



# **Small Business Guide To Year-End: Checklists, Planning, & Strategies As The Year- End Approaches**

Get the expertise and help you need to prepare for a smooth transition from 2020 to 2021. This guide offers a variety of strategies for small businesses to consider as 2020 winds down.

# SMALL BUSINESS GUIDE TO YEAR-END

Checklists, Planning, & Strategies As  
The Year-End Approaches

## Table of Contents

**Part 1:** 7 Small Business Strategies To Consider As The Year Winds Down

**Part 2:** Small Business Year-End Financial Checklist—6 Must-Do's

**Part 5:** Important IT Tasks For Year-End

**Part 4:** Preparing For A Smooth Payroll Year-End

**Part 5:** A Proactive Year-End Approach To Employee Benefits

# PART 1

## 7 Small Business Strategies To Consider As The Year Winds Down

We have all been there. Suddenly December rolls around, and we all ask, “Where did the year go?” We stress about getting through the holidays, and sometime during the last few days of the month, we think about all of the things we aim to do in the fast-approaching new year.

While that strategy may work occasionally, most would say the self-made promises of December lose their appeal by Groundhog Day. For some, these resolutions work—but for many, a more long-term, strategic approach is necessary.

If you own a business, considering new strategies is an absolute necessity. Here are seven you should be thinking about.

### 1. Do your tax planning.

The IRS has announced [tax changes for 2021](#). Plan to spend some time in a strategy session with your tax accountant before year-end; it could be well worth your time.

### 2. Revisit your marketing plan.

Marcia Friedman, CEO of EMSI Public Relations, writes,

*“Even if you launched your business years ago, it’s important to revisit and refresh your plan. In recent years, the economy, technology and consumer habits have changed rapidly and dramatically, affecting every aspect of your business. That makes it absolutely vital to re-evaluate your short- and long-term strategies.”*

We agree with her contention about rapidly changing consumer habits and suggest you consider her views in [Time to Revisit and Refresh Your Marketing Plan](#).

# PART 1: 7 Small Business Strategies To Consider As The Year Winds Down

## 3. Determine your Affordable Care Act (ACA) obligations.

The ACA remains a critical part of many businesses, and you need to find out how it may impact your small business. To do this, determine if you are classified as an “Applicable Large Employer” (ALE) under the ACA—[check out this information from the IRS to get the basics on ALEs.](#)

## 4. Consider corporate contributions.

Charitable giving can be a strategic initiative for tax savings. Contributions do not have to be cash. Oftentimes, old, unused office equipment has value and may be donated. If given to a qualified charitable organization, tax benefits will follow.

## 5. Find better ways to engage your employees.

Deciding to do more than write a check or donate unused equipment can have a profound impact on your employees. Many employees want to work for a company that contributes to their communities. Consider adopting a cause to support, and set a system in place that encourages your employees to be a part of it. At Genesis, we just conducted our annual fundraiser, [the Genesis Battlegreen Run](#), as we have each year since 1996.

Of course, there's more to employee engagement than a strong corporate identity and community involvement—but it's a good place to start. Check out our article, [Employee engagement “worst practices”—a few things managers should avoid](#), to find out what *not* to do.

## 6. Consider a “think week.”

Twice a year, Bill Gates goes into a week-long seclusion called a “think week.” Not to be confused with a corporate retreat, his getaway is truly that—no family, no friends, and no one from Microsoft. Nobody.

Perhaps it doesn't work for everyone—14 days out of the year might be more than a small business owner can spare. But there is wisdom in business owners taking the time to work “on their business—not in it.” Learn more about this concept in Michael Karnjanaprakorn's article, [Take a Bill Gates-style “Think Week” to Recharge Your Thinking.](#)

## 7. Complete a Health Insurance Responsibility Disclosure (HIRD) form.

The [HIRD form](#) is a state reporting requirement in Massachusetts that launched in 2018. The HIRD form collects employer-level information about your employer-sponsored insurance (ESI) offerings. It must be completed annually by Massachusetts employers with six or more employees. If you are an employer who currently has (or had) six or more employees in Massachusetts in any month during the past 12 months preceding the due date of the form, you are required to complete the HIRD form. The form becomes available November 15 and is due by December 15, 2020. We recommend completing this form as soon as it's available in November.

Whatever strategies you choose to consider or adopt at year-end, it is important that you act on them soon. Before you know it, you will be asking yourself that same question—“Where did the year go?”

