

2025 Year End Guide

Includes Year-End Reminders, Deadlines and Next Year Holidays



ONESOURCE

Employee Benefits • Payroll • HR

YEAR END ACTION ITEMS

- Notify M&H of changes to your payroll schedule based on the 2025 Federal Banking holidays or M&H 2025 closures.**
- State SUTA/Unemployment tax rate notices must be sent to M&H immediately upon receipt.** If not received by M&H by end of 1st quarter (or the quarter in which the new rate is effective), a quarter tax return amendment will be necessary, and you will be charged the necessary amendment fees.
- Report Third Party Sick Pay to M&H by year-end.** Insurance carriers are not required to send a summary report of sick pay/disability to employers until **January 31;** however, you likely received periodic reports throughout the year and/or have access to a YTD report within the carrier web portal. You may use these reports to compile your summary totals prior to year-end.
- Report Fringe Benefits and Fringe “S Corp” Health to M&H no later than 1 week prior to your last scheduled payroll in 2025.**
- Notify M&H of Retirement Plan contributions funded solely by the employer/not processed in M&H OneSource no later than 1 week prior to your last scheduled payroll in 2025.**
- Notify M&H of any additional payrolls (bonus/incentives, PTO payout, etc.) at least 1 week prior to last scheduled payroll in 2025.** Be aware, the timing of additional payrolls and the amount of Federal tax liability created, could require next day tax deposits even if your normal Federal tax liability is not typically over \$100k.
- Request/Confirm ACA forms filing by M&H.** If you are not an M&H Benefits client, M&H does not automatically file these forms on your behalf. You must request and confirm this service each year.
- Request 1099 NEC forms for payments of \$600 or greater not completed through M&H OneSource by December 31.** Additional fees apply.

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2026 HOLIDAYS

All Federal (Legal) Holidays will affect Direct Deposit transactions and employee account funding. To ensure your payroll processing schedule is correct, **please take a few moments to verify your input and check dates to accommodate the Federal Banking Holidays. Please let an M&H representative know if your 2026 Payroll Processing Schedule has any changes based on the dates below.**

If a Legal Holiday falls between your Input Date and Check Date, input payroll 3 business banking days prior to check date to ensure timely funding of employee's accounts.

2026 FEDERAL BANK HOLIDAYS:

January 1, 2026	New Year's Day (Thursday)
January 19, 2026	Martin Luther King, Jr Day (Monday)
February 16, 2026	Presidents' Day (Monday)
May 25, 2026	Memorial Day (Monday)
June 19, 2026	Juneteenth National Independence Day (Friday)
July 4, 2026**	Independence Day (Saturday)
September 7, 2026	Labor Day (Monday)
October 12, 2026	Columbus Day (Monday)
November 11, 2026	Veterans Day (Wednesday)
November 26, 2026	Thanksgiving Day (Thursday)
December 25, 2026	Christmas Day (Friday)

** When Holidays fall on Saturday, Federal Reserve Banks and branches will be open the preceding Friday. For Holidays falling on Sunday, Federal Reserve and branches close the following Monday.

M&H OneSource 2026 CLOSURES:

January 1, 2026	New Year's Day (Thursday)
May 25, 2026	Memorial Day (Monday)
July 3, 2026	Independence Day Observance (Friday)
September 7, 2026	Labor Day (Monday)
November 26, 2026	Thanksgiving Day (Thursday)
November 27, 2026	Thanksgiving Friday
December 24, 2026	Christmas Eve (Thursday)
December 25, 2026	Christmas Day (Friday)

**2025 YEAR END
IMPORTANT DATES**

Submit Unemployment Contribution Rate Notices & Frequency Changes (Fed & State)	As Received/ASAP, no later than 3/31/2026
Report Fringe Benefits and Third Party Disability Pay (S Corp Health, Personal use of company car, GTL, moving expenses, etc.)	1 week prior to Final 2025 Payroll
Supplemental Payroll Runs dated 12/31:	
<u>Tax Service Clients:</u> For Federal Liabilities over \$100K, submit by For Federal Liabilities under \$100K, submit by	<u>Submit Payroll by:</u> Dec 26 Dec 29
Delivery of Quarterly & Annual Tax Returns:	
<u>Tax Service Clients:</u> Employee W-2's with Employer copies, W3's & Wage Lists	<u>Estimated Date:</u> Jan 20, 2026
Distribution of employee W-2's and contractor 1099's postmarked or distributed no later than	Jan 31, 2026

W-2 SSN VERIFICATION

The Social Security Administration (SSA) requires that the employee's name on their W-2 match exactly to the employee's name on their Social Security Card. SSA is extremely strict and will reject all W-2's that do not meet this requirement.

You must ensure that your employees' master records contain the correct name, SS# and complete address for printing on W-2's, 1099's and State Unemployment wage listings. SSA may impose a \$50, or more, penalty for each form filed with incorrect information. Also, the employee will not receive credit for the year toward future Social Security benefits.

Clients should make corrections prior to the final payroll of 2025. Corrections made after W-2's have been issued will require a W2-C (additional fees will be charged).

