



# White Paper: Year End Memo

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# Introduction

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Each year, the Internal Revenue Service informs employers that they should remind their employees to submit a new Form W-4 if their withholding allowances have or will change for the next year. In addition, employees who have claimed exempt for the current year on their Form W-4 need to be reminded that their form expires and that a new form will need to be submitted to the employer by February 15<sup>th</sup> of the new-year. This reminder or “memo” is supposed to be sent to the employees by December 1<sup>st</sup> in order to give the employee time to complete the new forms. Of course, around this same time employees begin to ask questions such as “What is the new limit on social security?” or “When will we receive our Forms W-2?” An excellent way to address both the IRS requirements and answer potential employee questions is to incorporate the reminder memo into an all-encompassing year end memo of your own.

## Year-End Memo

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**Basics:** The memo should be concise, no more than 2 pages. The paragraphs should be short and quick reads. This is an update or informational memo and not great literature. The reader should be able to grab it quickly and read it the same way. If doing tax updates, include new rates or wage bases but do not include charts or graphs. That should be available to the employee in the payroll department.

But what should be included in this memo? The answer to that question is as unique as each payroll department. It depends on what you are trying to convey to your employees with the memo. Are you using it for just a basic informational year end update? Are you trying to anticipate what questions may be received by the payroll department this year and include that information? Are you going by what happened last year and hope to cover those topics this time? Or do you wish to convey broader issues such as customer service items including phone numbers and department hours as well? It all depends on the purpose you wish to use it for. This should be clearly decided before writing the memo.

The following list of items should be considered when developing the first draft of the memo:

1. Social security wage base and rate for the next year. If the limit or rate is changing make sure to highlight that. It also helps if you do the math and compute the maximum the employee could pay if reaching the limit.
2. Reminder that the taxes resume again if limits were reached in the current year. This sounds simple but it is actually one of the most common questions at the beginning of each year. Employees just seem to forget this fact and then call payroll and question why the last check they received in December was larger than the first check they received in January when they are on salary.
3. Medicare wage base and rate for the upcoming year. Though this is not expected to change, the employee could use reminding of the rate and that it does not have a limit
4. State taxes that effect the employee directly. For example, if the payroll has employees in California, include the State Disability Insurance (SDI) taxes that are taken directly from the

employee's paycheck. But again, you should not include new tax charts or graphs but note that they are available in the payroll office. And, remember to do the math.

5. The date the Form W-2 will be mailed. Because what is always the biggest question at year end? When will the Forms W-2 be mailed out? This is a good place to address that question. Though you may be able to mail by the 15<sup>th</sup> or 20<sup>th</sup>, it is advisable to list the final day required by law (January 31<sup>st</sup>) in the memo. This way the department can be sure of meeting the deadline as promised or of getting them out "sooner than expected".
6. The date by which employees can expect to request a duplicate Form W-2. After "When will the Form W-2 be mailed?" the next most popular question payroll receives during this time is "When can I get a duplicate of my W-2?" Many times a payroll department can be asked that question before the original forms are even mailed out! The payroll department has great leeway in deciding on this date and should pick a date that works best for the department's schedule. Remember the first form must be mailed by January 31<sup>st</sup> but the duplicates are up to you. February 10<sup>th</sup> is an excellent date to choose for issuing the duplicate forms. This date allows time for any of the original forms to be forwarded and so on.
7. When including the date to request the duplicate Form W-2 you should also include the procedures. If you don't have procedures, this would be an excellent time to create them. .
8. Social security card number and name match. This is a great time to remind the employees that they have to make sure their name and number match. Though many departments do a separate reminder on this and the address for the Form W-2 it doesn't hurt to add it here as well. Also, a reminder on the IRS's tough stance on filing Form 1040 with names that do not match those on the social security card could reinforce your point.
9. Address verification. This cannot be requested often enough.
10. The one that started it all of course. The reminders that the employee needs to submit a new Form W-4 if their withholding allowances will change for the New Year and that the Form W-4 expires if the employee claims exempt and the requirements for submitting a new form. This is especially true for those claiming Military Spouse Exemption.
11. This is also a good venue for listing payroll holidays, timecard submission dates, payroll contact numbers, web sites etc. It can be an excellent customer service tools as well as informational.