# PART 2

## Small Business Year-End Financial Checklist— 6 Must-Do's

“Tis the season” means different things to different people. For some, it’s the season for giving thanks. For others, it’s the season for spending more time with friends and family. For those involved in the finance side of small businesses, ‘tis the season for making sure everything is in order! Here are six must-do’s that should be on your checklist.

### **Finish next year’s budget.**

Ideally, this is already done. In reality, for many small business owners, this is still on the to-do list. It’s critical for small businesses to budget for the coming year and to pay close attention to cash flow projections to anticipate any additional financing needs.

### **Get your year-end tax reporting prepared.**

Make sure your tax records are in good order. Are you missing anything? Now is the time to track down missing pieces, before the deadlines are too close.

### **Check your profit and loss.**

Hopefully you had a good year, and it’s time to spend some money. Will you distribute bonuses or gifts to your employees? Are there capital expenditures you can make before year-end?

### **Identify fringe benefits that should appear on W-2s.**

Some items that could appear include health insurance, life insurance, educational reimbursements, moving expense reimbursements, and transportation subsidies.

### **Verify 1099 information.**

Do you have a list of vendors and contractors who you need to issue 1099 forms to? Make sure you have a list complete with payment amounts, addresses, federal identification numbers and/or social security numbers.

### **Take inventory.**

This is the perfect time to take a physical inventory of your assets and/or products. Make sure to update your accounting system accordingly.

“Tis the season” for many things. If you’re a small business owner, make sure this financial checklist is part of your season!

# PART 3

## 5 Important IT Tasks For Year-End

The end of the year is the perfect time to perform some critical system upkeep and maintenance. Make sure you're doing the following tasks in order to keep your company running smoothly and securely:

### 1. Test your backup and disaster recovery plans.

The end of the year is a great time to test the policies you've put in place. Take some time to verify that you can retrieve data you've backed up and that everything restores and runs correctly. You'd rather know now if there's a problem with the backup than in that moment you're looking for a critical file.

Similarly, be sure to test any disaster recovery scenarios you have. This testing might be more cumbersome, but knowing your business will function in the event of an emergency or disaster is worth it.

### 2. Check in on your password manager.

Many employers are no longer relying on simple "change your password" protocols to keep data safe; instead, they're using password manager extensions and applications like LastPass and Dashlane to improve security. If your company isn't using a password manager, we recommend implementing that as a best practice immediately. If you are using a password manager, be sure your employees do an annual audit.

Check their "security scores" to make sure passwords are secure and there are no two accounts using the same passwords. Employees can also use their password managers to ensure they have no accounts with weak passwords and there have been no known breaches in any of their accounts.

Periodically require users to change their passwords. Make year-end one of those times.

### 3. Revisit your written information security plan.

Massachusetts has strict requirements for all businesses that retain personal information about MA residents. Those requirements include having a written, comprehensive security program.

## PART 3: 5 Important IT Tasks For Year-End

Chances are your IT or office environment has changed over the year. Update your security plan to accommodate any changes you've implemented or to remove any outdated policies.

The state also requires you to provide annual training to all your employees and cover your security policies and procedures. So if you haven't yet had your training for the year, make sure to get it on the calendar.

Massachusetts has strict requirements for all businesses that retain personal information about MA residents.

Make sure you've got the right security in place to protect that information.

### 4. Review your software licenses and contracts.

You may have already evaluated your licenses while preparing your budget, but if not, now is the time. Your staff level and IT needs are constantly changing, so be sure you're not paying for licenses or old software you're not using. Also, make sure to purchase more licenses if you've outgrown what you had. Annual renewals or maintenance contracts can be easy to "set and forget," so don't get stuck paying for something you're not using.

### 5. Make a departmental resolution.

Take some time to reflect on what went well and what didn't in your IT efforts this year. Identify at least one area you'd like to change or improve upon in the upcoming year and make it a priority. Keeping your IT efforts fresh and exciting will have a positive impact on your company.

# PART 4

## Preparing For A Smooth Payroll Year-End

### Key Activities To Get In Place For The End Of 2020

To plan for a successful year-end, create a tracking calendar of important tasks and dates. Don't forget the following:

- **Order W-2 and 1099 forms or confirm your payroll vendor is set to print them for you.** Confirm federal and state tax deposit due dates, which can vary based on your company's specific deposit schedule.
- **Closely monitor deductions such as 401(k), Dependent Care Assistance Plan (DCAP), Health Savings Account (HSA), and Flexible Spending Accounts (FSA) to ensure that set limits aren't exceeded for the year.** Remember, effective cafeteria plans do *not* allow participants to contribute more than \$2,750 annually to Health FSA.
- **Reconcile quarterly wages matching totals to Form 941.**
- **Calculate and process year-end taxable fringe benefit entries.**
- **Once W-2s are generated, reconcile the W-2 summary to the federal tax liability for the year.**
- **Determine your employee count to see if [your business is subject to ACA reporting](#) requirements.**
- **If you're an employer in Massachusetts, ensure you are meeting your HIRD reporting responsibilities.**





