

December 9, 2011

Dear Payroll Preparation Clients:

As we come to the close of another year, we would like to thank you for your business. We look forward to serving you in 2012.

With the holidays coming up so soon, please take some time now to consider the following items:

1. Bonus pay and most gifts are taxable to the employee, are reportable to the IRS and Virginia and must be included in the employees' W-2. Gifts of hams, turkeys and other merchandise of nominal value made as a goodwill gesture in a general distribution to all employees at the holidays are not included in income. However, any distributions of cash, gift cards, certificates or similar items which are readily convertible to cash are includible as additional wages, regardless of the value. Please provide any bonus or gift amounts given or planned to be given to each employee to our office by December 20, 2011. If you have specific questions on how bonuses are taxed please contact our office.
2. Because of holiday closings, any client with a payroll falling between December 23rd and January 2nd must contact our office to make arrangements for payroll processing. This is particularly important for direct deposit clients.
3. Prior to year end is a good time to make sure that you have up to date information for your vendors in order to timely process 1099 forms. The easiest way to do this is to ask them to complete Form W-9, Request for Taxpayer ID Number and Certification, and return it to you. If you need Form W-9, please visit our website at www.garriscompany.com or call us.

Additionally, to ensure the accurate and timely processing of W-2's, we ask the following of our payroll clients:

1. Employers should review employee paychecks for accuracy. Employees' names, social security numbers, addresses and phone numbers should be confirmed. We suggest asking employees to review their next paycheck. Ask them to notify you immediately of any changes. Please contact our office as soon as possible with these changes.
2. Please notify our office of any fringe benefits provided to employees such as personal use of a company car, health club benefits or the cost of group-term life insurance with coverage greater than \$50,000. For partners or greater than 2% shareholders we need the amount paid for accident and health insurance policies and other fringe benefits listed above.
3. Please notify our office of any employer HSA contributions made on an employee's behalf; these amounts are required to be reported on the employees' W-2.

If you have any questions please contact our office. Thank you for your assistance!

For information on changes affecting your 2012 payroll, visit our blog at www.garriscompany.com

Sincerely,

Amylynn Johnson
Certified Public Accountant
Chief Operations Officer