### Distribution of the Memo

The memo can be distributed any number of ways.

- Send it through the company e-mail system. This is a quick and cost-effective way to reach most employees.
- Post a copy on the payroll's website on the company's intranet system if this is available
- Post hard copies around the company in areas where employees meet. This is an excellent method to use in conjunction with company e-mail to ensure that all employee receive the memo since some company employees may not have e-mail
- Include it as a payroll stuffer. Although payroll departments do not think highly of this method, it is an effective way to ensure that all employees receive a copy if paper pay stubs are used.
- If the company is small, sending the memo to each department or employee individually may be practical.
- Include the memo in the company newsletter.

## Sample of Year End Memo

1. Social Security tax for (insert year):
  - ♦ Wage base:
  - ♦ Rate:
  - ♦ Maximum deduction: (show the entire mathematical equation).
  - ♦ This tax resumes with the first payroll in (insert year) if you reached the limit this year. This will cause a change in the net of your payroll check from the last one in (insert year) to the first one in (insert year).
2. All Medicare taxes for (insert year):
  - ♦ Wage base:
  - ♦ Rate:
  - ♦ Additional Medicare Tax wage base
  - ♦ Additional Medicare Tax rate:
3. State Taxation:
  - ♦ List all taxes for states applicable to employees. If multi-state, a separate memo may be sent.
4. Form W-2:
  - ♦ The Form W-2 for (insert year) will be mailed to your home (or other method as applicable) by January 31, (insert year).
5. Electronic Form W-2: If you would like to receive your Form W-2 electronically, please contact the payroll department by (insert date here).
6. Requesting duplicate Form W-2:
  - ♦ Available after (insert date)
  - ♦ Use form available on the payroll web site (insert site address)
  - ♦ Form is also available in the payroll department (state where)
  - ♦ We will accept e-mail requests as well. Please send to: (insert where)
  - ♦ Please fax requests to: (insert fax number)
  - ♦ All duplicate request forms will be processed as soon as possible after receipt. Please allow (insert your time frame here) for the request to be processed.
  - ♦ Please specify on form if you would like the duplicate form mailed or picked up.
7. Social Security card and payroll name match:

- ◆ The name on your Social Security card and the Form W-2 must match in the following manner: first name, middle initial, last name. An example: If Mary Ann Jones is on the Social Security card, then the Form W-2 must read Mary A. Jones
- ◆ If you are currently using a name that does not match your Social Security card due to marriage, divorce, citizenship change, or for any other reason, you need to obtain a new card with your correct name from the Social Security Administration. This can be done by mailing Form SS-5, available on the Social Security Administration website at [www.socialsecurity.gov](http://www.socialsecurity.gov).
- ◆ To correct your name on the payroll, please contact (insert contact name and information).

8. Address verification: Your Form W-2 will be mailed to your home address. Please verify this information by checking your payroll check stub or using the web application. Please correct any errors as soon as possible before December 31. After that date, for Form W-2 purposes only e-mail the correct address to the payroll department at (insert e-mail address).
9. Form W-4 for (insert correct year): If you were claiming exempt from federal withholding on your Form W-4 for (insert year), this form expires on January 1, (insert year). You have a grace period until February 15, (insert year) to submit a new form to payroll. If the new form is not received by that date, the IRS regulations require payroll to change your allowances to “zero” and your filing status to “Single” until a new form is received. Forms may be obtained (give locations).
10. The (insert year) Holiday, payroll schedule and forms submission calendars are now available (insert locations).
11. New IRS publications are now available. (List the pubs carried and where they can be obtained).