

Yes! AP & Payroll Should Talk!

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Agenda

- Who's responsible for this worker?
- Why is this worker in the AP & PR files?
- Who is the new guy and where did he come from?
- Can we keep reimbursements in just one system?
- Did you hear who is going back to school?
- Did you hear about that lawsuit?
- Didn't he leave with a special deal?
- How can we refund last year's pretax deductions?
- Are you going to enter that drawing?

When to Talk?

Early and Often

Say it again

Early!! and Often!!

Who is responsible for this worker?

Who is responsible for this worker?

Is this an employee or a contractor?

The IRS has 20 questions for you
Fail their test, misclassify, pay big!

Red flag if employee & contractor

Who is responsible for this worker?

The IRS questions determine
your will
your control
worker's financial stake

What do you think is the magic score?

Who is responsible for this worker?

Answering the following questions with “Yes” indicates an employee relationship exists - at least to some degree.

Who is responsible for this worker?

- Do you provide instructions about when, where, and how to perform the work?
 - Do you provide training?
- Are the services integrated into your business operations?
 - Must services be rendered personally?
 - Do you hire, supervise, pay assistants?
 - Is there a continuing relationship?
 - Do you set the work hours and schedule?
- Does the worker devote substantially full time to your business?
 - Is the work performed on your premises?
- Is the worker required to perform the services in an order or sequence you set?

Who is responsible for this worker?

- Is the worker required to submit oral or written reports to you?
- Is pay by the hour, week, or month instead of by the job or results?
 - Do you have the right to discharge the worker at will?
- Can the worker terminate his relationship with the principal any time without incurring liability?
- Do you pay the business or traveling expenses of the worker?

Who is Responsible for this Worker?

Answering these questions “Yes” indicates a contractor relationship exists - at least to some degree.

Who is Responsible for this Worker?

- Does the worker furnish tools, materials, equipment?
 - Does the worker have an investment in facilities?
- Can the worker realize a profit or loss as a result of his services?
- Does the worker provide services for more than one firm at a time?
- Does the worker make his services available to the general public?
- Does the worker provide services for more than one firm at a time?
- Does the worker make his services available to the general public?

Who is Responsible for this Worker?

What is the magic score out of 20?

How do you protect your business?

Assume employee unless a contract exists.

Who is Responsible for this Worker?

Why the underline in “contractor”?

Always emphasize a contractor should have a written contract

Why is this worker in both systems?

Why is this worker in both the AP and Payroll Files?

For the IRS



Why is this worker in both the AP and Payroll files?

Check for matches in:

- Name
- Address -if names almost match
- TIN / SSN
- Bank account

Why is this worker in both the AP and Payroll files?

If match is found:

- Clear evidence of a separate business?
- Is the work performed the same as a vendor and as an employee?
- Royalties?
- Dates overlap?
- Pre/post employment concerns?

Why is this worker in both the AP and Payroll files?

If match is a sign of trouble:

- Communicate the error to all involved
- Take the opportunity to educate on best practices
- Post earnings to payroll in taxable wage buckets
- Catch up social security/Medicare
- Determine impact on overtime
- Do not issue a 1099

Why is this worker in both the AP and Payroll files?

Investigate matches in:

- Last name only matches
- Address matches and relationship of names
- Bank account

Who is the new guy and where did he
come from?

Who is the new guy and where did he come from?

Sign on bonus?

Who is the new guy and where did he come from?

Relocation package?

- Often payments slip through AP
- Communicate & use relocation form
- Pass all payments through Payroll
- Use one GL acct # for AP transactions

Can reimbursements be kept in just one system?

Can reimbursements be in just one system?

- Work together-communicate your T+E policy
- Accountable plans are tax free
- Advances must be returned or be taxed

Did you hear who is going back to
school?

Did you hear who is going back to school?

- Tuition is often paid through AP directly to the school
- Or to the employee via AP
- Or to the employee via PR
- Or both
- May be paid by the dept. or HR
- Communicate limitations in your policy in IRS tax free benefits
- Establish the best practice procedure
- Search AP files for school names

Did you even know she was sick?

Did you even know she was sick?

Payments to a deceased employee

- Prior to date of death; W-2
- Same year after date of death; W-2 (SS/Med) + 1099
- Later years; 1099 only
- TIN matching challenges
- “Jim Doe Estate” or “Estate of Jim Doe”

Did you hear about that lawsuit?

Did you hear about that lawsuit?

Settlements may or may not be taxable

- Reportable on W-2 or 1099
- Or both forms
- W-2 – wages, back pay
- 1099 – all non-wages except personal injury or sickness, medical expenses, property damage
- Or both
- And don't forget the legal fees
- All legal fees are reportable on the Form 1099

Didn't he have a special deal when he left?

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Watch for:

- Deferred comp 409A reporting
- Special insurance coverage
- Medical coverage
- Legal settlements
- Post employment services as a contractor

How can we refund last year's pre-tax deductions?

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Coordinate with AP

- Refund via AP similar to T+E
- No 1099 impact
- Issue a W2-c

Are you going to enter that drawing?

Are you going to enter that drawing?

And if you win, the prize IS taxable

- If work related in any way, payroll reports & withholds tax
- All gift cards are taxable
- May impact overtime pay
- Review dept. purchases

What did we learn?

What did we learn as we talked?

Document

Share

Communicate

Work as a team

Early and Often!!

QUESTIONS?



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