

Rod 'N' Reel, Inc. saves five hours each month with *PayMaster*™ Xtra's 401(k) custom eligibility tracking and diskette reporting

How does *PayMaster* handle 401(k) plans?

When a company offers a 401(k) plan, there are two components: employee contribution and employer matching contribution. Each of the two, along with employee eligibility, must be tracked and reported.

Employee contribution

Both standard and **Xtra** versions of *PayMaster* can handle deductions from the employee paycheck that are the employee's 401(k) contribution.

Use Deduction 1 or 2 on the Division screen, naming it 401K, and answer the **Taxes Withheld** questions as appropriate. Each employee screen then displays the 401K deduction name, and you enter a dollar amount or percentage

per pay period and the maximum amount per year.

Print a report showing deductions for the year, quarter, last quarter, current month or current pay by selecting REPORTS/OTHER/MISC/DEDUCTIONS PAID/401K.

contribution, up to 6% of the gross. This screen is found under INIT/COMPANY/401(K).

Since the employer's match is calculated at the time of the report and is based on the employee's percentage (calculated using YTD

gross and employee contribution), it doesn't matter if the employee's percentage changes during the year.

401(k) customization

Eligibility tracking is simple if you have *PayMaster Xtra*'s custom eligibility tracking and diskette reporting. Each company's 401(k) plan is different, so we customize *PayMaster Xtra* for your

Continued on page 2

Company 401(k)			
Plan number: 234		Employer percentage: 25.00	
401(k) account no.: 346		Match account no.: 987	
Transaction type: 7		Transaction type: 5	
From	to	Max. employer percentage	
[1] 0.00	999999.99	[6] 6.00	
[2] 999999.00	0.00	[7] 0.00	
[3] 0.00	0.00	[8] 0.00	
[4] 0.00	0.00	[9] 0.00	
[5] 0.00		[10] 0.00	

PayMaster Xtra's Company 401(k) screen

Employer contribution

PayMaster Xtra calculates and tracks the employer contribution as well as the employee contribution.

The employer contribution is calculated at the time you print the report (REPORTS/OTHER/OTHER/401K) and is based on how you fill in the fields on the 401(k) initialization screen shown above. The company in our example matches 25% of the employee's

What's inside

401(k)	1-2
Tax law changes	3
Q&A	4
Spotlight on Rod 'N' Reel	5
401(k) report	6

Reminders

- Process end of month/quarter at the end of each quarter, so your new quarter figures will be accurate.
- Send in those New Hire reports to your state on a timely basis to avoid penalties.

401(k) cont'd from page 1

plan's eligibility rules and your plan administrator's report requirements.

In April of this year, Rod 'N' Reel (featured in the User Spotlight on page 5) set up a 401(k) plan. Maggie Chaney, CPA, who is the Controller for their companies, knew that *PayMaster* handled 401(k) plans, but didn't realize everything that went into setting it up until the actual process.

Please see page 6 for an example of *PayMaster's* 401(k) report.

Maggie says, "Each plan administrator has different specifications for the report to be submitted — our administrator requires current period hours, current pay period gross to include in 401(k) and Section 125, current pay net of 401(k) and Section 125, termination dates, and other data."

"I prepared the first month's report manually, which took hours! Then, on a conference call with a representative from our 401(k) plan administrator and Donna Rosen from Computer Aid, we were able to get all of the information needed so Computer Aid could write the custom program for preparing our 401(k) monthly report. Donna's time on the conference call was well worth every penny of the custom price — she was able to extract every single piece of information needed."

"Another very important thing that Computer Aid did for us was programming the report to determine, based on our criteria, who is eligible and who isn't. Even if an employee is not participating, you have to include them in the reports because of discrimination testing. Donna did a wonderful job of pulling it all together!"