Please note that a missing or invalid SSN will also affect Unemployment Wage Reporting. Our Tax Service will exclude wages for employees with missing or invalid SSN's. In the event of an Unemployment claim for an employee missing a valid SSN, you will be required to produce evidence of employment as the agency will not have record of wages. This causes a delay in benefits to the employee and an administrative burden to you.

W-2 Retirement Plan Checkbox:

Any employee who made contributions to a Retirement Plan (401k, 403b) through payroll deductions will automatically have the **Retirement Box checked on the W-2**. No action is required on your part.

However, if you have a **Retirement Plan that is 100% Company Funded and not processed through payroll, please notify us so we can determine reporting requirements, if any.**

The **2025 limit for 401k/403b Plans** is **\$23,500** plus an additional **\$7,500** for Catch-up Contributions. Look at your year-to-dates **NOW** to be sure employees will not exceed these legal limits. Notify us of any necessary adjustments **prior to your last payroll of 2025**. Deductions made through payroll are already subject to the limits; however, if a manual adjustment was made within a pay statement during payroll processing, the system will not restrict the manual edits based on IRS limitations.

THIRD PARTY SICK PAY

Reporting Third Party Sick Pay (Disability):

Insurance Companies and State Disability Offices are not required to mail their annual statements until January 31. Your W-2's and Quarterly Tax Returns are already completed by this time. Therefore, Third Party Disability presents a challenge at year-end. However, you should have been receiving periodic benefit statements throughout the year. If you have no employees on Disability during 4th quarter, you already have what you need to send to us. If you do have employees on Disability during 4th quarter, call either your Insurance Carrier and/or State Office in late December and ask them for a statement. **Please see the following page for Adjustment Deadlines and their impact.**

Do not report Disability Payments in payroll if the Insurance Company is issuing the W-2's. Many Insurance Companies will "transfer" the reporting and deposit requirements to the employer. This means the employer is responsible for issuing the W-2 and making the federal tax deposits. If you are not sure of your arrangement with your Insurance Company, call them **now** to determine your responsibilities (**if you are an M&H Benefit Client, we will manage this for you**). This will avoid duplicate filing of the W-2's that could result in erroneous tax bills for the employees and/or you.

Third Party Sick Pay Taxability: (Informational Purpose Only):

Short Term Disability: Taxable wages paid to the employee who is on disability for 6 months or less. Social Security & Medicare are required. Federal Withholding is optional.

Long Term Disability: Taxable wages paid to the employee who is on disability for more than 6 months. No Social Security or Medicare is withheld. Federal Withholding is optional. **NOTE:** These are the federal definitions of STD & LTD. Your plan may "define" LTD at less than 6 months. For taxation, the federal definitions apply.

FRINGE BENEFITS

Fringe Health for “S” Corporations:

If your company is an S Corporation, health & accident insurance premiums paid by the company for greater than 2% shareholders are taxable income and are reported on the W-2. According to IRS, the premiums paid on behalf of these shareholders are taxable for Federal Income tax only and not taxable for Social Security & Medicare. Notify us if you have this type of adjustment and specify “S Corp Health” with final 2025 payroll. *M&H may have created a post-tax deduction code for those specific individuals affected. If this is the case, disregard the above process.*

Other Fringe Benefits to consider:

- **Personal Use of Company Car** – Taxable for Federal, Social Security & Medicare. May be taxable in some states and local jurisdictions.
- **Group Term Life Insurance over \$50k** – Is Taxable for Social Security & Medicare and may be taxable in your state jurisdiction.
- **Moving Expenses** – Most reimbursements are taxable to the employee.

Please report all Fringe Benefits as early as possible. Check with your accounting firm now to begin the process so you are able to close the year with your last 2025 payroll, avoiding adjustment runs & amended tax returns. (Additional fees apply for adjustment payrolls and amended tax returns.)

YEAR END ADJUSTMENT PROCESSING

Clients are responsible for reporting all 4th Quarter Adjustments in a timely fashion. If you report adjustments after the due dates listed, liability for any late tax deposit penalties and interest will be your responsibility.

ATTENTION TAX SERVICE CLIENTS

Adjustments or Payrolls dated 12/31:

For Federal Liabilities **over \$100k**, submit on or before **Dec 26.**

(You may be asked to wire funds depending on amounts & timing.)

For Federal Liabilities **under \$100k**, submit on or before **Dec 29.**

We will start processing our Quarterly Tax File on Wednesday, December 31, as is!

Adjustments will be accepted for processing through January but will be subject to additional processing fees and filing requirements as noted below:

Adjustments or Payrolls processed by 3PM Monday 12/29 will be reflected on the Quarterly Tax Returns with no Amended Returns required. You may be asked to wire funds. Late deposit penalties and interest may apply for entries received after Dec 29 depending upon the dollar amount & check date. Normal payroll processing fees will apply.

