



Guide your clients through the year-end compliance jungle

with handy end-of-year checklists



Introduction and how to share with clients

End-of-year compliance is a jungle and you're the guide


End-of-year tasks. They're not exactly quick and easy for your clients running their small or medium-size businesses. But you're the experts on government regulations and the reports your clients will need to compile and distribute by year's end. That's why this is a great time for your firm to step in and guide them through the thick of it.

At Gusto, we understand how these end-of-year (EOY) compliance steps can cause extra work and stress. That's why we created a few simple checklists you can provide to your clients to help them get started on the tasks they need to complete—and the associated deadlines.

The step-by-step checklists and tasks in this guide can make it easier for your clients to cut through the jungle vines (or the red tape, if you prefer that metaphor) so they can comply with all of the year-end regulatory deadlines.

Using this guidebook

This guidebook discusses many of the necessary tasks that will help your clients get accounting, taxes, and employee data ready for end-of-year compliance. As their accountant, you can provide all or part of the checklists to clients to get them started. (And you'll no doubt also advise them on or refer them to legal counsel for more complex topics outside of this guide that require more hands-on guidance.)

When you see a pair of scissors , that indicates a checklist you can simply copy and paste—in parts or in entirety—to share with your clients.

Ready to help your clients get on track? Let's get started.

“Your clients may find that EOY rules are confusing, even contradictory at times, and continually evolving. It’s your job to help them adhere to tax codes and HR requirements to sustain their business.”

— SOURCE: TOP COMPLIANCE TIPS FOR SMALL BUSINESSES, BIZJOURNALS, 10/4/17

Section 1: Share the deadlines

First step? Review the deadlines—especially those that are new for 2018

Your small- and medium-sized business clients are all different. Compliance requirements and deadlines may vary for each based on their business structure, number of employees or contractors, and other factors. Using a tool like Gusto can help by giving you visibility into compliance for all your clients through a centralized dashboard so you can view all upcoming deadlines.

Before your clients take on all of the major end-of-year and early 2018 tasks, encourage them to get familiar with the deadlines that apply to their business. Having the big picture in mind is a great way to prepare to meet each task and deliverable with confidence. Then they can see the big picture before getting started on EOY tasks.



What are the 2017–2018 compliance deadlines?

January 15, 2018

Deadline to make estimated tax payments for the 4th quarter of 2017.

January 31, 2018

Deadline to distribute annual wage and tax reports to employees and independent contractors who did work for you in 2017.

Deadline to submit transmittal forms for W-2s to the Social Security Administration (Form W-3, all W-2s and Form 1096, along with all 1099 forms) is now January 31—NEW for 2018.

Deadline for Annual Payroll tax reports, due for 2017 payroll taxes, including annual wage and tax reports, unemployment tax reports, and Form 941 (the quarterly payroll tax report).

Deadline for the monthly payment on federal unemployment (FUTA) taxes and the Federal Unemployment Tax Report for 2017.

March 15, 2018

Deadline for Partnerships and S-Corporations to file tax returns.

April 17, 2018

Deadline for C-Corporations, sole proprietors, and individuals to file tax returns.

“It’s important for CPAs, as their clients’ trusted business advisors, to know about potential regulatory changes and how to best guide their small business clients.”

— TOP REGULATORY ISSUES FOR SMALL BUSINESSES IN 2017, ACCOUNTING TODAY,
1/18/17

Section 2: Help clients prep for EOY accounting

The next migration: Close out the books without getting lost

Your clients may ask you which are the most important accounting tasks they should focus on before the end of the year. Of course, your answer will probably be unique to each of your clients, but to help get them started, here are some of the most common accounting to-dos to check off before 2017 ends.

Just like preparing for a trek through the jungle, your clients may have to take inventory and reconcile a few things before setting out on the final adventure. They wouldn’t want to adventure a hundred miles out from civilization and then discover that they’re not prepared!

The following checklist will help your client get their books ready to close out—and complete the steps necessary before your team can begin work on 2017 tax preparation.



My 2017 end-of-year accounting checklist

Review profits & losses

The first thing you should do after this checklist is review your profit and loss statement. It's a good practice to see how you're spending your money and if your expenses are categorized. If you haven't already, you may want to reconcile your bank accounts and receipts.

Collect W-9s

Did you use vendors this year? If so, you'll have to collect W-9 forms for some of them. The W-9 form can be used as a paper trail for the IRS to track your expenses. It's also a way for the government to keep track of vendors and their income.

