



# Evolution 2024 Year-End Processing Guide

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The end of the year 2024 is almost here. This time of the year is very busy and can be very stressful for everyone. Inova is 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 2024 and into 2025. 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 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 2024 check date is December 27, 2024 at 2:00 p.m. EST/1:00 p.m. CST/12 p.m. MST/11 a.m. PST.** All payrolls received after this deadline will have a 2025 check date. Adjustments with \$100,000 or more in federal tax liability (or December 31, 2024 adjustment combined with December 31, 2024 payroll totaling \$100,000 or more in federal tax liability) must be received by **December 27, 2024 at 2:00 p.m. EST/1:00 p.m. CST/12 p.m. MST/11 a.m. PST.** to ensure a timely federal deposit.

Please be advised that amended return fees processed after December, 31, 2024 may apply. **Any late IRS tax deposit penalties generated due to adjustments after December 31, 2024 will be the sole responsibility of the client.**



**Information submitted AFTER December 27, 2024 must be in writing.** In the event that you are unable to process all 2024 payrolls by December 27, 2024, please notify your Inova representative **IN WRITING** immediately.

Adjustments needed to correct payroll information that are received after December 31, 2024, 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 2024 that have a CHECK DATE of 2025 will NOT show up as wages on the 2024 W-2! These wages will NOT be part of your 2024 YTD totals.**

# Recommended Year-End Tasks

- Review holiday table for Federal Reserve holidays and Inova Payroll limited support hours.
- Review processing deadlines and identify your last payroll(s) for 2024.
- 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 2024 payroll**. Please refer to the attached Fringe Benefits Checklist.
- For any 1099-type payments issued throughout the year through payroll, the 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 27, 2024.
- 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 2024 W-2s.
- Identify and process any end-of-year payrolls, such as a bonus payroll, by December 27, 2024.
- Call your Inova representative with ANY questions regarding year-end processing well in advance of December 27, 2024 so that there will be ample time to address and resolve any outstanding issues.

# Holiday Schedule *Remaining 2024 and 2025 dates*

## Inova Offices

| Holiday               | Date Observed (Inova Offices Closed)        |
|-----------------------|---|
| Thanksgiving 2024     | Thursday, November 28 & Friday, November 29 |
| Christmas Day 2024    | Wednesday, December 25                      |
| New Year's Day 2025   | Wednesday, January 1                        |
| Memorial Day 2025     | Monday, May 26                              |
| Independence Day 2025 | Friday, July 4                              |
| Labor Day 2025        | Monday, September 1                         |
| Thanksgiving 2025     | Thursday, November 27 & Friday, November 28 |
| Christmas Day 2025    | Thursday, December 25                       |

## 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 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 2024                | Thursday, November 28                  |
| Christmas Day 2024               | Wednesday, December 25                 |
| New Year's Day 2025              | Wednesday, January 1                   |
| Martin Luther King, Jr. Day 2025 | Monday, January 20                     |
| President's Day 2025             | Monday, February 17                    |
| Memorial Day 2025                | Monday, May 26                         |
| Juneteenth 2025                  | Thursday, June 19                      |
| Independence Day 2025            | Friday, July 4                         |
| Labor Day 2025                   | Monday, September 1                    |
| Columbus Day 2025                | Monday, October 13                     |
| Veterans Day 2025                | Tuesday, November 11                   |
| Thanksgiving 2025                | Thursday, November 27                  |
| Christmas Day 2025               | Thursday, December 25                  |

# Year-end Housekeeping Details

## Audit

Have employees independently verify their SSN, name and address during the remainder of 2024 leading up to year-end. Also, please have employees update their account with any corrections PRIOR to the final 2024 payroll.

## 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 set up as single with no dependents or adjustments.

## 401(k) Update

### 2025 Retirement Plan Limits

|                      |          |                      |          |
|----------------------|----------|----------------------|----------|
| 401(k)/Roth          | \$23,500 | Simple               | \$16,500 |
| Catch-up (50+ years) | \$7,500  | Catch-up (50+ years) | \$3,500  |

### Secure 2.0 Act Overview

The Secure 2.0 Act of 2022, signed into law on December 29, 2022, expands and includes extensive legislation providing employers with opportunities to increase retirement readiness for their employees and to empower employees to build a stronger financial future for themselves. For 2025, there are some Mandatory & Optional Provisions you should be aware of. **Please speak with your Retirement Plan Broker for full details on how this may affect your retirement plans.**

### 2025 Mandatory Provisions

- **Automatic enrollment** is required for all 401(k) and 403(b) plans adopted after December 29, 2022, with an initial contribution rate between 3% and 10%. The plan should have automatic increases per year of 1% until it reaches 10%, but not more than 15%.
- **Increased catch-up** contribution limit for employees aged **60 to 63** to \$11,500 per year.
- **Long-Term Part-Time (LTPT)** employees working at least 500 hours per year for two years must be able to make employee contributions to retirement plans.

