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2026 Payroll Year-End Guide



Your 2026 Payroll Year-End Guide
Everything you need for a smooth Year-End
— checklists, deadlines, FAQs & more.

Questions?
Contact your dedicated Client Partner
anytime.

www.ahola.com | 800-727-2849

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Important Year-End Deadlines

* Tuesday, December 29, 2026 – Last day to process additional 2026 payroll runs without late processing tax liability waiver letter (releases Ahola from liability for tax penalties incurred due to late filing of taxes related to processing after this deadline)

* Tuesday, January 5, 2027 – Deadline for 2026 Adjustments to be submitted to Ahola for processing

** Friday, January 15, 2027 – Third-Party providers must have Year-End Sick Pay statements issued to employers. This is the government-mandated deadline for your insurance company to provide this information to you, **however, Ahola's deadline for Sick Pay updates is January 5, 2027**. Be sure to request your information from your Sick Pay provider well in advance

* Monday, February 1, 2027 – Forms W-2 must be postmarked, distributed, or available electronically to employees by this date

* Monday, February 1, 2027 - Forms W-2 must be filed electronically with SSA (Ahola will file several days prior to the deadline)

* Friday, February 5, 2027 - Employer Data for ACA must be reviewed and approved for Ahola to process and release Forms 1094 & 1095

* Monday, March 1, 2027 – Forms 1094-C & copies of Forms 1095-C need to be filed with the IRS (If Filing Paper)

* Tuesday, March 2, 2027 – Forms 1095-C (ACA) must be postmarked, distributed, or available electronically to employees by this date

*** Wednesday, March 31, 2027 – Forms 1094-C & copies of Forms 1095-C need to be filed with the IRS (Electronic Filing is required for employers with 10 or more information forms). Ahola will file several days prior to the deadline

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2026-2027 Holiday Closures

(Federal Banking Holidays and ACH Closures)

The following dates are ACH closures (bank processing is unavailable).
Ahola office closures only on dates noted below:

2026

- Thursday, November 26, 2026 - Thanksgiving Day *(ACH Closure and Ahola Offices Closed)*
- Friday, November 27, 2026 - Ahola Holiday **(Ahola Office Closed, Not a Bank Holiday)**
- Friday, December 25, 2026 - Christmas Day *(ACH Closure and Ahola Offices Closed)*

2027

- Friday, January 1, 2027 - New Year's Day *(ACH Closure and Ahola Offices Closed)*
- Monday, January 18, 2027 - Martin Luther King Jr. Day (ACH Closure Only)
- Monday, February 15, 2027 - President's Day (ACH Closure Only)
- Monday, May 31, 2027 - Memorial Day *(ACH Closure and Ahola Offices Closed)*
- Saturday, June 19, 2027 - Juneteenth Independence Day *(ACH Closure and Ahola Offices Closed)*
- Monday, July 5, 2027 - Independence Day (observed) *(ACH Closure and Ahola Offices Closed)*
- Monday, September 6, 2027 - Labor Day *(ACH Closure and Ahola Offices Closed)*
- Monday, October 11, 2027 - Columbus Day (ACH Closure Only)
- Thursday, November 11, 2027 - Veterans Day (ACH Closure Only)
- Thursday, November 25, 2027 - Thanksgiving Day *(ACH Closure and Ahola Offices Closed)*
- Friday, November 26, 2027 - Ahola Holiday **(Ahola Office Closed, Not a Bank Holiday)**
- Friday, December 24, 2027 - Christmas Day (observed) **(Ahola Office Closed, Not a Bank Holiday)**

