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*Tax and accounting services for individuals and
their businesses, estates and trusts.*

IMPORTANT 2011 FINAL PAYROLL AND W-2 TOOL KIT

December 2011

This is a reminder that you have a requirement to report the recipients of payroll payments made during the year to the Social Security Administration, Pennsylvania Department of Revenue and local earned income tax administrator(s) on forms W-2. In addition, your regular quarterly payroll tax returns are due January 31, 2012.

Forms W-2 must be prepared and distributed to your employees by January 31, 2012. They must be filed with the Social Security Administration (IRS), Pennsylvania Department of Revenue by February 29, 2012. Local earned income tax administrator(s) filing due dates vary.

You will need to determine if there are any taxable fringe benefits, so they can be properly reported on forms W-2 and the fourth quarter payroll tax returns. These fringe benefits include:

- Employer provided vehicle.
- Employer provided life insurance greater than \$50,000.
- Health Insurance provided to a greater than 5% shareholder of an "S" Corporation
- Reimbursement for employee business expenses in excess of expenses.

Whether you are using a payroll service, preparing your payroll yourself or using me to prepare your quarterly returns, you will need to gather the above information prior to year end.

If you are using a payroll service, they should be incorporating all of this information into your final quarterly returns and forms W-2. Please check with your payroll service.

If I have been preparing your payroll tax returns, based on your payroll summaries, I will need the above information no later than **January 9, 2012** in order to calculate the appropriate amount of taxable fringe benefits and the deposit requirements for them properly.

Please double check names, addresses and social security numbers of your employees to be sure they are correct on all documents you issue.

Also, the IRS has developed a new program to permit taxpayers to voluntarily reclassify workers as employees for federal employment tax purposes. A taxpayer who participates in the VCSP will agree to prospectively treat the class of workers as employees for future tax periods. In exchange, the taxpayer will pay 10 percent of the employment tax liability that may have been due on compensation paid to the workers for the most recent tax year, determined under

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RELATED\TOOL KITS\2011 year end\2011 FINAL PAYROLL TOOLKIT.doc

Martin A. Darocha, CPA
2008 Final Payroll Tax Returns and W-2 Toolkit
December 2008

the reduced rates of section 3509 of the Internal Revenue Code; will not be liable for any interest and penalties on the liability; and will not be subject to an employment tax audit with respect to the worker classification of the workers for prior years.

Earned Income Tax – Act 32 goes into effect 1/1/2012. Employers are required to obtain information in the new Residency Certification Form for every employee. We mailed you an information package already. Please contact us if you need additional information.

Disclaimer: Any tax advice contained in the body of this letter is not intended or written to be used, and cannot be used, by the recipient for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions.

If you have any questions, please feel free to call.