"Computer Aid customized our report further so I can combine the companies and send one report — it's much more efficient to transmit one file each month. I just bring the payroll backup diskette to my computer, and run the reports. I can send the report to Excel, look at it, make sure it all checks out. Then with Windows 95 Hyper-Terminal program, I access the administrator's bulletin board and send it out. That's wonderful! They get the information super fast."

With customized 401(k) eligibility tracking, the report shown on page 6 [print via REPORTS/OTHER/OTHER/401(K)] will prompt you for the **eligible date for this report** and will include *all* eligible employees, based on **your** plan's requirements. Maggie says, "What used to take hours now takes seconds."

With diskette reporting, *PayMaster* creates a file automatically when you print the 401(k) report. The file is stored in your data directory. You can either copy it to a diskette to mail, or transmit it via modem.

Even if diskette reporting isn't **required**, many companies charge more if you submit your monthly report on paper.

If your company offers a 401(k) plan, call us to find out more about custom programming. We think you'll find the cost well worth the time you'll save in tracking eligibility and the money you'll save by reporting on diskette. □■

User spotlight, cont'd from page 5

went into setting it up until the actual process. Maggie says, "Donna Rosen of Computer Aid did a wonderful job of pulling all our specifications together. What used to take hours now takes seconds."

Please see the article beginning on page 1 for more information on *PayMaster's* 401(k) capabilities.

"We use a lot of the other reports in *PayMaster* (labor report, payroll totals by job) for management purposes. The check history report is great — to submit check history information to the Employment Office, you don't have to go back and look at the checks manually to get the information. And, if your termination dates are not current, it's easy to retrieve that information from the check history report."

The Rod 'N' Reel staff are looking forward to installing the interface to bring in hours, receipts and tips from their Digital Dining system into *PayMaster's* batch screen. This will save them even more time. □■

THE BLUE PAGES

published quarterly by
Computer Aid Corporation®
and distributed to all registered
licensees of *PayMaster*™

Publisher: Donna Rosen
Editor: Susan Kousek
©1998 Computer Aid Corporation
All rights reserved.

Computer Aid Corporation

P.O. Box 1074
Vienna, VA 22183
703/281-7486
Fax 703-281-3461
Sales: 1-800-327-4AID

Tax law changes

Effective dates, if known, are noted.

Federal

- **Mag media W-2s**
Specifications for the 1998 mag media W-2s have changed. Some fields were deleted and others revised.
- **Tip Reporting**
Tip reporting initiatives will be expanding into other industries. Next up, hair salons.
- **IRS Scrutiny**
Employee leasing companies will be the next to experience an IRS examination.
- **941**
Revised 7/98, Form 941 raises the liability threshold from \$500 to \$1,000, which means payments of \$1,000 or less can be made with Form 941.
- **New Hire Reports**
All states must conform to the federal reporting requirements for new hires. Each new hire report must contain six data elements: employee name, employee address, social security number, employer name, employer address, and federal EIN.

New Hire Reports have enabled states to reduce erroneous unemployment payments to workers who have new employment, which should result in lower employer taxes.
- **SSN Verification**
Verifying social security numbers takes on new importance, since employers now will be assessed a \$50 penalty for each incorrect SSN on a W-2.

Verify social security numbers for newly hired employees for up to five employees at one time, by calling 800-772-1213. Up to 50 employees, contact your local social security office. Over fifty employees, register with SSA's Client Identification Bank at 410-965-7140.

If an employee's name has changed, continue to use the old name until the employee has a new card with the new name. To update Social Security records, the employee should call 800-772-1213.

State Garnishment

- CT The following plans are exempt from the claims of all creditors: SIMPLE, Roth IRA, Educational IRAs, SEP Plans, and Medical Savings Plans. 7/98.
- FL Any money paid into or out of a Medical Savings Plan is exempt from any garnishment. 1/1/99.
- State minimum wage**
CT Increases to \$5.65 1/1/99. Increases to \$6.15 1/1/00.
WV Increases from \$4.75 to \$5.15 9/1/98. Tip credit increases from \$0.95 to \$1.03. Tipped employees must be paid a minimum of \$4.12.