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2026 Year-End Checklist

- ✓ Review processing deadlines and identify your last check date(s) of 2026.
- ✓ Review Holiday schedule and Federal Banking Holidays for 2026 and 2027. Check for conflicts with payroll processing or check date.
- ✓ **Notify your Client Partner by December 7, 2026, if any year-end payroll adjustments will be needed. These may include items such as group-term life, personal use of company car, third-party sick pay, etc.**
- ✓ Perform an audit of employee data related to SSN, name, and mailing address, as well as where employees are being taxed. Contact your Client Partner by December 7, 2026, to request any changes or adjustments.
- ✓ Call your Client Partner with any questions regarding year-end processing prior to December 7, 2026, to ensure sufficient time to address and resolve any outstanding issues.
- ✓ Identify and process any additional end-of-the-year payroll items by December 22, 2026. Such items may include additional bonus amounts, as well as taxable fringe benefits.
- ✓ If you have any additional manual checks and/or void checks that need to be recorded in 2026, contact your Client Partner no later than December 22, 2026. If you need to enter additional manual checks and/or voids after this date or after processing your last payroll for the year, please contact your Client Partner to ensure these items are processed timely and year-end reports are regenerated (if needed). Additional processing fees may apply.
- ✓ Third-party sick pay information should be submitted to Ahola for processing by January 5, 2027. Please contact your insurance company prior to this deadline to request your annual summary and statement and forward it to Ahola.
- ✓ Remember that any corrections, adjustments, or additional W-2 amounts submitted to Ahola after January 5, 2027, will not be processed until after the electronic filing of W-2s has been completed or February 2, 2027, whichever comes first. Any adjustments submitted after this date may incur late tax filing penalties and will require amended forms W-2C. These corrections will incur additional processing charges.

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2027 Wage/Deferral Limits

FICA

Social Security:
$192,300 Wage Limit
Employee withholding rate is 6.20%

Medicare:
No wage limits.
Employee withholding rates: 1.45% (wages up to $200,000) and 2.35% (wages over $200,000)
Employer tax rate on all wages: 1.45%

UNEMPLOYMENT TAXES

FUTA: Taxed on the first $7,000 of wages per employee.
SUTA: PayrollOrg (formerly The American Payroll Association) has updated their charts of State Unemployment Insurance Taxable Wage Bases for 2027, 2026, 2025, and 2024. Wage bases can be found here: https://pages.payroll.org/taxable-wage-base

DEFERRALS

HSA Contribution Limits: Self-Only $4,500 + $1,000 catch-up^
Family $9,000 + $1,000 catch-up^
(Employee + Employer)

Important Notes:

^Employees 55 or older are eligible for HSA catch-up contributions.
Contact your Client Partner to make any necessary changes.

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2027 Wage/Deferral Limits

continued

DEFERRALS

401(k), 403(b), and 457 plans:

Deferral limit $25,500 + $8,500 catch-up** + $3,250 'super' catch-up^ (60-63)

SIMPLE 401(k) and IRA plans++:

Deferral limit $17,500 + $4,000 catch-up**

Highly Paid Individual HPI) threshold:

Highly paid individuals (HPI) income threshold will be those who had FICA wages over $155,000 in 2026 (in Box 3 of their 2026 Form W-2).

****As of 11/5/26, Deferral Limits for 401(k), 403(b), Simple IRA, and HPI have not been formally finalized by IRS for 2027. These are projected numbers****

Important Notes:

**If you have employees over the age of 50 who do NOT wish to contribute the catch-up amount, you must notify your Client Partner. If you do not notify Ahola, employees over 50 whose contributions exceed the standard annual limits will automatically continue deferrals to the higher catch-up contribution limit.
^Additional 'super' catch-up may apply to employees aged 60-63, but only if the established plan allows under the Secure Act 2.0.

++Plan limits and catch-up amounts may differ for certain Applicable Simple plans under the Secure Act 2.0.

Under the Secure Act 2.0, retirement plan Catch-Up contributions for highly paid individuals (HPI) age 50 and over must be made on a Roth (after- tax) basis starting in 2026.This rule applies to 401(k), 403(b), and governmental 457(b) retirement plans.

IMPORTANT: Employees should NOT enter their Roth Catch-Up election under the normal "Roth 401k" deduction. The "Roth 401k" deduction is for the standard 401(k) amounts only (up to $24,500 in 2026). There is a separate "401K-HPI" code in isolved for the Roth Catch-Up contributions. The "401K-HPI" code will automatically be activated after an HPI employee reaches the standard 401(k) limit for the year. isolved will automatically change the deduction code to the "401K-HPI" Roth Catch-Up code for qualified HPI Roth catch-up contributions.

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2027 Wage/Deferral Limits
continued

2027 MINIMUM WAGE

The 2027 Federal Minimum Wage is $7.25 per hour

Ohio, as well as several other states, will have Minimum Wage increases that go into effect on 1/1/2027

- In Ohio, smaller employers with annual gross receipts of less than $419,000 per year after January 1, 2027 ($405,000 in 2026) must pay no less than the Federal Minimum Wage to their non-tipped employees, rather than Ohio minimum wage

- Also in Ohio, employees under the age of 16 must be paid no less than the Federal Minimum Wage rate, rather than Ohio minimum wage

Like Ohio, many other states have different rules governing the payment of minimum wage, with number of employees, gross receipts, or other factors affecting the minimum rate that must be paid to employees. It is always best to confirm the rules that govern minimum wage in any state you may have workers, by checking the Department of Labor website for the most current wage information.

