

Payroll End of Calendar Year Procedures

Overview of Calendar Year-End Tasks

These instructions describe the steps to be done at the end of a calendar year and at the beginning of a new calendar year. The steps must be done in the correct order. A checklist at the end of this document will assist you.

The MiCase payroll system includes figures and functions for periods that correspond with cycles of work required by third parties. For example, the government requires employers to report employee wage and tax information on the W-2 form. In this case, the period is for a calendar year (January 1 through December 31).

For many pay, benefit and deduction records, the MiCase system includes what it calls “periodic totals.” These six periodic totals are normally labeled “Qtr. 1”, “Qtr. 2”, “Qtr. 3”, “Qtr. 4”, “Fis. YTD” and “Cal. YTD”.

Qtr 1 contains the total for the period January 1 – March 31; “Qtr 2” contains the total for the period April 1 – June 30; etc.

“Fis. YTD” contains the total for the period July 1 – June 30 and “Cal. YTD” contains the total for the period January 1 – December 31.

These instructions describe the work required at the end of the calendar year as well as suggested steps to take advantage of the various periodic totals described above.

Remember! Do the procedures in order. Use the checklist to keep up with what has been done, and to keep jobs in proper sequence.

CALENDAR YEAR-END PROCEDURES

An important word about Register Records – during the calendar year end process

As you work through the following steps, you may have to add or void register records as part of the adjustments required for certain special circumstances.

It is important to obey this two-part rule:

First, you must make any register record adjustments for the old year (the year that is ending in December) prior to Step 3 - Print Calendar Year-End Reports in the section "After Running the Last Payroll in December". If possible, these adjustments should be completed before running the last payroll of December.

Second, you must not make any register record adjustments for the new year (the year that is to begin in January) until you have completed the remainder of these instructions, including Step 6 Increment Active Calendar Year.

A very important word about the remainder of these instructions

Please note that you **must** get through Step 4 of the process "After Running the Last Payroll in December" before running your first payroll of the new calendar year.

Before Running the Last Payroll in December

Be sure to add any employer-provided benefits that are considered taxable income that has not already been included in a payroll, to allow the appropriate taxes to be withheld. The amount of these benefits should be determined by referring to IRS and/or other government publications. Further detail can be found on the MiCase website at <http://www.micase.org> in the FAQ - *General Tax Guidelines for Year End*. Examples include but are not limited to, Life Over 50, Group Term Insurance, Auto Allowance. Please note, the Third Party Sick can be entered in January using 12/31 for the date as the system will look at the calendar payroll date.

This step consists of three parts:

- a. Add the value of the benefit to the employee's gross pay. Normally, this would be done by making an entry on the *Employee One-time Postings Screen* as an adjustment to gross pay (Item Code = AG);
- b. Enter the same amount as a deduction from gross pay on the *Employee Elective Deductions Screen*;
- c. Enter the same amount in the appropriate boxes of the *Employee Tax Control Screen* to make the amounts appear on the employee's W-2 form.

To enter these adjustments select *Modules* → *Payroll Employee Records* → *Employee Tax Control Screen*. Enter the dollar amounts of the adjustments in the specified boxes. The

information you enter here appears on employees' W-2 forms. The printed W-2 bears the required letter code defining the adjustment.

Tax Control Screen

Distributions to an employee under a *Non-qualified Plan* must also be added to employee's gross pay.

Enter the employer's contribution to an employee's *Health Savings Account*. This will override the system calculated Employer amounts.

Group Term Insurance is the taxable cost of employer-provided group term life insurance in excess of the normal limit defined by the IRS.

Automobile Allowance is the personal use portion of an employer-provided automobile.

W-2 Form Box 11: Nonqualified plans
 Sec. 457 Dis./Con. 0.00
 NOT Sec. 457 Dis./Con. 0.00

W-2 Form Box 12 items
 W - Employer Share HSA -9.99
 C - Group Term Insur. 0.00
 J - Nontaxable Sick Pay 0.00
 DD - Health Care Costs -9.99

W-2 Form Box 13 items
 Retirement Plan
 Third-party sick pay

W-2 Form Box 14: Other
 Automobile Allowance 0.00

Other W-2 Form and File items
 FIT w/h by 3rd party payer 0.00
 Wrk. Cmp. pd by 3rd prty. 0.00
 MIP due on Wrk. Cmp. 0.00

Nontaxable Sick Pay allows you to enter an amount that will be included on the employee's W-2 form in Box 12 with the code "J".