Remember, for every vendor for whom you've paid \$600 or more for services, you're required by law to issue and complete a 1099 form. The 1099 must be filled out and submitted to the IRS by January 31st (this deadline includes forms filed electronically). Fortunately, your accounting software solution will likely have a line item for all 1099 vendors and contractors. In addition, Gusto may be able to file contractor 1099s on your behalf if the contractors are paid through Gusto.

Gather and organize your receipts

It's important to gather and organize your receipts so you can share them with your accountant. An easy way to organize them is to use a software solution that syncs with your credit card or bank account. That should help you account and categorize many of your expenses, which will help you reconcile your paper receipts. Be sure to make copies of your thermal receipts, because they have a tendency to fade, too.

Fortunately, if you use an online accounting provider like Xero or FreshBooks, they can sync directly with your bank account or credit card statement and help you categorize your expenses.

Reconcile your bank accounts and credit cards

For the year-end, it's important to make sure what you have in your monthly financial statements matches up with your bank and credit card accounts and your year-end statements. If you are using online accounting software, it's important that your ledger balance matches as well.

☐ **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**

For some of you, there's no need to take physical inventory. For others, getting an accurate account of your inventory is important. You'll want to match it with your end-of-year balance sheet. It'll also be important for your accountant to know how much you've spent on inventory throughout the year and its current value.

The question of time and money spent to comply with the U.S. tax code, particularly for small businesses, is a popular topic, with an unpopular response. Compliance costs for an employer with 1–5 employees range from \$4,308 to \$4,276 per employee.

— WAYS TO MAKE TAX COMPLIANCE LESS OF A NIGHTMARE FOR SMALL BUSINESS,
JOURNAL OF ACCOUNTANCY, 4/13/16

Section 3: Help clients organize tax information

Navigate around the obstructions to tax deductions

One of the most important services you provide for your clients is tax preparation and filing. Letting them know about the specific deductions they may qualify for will help them flag expenses, document transactions, and run reports now that will speed up the tax calculations you'll need to make later.

Sometimes there's more than one right way to get there. But you're there to help your clients choose which deduction or alternative will yield the greatest gain at the finish line. Below are some of the initial tasks to complete to be prepared, as well as a few of the most common tax areas of concern for small- to medium-sized business owners to consider.



My 2017 end-of-year tax checklist

Go over your books

Now's the time to check your profit and loss statement for any red flags so you can review them with your accountant. While you can always make adjustments in the future, take time at the end of year while the context is still fresh.

Gather and organize your receipts

The [IRS may audit your filing](#) for up to six years, so it's recommended you keep a record of your receipts for at least that long. Most accounting software providers can even help you categorize your expenses automatically. [See here](#) for some recommended vendors Gusto integrates with.

Review payroll taxes

The end of the year is a great time to gross up any fringe benefits for tax withholding purposes. Fortunately, Gusto can help you or your accountant do this within our service

NEW for 2018: The maximum amount of earnings subject to the Social Security payroll tax in 2018 is \$128,700, up by \$1,500 from the \$127,200 maximum for 2017.

By the start of the new year, U.S. employers should:

- ◆ Adjust their payroll systems to account for the higher taxable wage base under the Social Security payroll tax.
- ◆ Notify affected employees that more of their paychecks will be subject to payroll withholding.
- ◆ Note that Gusto can automatically make these adjustments for you.

Prepare for tax deductions

Are you aware of all of your business expenses that are tax deductible? For starters, you may want to review some of the common categories below. For other deductions you may be eligible for, check out the IRS site for more information on [credits and deductions](#).

Travel expenses

Do you travel frequently for work? If so, you may be eligible to deduct the cost of the trip, including plane fare, lodging, meals, and other incidental expenses. For details, check with your accountant or visit the [IRS site](#).

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. Most entrepreneurs

will use the [simplified option](#).

With this option, you'll have to 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. [Check the IRS site for more information](#).

Vehicle and mileage deduction

For some small business owners, the IRS allows you to deduct your 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 53.5 cents per mile for business miles driven in 2017.

In addition to mileage, you may deduct additional costs like parking fees and tolls. [See here](#) for more information on transportation-related deductions.

As usual, always refer to your tax specialist, accountant, lawyer, or bookkeeper for advice tailored to your and your business' specific circumstances.

