Quarterly/Year-End Payroll Tax Balancing

Ensure a smooth and accurate process to balance each quarter/year-end with this streamlined checklist. You will want to use this link for all taxes [Quarterly and Year-End Reports - Integrity Data]:

1. Form 941 & Payroll Validation

- ***For your first year***, print **Form 941** and the **Payroll Report**.
    - ***Form 941 option setup = current quarter and year; click "send to" and select "PDF".***
    - ***Payroll Report option setup = change the "source" to "Ledger Entries"; enter the payment date range (ie: 01/01/25…03/31/25); click "send to" and select "Microsoft Excel Document (data & layout)".***
- Compare both to confirm payroll codes are correctly configured *by adding all taxable wages and subtracting all pre-tax deductions for each tax type*.
- *If they reconcile*, use the **941 Reconciliation Report** going forward. *This report reflects the taxable wages, and you will not need to calculate the totals.*
- Review all data and check for variances by employee greater than a few cents.
    - *You will want to compare the totals on Form 941 with the 941 Reconciliation Report.*

2. Form 940 & FUTA Review

- Print **Form 940** and the **FUTA Report** for year-end totals.
    - ***Form 940 option setup = current year; click "send to" and select "PDF".***
    - ***Futa Report option setup = always enter the start date as 1/1/25 and the end date will always be the last date of the quarter you are reconciling; click "send to" and select "Microsoft Excel Document (data & layout)".***
- Ensure totals align and submit payment for the current quarter from page 2, line 16.
- *For Q4,* verify that all four quarterly payments match the return.
- *If in a **FUTA Credit Reduction State***, complete **Schedule A** and include additional tax.

3. State Income Tax Report

- Print and review for **Taxable Wages** and **Withholding by State** for accurate reporting.
    - ***State Income Tax Report option setup = always enter the start date as the 1st day of the quarter and the end date will always be the last date of the quarter you are reconciling; click "send to" and select "Microsoft Excel Document (data & layout)".***

4. Local Income Tax Report

- Print and verify **Taxable Wages** and **Withholding by Locality**.
    - ***Local Income Tax Report option setup = always enter the start date as the 1st day of the quarter and the end date will always be the last date of the quarter you are reconciling; click "send to" and select "Microsoft Excel Document (data & layout)".***

5. SUTA Report

- Print and verify SUTA Report.
    - ***SUTA Report option setup = always enter the start date as the 1st day of the quarter and the end date will always be the last date of the quarter you are reconciling; click "send to" and select "Microsoft Excel Document (data & layout)".***
    - ****THIS DOCUMENT DOES NOT include totals. You will need to subtotal based on the state code in column B if you are in multiple states.***
- Review Quarter Actual Earnings (**Gross Wages)**, Quarter SUTA Earnings (**Taxable Wages)**, and Calculated SUTA (**Tax by Employee)**.
- <u>**For Accounting Purposes**</u>: Compare **Posted Tax** (calculated each payroll throughout the quarter) vs. **Calculated Tax** (the taxable wages and current tax rate); discrepancies may require a journal entry.

6. Additional Taxes & Paid Leave

- Refer to the **Payroll Report** for additional taxes reported with SUTA or Paid Family & Sick Leave requirements. Payroll Report Layout & Options - Integrity Data
    - *Wages vary for each tax and will have to be reviewed individually, such as, if unemployment wages are used, those wages would be taken from the SUTA Report.*
- If a tax code is missing from the Payroll Report, contact: **support@integrity-data.com**.

7. Annual 941 Reconciliation

- For Q4, reconcile **Form 941s,** that were <u>filed</u> for all 4 quarters, to ensure they match the **W-3** in Payroll NOW.

8. W-2 Review ***(Balance W-2 in Payroll NOW - Integrity Data)***

- Once W2s are balanced to the 941s, confirm all codes are correctly displayed.
  - **FOR EXAMPLE:**
    - Box 10: Dependent Care
    - Box 12: All applicable codes
    - Boxes 18–20: All Local Taxes
    - Box 14: Additional withholdings (e.g., CA SDI)
    - Retirement checkbox for participants

9. Employee Communication

- Email active and terminated employees to:
  - Verify **address** and **SSN** before W-2 printing.
  - Remind them W-2s reflect **taxable wages**, not gross wages.

** Both reminder items will help reduce the questions you get at year end.*