Health Care Costs allows you to manually enter an amount for the employee's benefit and deduction that will override the system calculated amounts.

FIT w/h by 3rd Party Payer is used to include the amount of Federal Income Tax withheld by a payer of 3rd party sick pay.

Tax Control Screen fields:

- **Sec. 457 Dis./Con.** – This field may be used to enter an amount representing distributions or contributions to a Section 457 plan. The amount entered in this field will be combined with the amount in the Not Sec. 457 Dis./Con. field and the total amount of both fields will appear in Box 11, Nonqualified plans, of the employee's W-2 form.
- **Not Sec. 457 Dis./Con.** – This field may be used to enter an amount representing distributions or contributions to a nonqualified plan that is NOT a Section 457 plan. The amount entered in this field will be combined with the amount in the Sec. 457 Dis./Con. field and the total amount of both fields will appear in Box 11, Nonqualified plans, of the employee's W-2 form.
- **Retirement Plan** - Normally, the system will indicate that an employee was an active participant in a retirement plan via the checkbox on the W-2 form if any of the following conditions apply:
 - a) The employee received gross pay during the calendar year that was entered with an Earning Code that indicates they are a member of the retirement system that serves your district (i.e. Earning Code = MM indicating a member of the Michigan Public Schools Employee Retirement System).
 - b) The employee made contributions to a 401K, 403B or Section 457plan via the corresponding elective deduction.

If neither of the above is the case, and the employee should still have the Retirement Plan checkbox filled in on the W-2 form, you may enter a check in this field to force the W-2 form checkbox to be checked.

- **Third-Party Sick Pay** – This field should be checked if the employee's W-2 wages include sick pay paid by a third party (e.g. insurance company). This will cause a check to appear in Box 13 of the employee's W-2 form, in the box labeled Third-party sick pay.
- **Employer Share HSA** - If your district contributes to an HSA (Health Saving Account) for employees, this must be reported on the W-2 forms. Enter the employer's contribution amount to an employee's Health Savings Account. Amounts entered in this field will appear in box 12 with a code W on the W-2 Forms. This field allows you to manually enter an amount for the employer's contribution that will override the system calculated amounts.
- **Group Term Insurance** - If your district provides additional Group Term Insurance to the employee, enter the value of the Group Term Insurance, as described in the Internal Revenue Service publication Instructions for Forms W-2 and W-3, in the Group Term Insurance field shown above. Amounts entered in this field will appear in box 12 with a code C on the W-2 Forms.
- **Nontaxable Sick Pay** - Nontaxable Sick Pay allows you to enter an amount that will be included on the employee's W-2 form in Box 12 with the code "J". This amount is not included in the file of W-2 records reported electronically to the Social Security Administration.
- **Health Care Costs** – Beginning with the W-2 forms for calendar year 2012, employers will be required to report the cost of employer-sponsored health coverage. Specifically, the total cost will appear in Box 12, with a code of DD. This total cost includes both the employer paid amounts (benefits items) and employee paid amounts (deduction items). This field allows you to manually enter an amount for the employee's benefit and deduction that will override the system calculated amounts.
- **Automobile Allowance** - If your district provides payment to the employee that is considered an automobile or vehicle allowance, enter the value of the personal use of the vehicle, as described in the Internal Revenue Service publication Instructions for Forms W-2 and W-3 in the Automobile Allowance field shown above.
- **FIT w/h by 3rd Party Payer** – This field is used to include the amount of Federal Income Tax withheld by a payer of 3rd party sick pay. This figure does not appear on the employee's W-2 form; however, it is included in the file of W-2 records submitted electronically to the Social Security Administration in the (EFW2) format.
- **Wrk. Cmp. Paid by 3rd Party** – This field is obsolete and not to be used.
- **MIP Due on Wrk. Cmp.** – This field is obsolete and not to be used.

For further instructions regarding the screen shown above, refer to the documentation for the Employee Tax Control Screen in the Payroll Employee Records Module. All additional documentation can be found on the MiCase website at <http://www.micase.org>.

