Step 1. Before You Start W-2 Processing

A. Close the last payroll of the year
   - Follow the Each Pay Period steps checklist to close the last payroll of the year.

B. Install the latest version of Connect
   - The latest Caselle version is 2025.11

C. Print and balance the 941 Report for Q4

Step 2. Verify Pay Code Information

A. Verify pay code rates and limits.
   - Pay Code List - Detail for Tax Pay Codes
   - Check the maximum wage limit on the employee portion and employer portion for the following pay codes: Social Security, Medicare, and any pay code with a maximum wage limit.

B. Verify IDs for federal and state pay codes.
   - Pay Code List - Detail for Tax Pay Codes
   - Look up pay code 76-00 [FWT] and 77-00 [SWT]. Verify the federal and state ID numbers.

C. Review the subject to pay codes.
   - Pay Code List - Tax Summary
   - Verify the pay codes subject to Social Security, Medicare, Federal Withholding Tax, State Withholding Tax and any local or state-specific pay codes.

D. Verify W-2 Box 10, 11, 12, and 14 settings.
   - Use the Pay Code List to verify special pay code flags for Boxes 10, 11, 12, and 14.

***CASELLE SUPPORT STAFF ARE NOT TAX EXPERTS
   - Customer support can help you find the right box in the Payroll application to enter W-2 values for Box 10, 11, 12, and 14, but they cannot tell you what to fill in.
   - If you need help, you can contact your auditor or refer to the IRS website.

E. Run checkout
   - Confirm you are running the checkout for the current tax year.
   - Correct all errors reported on the error report before you continue to the next step.

Step 3. Verify Year-to-Date Information

A. Gather previously reported qrtly 941 reports
    - Gather quarterly 941 reports that were reported to the IRS for the calendar year to compare with the annual 941 report.

B. Print annual 941 report for the calendar year
   - Print the 941 report for 1/1/YYYY to 12/31/YYYY.
   - You will use this report to match W-3 amounts.

C. Print the employee tax summary
   - Print the employee tax summary for 1/1/YYYY to 12/31/YYYY.
   - Select the box to include terminated employees.
   - You will use this report to balance taxable wages.

D. Print annual Pay Code Transaction Report for IRS Taxes
- Print the pay code transaction report for IRS taxes for 1/1/YYYY to 12/31/YYYY.
- You will use this report to balance the employee and employer portions of Social Security and Medicare, as well as the employee portion of Federal Withholding.

E. Verify 941, Employee Tax Summary, and PTCT Reports
- Verify the previously reported quarterly 941 reports to the Annual 941 report.
- Verify employee taxable wages and calculated taxes on the Employee Tax Summary report and annual 941 report.
- Verify taxable wages on the Employee Tax Summary and annual 941 report.

F. (Optional) Print payroll history for the calendar year
- Select the Payroll History - By Calendar Year [Caselle Master]. This can be kept for record-keeping purposes.

Step 4. Verify Employee Information

A. Review the employee settings
- Verify the employee's social security number (Employee tab).
- Verify the subject to information (Wage tab).
- Verify the Include on W-2 Form options (Job tab). Check the settings on the Statutory, Retirement Plan, and Third Party Sick Pay checkboxes.

B. Run employee checkout again
- Correct errors on the error report before you continue to the next step.

Step 5. (Optional) Verify Leave Time Information

A. Print the leave report
- Use the default report dates.
- Verify leave time balances for each employee.

B. Verify carryover limit in leave tables
- Complete this step if your organization's leave policy allows employees to carry leave hours accrued during the current payroll year to the new payroll year.
- Review the properties assigned to the leave rates.

C. Run adjust carryover hours
- Run this routine to adjust the total leave hours on an employee to the carryover hours allowed by the leave rate.
- For Calendar Year Carryovers, this routine must be ran in the pay period that includes 12/31/yyyy.

Step 6. Print W-2s

A. Back up the current year's payroll data
- Your IT can run this backup - this does not stop processing of W-2s.

B. Convert year-end tax information
- Verify the year (YYYY) is the tax year that you want to use to print W-2s.

C. Check the conversion printout
- Compare the conversion printout against the employee tax summary report. Verify the same amounts appear on both reports for each employee.

D. Verify the organization's W-2 information

E. Run checkout W-2 employees
    - Check W-2 employees and 1099 recipients for errors in the tax year.
    - Correct all errors on the error report before you continue to the next step.

F. Print sample W-2s to scratch paper
    - Review and verify the items in each box on the W-2 form.

G. Enter corrections in the payroll system
    - If you need to correct amounts, make the correction in the Payroll application, and then return to Step 6B.

H. Print Employee Copies of W-2s
    - If filing electronically, employee W-2s can be printed to white paper.

I. Create the electronic W-2 file for upload to SSA
    - To create the electronic W-2 file, select the correct YYYY, fill in the form, and then click GO.

J. Upload electronic W-2 file to SSA
    - This step needs to be completed by January 31st. It is helpful to pass out the employee copies and having them checked over before submitting the upload.

Step 7. Finishing Up

A. Close the payroll year
    - Run this routine to close the current payroll year.

B. Update federal and state tax rates
    - Download the new federal and state tax rates for the new payroll year.

C. Update social security wage limit
    - Social Security tax pay code: Update the maximum wage limit and percentage on both the employee and employer portion of the pay code for the new payroll year.

***CONGRATULATIONS!
    You're ready for the first payroll of the new payroll year.