

2022 Year-End Payroll & Tax Resource Guide for Employers

A year-end resource guide of dates, deadlines, and details to wrap up your taxes and payroll in 2022.

To ensure a successful year-end, please read the following information. This is meant to inform and educate you on the actions that should be taken by your company by the deadlines noted.

2022 Year-End Resource Guide

Instructions to Access isolved

- Information on how employees can access isolved to update their address, update their tax withholdings, and access their Form W-2 is included in the attachment.

S-Corp Fringe Benefit Tax Reporting

- If you pay for health and accident insurance premiums for an S-Corp shareholder-employee, this is considered taxable income and should be reported on the employees' Form W-2 as imputed income. This information should be reported on a per pay period basis going forward, which your payroll processor can discuss with you. Please report premiums paid for this to Obsidian HR no later than 12/31/22.

Employee Data Accuracy

- Names: Please ensure that your employees' names in isolved matched their Social Security Card to prevent IRS-imposed fines for non-matching names on reporting for W-2 and ACA reporting. Please contact Obsidian HR for any corrections that need to be made.
- Addresses: Please ensure that your employees' addresses are up to date in isolved to prevent the return of W-2s and other important information. The IRS requires street addresses for mailing tax documents unless the employee has a rural address and a P.O. Box is the only one available. You may update this information in isolved directly, your employees may update it in isolved or you may email it to Obsidian HR.

W-2 Reporting

- Form W-2 will be produced and mailed to employees to their address on file in isolved by 1/31/23.
- Copies of W-2s will also be available in isolved for electronic access by 1/31/23.
- Obsidian HR will file the corresponding employer W-3 report to the IRS by 1/31/23.

Manual Check Payments or Other Compensation Paid Directly to Employees

- If you made any payments or directed other compensation to employees directly, for example, from your company's check stock (outside of isolved), that may be considered taxable income and should be reported on the employees' Form W-2.
- Please provide Obsidian HR with this information so we can advise you if it is taxable as soon as possible; if required, a Form W-2C will be produced separately if the information is received after 12/31/22.

Bonus Payments to Employees

- Please let Obsidian HR know if you anticipate paying bonuses before the end of the year by using our **Online Bonus Form** as early as possible.
 - If you will require physical bonus check delivery, please let us know at least 7 business days in advance of the expected delivery date.
- If you want to surprise your employees with the bonus, consider requesting an off-cycle payroll after you run a regular payroll so the bonus amount won't be included in the year-to-date total (it will get updated on the next processing cycle).
- If your federal tax liabilities for the bonus payroll are over \$100,000, the taxes must be deposited the business day after the check date.
- Please let Obsidian HR know how you intend to pay the bonuses based on this taxation guidance:
 - If you pay the bonus on the same check as regular wages, the bonus will be subject to the employees' regular tax withholding.
 - If you pay the bonus on a separate check, the bonus will be taxed at the supplemental rate of 22% to comply with IRS regulations and cannot be modified.
- If bonus pay is considered an eligible 401(k) earning, deductions will be taken as usual.
- If garnishments are active, we are required to contact the garnishor to confirm how much of the bonus is subject to deduction to satisfy the debt.

Capped Vacation/PTO Plan Payouts

- Most states, including Colorado, require the payout of earned, but unused Vacation/PTO when an annual rollover cap is in place.
- If you have a Vacation/PTO plan where all unused time is rolled over and not capped, no additional steps are required.
- If you have a Vacation/PTO plan where all unused time capped, and you are in a state which requires a payout, the unused Vacation/PTO must be paid out to employees and additional steps are required.
 - On the last payroll of the year, please identify the unused Vacation/PTO that will cap and notify Obsidian HR how much to pay out to employees as the cap/rollover process occurs on the first payroll of the year (for annual rollover plans).
 - If you need help to determine this, please reach out to Obsidian HR by 12/9/22.
- If you track this time outside of isolved we will not have the information to process capped time payouts unless you enter it directly into isolved or provide it to Obsidian HR.
 - Please enter this information directly into isolved or provide this information to Obsidian HR by the final payroll of the year, at the latest.

Third-Party Sick Pay Tax Reporting

- If you sponsor an independent short-term disability or long-term disability plan which provides income to your employee directly, that is considered taxable income and should be reported on the employees' Form W-2 as imputed income.
- Third-Party Sick Pay vendors have until January 15 to provide taxation details to employees and plan sponsors, but that is typically too late to be included with the initial Form W-2 processing cycle.
- Please provide Obsidian HR with this information as soon as possible; if required, a Form W-2C will be produced separately if the information is received after 12/31/22.

FSA Deadlines and Grace Periods

- Flexible Spending Account balances of up to \$500 will carry forward into 2023 and must be claimed by 3/15/23 for expenses they incurred in 2022. Pandemic-related legislation allowing for higher carry-over limits and extensions for claims have ended.

Personal Use of Company Car Tax Reporting

- If you allow for the personal use of a company car, this is considered taxable income and should be reported on the employees' Form W-2 as imputed income. Clients should determine the taxable amount by following the instructions in IRS Publication 15-B in Section 3. Fringe Benefit Valuation Rules. <https://www.irs.gov/pub/irs-pdf/p15b.pdf> and report this information to Obsidian HR no later than 12/31/22.

ACA Reporting

- If this applies to your company only if it is a "covered" applicable large employer: 50 or more full-time employees, including full-time equivalent employees.
- If you are a client for the entirety of 2022, we will handle required reporting (Form 1094 and Form 1095-C) for covered entities by the IRS deadlines.
- Obsidian HR will file the corresponding employer Form 1094 to the IRS by the IRS deadlines.

Nonemployee/Contractor Reporting

- If your company made payment through isolved to nonemployee contractors earning \$600 or more, Form 1099-NEC will be produced and mailed to those individuals by 1/31/2023.
- Obsidian HR will file the corresponding Form-NEC to the IRS, and applicable States, by 1/31/23.

Deceased Employee Reporting

- If your company experienced an employee loss this year, a Form 1099-MISC will be produced and distributed to the beneficiary by 1/31/23.
- Obsidian HR will file the corresponding report with the IRS by the March deadline.

Multiple Pay Rates/Blended Pay Rates

- If you pay multiple pay rates, for at least one employee, you will see a new blended overtime code used for all of your employees' pay stubs in 2023.
- If you do not have multiple rates, no action will be taken.

Changes to Paid Holidays

- If you're making any changes to paid holidays for 2023, please update your HR Consultant to ensure that handbooks and payroll pay schedules are updated accordingly.

Form W2 Corrections (Form W2-C)

- If Form W2 corrections are required for missing or incorrect information, the process will begin no earlier than Q2 2023.