Make sure that employees participating in 403(b) plans will not exceed the contribution limit for the calendar year ending. This is a complex situation that involves employee decisions, annuity companies, advisors, the employer, and government regulations. The Internal

Revenue Service places the responsibility for monitoring employee 403(b) contributions squarely upon the employer. For this reason, you must pay careful attention to yearly employee contribution totals.

We suggest that you print the Employer's W-2 Proof Report, as described in Step 1 below, and review 403(b) amounts for all employees

After Running the Last Payroll in December

Step Review Employer's W-2 Proof Reports

- 1 From the Menu bar, choose *Modules* → *Payroll Module Administration* → *Payroll Module Control Screen*. Next, click *Reports*. Under the *Calendar Year-End Reports* category, select and run the following two reports: *Employer's W-2 Proof Report* and *Employer's W-2 Proof Report- Supplemental Data*.

- 2 Verify the data on the above two reports by comparing the totals with totals you maintain in external spreadsheets. If necessary, make any register record adjustments, such as third party sick pay, for the calendar year just ending so that correct totals appear on the *Employer's W-2 Proof Reports*.

Step Create and Archive Calendar Year-End Reports

- 3 The system includes a number of reports, which include quarterly, fiscal and calendar year totals for various views of employee pay, benefits and deductions. We suggest that you create these reports as PDF documents and save them for future reference in a secure drive and folder that is only accessible by the appropriate business office personnel.

Click *Modules* → *Payroll Module Administration* → *Payroll Module Control Screen*. Next, click *Reports* → *Employer Distribution Reports*. Produce all reports you wish to archive, saving them to the applicable folder.

Step Set First Quarter Totals to Zero

- 4 **Important!** You **MUST** carry out this next step of the year-end process **before** running the first payroll of the new year. You may do your data entry and balancing for the first payroll of the year, but do not actually run the payroll until you complete the following procedure.

See the ***Payroll End of Quarter Procedures***, which refers to procedures for setting employee quarterly totals to zero before beginning work in a new quarter.

Select **Quarter 1**, which in this case refers to the quarter ending March 31 of the new year.

Note! While running the first payroll of the new calendar year, you may get a warning message that the pay date and active calendar year do not coincide. You can ignore this warning. However, if you get a warning message indicating that the payroll date and active quarter do not match, do not ignore it.

The calendar year-to-date figures throughout the payroll system will continue to

reflect totals from the calendar year just ending until you complete the step to increment the active calendar year. However, the calendar year- to-date figures that appear on employee payroll checks and direct deposit forms will be correct for the new year.

Step 5 Process W-2 Forms

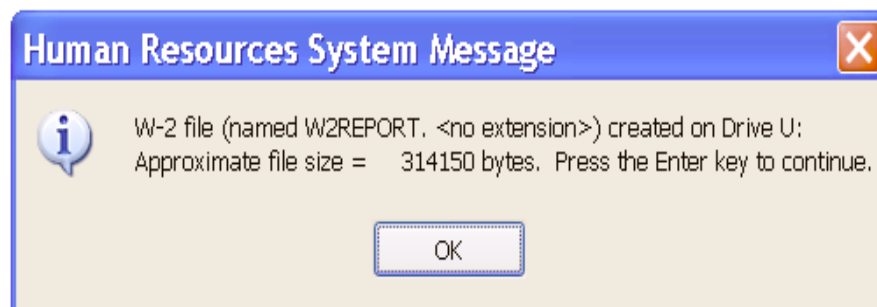
Regulations require that you distribute W-2 forms to employees by **January 31** of the new year. You must submit W-2 records to the Social Security Administration and Michigan Department of Treasury by the last day in January as well.