For State Minimum Wage changes, as well as rules governing minimum wage, visit the Department of Labor website:

https://www.dol.gov/agencies/whd/minimum-wage/state

*****AHOLA WILL NOT AUTOMATICALLY CHANGE YOUR EMPLOYEES' PAY RATES. PLEASE CONTACT YOUR CLIENT PARTNER TO MAKE ANY NECESSARY CHANGES.*****

MILEAGE RATE

The standard mileage rate for business use of a car in the 2nd half 2026 is 76 cents/mile (July 1 - December 31, 2026).

January 1 - June 30, 2026 rate is 72.5 cents/mile.

The mileage rate for 2027 has not yet been released, but it is expected to be a slight increase from the current 2026 rate. Final mileage rates are typically released in December for the upcoming year.

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Frequently Asked Questions

Year-End Preparations

Q: What can I do to ensure our W-2s and Year-End tax documents are correct?

A: As an Ahola Client, you have access to a variety of reports to assist you in preparation for Year-End. We highly encourage you to review these reports and verify the accuracy of the information prior to Year-End reports and W-2s being created. These reports can be found under Client Reports. Use the Report Category filter to select Quarterly/Year-End Reports. The reports we suggest you review are below. Please contact your Client Partner for additional assistance.

*Employee W2 Preview
*Employee W2 Verification
W2 Reconciliation Summary
YTD Register with Employer Taxes
Tax Liability Summary by Quarter
Tax Liability Summary
Tax ID and Rate Verification
SSN Verification Report
Year-End Exceptions

*These reports can also be found in your Payroll Reports Archive.

Q: What else can I do to prepare for a successful year-end?

A: Encourage employees to activate and utilize Employee Self-Service (ESS) accounts to review their information and receive their pay stubs and W2 forms. Employees who use ESS and consent to electronic delivery of year-end forms will have access to their forms sooner than printed copies, and they will have the ability to upload forms directly to Turbo Tax if they choose to do so.

Review accuracy of the status of your employees, as incorrect employment statuses can affect various reportings. Be sure you are using status designations such as ‘Inactive’ properly. Employees should be coded as ‘Inactive’ only if there are solid plans for them to return to work for your company. Some examples would be employees out on temporary medical leave, those that are serving an active military duty obligation (Reserves, etc.) or seasonal employees, such as college students, who have indicated they intend to return for the upcoming ‘season’. Employees that have left your company with no current plans to return should be listed as Terminated. If they could be rehired, be sure to mark them as ‘Eligible for Rehire’ so they can be reactivated and rehired easily upon return. Inactive and Terminated employee information is still stored in isolved and is not purged based on status.

Frequently Asked Questions

Fringe Benefits, Bonuses, Third-Party Sick Pay, HSA

Q: When do I need to send Fringe Benefits, Year-End information or Bonus amounts to Ahola?
A: Fringe Benefits, Year-End information, and/or Bonuses should be submitted with, or prior to, your last payroll of 2026.

Q: How should I submit my Fringe Benefits to Ahola for processing?
A: All Fringe Benefits should be submitted to Ahola in writing. This can be in the form of an email or fax. Please contact your Client Partner with any questions regarding Fringe Benefits or additional payroll runs. Be sure to include your company name and Ahola client identification number in all communications.

Q: I normally process my own payroll. Can Ahola still help me with the entry of Fringe Benefits?
A: We are happy to assist with Fringe Benefits and encourage all clients to submit fringes for review prior to processing. Whether it is a question about how to enter additional wages, setting up a new wage type, or submitting information to Ahola for entry, your Client Partner is here to support you and ensure that your additional information is reported correctly.

Q: I have a large Bonus run - is there anything special that needs to be done?
A: If you will be submitting a large payroll Bonus run, or combination of runs, where the gross wages are in excess of $300,000, contact your Client Partner prior to submitting or processing the payroll. Tax payments associated with these large runs often have accelerated due dates and may require additional action, including the wiring of funds. In addition, payroll runs with impound amounts that are significantly higher than normal may require additional review and potentially additional action on the client's part, including but not limited to, pre-funding payroll with a wire transfer. Please be sure to speak with your Client Partner before processing any larger-than-normal payroll runs.

