69	\$1.27
Age 40-44	\$0.10	Age 70 & above	\$2.06
Age 45-49	\$0.15		

NOTE: Many employers will pay the applicable employment taxes on behalf of the employee for the value of a fringe benefit. When an employer pays taxes on behalf of the employee, this is referred to as a gross-up, and the taxes paid become wages. It is most commonly used when reimbursing an employee for taxable bonus payrolls, moving expenses and group term life insurance. You can find a [gross-up calculator](#) in the resources section of our website.



Please contact your Inova representative with any questions related to group term life. The above information is intended to help you calculate that taxable portion of GTL. Once that amount per affected employee has been determined, your Inova representative will assist with making sure this is properly entered into the system.

Employer Portion of Healthcare

The Affordable Care Act requires employers to report the cost of employer-provided health care coverage on Forms W-2. The cost of group health coverage is reported in box 12, code DD.

- Reporting is mandatory for 2013 and years after for employers who file 250 or more Forms W-2 to the Social Security Administration.
- Employers are not required to issue Form W-2, including the reportable cost of health coverage, to any individual for whom the employer is not otherwise required to issue a Form W-2 (e.g., retirees, surviving spouses or others who may receive health coverage through the employer but no compensation).
- In general, the amount reported should include both the portion paid by the employer and the portion paid by the employee.
- Please notify your customer service representative to discuss the entry of the employer portion of the health insurance premiums.

FUTA Credit Reduction

Some states take Federal Unemployment Trust Fund loans from the federal government if they lack the funds to pay UI benefits for residents of their states.

If a state has outstanding loan balances on January 1 for two consecutive years and does not repay the full amount of its loans by November 10 of the second year, then the FUTA credit rate for employers in that state will be reduced until the loan is repaid.

The reduction schedule is 0.3% for the first year the state is a credit reduction state, another 0.3% for the second year, and an additional 0.3% for each year thereafter that the state has not repaid its loan in full. Additional offset credit reductions may apply to a state beginning with the third and fifth taxable years if a loan balance is still outstanding and certain criteria are not met.

DOL runs the loan program and announces any credit reduction states after the November 10 deadline each year. DOL has information about the credit reduction states and loan balances on the [FUTA Credit Reductions page](#) of its Department of Labor website.

2022 Credit Reduction States

Employers in these states face a 0.3% credit reduction:

- California
- Connecticut
- Illinois
- New York

Employers in the US Virgin Islands will face 3.6% credit reduction.

If your company is in one of these 4 states or the US Virgin Islands, your company will owe additional federal unemployment taxes that Inova will need to impound in January 2023 to be paid by January 31, 2023. This computation of this additional tax cannot be computed until processing is complete for 2022. Please look for additional communication in January 2023.

Additional Resources

American Payroll Association	www.americanpayroll.org
Bureau of Labor and Statistics	www.bls.gov
Internal Revenue Service	www.irs.gov
Social Security Administration	www.ssa.gov
State Unemployment and Revenue Agencies	https://www.irs.gov/businesses/small-businesses-self-employed/state-government-websites
Affordable Care Act	www.irs.gov/Affordable-Care-Act

Fringe Benefits Checklist

Company ID: _____ Company Name: _____

Are the following items applicable to your company? If these fringe benefits have not been recorded in our system for the current year, please supply a list of employees and taxable amounts.

- | | | |
|--|---------------------------|--------------------------|
| 1. Third-party sick pay (attach copy of report from insurance company) | <input type="radio"/> Yes | <input type="radio"/> No |
| Is insurance company issuing W-2? | <input type="radio"/> Yes | <input type="radio"/> No |
| 2. Personal usage of company auto, cell phone, laptop | <input type="radio"/> Yes | <input type="radio"/> No |
| 3. Excess per diem payments | <input type="radio"/> Yes | <input type="radio"/> No |
| 4. Payments under "nonaccountable" reimbursement plans | <input type="radio"/> Yes | <input type="radio"/> No |
| 5. Group life insurance in excess of \$50,000 coverage | <input type="radio"/> Yes | <input type="radio"/> No |
| 6. Employer HSA, HRA or other medical savings contributions | <input type="radio"/> Yes | <input type="radio"/> No |
| 7. If you are an S corporation, health insurance premiums paid for more than 2% shareholders | <input type="radio"/> Yes | <input type="radio"/> No |
| 8. Taxable education expenses | <input type="radio"/> Yes | <input type="radio"/> No |
| 9. Deferred compensation | <input type="radio"/> Yes | <input type="radio"/> No |
| 10. Awards, prizes, gifts, stock options | <input type="radio"/> Yes | <input type="radio"/> No |
| 11. Military pay, differential | <input type="radio"/> Yes | <input type="radio"/> No |
| 12. Other taxable fringe benefits (include explanation) | <input type="radio"/> Yes | <input type="radio"/> No |

Authorized Contact (Signature)

Date

After completing, please fax or email to your Inova Payroll representative:

Scottsdale, AZ • Fax (480) 499-8444 • SupportTeam70@inovapayroll.com

Rancho Cucamonga, CA • Fax (909) 568-2853 • Catalina@inovapayroll.com • Roadrunner@inovapayroll.com

Doral, FL • Fax (954) 513-1855 • SupportTeam80@inovapayroll.com

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