

Accountants and the people platform.

How payroll, benefits, and HR can enhance
your firm's advisory services in 2020.



EOY Checklists



The following checklists are intended to help your clients get organized for 2020. Make copies and share them with your clients. They'll cover a lot of the critical topics that are central to the people platform. With a little guidance from these handy checklists, their end-of-year accounting, tax preparation, and employee data will be ready for 2020. After checking off each step, Gusto can make it even easier to follow compliance requirements by automating the most complicated and stressful tasks.

See you in 2020!

Deadlines

One of the main tasks in any new year is preparing to file your tax returns. Get familiar with some deadlines that may apply to you so you can meet your tax obligations throughout the year.

Note: The deadlines for C corporations, S corporations, and partnerships apply to calendar-year organizations unless otherwise noted.

My 2019 Deadlines checklist

JANUARY 15, 2020

- Estimated tax payments for the 4th quarter of 2019 are due for individuals.

JANUARY 31, 2020

- Deadline to distribute annual Forms W-2 and 1099-MISC to employees and independent contractors who worked for you in 2019.
- Transmittal form for W-2s to the Social Security Administration (Form W-3 and all W-2s)
- Transmittal form for 1099-MISC to the IRS (Form 1096, along with all 1099-MISC forms) is due. Some situations allow for extended deadlines.
- File Form 941 for 4Q 2019 (the quarterly payroll tax withholding return). Alternatively, if you are an annual filer, the annual Form 944 is due. With Form 944, you may be eligible for an extended deadline.

- Payment of remaining federal unemployment (FUTA) taxes and the Federal Unemployment Tax Report (Form 940) for 2019 are due. However, if you deposited all of the FUTA tax when due, you have 10 additional calendar days to file.
- Deadline to distribute Form 1095-C to each of your full-time employees if your business is an Applicable Large Employer (ALE) (50+ FTE employees) under the Affordable Care Act (ACA).

FEBRUARY 28, 2020

- Deadline for ALEs to file Forms 1094-C and 1095-C by paper with the IRS under ACA.

MARCH 16, 2020

- Tax returns for partnerships and S corporations are due.
- Deadline for partnerships and S corporations to apply for an extension for tax returns.

MARCH 31, 2020

- Deadline for ALEs file Forms 1094-C and 1095-C electronically under the ACA.

APRIL 15, 2020

- Tax returns for C corporations, sole proprietors, and individuals are due.
- Deadline for C corporations, sole proprietors, and individuals to apply an extension for tax returns.
- Estimated tax payments for the 1st quarter of 2020 are due for C corporations and individuals.

MAY 15, 2020

- Tax returns for tax-exempt organizations are due.

Deadlines (cont.)

My 2019 Deadlines checklist (CONTINUED)

JUNE 15, 2020

- Estimated tax payments for the 2nd quarter of 2020 are due for C corporations and individuals.

SEPTEMBER 15, 2020

- Extended deadline for partnerships and S corporations to file tax returns.
- Estimated tax payments for the 3rd quarter of 2020 are due for C corporations and individuals.

OCTOBER 15, 2020

- Extended deadline for C corporations, sole proprietors, and individuals to file tax returns.

NOVEMBER 16, 2020

- Extended deadline for tax-exempt organizations to file tax returns.

DECEMBER 15, 2020

- Estimated tax payments for the 4th quarter of 2020 are due for C corporations.

JANUARY 15, 2021

- Estimated tax payments for the 4th quarter of 2020 are due for individuals.

Close the books and get organized.

The following checklist will help you close 2019 and take the steps necessary to kick 2020 off right.

My 2019 end-of-year accounting checklist

- RECONCILE:** For the end of the year, it's important to make sure your monthly financial statements reconcile (i.e., match up) to your cash and credit accounts, and that you make any adjustments as necessary.
- REVIEW YOUR FINANCIAL STATEMENTS:** Now that everything's reconciled, how does your profit and loss statement look? What about your balance sheet? How's cash flow? Whatever metrics are relevant to your business, it's a good practice to review how you're making and spending money and the financial position of your business.
- COLLECT W-9S FROM VENDORS:** Did you use vendors this year? Maybe a web developer who revamped your website or a designer who whipped up a new logo? If so, you'll want to collect W-9 forms for them. For every vendor that you've paid \$600 or more for services, you're required by law to issue and complete a 1099-MISC form. The 1099 must be filled out and submitted to

the IRS by January 31st. And, hey, good news: Gusto may be able to file contractor 1099s on your behalf if the contractors are paid through Gusto.