Go to *Payroll Module Administration & Payroll Module Control Screen* and verify the information contained in the following required fields:

- a. Organization
- b. Department
- c. Street Address
- d. City
- e. State
- f. Zip
- g. Contact Name
- h. Phone Number
- i. FAX Number
- j. Email Address
- k. S.S.A. PIN
- l. SSA Contact Method
- m. Federal Tax ID
- n. Michigan ID

When the above information is verified and the *Employer's W-2 Proof Report* reflects correct totals, do the following to prepare reports for the Social Security Administration and the Michigan Department of Treasury:

- a. Click *Modules* → *Payroll Module Administration* → *Payroll Module Control Screen*. Next, click *Operations*. Under the *Calendar Year-End Procedures* category, select and run *Create W-2 records file for submission in EFW2 format*. Complete the procedure selecting your network drive that the MiCase HR System is installed on. A file will be created titled W2REPORT (no extension) to be uploaded to the Social Security Administration via their website. A message window of verification will appear after the file is created.



W-2 Diskette/Compact Disc Completion Window

Note: We suggest that once the W-2 process is completed that you rename the W2REPORT file to include the year (ex: W2REPORT2016) and move it to a secure drive and folder that is only accessible by the appropriate business office personnel for future reference.

- b. Next, download the *AccuWage* test program from the Social Security Administration web site, install the program on your computer and use it to test the W2REPORT file created in step a. above.

To acquire information and download the *AccuWage* test program from the Social Security Administration web site, go to <http://www.ssa.gov/employer/accuwage>. Under the *Quick Links* section click the link to download the current tax year program. There is an online version of the *AccuWage* test program that can be used for testing on this website as well.

The above link may give you the option to run or save the file. If you choose run, the file will automatically begin the install process. If you choose to save the file, make a note of the directory where you are saving the file. After downloading, open My Computer and locate the directory where you stored the file. Click on the file to begin the install process.

Double click the *AccuWage* icon that was created on your desktop and click the start testing button. Find and click on the *W2REPORT* file that was created on your system per instructions in Step a. above.

The *AccuWage* program should begin testing your W-2 records. You will see a red meter on the bottom of the screen indicating the progress of the testing. If your system appears to stall, do not click Exit as *AccuWage* may be working in the background processing your file. When the *AccuWage* program finishes testing, review the test results. Repeat Steps a. and b. until you have produced an error free W-2 file.

When you have an error free file, submit it to the Social Security Administration using their web site.

- c. Click *Modules* → *Payroll Module Administration* → *Payroll Module Control Screen*. Next, click *Operations*. Under the *Database Backup and Restore Procedures* category, select and run *Backup Database Files After Payroll Run*. Create two backups (one to your computer's hard drive, and one to the network drive that the MiCase HR System is installed on) by choosing schedule=NOSCH and date=12/31/YYYY, where YYYY is the calendar year just ending. Save these backups for future reference.
- d. Repeat Step a. two times to produce two sets of disks. Send one set to the Michigan Department of Treasury and retain one in your district for future reference.
- e. To acquire instructions and the Form *447 Transmittal for Magnetic Media Reporting of W-2s, W-2Gs, and 1099s to the State of Michigan*, go to the State of Michigan Department of Treasury website at <http://www.michigan.gov/treasury>. In the Search box at the top right of the page type in "2016 Withholding Tax Forms" and

click GO. The link that should appear in the list of requested forms should be "Taxes – 2016 Withholding Tax Forms - Michigan". Click the link and scroll down and click on 447, which will bring up the form as an Adobe Acrobat PDF file. Check the revision date on the form to be sure it is the most current. Either Save to your system or print to your printer.

Complete form *447 Transmittal for Magnetic Media Reporting of W-2s, W-2Gs, and 1099s to the State of Michigan*. Make labels for the disks containing your reports. You should have received instructions for filling out the form from the Michigan Department of Treasury. You have until the **last day in January** to provide the Social Security Administration and Michigan Department of Treasury with W-2 information.

- f. Choose *Modules* → *Payroll Module Administration* → *Payroll Module Control Screen*. Next, click *Reports*. Under the *Calendar Year-End Reports* category, select and run *Employee W-2 Forms: 8.5 x 11 Laser* and choose the *Submit to K/RESA* option.

For further instructions on submitting a print job to KRESA, refer to the following information, which can be found on the MiCase website under Support→Financial Accounting→User's Guide:

- Appendix A – Printing Reports
- Appendix B – Print Driver Installation (for Windows XP). For Windows 7 machines and higher, contact the MiCase Helpdesk for installation documentation.

Note: The formatting of the report is system generated – please, do not alter the choices on the *Report Print Options* screen.

