



# Payroll: Year End Readiness Webinar

November 12, 2025



# Agenda

## Overview of Year-End Payroll Process

*Review of Employee Data*

*Wage and Tax Balancing*

*Tax Updates and Compliance Changes*

*Fringe Benefits and Imputed Income Reporting*

*Third-Party Sick Pay and Other Adjustments*

*W-2 and 1099 Preparation*

*ACA (Affordable Care Act) Reporting*

*State-Specific Requirements*

*System and Vendor Readiness*

*Employee Communications*

## OBBBA, SECURE 2.0

**What to do before your last payroll of 2025**

**Key Dates & Q&A**

## meet jesse



**Jesse Quiñones**  
*VP of Operations*

## and pj




**Pamela "PJ" James**  
*Product Support Manager*

**you will earn credits!**



# Overview of Year-End Payroll Process

- Importance of year-end readiness
- Key deadlines and milestones
- Timeline and checklist overview
- **Survey examples →**



2025 CLIENT YEAR END PREPARATION

**OVERVIEW:**

Year-end is approaching and we're here to help! Please complete the survey to flag any anticipated year-end items. This will help us identify overlooked items that can cause issues with employees' W-2 and 1099 documents. Based on your responses, our team will follow up in November and December to help ensure everything is in order before closing out your 2025 payroll records.

**KEY DATES:**

- [FRIDAY 5PM - Dec. 5, 2025](#) - Last day to complete the survey.
- [FRIDAY 5PM - Dec. 12, 2025](#) - Final date to notify/submit any adds/changes for 2025 before records are closed out for the year in preparation for year end filing.

**PRO TIPS:**

- *If you manage multiple companies (EINs) with Thread, consider submitting a separate survey for each if specific circumstances need individual attention.*
- Bookmark our [Year End Best Practices Help Guide](#)
- **DO NOT HESITATE TO REACH OUT FOR HELP.** Our entire Thread team wants to ensure you have a smooth experience. Please contact your Account Manager or Support Team directly.

-Your Thread Client Support Team

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2025 CLIENT YEAR END PREPARATION

Best Year End Contact

We realize you may want us working with a specific contact for year end related matters. Please list the best contact for our team to work with for your organization.

1. Client Code (If Known)

\*2. Legal Company Name

\*3. Account Contact Name:

\*4. Best Phone Number:

\*5. Best Email Address:

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# Review of Employee Data

- Verifying employee names, Social Security Numbers (SSNs), and addresses
  - a. Employee W2 Verification Report in isolved
- Reviewing active/inactive employee statuses
- Employee Communication

[threadhcm.com/year-end](https://threadhcm.com/year-end)



## Year-End Email To Your Employees

*Copy & Paste Contents and Send to your Staff*

It's year-end, and as we're closing the books, it's important to make sure everything is in order. Please review your paystubs and check for accuracy in the following areas:

- **Name Spelling:** name changes due to marriage or divorce, etc. all need to be verified to match prior-year tax returns, or you should have supporting documentation otherwise.
- **Mailing address:** Especially if you have recently moved or are moving within the first six weeks of the year, please make sure to update your address ASAP.
- **Social Security Number:** Login to your account or verify with HR - if your SSN is off by even one number, there could be penalties!
- **Taxable state:** Please make sure that state taxes are being taken out for the state in which you live and not necessarily the location of your workplace. If you see an error here, please alert HR.
- **Exemptions:** Verify the number of exemptions being withheld from your taxable rate. If you are taking too many exemptions, you may owe taxes. With only a few paychecks left in the year, we can't quite reverse the damage, but we can help if you need that status changed.

*Thank you so much for your cooperation!*

# Wage and Tax Balancing

- **Client:** Reconcile payroll registers with general ledger
- **Client:** Verify year-to-date wages, taxes withheld, and taxable benefits
- **Thread:** Matches quarterly 941s to W-2 totals



# Tax Updates and Compliance Changes

- **isolved**: Updates new federal and state tax laws for the upcoming year
- **isolved**: Changes in Social Security wage base, 401(k) limits, etc.
- **Client**: Update new local taxes or rate changes
  - a. You will need to login to applicable agencies - you need to let us know your rates!