Over 40% of small businesses get fined an average of \$850 each year for payroll-tax related issues—the most common being missed or late payments. Gusto can help you and your clients figure out which taxes pertain to their business and take care of the complexity of filing and paying the different tax agencies for you.

Section 4: Help clients confirm employee data

Figure out who's on the expedition, employees and contractors alike.

The more your clients' businesses grow, the more they need to ensure employee classifications and data are kept up-to-date and accurate. On the last day of the year, all

employee records, compensation, and benefits should be updated so that the correct tax forms can be prepared and submitted. The same goes for contractors.

Employees and contractors make specific types of agreements with your clients on how they will perform and be paid for their work. Your clients could think of their full-time employees as the crew they bring with them to cross the Amazon, whereas the contractors are the local guides that they hire along the way as needed. [Make sure your clients know the differences.](#)

We put together the following checklist to help your clients prepare employees and contractors for end of year.



My 2017 end-of-year employee checklist

- Verify employee data**
 - Verify employee full name
 - Verify employee address
 - Verify employee Social Security number
 - File W-2 (Gusto does this for you!)

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

If you're still not certain 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.

Note: By using a service like Gusto, you can access all this information on a handy dashboard for employers and employees. Gusto automatically calculates and electronically files your W-2s, but you can access them anytime.

Don't forget to verify employee data for both active and terminated employees.

- Verify employee benefit information**
 - Confirm retirement plan eligibility
 - Confirm health benefits (and imputed wages)
 - Confirm fringe benefits
 - Review sick time
 - Review vacation time
 - Review deferred compensation

We often set and forget employee benefits, but the end of the year is an important time to verify your employee benefit information.

For most retirement benefit information, like your [401\(k\)](#), give advanced notice of benefits, like enrollment features and withdrawal provisions to your employees. If your company matches, your employees may want to fully fund their plan by the year-end.

For health benefits, confirm that your employees have selected and contributed to their health care plans. For employees on a [Flexible Spending Account \(FSA\)](#), remind them to spend money in their FSA before the end of the year. If your plan has a \$500 carryover option, let employees know.

If you've offered fringe benefits to employees, you'll want to make sure you've withheld taxes for any taxable benefits your employees have received throughout the year. This includes fringe benefits such as:

- ◆ Personal use of company car
- ◆ Employer-provided parking
- ◆ Employer-provided cell phones

Some of these fringe 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.

For more benefits-related information, check out SHRM's [Year-End Checklist for Retirement and Health Plan Sponsors](#).

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 can also be tricky. Your employee's wages may be taxed this year if they do not meet the requirements of Section 409A.

Verify contractor information

Verify contractor name

Verify contractor address

Verify contractor identification number

File 1099 (Gusto can do this for you!)

You'll want to make sure all your contractor information is in one place. Like with employees, you'll want to verify your contractor's name, address, and identification number. The ID number can be a contractor's SSN, ITIN, ATIN, or [EIN](#).

A service like Gusto can automatically fill out the 1099-MISC and manage your contractor information for you. As with your W-2s, Gusto can electronically file all 1099-MISCs and send them to your contractors. You'll have them available at all times on your dashboard as well.

End-of-year extras

Grant year-end bonuses (if any)

Appreciate your team!

There are always a few loose strings at the end of the year you'll want to watch out for. In particular, the end of year is a popular time to give bonuses.

The end of year is a great time to appreciate your team. If you plan on giving employees bonuses at the end of year, be sure the bonus has its taxes withheld.

The cost of misclassification:

Government figures estimate 25–30% of all employees are misclassified as independent contractors. But intentional or not, your client's business could face serious legal and financial consequences for doing so.

Conclusion

Thanks to you, your clients are well-outfitted to conquer the end-of-year compliance jungle

Congratulations! With you as their guide, your clients will find that the compliance jungle is not as perilous as they thought (you should still pack bug spray, though).

With a little guidance from you and our handy checklists, your clients will have their end-of-year accounting, tax preparation, and employee data ready for 2018. Once they have checked off each step, Gusto can make it even easier to follow compliance requirements by automating what are often complicated and stressful tasks for businesses.

Gusto is proud to partner with thousands of accountants like you who help their clients across the United States seamlessly manage their payroll, compliance, and benefits, so they can get back to doing what they love.

Why not partner with Gusto?

If you are an accountant and you want to help your clients manage payroll, benefits, and HR through one easy-to-use platform, you can [try Gusto for free now](#), and access exclusive partner discounts. Bon voyage!

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