- g. Run the *Employee W-2 Forms: Archive Copy*, this time saving it as a PDF file. When you see the *Report Print Options* screen, select *Create a PDF File*. The system will then display the *Save As* screen.

In the *Save in:* field, we suggest you put the report in a folder called "Calendar Year End", in a secure drive that is only accessible by the appropriate business office personnel.

In the *File name:* field, use the name "W-2 Forms 2011", or the year of the W-2 forms you are creating.

This step creates an extra copy of employee W-2 forms. You may print selected pages as needed, as forms for employees who request replacement W-2 forms for some reason.

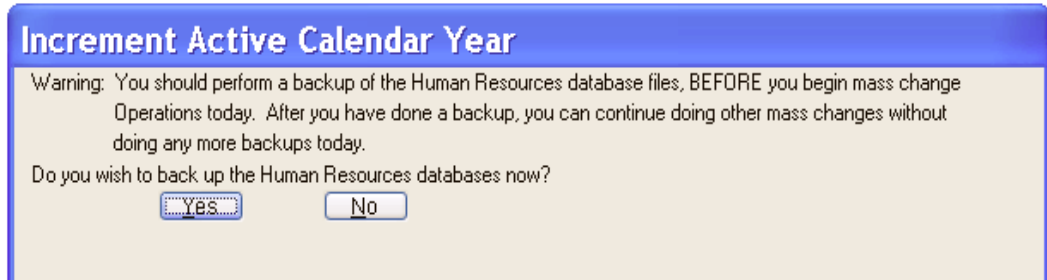
Step 6

Increment Active Calendar Year

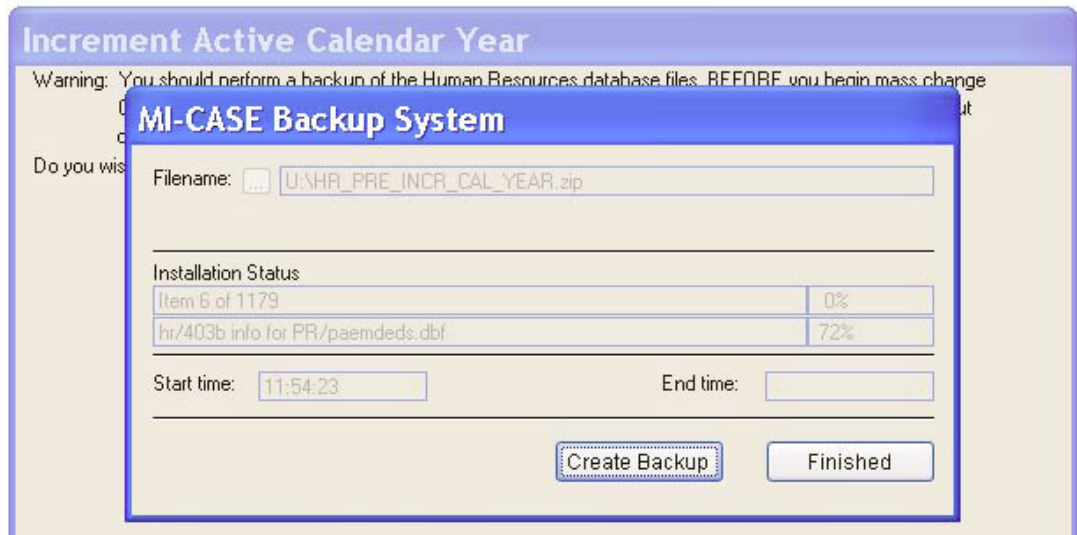
Important! You **MUST** carry out this next step of the year-end process **before** doing any payroll activity in the second quarter, including payroll runs and register screen adjustments. You may do your data entry and balancing for the first payroll of the second quarter, but do not actually run the payroll in the second quarter until

you complete the following procedure.