## PART 4: Preparing For A Smooth Payroll Year-End

### Multiple Work States

If you have employees working in more than one state, this is a good time to confirm you have accurately allocated their wages among the states. This may not be as simple as it appears, since there are different rules depending upon the state. Although most states follow federal tax treatment, there are a few notable exceptions to this rule:

- **California:** Employee contributions to a Health Savings Account are considered taxable. Any employer contributions to HSAs are considered income for state reporting purposes.
- **New Jersey:** Employee contributions to a Health Savings Account are considered taxable. Health insurance premiums paid through payroll deductions must be made after tax.
- **Pennsylvania:** 401(k) deferrals are included in income.

These differences make it extremely difficult for payroll systems to accurately allocate wages among these states.

### Understanding Fringe Benefits

A fringe benefit is a form of compensation for the performance of services. For example, you provide an employee with a fringe benefit when you allow the employee to use a business vehicle for personal use. Another example is when health and dental insurance premiums are paid on behalf of any S Corp owner with ownership of 2% or more.

Any fringe benefit provided to an employee is taxable, and the value of the fringe benefit must be included in the taxpayer's pay, unless the law specifically excludes it. Should you have any questions regarding the taxability of a specific fringe benefit, you should discuss it with your accountant or tax advisor.

# PART 5

## A Proactive Year-End Approach To Employee Benefits

As the end of the year approaches, employers should be proactive in communicating the status of certain tax-preferred benefits. You should also encourage employees to review elections for the new calendar year. We have no doubt your employees will appreciate your efforts.

Remind employees where they are with year-to-date 401(k) plan deferrals. Many employees set an annual deferral amount and then don't look at it again until prompted for the new year election. Sending a statement of year-to-date deferrals to participants will prompt them to review their financial goals and perhaps make a change to hit their target; for example, they may want to max out at the IRS limit.

### Flexible Spending Accounts (FSA)

Let's assume your plan does not have a carryover option and is the standard plan design of "use it or lose it." Again, this is a benefit that is often overlooked by participants who could easily end the year by leaving money on the table.

Employers should obtain the balances from their plan administrators and encourage participants who have balances to utilize the remaining funds. There is still time in the month of December to incur a qualified expense to avoid losing benefits.

### Health Savings Accounts (HSA)

While this benefit is not a use-it-or-lose-it plan, it does have an IRS annual contribution limit. Participants tend to enroll and set contribution amounts in the beginning of the year, and then they forget about their account balances. With year-to-date payroll information, you can share the contributions to date and remind your employees of the IRS limit.

Proactively sharing their year-to-date information will simply give them an opportunity to make changes if desired. For example, some participants may want to maximize the tax advantages and increase their contributions to hit the IRS limit before the end of the year.

# PART 5: A Proactive Year-End Approach To Employee Benefits

## Total Compensation Statement

We can't think about year-end benefits activity without promoting the value of a Total Compensation Statement. A Total Compensation Statement gives employees a complete view of all compensation paid; both direct and indirect.

Direct compensation is most visible to the employee and includes wages and bonuses/commissions paid.

Indirect compensation is often overlooked by employees and includes employer taxes, employer contributions to insurance plan premiums, and employer contributions to the retirement plan.

Providing employees with a statement around the end of the year is a great way to remind them of the bigger picture of the value that you as the employer provide.

## Looking Forward At 2021 Limits

December is a crucial time to communicate benefit plan limits for the next tax year and encourage your employees to review their participation, financial goals, and financial needs. Encouraging your employees to take a look at these plans will result in greater satisfaction, because they have an opportunity to make changes to meet their needs in the coming year.

Tax Preferred Plans	2020 Limits
Health Flexible Spending Accounts (FSA)	\$2,750
Health Savings Accounts (HSA)	\$3,600 (Individual) / \$7,200 (Family)
Health Savings Accounts (HSA) Catch-Up	\$1,000 (Age 55 & Older)
401(k), 403(b), 457(b) Plans	\$19,500
401(k), 403 (b), 457(b) Plans Catch-Up	\$6,500 (Age 50 & Older)

Follow this advice to help you prepare for a smooth transition to the new year.

Looking for extra help or advice? [Click here to find out more about how Genesis HR can help your small or mid-sized business.](#)