### 2025 Optional Provisions

- **Long-Term Care (LTC) Premiums:** Employers can modify their Deferred Comp plans to allow annual distributions of up to \$2,500 (indexed) for certain LTC premiums, which will be exempt from the 10% early withdrawal tax. Employees must submit premium statements to their plans, and insurers are required to file with the Treasury Department, which will maintain a website of certified LTC providers.
- **Plan Amendments to be Extended:** The deadline for SECURE 2.0 Act-related plan amendments is extended to the end of the first plan year in 2025, provided the plan operates according to the amendments from their effective date.

# Adjustment Payrolls

## Manual and Void Checks

All pending and processed manual and/or void checks must be recorded PRIOR to the final 2024 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 2024.

## New Clients

If you were a new client on or after April 1, 2024, 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's **imperative** you ensure no previous provider is filing any further monthly, quarterly or annual returns.

## Tax Documentation Requirements

To prevent filing issues, please forward new state or local ID numbers as well as any updated electronic requirements received from those agencies as soon as possible. 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 any communication you receive from a state agency concerning tax rates or deposit frequencies for state unemployment or state withholding taxes to your Inova Account Manager 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.

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.

## Social Security Numbers

Some states no longer accept quarterly tax and wage reports containing invalid Social Security numbers (SSNs), so it is important employers take measures to ensure all employees have valid Social Security numbers. Some examples of 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 has been provided with all necessary information, W-2s and 1099s will be processed and delivered by January 31, 2025, and 1095-Cs will be processed and delivered by January 31, 2025. **The fees for W-2s, 1099s, and 1095-Cs will automatically be assessed on a scheduled payroll invoice. Please contact your Inova Account Manager for your specific date.**

## 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, 2025, the same date the forms are due to your employees. Inova will electronically file W-2s. W-2s will be available for distribution to employees on or before January 31, 2025.

## 1099 NEC & MISC 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, 2025 and will be available for distribution on or before January 31, 2025.

## 1094-C/1095-C Forms

Inova 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 3, 2025, your Inova ACA team will be sending you a comprehensive ACA year-end guide with specific procedures and deadlines that will need to be followed.



# 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 standard processing fees will apply. Please be sure to provide a 48-hour notice of any bonus payrolls to allow for timely processing. Shorter time frames cannot be guaranteed and will result in additional fees.

## 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 \$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.



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 healthcare coverage on Forms W-2. The cost of group health coverage is reported in box 12, code DD.

- Reporting is mandatory 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 Inova 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.

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

## **FUTA Credit Reduction States**

*Employers in certain states/locations will face a credit reduction. These states/locations will be announced after November 10, 2024, and this guide will be updated with that information when available.*

## **Additional Resources**

[PayrollOrg](#)

[Bureau of Labor and Statistics](#)

[Internal Revenue Service](#)

[State Unemployment and Revenue Agencies](#)

[Affordable Care Act](#)

[Social Security Admin SSNVS](#)

[E-Verify](#)

# Fringe Benefits & Year-End Checklist

Please complete pages 12 and 13 and return by December 16, 2024 to [mysupport@inovapayroll.com](mailto:mysupport@inovapayroll.com).

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.

|  |                              |                             |
|--|------------------------------|-----------------------------|
| <b>Third-party sick pay (if yes, attach copy of report from insurance company)</b> | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <i>Is insurance company issuing W-2?</i>   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>Personal usage of company auto, cell phone, laptop</b>                          | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>Excess per diem payments</b>  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>Payments under "non-accountable" reimbursement plans</b>                        | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>Group life insurance in excess of \$50,000 coverage</b>                         | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>Employer HSA, HRA, or other medical savings contributions</b>                   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>If an S Corp, health insurance premiums paid for more than 2% shareholder</b>   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>Taxable education expenses</b>  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>Deferred compensation</b>   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>Awards, prizes, gifts, stock options</b>  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>Military pay, differential</b>  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>Other taxable fringe benefits (*if yes, include explanation below)</b>          | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

*\*Explanation:*

Inova classifies all companies into 2 groups for W-2 processing. Your group assignment will be determined based on the answers above.



- **Group 1:** W-2s will be closed for auditing on **December 27, 2024**
- **Group 2:** W-2s will be closed for auditing on **January 3, 2025**

**Fees apply if W-2s need to be reopened.**

**If this checklist is not returned, your W-2s will automatically be assigned to Group 1.**

# Fringe Benefits & Year-End Checklist

Are any of the following effective after January 1, 2025?

*Time-Off Accrual Policies*

Yes  No

*Benefits Plans or Premiums*

Yes  No

**\* Time off policy changes typically take 2-3 weeks for setup and testing. New policies must be emailed to your Inova Account Manager by December 16, 2024, to be implemented by January 1, 2025. Changes received after December 16, 2024, will not be applied before the first payroll processing in January.**

**\* Benefit plan changes must be communicated to your Account Manager by December 1, 2024. New plans and/or premiums must be submitted by December 16, 2024 to guarantee usage by January 1, 2025.**

\_\_\_\_\_  
Authorized Contact (Print Name)

\_\_\_\_\_  
Authorized Contact (Signature)

\_\_\_\_\_  
Date