Q: Can I process Bonus checks separately from my regular payroll run?
A: Yes, contact your Client Partner to request an additional “Special” run schedule.

Q: What is the last date I can process adjustments for 2026 to avoid possible tax penalties?
A: December 29, 2026. Any adjustment runs processed after this date may incur penalties for late payment of tax funds and will require written acknowledgment that the client is responsible for any interest and/or penalties that may be incurred by the late filing of tax funds.

Frequently Asked Questions

Fringe Benefits, Bonuses, Third-Party Sick Pay, HSA

Continued

Q: What is the last date I can process an adjustment without amended returns?
A: Clients must submit all corrections and wage adjustments by January 5, 2027. Adjustments received after this date will be processed after W-2s have been filed electronically. These late adjustments will require amended tax returns and will incur additional fees. **Clients that need to process Third-Party information for Sick Pay payments made to employees may need to contact their insurance company in December to request early issuance of summary statements to comply with this deadline.**

Q: When is the last date to submit Third-Party Sick Pay information to Ahola?
A: January 5, 2027. If you have not already done so, please contact your Third-Party Benefits broker to request that your summary statement be sent to you as soon as possible. If you have employees who have received Third-Party Sick Pay this year, but you have not yet reported these amounts, please notify your Client Partner as soon as possible in order to enter these amounts, ideally prior to your last payroll processing in 2026.

Q: We offer Health Savings Accounts (HSA) that the company contributes to. These accounts are not run through payroll. Does Ahola need to know about this?
A: Yes. All contributions to Health Savings Accounts (HSA) including those made by the employer need to be shown on Form W-2. If your employee, or employer matching contributions are not run through the payroll, please contact your Client Partner before December 29, 2026. Ahola will ensure this information is shown in the appropriate W-2 box.

> **Note:** Health Savings Accounts (HSA) have government-mandated contribution limits based on plan type, as well as the employee's age. Employers should audit employee contributions to ensure that employees have not contributed amounts over the allowable limits based on plan type and catch-up amounts, if applicable. If you require an audit report to verify your employee contributions, please contact your Client Partner to request a Deduction Register Summary for HSA contributions (made through payroll.)

Frequently Asked Questions

W-2s and 1099s

***IRS requires employers to provide each employee with a timely copy of their Year-End Forms.** These can be printed, or electronic with employee consent. Ahola is able to accommodate both printed and electronic delivery of Year-End Forms. As we continue to improve our processes and offer new and efficient ways for you and your employees to access your information, Ahola continues to progress toward paperless Year-End reporting and increased usage of Employee Self-Service. For more information about the capabilities, as well as ease and efficiency of ESS, electronic forms, or digital report retrieval, contact your Client Partner.

Q: Will you be printing and delivering my W-2s and 1099s?

A: Not necessarily. For all clients (regardless of print service) employees that consent to receive their forms electronically will not generate a physical printed form. If all employees consent to electronic delivery, there will be no physical forms to print. Clients can elect Print Back electronic delivery (no print service), as all year-end forms will be available to employees via Employee Self-Service (ESS). Physical copy forms for terminated and non-consenting employees for Print Back clients are printed by the employer at their location.
Some employer reports will be available only electronically (Form W-3, Employer Copy W-2).

Q: What if some of my employees do not consent to electronic delivery?

A: You can print and distribute paper forms for any non-consenting employees at your location, or Ahola will print and deliver them to you, though additional fees may apply for delivery and printed packages. IRS requires that employers provide printed copies of employee Year-End Forms for employees who do not consent to electronic delivery.

Q: How are terminated employees handled with regard to consent to electronic delivery?

A: Employees that have consented to electronic delivery of year-end forms but are terminated in the payroll system with or before the last payroll processing of the year will have their consent automatically revoked when they terminate. Terminated employees may re-consent to electronic delivery but would have to access their self-service account to consent after the termination has been processed through the payroll system. In most cases, the automatic revocation of consent will produce print copies of W-2 forms for terminated employees. While they will be able to access year-end forms through ESS, employers are still obligated to furnish a print copy to these former employees.

Q: I would like to offer electronic delivery of Year-End forms to my employees. How do I get started?

A: Contact your Client Partner. They will be happy to assist you in getting set up with electronic Year-End forms.

