

Employment Tax Reviews

There's an urgent need for employers to make sure they complete Forms W-2 and 1099 accurately, because the Internal Revenue Service ("IRS") has been reviewing this reporting with increased scrutiny.



Another issue for many businesses is that payroll is one of their largest expenses.

Overpaying taxes can only add to that expense. Payroll departments need to operate efficiently and effectively to properly report and pay only the taxes that are required. In our experience, we find as many tax overpayments as underpayments in employment tax reviews.

An employment tax review from Cherry Bekaert can help. You can reduce risk and monitor your tax withholding, deposits and reporting by working with our Compensation & Benefits and Employment Tax specialists to address critical compliance areas. A comprehensive review of your processes and procedures includes examining areas such as:

- ▶ Your onboarding process for new employees
- ▶ Your benefit plan enrollment
- ▶ Your regular payroll calculations and tax withholding including tax deposits
- ▶ Your company's quarterly and annual reporting
- ▶ Your process for the termination of employees

We check both Federal and state compliance. Payroll compliance is especially important in merger and acquisition situations because acquirers are unwilling to accept unknown liabilities. Sometimes issues only come to light when there's turnover in the payroll function or an employee reviews his or her Form W-2 and finds an issue. Cherry Bekaert can review your entire process or just the portion of the process with which you are concerned.

Navigating Payroll Issues

The Compensation and Benefits Practice and the Employment Tax Practice are made up of professionals with decades of Big Four accounting and government experience, as well as vast individual and corporate tax knowledge. We offer the deep technical and government experience plus real-world practical solutions that you need to navigate complex payroll tax issues.

There's a lot at stake for the government. Over 75% of government revenues come from employment taxes. Now, the IRS is increasing its use of document matching to audit tax returns. That's why correctly calculating withholding, employment taxes and all taxable benefits for reporting on W-2s and 1099s is more important than ever. The IRS is initiating a real-time reporting process that monitors employment tax deposits and reporting to ensure that payments are made on time. Even with increased scrutiny from the IRS, you can control the tax risk of not properly complying (and possibly lessen penalties significantly) by constantly monitoring your tax withholding, deposits and reporting.

General Compliance

Cherry Bekaert can help you with day-to-day compliance across a wide range of operational matters.

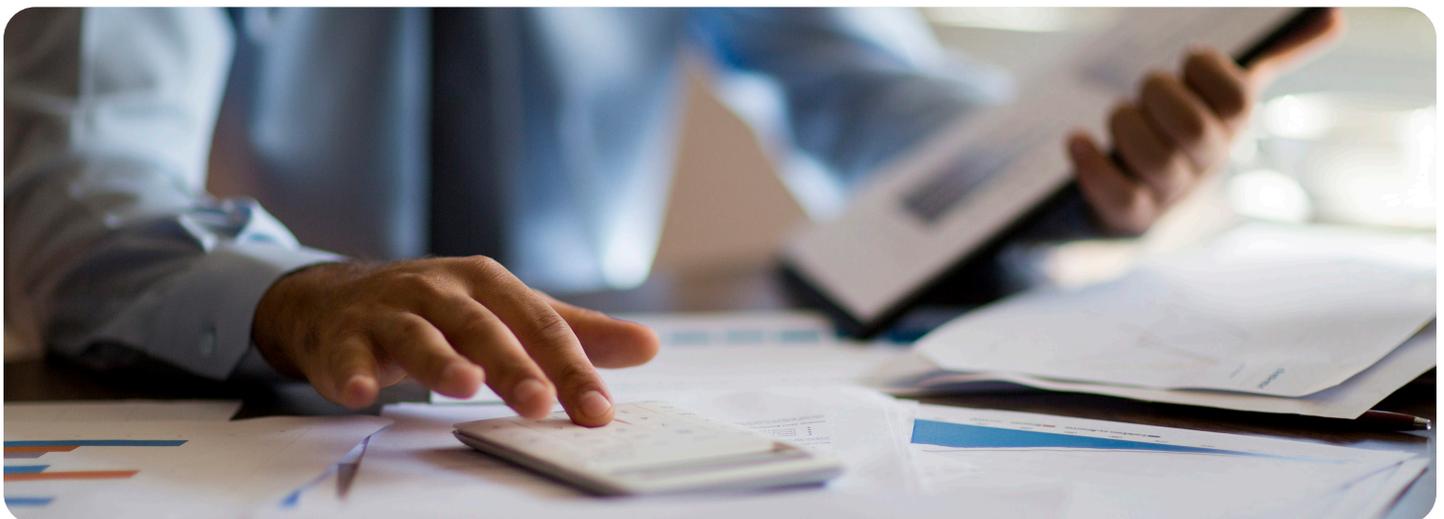
- ▶ Worker classification, including assistance with:
- ▶ Reviewing employment or independent contractor arrangements to better support employee or independent contractor status
- ▶ Responding to Form SS-8 inquiries
- ▶ Worker reclassification, perhaps by using the IRS Voluntary Worker Classification Program
- ▶ Payroll tax deposits
- ▶ Taxation of various types of compensation & fringe benefit items
- ▶ EFT reporting
- ▶ Multistate & nonresident tax reporting
- ▶ State notifications & registrations, including registrations for state & local income tax withholding & state unemployment taxes & transfer forms
- ▶ Requests for closing agreements to resolve unpaid income & employment taxes
- ▶ Application of the payroll tax agent & common paymaster rules
- ▶ General questions