- GATHER AND ORGANIZE ANY NECESSARY DOCUMENTATION:** It's vital to gather and organize your important documentation. Purchases or transactions from 2019 that will impact your business in 2020 and beyond (e.g., lease agreements) will be critical to your preparation.
- CHECK YOUR PAYROLL:** A few common areas to double-check during end-of-year accounting include withholding taxes for fringe benefits, deferred compensation, and end-of-year bonuses.
- TAKE PHYSICAL INVENTORY:** If you sell tangible goods, get an accurate tally of your inventory. You'll want to match those numbers with your end-of-year balance sheet. It'll also be necessary to know how much you've spent on inventory throughout the year and its current value.

Organize tax information.

Below are a few common tax areas to consider when organizing your tax information for year-end.

My tax checklist

- REVIEW YOUR FINANCIAL ACTIVITY:** Now's the time to check your income statement for any red flags. While you can always make adjustments in the future, take time at the end of the year while everything is still fresh.
- KEEP ORGANIZED:** Generally, the IRS may audit your tax filings for up to six years from the date you submit it, so it's recommended that you keep records for at least that long. Most accounting software providers can even help you categorize your expenses automatically to avoid any mystery classifications.
- REVIEW YOUR PAYROLL TAXES:** The end of the year is a great time to calculate the gross amount of any benefits for tax withholding purposes. For example, if you wanted to pay \$500 bonuses to your people, after taxes. That means calculating the "gross" bonus figures so the taxes withheld will result in a \$500 "net" bonus.

- NEW FOR 2020:** Every October, the Social Security Administration announces the maximum amount of earnings that are subject to Social Security tax. Make sure you're up to speed on the new maximum for 2020.
- IF YOU HAVE EMPLOYEES, BY THE START OF THE NEW YEAR, YOU SHOULD:**
 - Adjust their payroll to account for that new higher taxable wage base under the Social Security payroll tax.
 - Notify affected employees that more of their paychecks will be subject to Social Security withholding and that they may wind up paying a bit more in taxes.
- PREPARE FOR TAX DEDUCTIONS:** Are you aware of all of the business expenses that are tax deductible? They can vary from business to business, so get familiar with your industry or take a look at some of the common categories below. For other deductions you may be eligible for, the IRS website has more information on credits and deductions.
 - TRAVEL EXPENSES:** Do you or your employees frequently travel for work? If so, you may be eligible to deduct the cost of the trip, including airfare, lodging, meals, and other incidental expenses. For details, check with your accountant or check out IRS Publication 463.
 - HOME OFFICE DEDUCTION:** Some businesses qualify for the home office deduction. The IRS provides two methods for calculating your home office deduction: simplified and regular. With the simplified option, you'll have to see if you qualify for the deduction. If you meet the two main criteria, 1) Regular and Exclusive Use and 2) Principal Place of Your Business, then your business is eligible.

My tax checklist (cont.)

With the regular option, taxpayers must determine the actual expenses incurred for their home office. These expenses may include mortgage interest, insurance, utilities, repairs, and depreciation, among others. In general, these deductions should be based on the percentage of your home used in the business.

The IRS website has lots more information on the home office deduction.

- VEHICLE AND MILEAGE DEDUCTION:** For some business owners, the IRS allows you to deduct mileage based on two methods: actual cost or standard mileage rate.
- The actual cost method requires you to keep detailed records of your business-related expenses, which is prohibitively difficult for many of us.
- If you choose to take the standard mileage method, the standard rate is 58 cents per mile for business miles driven in 2019.
- In addition to mileage, you may deduct additional costs like parking fees and tolls. IRS Publication 463 has more information.

Confirm employee data.

Who's on your team?