Adjustments or Payrolls from Tuesday, 12/30 to Friday, January 2 may result in Amended Tax Returns (billed at \$300/jurisdiction, plus adjustment processing fees), late deposit penalty and interest charges, depending upon the status of your year-end processing. Quarterlies & W2’s will be re-run, as needed. You may be asked to wire funds. Additional processing/W-2 reprint fees are charged at your current rate for each reprint and additional processing fees will apply.

Adjustments processed after January 2 will result in quarter re-run, potential amended returns (billed at \$300/jurisdiction), potential W-2C’s (fees apply), additional processing fees, reprints of W-2’s at your current fee for each reprint and agency late deposit penalty and interest charges.

***** DO NOT INCLUDE 2025 ADJUSTMENTS ON A 2026 PAYROLL *****

2026 TAX UPDATES

Several agencies have already released 2026 Tax Information. The following list includes information we have as of November 1, 2025.

Social Security and Medicare:

The Social Security tax limit is **\$184,500 in 2026**. The Employee Social Security rate remains at 6.2%. Employers & Employees both pay 6.2%. The Medicare rate remains at 1.45% with no wage limit. Additional Medicare tax of 0.9% applies once employee reaches \$250,000.

2026 Retirement Plan/HSA Limits:

Description	Limit
401k & 403b Contributions	\$24,500
401k & 403b Catch-up Contributions (Aged 50 or over)	\$8,000/\$11,500
SIMPLE Retirement Plan Contribution	\$17,000
SIMPLE Retirement Plan Catch-up Contribution	\$4,000/\$5,000
Highly Compensated Employee - Limitation	\$160,000
Key Employee dollar limitation (in top-heavy plan)	\$235,000
Annual Compensation Limit	\$360,000
HSA – Individual	\$4,400
HSA – Family	\$8,750
HSA – Catch up	\$1,000
FSA – Health Care	\$3,400
FSA – Dependent Care	\$7,500

MISCELLANEOUS YEARLY INFORMATION

SUI Rates:

Please send us your Unemployment Rate Notices as received. **This is especially important! We need this information as soon as possible.** Keep in mind, you may be required to log in to your employer unemployment portal with your state agency to retrieve your tax rate notice. *Many states no longer send out paper copies in the mail.*

Failure to provide your unemployment rate updates to M&H OneSource may result in inaccurate wage and tax reporting to state agencies, which may also result in penalties and interest.

MEDICARE TAX:

Our software will track wages and calculate the additional Medicare tax when appropriate. IRS has several FAQ's on their website regarding special scenarios related to the additional tax.

ACA REPORTING:

If you qualify as an ALE (Applicable Large Employer), you are subject to additional reporting for 2025 on Forms 1094/1095 series. If you have engaged and confirmed for M&H to file these forms on your behalf, a representative will be working with you on this and discussing the process with you. **Remember, if you are not a Moulton & Hardin Benefits Client, this is not an automatic service M&H performs, but rather a service you must request.**

Employee forms will be created by M&H and mailed directly to the employee by the IRS established deadline. Missing or Invalid SSN's will cause IRS to reject the ACA filing. Please also verify employee addresses as well as company name, address, and FEIN.

Note that there are fees associated with file rejection, correction processing, re-filing to IRS and reissuance of 1095-C forms to employees. Forms will be made available to recipients no later than the March 2, 2026, furnishing deadline.

EMPLOYER HEALTHCARE REPORTING:

For tax year 2025, employers that issued more than 250 W-2's in 2024 are required to report the aggregate annual cost to provide group health plan coverage on each employee's W-2, in Box 12, Code DD. Aggregate cost means the cost to provide coverage for employees, their spouses, and dependents, regardless of whether costs to provide coverage are paid by employers or employees.

If M&H is not your benefits broker and/or you do not manage health insurance as a benefit in M&H OneSource, then you are most likely not recording the employer portion of the cost of health insurance, therefore, not reporting the true cost to the IRS. If you issued more than 250 W-2's in 2024, please contact your service representative for instructions on the entry of the cost into M&H OneSource. The IRS website contains information on this topic as well as FAQ's. Go to www.irs.gov and click on Affordable Care Act - "Reporting Employer provided Health Coverage on Form W-2". If you are an M&H Benefits client, we will manage this process for you and there is nothing for you to do.

GENERAL INFORMATION

1099'S:

We will produce **1099-NEC** for any individual/company on your payroll that has been paid as an Independent Contractor providing the earnings were over \$600. However, if you would like us to produce 1099-NEC for other individuals, we would be happy to accommodate you. Simply notify us **BEFORE** your final payroll process of the year and we can assist with adding these records to your file for year-end.

Fees for Year-End W-2 Processing:

The fees for employee W-2 processing will be included on an invoice with your first payroll processed in February.

2026 GENERAL PAYROLL REMINDERS

Timely Processing/Late Fees:

Please continue to process your regular scheduled payrolls no later than 2 business days in advance. Late processing fees will be enforced.

Payroll Rollback Limited:

You must verify your payroll details and totals PRIOR to submitting and finalizing. Corrections needed after your payroll is finalized must be done within a secondary correction payroll and will be subject to additional processing fees. We will not rollback payrolls that have been finalized due to processes that occur post-finalization.

CONTACT US

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