Frequently Asked Questions

W-2s and 1099s

Continued

Q: How can I tell which employees have consented to electronic copies of their year-end forms?

A: There are a few different ways to tell which employees have elected electronic forms:

1. The Electronic Elections screen will allow you to see an overview of employees and their Year-End forms delivery status, including consent dates and employment status **(Employee Admin Tools >> Employee Analytics >> Electronic Elections)**
2. On an individual employee basis, Electronic Consent documents for Electronic Signature, as well as Electronic Tax Forms Delivery (both consent and declination) are available to view in Employee Documents (**Employee Management >> Human Resources >> Employee Documents)**
3. The report called **Year-End W2/1099 Employee List** is available in your Payroll Report Archive, usually beginning with payrolls processed in November. This report lists employees' consent or declination date, and their employment status and indicates printed or electronic form W-2. This report is also available to be generated as needed from the Client Reports catalog.

Q: When will W-2s be delivered or available electronically?

A: We expect electronic copies will be available well before printed copies. Employees consenting to receive their forms electronically will receive an email notification when the forms are available. Paper copy forms are anticipated to be printed and delivered on or about January 22, 2027.

Q: I will be printing my own W-2 forms for employees not consenting to electronic copies. When will I have access to print these forms?

A: This date will vary based on each client's year-end status, but we expect clients to be able to print between January 11 and January 15, 2027.

Q: Where can I find more information or instructions on how to print Year-End reports?

A: Help documents can be found on the Year-End Resources page of the Ahola website. This page can be accessed through the Quick Links section of the Client Landing page in isolved or directly from the Learning Center tab at ahola.com. Your Client Partner is also an excellent resource for assistance and/or documentation to help you.

Frequently Asked Questions

W-2s and 1099s

Continued

Q: If employees who elect electronic delivery are not included in the 'print' report for W-2s, where can I see all of the W-2s that were issued to my employees?
A: The employer copy report (W-2 Copy D Employer) will contain copies of all employees' W-2 forms, including those that elect electronic forms. Forms for employees that received them electronically will appear with a watermark 'ESS Copy Only'. The Employer copy report can be viewed in the Year-End Report Archive.

Q: If Ahola prints Year-End forms, where will they be delivered?
A: W-2s will be delivered to the Year-End address indicated for your account. Contact your Client Partner to confirm or change the delivery address.

Q: Where do I find employer information returns such as the Employer Copy of Form W-2 and Form W-3?
A: Employer copies of W-2s, as well as other Year-End reports such as the W-3 summary, will be available to view or print from the Year-End Report Archive.

Q: Where can I find other employer information returns such as Federal 941, Unemployment, or other Reconciliation forms or statements?
A: Many other informational tax forms can be found in your **Return Archive (Reporting >> Return Archive).** Be sure to select the correct year and quarter you desire from the filter dropdowns, then click the 'filter' button for results.

Q: In what order will W-2s and/or 1099s be printed?
A: The print order for these reports is alphabetical by Employee's Last Name. If you prefer your printed W-2s and/or 1099s sorted by department or employee number, please contact your Client Partner prior to your last payroll processing of the year to change your sort order.

Q: When do W-2s have to be delivered to my employees?
A: W-2s must be available electronically or in paper copies postmarked by February 1, 2027.

Frequently Asked Questions

W-2s and 1099s

Continued

Q: What can I do to avoid reprocessing W-2s?

A: Review employee addresses and other personal information for all employees. Audit employee work locations and residence tax withholdings for accuracy. Contact your Client Partner for assistance in updating any missing or incorrect information prior to your last payroll processing of the year.

Q: What happens if I need a corrected and reprocessed W-2?

A: Please notify your Client Partner as soon as possible of any necessary corrections. Additional fees may apply for reprocessing due to incorrect employee information (Social Security number or incomplete name). Amendment charges may apply, dependent on timing if reporting has already been filed with IRS or other taxing agencies. Additional shipping fees may also apply.

Q: How can I avoid reprint charges for lost or misplaced W-2s?

A: Employers and employees can access and reprint forms online at any time for free using Employee Self-Service or Year End Report Archive. Lost or damaged W-2s can be reprinted by Ahola for $25.00 each + shipping.

Q: Are terminated employees able to view W-2s through Employee Self-Service?