As businesses grow, it's crucial to keep employee classifications and data current. In preparation for each new year, all employee records, compensation, and benefits details should be updated so that the correct tax forms can be prepared and submitted. The same goes for contractors. We put together the following checklist to help you prepare employees and contractors for EOY.

My 2019 end-of-year employee checklist

- VERIFY YOUR EMPLOYEES' DATA.** That means their:
 - Full name
 - Address
 - Social Security number

Once that's verified,

- FILE THEIR W-2S** (Gusto can do this for you!)

It's crucial to review employee data at the end of the year, particularly names, addresses, and Social Security numbers. Improper filing could lead to penalties for each W-2. Check with your employees to make sure their information is correct. The deadline to send each W-2 is January 31, 2020.

If you're still not sure about your employee's Social Security number or just want to get it verified, the IRS provides employers with the Social Security Number Verification Service (SSNVS) to minimize employee name and SSN mismatches.

Important reminder: Don't forget to verify your employee data for both active and terminated employees from January 1, 2019 to December 31, 2019.

REVIEW AND VERIFY EMPLOYEE BENEFITS INFORMATION:

- Retirement plan eligibility
- Health benefits and imputed wages (i.e., non-monetary compensation that is taxable)
- Deferred compensation
- Sick time
- Vacation time
- Other benefits

We often set and forget employee benefits, so the end of the year is the perfect time to verify your employees' information before starting a new year.

For retirement plan information, like 401(k)s, make the required communications to employees. If your company matches retirement contributions, remind your employees to fully fund their plan by year-end to take full advantage of the tax benefits.

For health benefits, confirm that your employees have selected and contributed to their health care plans. For employees using a Flexible Spending Account (FSA), remind them to spend money before the end of the year. Lots of FSAs don't allow you to rollover unspent funds to next year (aka "use it or lose it"). Lately, more employers have opted for a \$500 carryover option, so if yours has one, remind employees of that, too.

If you've offered fringe benefits to employees, you'll want to make sure you've withheld taxes for any taxable fringe benefits your employees

have received throughout the year. Examples include:

- MOVING EXPENSE REIMBURSEMENTS**
- PERSONAL USE OF A COMPANY CAR**

Some of these benefits may be considered imputed wages. An imputed wage is additional income typically associated with a service. A popular form of imputed wages that requires an end-of-year adjustment is group term taxable life insurance coverage over \$50,000.

Be sure to confirm all sick and vacation time spent by your employees. If your employee has sick pay, you'll want to make sure it's been withheld properly.

Deferred compensation, such as stock options, can also be tricky. Your employee's compensation may be taxed this year if they do not meet the valuation requirements of Section 409A. If stock options are a part of your employees' compensation packages, talk to your accountant so you stay compliant.

- VERIFY YOUR CONTRACTOR INFORMATION**, including their:
 - Name
 - Address
 - Identification number (more on that below)

Once that's verified,

- FILE THEIR 1099S** (Gusto can do this for you!)

To make things easy on yourself, keep all of your contractor information in one place. Like with employees, you'll want to verify your contractor's basic information. Their ID can be a:

- SOCIAL SECURITY NUMBER (SSN)**
- INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER (ITIN)**
- ADOPTION TAXPAYER IDENTIFICATION NUMBER (ATIN)**
- EMPLOYER IDENTIFICATION NUMBER (EIN)**

More good news: Gusto can automatically fill out the 1099-MISC and manage your contractor information for you. As with your W-2s, Gusto can file the Federal and State 1099-MISCs and send them to your contractors. You'll have them available at all times on your dashboard.

END-OF-YEAR EXTRAS

- Get consent from your employees to receive their W-2s electronically
- Notify employees that had no withholding tax, or that earned less than \$55,952 that they may be eligible for the Earned Income Credit
- Grant year-end employee bonuses (if any)

Appreciate your team!

A great way to prepare for next year is to celebrate the successes of the current one. End-of-year is a popular time to give bonuses, throw holiday parties, and appreciate your team. If you plan on giving employees bonuses, don't forget to gross up the bonus amount to account for the taxes that will need to be withheld, especially if you've promised awards for an exact amount.

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gusto.com/accountants

advisor@gusto.com · (800) 936-0383

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