Employment Tax Reviews

You can ensure that taxable amounts are properly reported and nontaxable amounts are not reported with an employment tax review of your payroll tax processes and

procedures. This review can be expanded or contracted to meet your specific needs. Often, issues arise through due diligence for an upcoming corporate transaction or with a change in payroll providers or payroll department employees. The reviews can result in amended employment tax returns, generating refunds of taxes over the prior three years. Some examples of the kinds of issues these reviews can bring to the surface, based on recent reviews we've conducted, include:

- ▶ Improper inclusion in income or exclusion from income for per diem amounts for travel away from home, moving expenses, meals in employer cafeterias, employer-provided education, repayment of student loans for employees or overtime meal expenses, transportation costs or other de minimis fringe benefits
- ▶ Not applying the successor employer rules to avoid a restart of the wage base when corporate reorganizations, mergers or acquisitions occur mid-year
- ▶ Improper inclusion of group term life insurance premiums, sometimes because the value of premiums is improperly computed, amounts up to \$50,000 are included in taxable wages, or supplemental life insurance is not properly taken into account
- ▶ Improper reporting of dependent life insurance
- ▶ Lack of proper substantiation for the personal use of company cars or employer-provided aircraft
- ▶ Improper calculation of employment taxes and additional taxes for regular or supplemental wages, including severance pay and nonqualified deferred compensation arrangements
- ▶ Improper reporting of employer provided health benefits or 401(k) employee salary reduction amounts



Payroll Department Reviews

Uncover deficiencies that could be lurking in your payroll processes and procedures, not only for regular wage payments but also for overtime or supplemental wages, off-payroll cycle checks with employee terminations, and fringe benefits. As part of a payroll department review, our professionals will identify and implement best practices for your processes and procedures to ensure that you comply with all tax and ERISA requirements. We'll help you to:

- ▶ Facilitate implementation of payroll steps during mergers, acquisitions, reorganizations and other transactions
- ▶ Communicate with your third-party payroll provider or your benefit plan administrator to ensure that amounts are properly withheld and reported
- ▶ Coordinate payroll with PeopleSoft, SAP or other HR systems

Tax Controversy Services

If the IRS, the Department of Labor or any state or local taxing authority contacts you regarding missing information, unpaid taxes or a failure to register, Cherry Bekaert can assist you in complying and reconciling any issues, including requesting a waiver of any penalties that may be assessed. Unpaid taxes and penalties can often be abated with the IRS's first-time penalty abatement program, reasonable cause exceptions and various closing agreement programs.

About Cherry Bekaert

Cherry Bekaert, ranked among the largest assurance, tax and advisory firms in the U.S., serves clients across industries in all 50 U.S. states and internationally. "Cherry Bekaert" is the brand name under which Cherry Bekaert LLP and Cherry Bekaert Advisory LLC, independently owned entities, provide professional services in an alternative practice structure in accordance with applicable professional standards. Cherry Bekaert LLP is a licensed CPA firm that provides attest services, and Cherry Bekaert Advisory LLC and its subsidiary entities provide business advisory and non-attest services spanning the areas of transaction advisory, risk and accounting advisory, digital solutions, cybersecurity, tax, benefits consulting, and wealth management. We exercise a deliberate curiosity to know our clients' industries and work collaboratively to create shared success. For more details, visit cbh.com/disclosure.

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