A: Yes, if you have allowed terminated employee access. If you would like to confirm or change your access settings for terminated employees, please contact your Client Partner. Keep in mind that terminated employees' consent for electronic delivery is automatically revoked when they are terminated in isolved and will no longer apply unless they have consented again after termination. **Employers are still responsible for furnishing a printed copy to any employees that have not consented to receive forms electronically.** While forms may be available to view online, they must still receive a print copy if they have not specifically consented to online only.

Q: What is the best way to manage terminated or inactive employee records?

A: The end of the year is a great time to clean up your database and remove any inactive or terminated employees that are still listed as "active" on your account. Terminating or inactivating employees will save you time when entering payroll or completing time entry sheets. Terminated and Inactive employee data remains in our system, and employees can easily be reactivated if they should return to work.

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Frequently Asked Questions

W-2s and 1099s

Continued

Q: We plan to file our own W-2s this year. Our company does not want Ahola to file them electronically – what do we need to do?
A: Please send your request via email to yearend@ahola.com. Requests must be received by December 14, 2026.

Q: Does Ahola file reconciliations and W-2 copies for all Ohio residential city tax withholding?
A: Ahola files for all Ohio cities that require residential filing. Currently, RITA and CCA cities as well as Amherst, Parma, Columbus, and Jefferson require residential filings. Ahola does not automatically file reconciliations for any other independent cities. However, should a client receive a request or notice to file a residential reconciliation, Ahola will provide this at the client's request.

Q: How will Ohio resident tax wages display on the W-2 for 2026?
A: The taxable wage amounts for Ohio resident city withholding will not display on Form W-2. Box 18 will not display wages for the resident city, only taxable wages for work location cities will be displayed here. Box 19 will display the amount of tax withheld for the resident tax city, as well as tax amounts withheld for any work locations.

Q: Are you generating 1099-NEC forms for our company?
A: If 1099 payments have been run through payroll all year, and the amount of the payment to the contractor or entity exceeds $2000, 1099 forms will be generated. 1099/Subcontractor payments not processed through payroll are the responsibility of the client. We anticipate sending printed 1099s on or about January 22, 2027.

Q: When do I need to have 1099s delivered or electronically available to subcontractors?
A: 1099s must be available electronically or postmarked by February 1, 2027.

Q: Who should I contact with additional questions about Year-End?
A: Your dedicated Client Partner can assist you with any questions about year-end and is happy to assist you to ensure your year-end reporting is accurate.

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Frequently Asked Questions

Retirement Plans

Q: Several of my employees who participate in the company's retirement plan are over 50 and would like to contribute the catch-up amount - will their contributions continue up to the full catch-up limit automatically?

A: Yes, as long as employees have accurate date-of-birth information listed in our system, eligible employee deferrals will continue to the higher catch-up limit unless requested otherwise.

Q: How does the Secure Act 2.0 affect our highly compensated employees over the age of 50?

A:Under the Secure Act 2.0, retirement plan Catch-Up contributions for highly paid individuals (HPI) age 50 and over must be made on a Roth (after- tax) basis starting in 2026.This rule applies to 401(k), 403(b), and governmental 457(b) retirement plans.

- For 2026, highly paid individuals (HPI) are those who had FICA wages over $150,000 in 2025 (in Box 3 of their 2025 Form W-2).

IMPORTANT NOTE: For newly-hired HPI employees or clients that are new to Ahola in 2026, 'Highly Paid' employees that do not have prior-year pay history in isolved must be manually designated as HPI. Please contact your Client Partner for assistance in properly designating these individuals to ensure correct reporting and catch-up handling.

Q: How do I ensure that highly-paid employees (HPI) over the age of 50 have their catch-up contributions handled correctly?

A: Per the Internal Revenue Service, catch-up contributions do not begin until after the standard 401(k) limit is reached. (In 2026 the standard limit is $24,500). The programming in isolved follows the same rule. The standard deferral limit is met first. Then, Catch-Up contributions begin after the standard deferral limit has been met.