# Fringe Benefits and Imputed Income Reporting

- Group-term life insurance over \$50,000
- Personal use of company car (PUCC)
- Relocation expenses (taxable/non-taxable)
- Bonuses, gifts, and awards

## 2025 CLIENT YEAR END PREPARATION

### Fringe Benefits + Other Important Items

**NOTE:** "[Fringe Benefits](#)," while common, are often misreported, leading to costly amendments and potential tax issues for both you and your employees. Below is a list of the most common benefits.

**IMPORTANT:** Some of these adjustments can affect tax withholding and should be entered with your regular payroll before year-end.

[Year End Best Practices Help Guide](#)

\* 6. Does your company provide any employees with a company car for personal use (commonly called "PUCC")? (The IRS considers this a taxable benefit, and it must be reported on their W2.)

☐ Yes

☐ No

\* 7. Does your company provide any special gifts (i.e. company stock or gift cards), outside of regular payroll that need to be reported on employee W2s?

☐ Yes

☐ No

\* 8. If your company is an S-Corporation, do you provide health insurance for any 2% shareholders that hasn't been recorded in payroll?

**NOTE:** Health insurance for 2% shareholders is often misreported, causing costly errors. Benefits like health insurance for owners or employees with over 2% ownership must be reported on their W2. If you're unsure, we suggest consulting your CPA for guidance.

# Third-Party Sick Pay and Other Adjustments

- Coordination with third-party providers
- 1099 Pay
- HSA



\* 8. If your company is an S-Corporation, do you provide health insurance for any 2% shareholders that hasn't been recorded in payroll?

**NOTE:** Health insurance for 2% shareholders is often misreported, causing costly errors. Benefits like health insurance for owners or employees with over 2% ownership must be reported on their W2. If you're unsure, we suggest consulting your CPA for guidance.

☐ Yes

☐ No

\* 9. Does your company pay group-term life (GTL) insurance premiums for employees with coverage **OVER** \$50,000 that has not already been recorded in payroll?

☐ Yes

☐ No

\* 10. Did your company reimburse any employees for moving expenses that haven't been recorded in payroll?

**NOTE:** Reimbursements for certain moving expenses are no longer excluded from the gross income of non-military taxpayers for tax years 2018-2025. For more information, visit the IRS website: [IRS Moving Expenses](#)

☐ Yes

☐ No

\* 11. Does your company have any employer-paid health savings account (HSA) contributions that haven't been reported through payroll and need to be added?

**NOTE:** Employers must report all employer and employee Health Savings Account (HSA) contributions made through payroll as a single aggregated amount on the employee's form W-2 in Box 12 using code W.

☐ Yes

\* 12. Do you have any 1099 contractor information that isn't in our system yet, and needs to be added for year-end processing and filing?

☐ Yes

☐ No

\* 13. Have any of your company's employees received third-party sick pay (3PSP) – such as payments from a short-term disability (STD) or long-term disability (LTD) provider – this year that need to be entered into isolated for reporting?

☐ Yes

☐ No

\* 14. **FRINGE/OTHER SUMMARY**

☐ None of the above applies to my company. Please close my 2025 records after my last scheduled pay run in December

☐ I have marked "yes" to one/multiple questions. I **DO NOT** need help and will ensure the necessary information is processed before our last payroll of the year.

☐ I have marked "yes" to one/multiple questions. I **DO** need some additional assistance. (NOTE: When choosing this option, a Thread team member will reach out in the coming weeks)

Comments:

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# W-2 and 1099 Preparation

- W-2 box-by-box review
  - Employee W2 Preview
- Deadlines for employee distribution is Jan 31st
- Year End Delivery
  - Delivery Address
  - Electronic vs Paper



## 2025 CLIENT YEAR END PREPARATION

Just a few more REALLY important questions...

W2s will be processed in early January and sent directly to the *company address on file in Isolved*. Unfortunately for security reasons, we are unable to send directly to employees.