Choose *Modules* → *Payroll Module Administration* → *Payroll Module Control Screen*. Next, click *Operations*. Under the *Calendar Year-End Procedures* category, select and run *Increment Active Calendar Year*. The system will display the screen shown below:

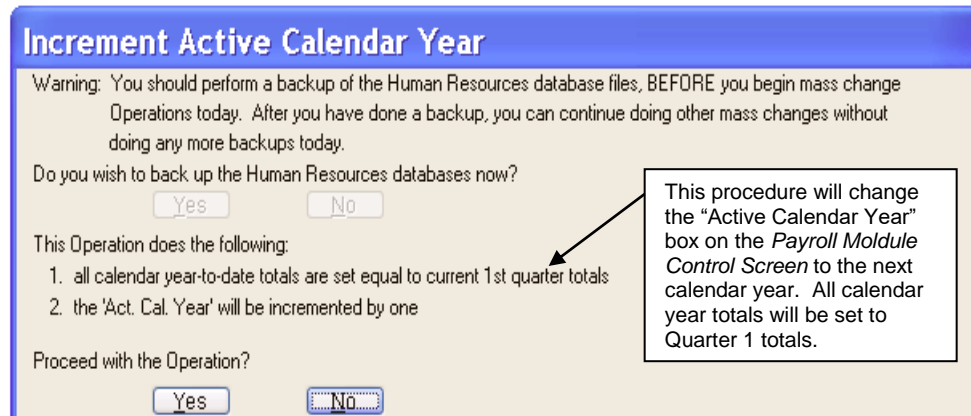


Where the system asks “Do you wish to back up the Human Resources databases now?”, respond Yes and the system will automatically create a backup file on your network drive named <drive>:\HR_PRE_INCR_CAL_YEAR.zip.



Increment Active Calendar Year

Once you have verified that the backup was successfully created by checking for it on the root of your network drive, you can respond Yes to the prompt “Proceed with the Operation?”.



Increment Active Calendar Year

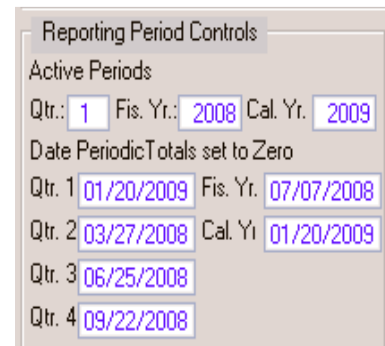
Finally, the system will ask you to “Please verify that you intend to perform this operation.” Respond Yes.

The program will then update calendar year totals throughout the payroll system.

To verify that the operation completed successfully, select *Reports, Operations/Error Log* and review the report. There should be an entry “*Increment Active Calendar Year and Reset YTD Totals – start*” followed immediately by an entry “*Increment Active Calendar Year and Reset YTD Totals – finish*”. If both entries do not appear, or if any entries appear between those two, notify the MiCase Support Help line immediately, before doing any other work in the HR System.

Hint:

To make sure your *Active Calendar Year* has been incremented correctly, on the *Payroll Module Control Screen* check your *Reporting Period Controls* in the lower right hand corner of the screen. Verify the *Active Periods* (both *Qtr.* and *Cal. Yr.*) are correct.



Calendar Year-End Processing Check List

Date
Completed

- _____ Before last payroll in December is run, be sure to add any employer-provided benefits that are considered taxable income that have not already been added to a payroll. Refer to the section **Before Running the Last Payroll in December** for detailed instructions.

- _____ Make any necessary *Employee Register Record* adjustments. Your district may choose to include Third Party Sick Pay on the employees' regular W-2 by entering register records. Remember, you must make any register record adjustments for the old year. The Third Party Sick can be entered in January using 12/31 for the date as the system will look at the calendar payroll date. Register record adjustments for the new year must be held until after W-2s are printed and the active calendar year is set to the new calendar year.

- _____ Verify W-2 information as explained in Step 2.

- _____ Make necessary register record adjusting entries so that the *W-2 Proof Report* reflects accurate totals.

- _____ Create and archive calendar year-end reports as explained in Step 3.

- _____ **Before running the first payroll in January**, Set Quarter 1 totals to zero by following instructions in ***Payroll End of Quarter Procedures***.

- _____ Perform the remaining end of quarter tasks as described in ***Payroll End of Quarter Procedures***.

- _____ Process and print W-2 forms as explained in Step 5.

- _____ Submit your W-2 information to the State of Michigan.

- _____ Submit your W-2 information to the Social Security Administration.

- _____ **Before running the first payroll in the second quarter, including register screen adjustments**, Increment active calendar year.