- Employees who want to take advantage of Catch-Up contributions should make sure that their regular 401(k) election (percent or flat dollar amount per pay period) is high enough to reach the standard 401(k) limit plus the desired Catch-Up for the year.
- If needed, employees should increase their 401(k) percentage or flat dollar election on their regular 401(k) deduction (even if the regular deduction is a pre-tax 401(k) election).
- **Consult your dedicated Client Partner before making deduction changes for mandatory Roth Catch-Up amounts.**

(answer continues on next page)

Frequently Asked Questions

Retirement Plans

Continued

- **IMPORTANT:** Employees should NOT enter their Roth Catch-Up election under the normal "Roth 401k" deduction. There is a separate "401K-HPI" code in isolved for the Roth Catch-Up contributions. The "401K-HPI" code will automatically be activated after an HPI employee reaches the standard 401(k) limit for the year. isolved will automatically change the deduction code to the "401K-HPI" Roth Catch-Up code for qualified HPI Roth catch-up contributions.
- If an HPI employee had a Form W-2 created by Ahola in the prior year, the program will access the employee's FICA wages to determine if the individual is an HPI. If an HPI employee did not have a Form W-2 created by Ahola in the prior year (e.g., new hires or new clients to Ahola), please notify your dedicated Client Partner to code the employee as an HPI.

Q: My company is issuing Bonus checks this year. Can my employees request no retirement plan withholdings from these checks?
A: Please consult your plan document or contact your third-party administrator to verify permitted wage exclusions. Some plans require deferrals to be calculated on all paid wages, and exclusion of certain wage types may cause compliance issues.

Unemployment Rate Determinations

Q: I have retrieved my unemployment rate determination sheet - do you need it?
A: Yes. Please indicate if any voluntary payment has been made and email the rate sheet to the Ahola Tax Department at taxes@ahola.com by December 14, 2026.

> **Note:** Voluntary payment may or may not reduce your rate! If you choose to make the voluntary payment, please make a note of that on the rate determination before emailing.

FUTA Credit Reduction

Q: Are there any states that will be subject to FUTA Credit Reduction in 2026?
A: There is only one state that may potentially be subject to reduction of their credit rate for FUTA. This essentially results in a higher tax rate for Federal Unemployment Taxes in 2026. Clients that have employees working in the following states should watch for updates in mid-November when the final results are announced:

- California

Frequently Asked Questions

Additional Medicare

Q: How will additional Medicare tax rates affect my payroll?
A: Medicare for employees is calculated at the rate of 1.45% on the first $200,000 of earnings.

Employees earning in excess of $200,000 in a year will have Medicare calculated at 2.35% of all wages over $200,000. The employer rate is unaffected by these regulations. Employer Social Security rate remains unchanged at 6.2% (up to the current year wage limit); Medicare is 1.45% of all wages.

Healthcare Reform Act Reporting Requirements

Q: Do I have to report the value of each employee's employer-provided health coverage on 2026 W-2s?
A: Employers issuing 250 or more W-2 forms are required to report the cost of coverage under an employer-sponsored group health plan. Reporting for smaller employers remains voluntary.

If you are required to report or wish to voluntarily report the cost of your employer-paid health insurance, please contact your Client Partner for setup assistance. If you are currently using Benefits with Ahola, this is part of our Benefits service offering, so please contact us with questions regarding amounts to be reported in Box 12DD.

Affordable Care Act

Q: Do I need to report for ACA?
A: You are likely subject to ACA reporting requirements if any of these conditions apply to your company:

- you have an average of 50 Full-Time Equivalent (FTE) employees,
- you are considered an ALE (Applicable Large Employer),
- you are considered an Affiliated Large Employer by your association with other related companies,
- the company is a member of a Controlled Group,
- your company health plan is Self-Funded or Self-Insured (regardless of size).

Individual Coverage Health Reimbursement Arrangement (**ICHRA**) plans are considered self-funded, so if your company is offering **ICHRA** amounts to your employees, you must report for ACA regardless of your employee count.

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Frequently Asked Questions

Affordable Care Act

Continued

Q: How can I determine how many FTE (Full-Time Equivalent) employees I have?
A: Clients can navigate to the Client Reports menu and run the ACA Large Employer Compliance Test report to determine FTE count and ALE status. Please note, to determine 2026 reporting status, ACA uses an annual look-back period of the year 2025.

Q: Can Ahola assist me with the required forms like the 1094 and 1095 B/C?
A: If you are using Ahola's Benefits platform, our ACA Reporting and Filing Service is available to assist you in generating and filing the necessary forms required for employers, including Forms 1094 and 1095 B/C, as applicable. ACA reporting and electronic filing is a separate service offering and will incur additional fees.

Q: Where can I get more information on ACA?
A: Contact us at aca@ahola.com for more information about our ACA services.