\* 15. Is your Year End Delivery Address correct in Isolved? \*\*If your Year End Package should be delivered to the same address as your payroll checks or the same address as previous years, choose Yes -- If you are unsure, choose No.\*\*

☐ Yes

☐ No

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## 2025 CLIENT YEAR END PREPARATION

\* 16. W2 Address

Attention to:

Company \*

Address \*

Address 2

City/Town \*

State/Province \*

ZIP/Postal Code \*

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# ACA (Affordable Care Act) Reporting

- Forms 1095-C and 1094-C requirements
- Applicable Large Employer
- Filing deadlines and e-filing
  - See: Key dates to know
- **And with that, the survey is complete! →**

## 2025 CLIENT YEAR END PREPARATION

\*16. Are you currently using Thread's benefits platform? *(NOTE: This does NOT include Employee Navigator)*

☐ Yes

☒ No

## 2025 CLIENT YEAR END PREPARATION

17. Do you have 50 or more employees?

☒ Yes

☐ No

## 2025 CLIENT YEAR END PREPARATION

\*18. Are you currently utilizing Employee Navigator?

☐ Yes

☒ No

## 2025 CLIENT YEAR END PREPARATION

All done! Thanks so much for your time!

**Rate Tip:** The New Year often brings changes to State Unemployment Tax Rates, which can increase or decrease based on your claim history. Be sure to provide your 2026 rates to Thread to avoid any penalties or fines --> we are rarely notified of your new rate.

**\*\*For GA Employers please note you must log into the [GA DOL website](#) to retrieve your latest rates as they have moved to a paperless process.**

**NOTE:** As a reminder, changes **MAY** still be submitted after **Dec. 31st**, but will incur a **minimum \$300 fee** to reopen your closed tax records along with any applicable adjustment or amendment fees that may be determined. All changes after **12/31** will be performed starting on February 2, 2026 in the order in which they were received.

THANK YOU!

# System and Vendor Readiness

- Payroll system updates and patches
- Coordinating with Account Manager / Support team
- Backup and disaster recovery checks



# Employee Communications

- Year-end communication best practices
- Informing employees about tax forms and timelines
- Encouraging use of self-service portals



# Best Practices and Lessons Learned

- Common year-end mistakes and how to avoid them
  - a. Fringe benefits
  - b. Employee data validation
  - c. SUI rate updates
  - d. Third Party Sick Pay data
  - e. Year End delivery address



# Things to do before your last scheduled payroll of 2025:

- Perform an audit of employee data related to SSN, name and mailing address and make any updates in isolved before you process the last payroll with a 2025 pay date.
- Ensure any employee benefit plan start dates/status/hire dates are current.
- Include any fringe benefits to be reported on 2025 W-2s by 12/31/25.
- Reach out to Third-Party Sick Pay providers and request information to be included, if available.
- Enter and process any additional, manual, and/or voided checks that need to be recorded in 2025.



# Key Dates to Know:

**Nov 27/28**

Thread  
closed  
(banks too,  
on 27th)

**Dec 5**

Final day  
to  
complete  
YE survey

**Dec 12**

Final day  
to ask for  
YE help  
from AM

**Dec 24/25**

Thread  
closed  
(banks too,  
on 25th)

**Jan 1**

Thread  
closed  
(banks too)  
Happy 2026!

**Jan 7**

Last day to  
submit 2025  
payroll  
adjustments

**Jan 8**

Tax  
adjustment  
blackout  
begins

**Jan 15**

Last day to  
approve  
ACA forms  
for Jan 31

**Jan 19**

Banks  
closed  
(Thread  
open)

**Jan 20**

YE forms  
available  
online

**Feb 6**

Last day to  
approve  
ACA forms  
for Mar 2

**Feb 16**

Thread and  
banks  
closed

**Feb 28**

Tax  
adjustment  
blackout  
ends

**Mar 2**

Deadline to  
distribute  
ACA forms

**Mar 31**

Deadline for  
electronic  
ACA send to  
IRS

# OBBBA

**One Big Beautiful Bill Act** is a federal law passed July 4, 2025, allowing employees to deduct qualified overtime pay from federal income taxes (effective for tax years beginning after 12/31/24).