One Big Beautiful Bill Act

No Tax on Tips**

****Under the One Big Beautiful Bill Act (OB3), workers who receive qualified Tips may claim a federal tax deduction by filing Form 1040 Schedule 1-A for tax years 2025 through 2028.**

Q:What are some requirements for workers to claim the Tips tax deduction?
A: The employee or contractor must include a valid Social Security Number on their Form 1040 tax return. If married, the employee or contractor must file “Married filing jointly”. Self-employed individuals in a Specified Service Trade or Business (SSTB) under Section 199A are not eligible. Employees whose employer is in an SSTB are not eligible.

For complete information regarding the Tips tax deduction, please see the instructions for Form 1040 Schedule 1-A on the Internal Revenue Service website, www.irs.gov.

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Frequently Asked Questions

One Big Beautiful Bill Act

Continued

Q: What are considered Qualified tips?

A: Qualified tips are tips received by an individual in an occupation that customarily and regularly received tips on or before December 31, 2024. Qualified tips must be Voluntary, either cash or charged, and received directly from customers or through tip sharing. Voluntary means that the customer has the discretion of deciding and controlling the amount paid as the tip. (By contrast, Involuntary Tips are amounts set by the establishment, where the customer has no control over the amount, such as mandatory gratuities for large parties and/or service charges & fees.)

Q: How will the TTOC codes display on Form W-2 or Form 1099-NEC?

A: Up to two TTOC codes will display per employee or contractor.
If the employee or contractor earned Tips while working in more than two occupations, only two TTOC codes will display. **However,** if the worker received Tips while working in any occupation that is not on the approved TTOC list published by the Department of the Treasury and the Internal Revenue Service, one of the two TTOC codes must be "000". This is required by the Internal Revenue Service. Tips associated with the TTOC code of "000" are not eligible for the Tips tax deduction---even if the Tips otherwise meet the rules for "qualified" tips and are reported on the Form W-2 or Form 1099-NEC.

Q: Where will employees find their qualified Tips and TTOC codes on Form W-2?

A: Qualified Tips will be reported on the 2026 Form W-2 in **Box 12** with code **TP**. The Treasury Tipped Occupation Codes (TTOC codes) will be reported on the 2026 Form W-2 in Box 14b.

Q: Where will independent contractors find their qualified Tips and TTOC codes on Form 1099-NEC?

A: Qualified Tips will be reported on the 2026 Form 1099-NEC in **Box 1b**, and the TTOC codes will be reported in Box 1c.

Frequently Asked Questions

One Big Beautiful Bill Act

No Tax on Overtime**

****Under the One Big Beautiful Bill Act (OB3), employees and independent contractors who receive qualified Overtime pay may claim a federal tax deduction by filing Form 1040 Schedule 1-A for tax years 2025 through 2028.**

Q: What are some requirements for workers to claim the Overtime tax deduction?
A: The employee or contractor must include a valid Social Security Number on their Form 1040 tax return. If married, the employee or contractor must file "Married filing jointly".

For complete information regarding the Overtime tax deduction, please see the instructions for Form 1040 Schedule 1-A on the Internal Revenue Service website, www.irs.gov.

Q: What is qualified Overtime pay?
A: Qualified Overtime compensation is Overtime paid to an employee that is required by the Fair Labor Standards Act (FLSA) and that exceeds the employee's regular rate of pay under the FLSA. This means that qualified Overtime is not the employee's full Overtime pay. The qualified Overtime is the "half-time premium" pay only.
Overtime required by the FLSA is as follows according to the U.S. Department of Labor: "For covered, nonexempt employees, the FLSA requires overtime pay at a rate of not less than one and one-half times an employee's regular rate of pay for all hours worked over 40 hours in a workweek." Overtime paid that is not required by the FLSA is not qualified Overime pay for the Overtime tax deduction.
Examples are non-qualified Overtime pay include:

- Overtime paid under a company policy or union contract where the employee did not work over 40 hours in the workweek, such as overtime for working on a holiday or weekend.
- Overtime paid to salaried exempt employees.

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Frequently Asked Questions

One Big Beautiful Bill Act

Continued

Q: Where will employees find their qualified Overtime pay on Form W-2?
A: Qualified Overtime pay will be reported on the 2026 Form W-2 in Box 12 with code TT.

Q: Where can independent contractors find their qualified Overtime pay on Form 1099-NEC?
A: Although rare, qualified Overtime pay for independent contractors will be reported on Form 1099-NEC in Box 1d