## Key Payroll Impacts:

- Requires systems to identify & report qualified OT compensation
  - Qualified OT - Any OT pay required under section 7 of the Fair Labor Standards Act (FLSA) that exceeds the employee's regular rate of pay - it's the "premium" portion of overtime pay (the "and-a-half" part).
- Adds new W-2 reporting requirements for overtime and tips
- Guidance from IRS/Treasury still pending - interim solutions in place

## For 2025 (Estimation Year):

- Two new Year-End Reports
  - Client-Level Excel
  - Employee-Level PDF
- "Est OT Premium" automatically added to W-2 Box 14
- Opt-out option available at client level
- Reports include a disclaimer advising employees to verify with a tax professional

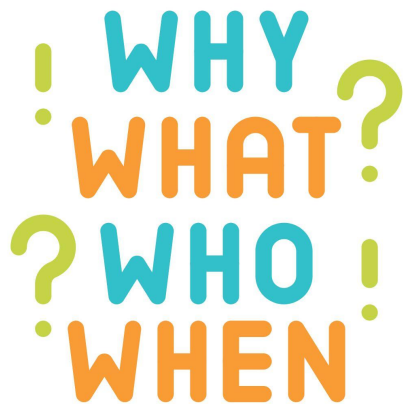
## For 2026 (Full Implementation):

- Real-time OT premium calculation within payroll
- Estimated premium reported in W-2 Box 12
  - (code TT – pending IRS)
- Voluntary tips to be tracked separately with a new Box 12 code
- Action Item Now: Review earnings codes
  - One for voluntary tips
  - One for non-voluntary gratuities (e.g., service charges)



# SECURE 2.0

*SECURE 2.0 is a U.S. federal law passed on December 29, 2022 - building on the original SECURE Act of 2019, aiming to enhance retirement savings and plan accessibility*



- **Employers/Plan Sponsors** - expanded tax credits & incentives
  - **Employees** - Part Time eligibility, “Super” Catch Up, High earners
  - **Plan Admins & Advisors** - optimize opportunities and assure client compliance
  - **Platform Providers** - system adjustments to align with updated rules & regulations
- 
- **2023** - RMD age increased, small business tax credits, Roth ER contributions permitted
  - **2024** - Student loan match, emergency savings withdraw (\$1k), domestic abuse hardship withdrawal, 529 rollover to Roth IRA (35k)
  - **2025** - Automatic enrollment for NEW plans, “Super” Catch Up (60-63/3750), PT EE eligibility
  - **2026+** - Roth catch up requirement (>145k), + additional phased updates into 2034

*More info on SECURE 2.0 in our Oct. Retirement Webinar - Watch on Demand at [threadhcm.com/webinars](https://threadhcm.com/webinars)*



## Additional Resources

Internal Revenue Service

[www.irs.gov](http://www.irs.gov)

Social Security Administration

[www.ssa.gov](http://www.ssa.gov)

Bureau of Labor and Statistics

[www.bls.gov](http://www.bls.gov)

State Agencies

[www.taxsites.com](http://www.taxsites.com)

State Unemployment

<http://workforcesecurity.doleta.gov/unemploy/agencies.asp>

American Payroll Association

[www.americanpayroll.org](http://www.americanpayroll.org)

## Reports to Remember

### Employee W2 Verification

This report displays the employee name, address, SSN, retirement plan indicator, birth date, term date, W2 type, and payroll status.

### Employee W2 Preview

This report displays employee name, address, SSN, amounts by box number, and W2 indicators for retirement plan, statutory employee, and third party sick.

### Year End W2/1099 Employee List

This report displays the employees who chose to receive their forms electronically vs a paper

### Overtime & Tips Export - Employer (Excel)

Detailing tips, OT pay, and estimated OT premium across all employees (*releasing 11/21*)

### Overtime & Tips Report - Employee (PDF)

Detailing tips, OT pay, and estimated OT premium across all employees - 1 per page per employee with a legal disclaimer (*releasing 12/5*)



thank you for your time  
we look forward to supporting you

any questions?