W-2 forms

Only W-2s forms ordered from us are guaranteed to work with *PayMaster*. If you haven't yet ordered your W-2s, please do so soon. After December 15, there is a 15% surcharge and availability is not guaranteed.

State unemployment

- NJ Will consolidate Quarterly Return by Gross Income Tax Withheld and Quarterly Contribution Report into one "Employer's Quarterly Report." Scheduled implementation is third quarter 1998.
- NM Wages for unemployment insurance purposes do not include employee's SIMPLE retirement plan. 7/1/98.
- MO Employers with 250+ employees must report quarterly wage information on diskette or tape. 1/1/99.
- State withholding**
AZ Employees can choose to have 17% of federal tax withheld as their state withholding amount. 8/21/98.
DE Personal income tax rate lowered; new tax tables. 1/1/99.
IL Standard exemption amount increased: for 1998 from \$1,000 to \$1,300; for 1999 to \$1,650; for 2000 to \$2,000.
IN Withholding rate change for several counties. 7/1/98.
KS New tables for withholding. 7/1/98.
MA Personal exemption amounts have increased. The state will not issue new tables, but the changes will be reflected on the personal income tax return.
OK Personal income tax rate lowered 1/1/99. New tax tables not yet available.



Q&A

- Q. I have to void a check to an employee and it's her only check this month. Can I just go into DISPLAY/PAYROLL for that employee, and zero out all numbers in her MTD file? When I make a change there, does it also change QTD, and YTD?
- A. No, **please** do not go to DISPLAY/PAYROLL to make changes *except in rare instances*. Why not? (1) Making a change on one screen (e.g. MTD) does **not** affect any other payroll periods. If you manually make a change on the MTD payroll screen, you must also manually adjust the QTD screen **and** the YTD screen. (2) It's too easy to make a mistake doing it this way. (3) It's much easier to use CALCULATE/VOID to void the check and if it's a current month's check, it automatically takes it out of the MTD, QTD, and YTD files when you respond "Yes" to "Deduct from employee pay files?"
- Q. I have to print my quarterly reports and I already processed end of quarter. Do I have to restore my backup in order to get the reports?
- A. No, as long as you haven't processed end of year, whenever you process end of quarter, *PayMaster* puts that data in the "last quarter" files. You can print these reports for the last quarter: 941, Schedule B, 940, and Wage Report.
- Also, your payroll report, whether detail or summary, has a "last quarter" column.
- It's a good idea to make a separate backup of each quarter's data (before processing end of quarter) and keeping those separate until you've completed that year's W-2s. This way, you've got all the critical data you need if you need to reprint or check something from a previous quarter.
- Q. The manager doesn't always tell me when an employee has left, and because some part-time people don't work every week, I don't notice when they're gone, so I end up with a lot of employees for whom I have no "end date" in the payroll file. Is there a report I can print that shows "date of last paycheck?"
- A. Not at the present time. However, if you have *PayMaster Xtra*, print a check history report for the employee(s) and it will show all paychecks in the date range you specify. Print to the screen to save time & paper.
- Q. I process payroll using CALCULATE/INTERACTIVE. What does "Resume interactive" mean?
- A. If you have processed *some* but not *all* of your employees via CALCULATE/INTERACTIVE, and need a break, you **can** interrupt your processing, exit from *PayMaster*, and even turn your computer off. When you're ready to resume (and this is different than if you processed all of the employees until you got to the "print pre-check register" prompt), choose CALCULATE/INTERACTIVE again, and say "Yes" to "Resume from interruption?" to pick up where you left off.
- Q. I process payroll by division, so my pre-check register FTD report is for each division. Is there an easy way I can get the total amount I have to deposit for the company?
- A. Yes, from the REPORTS menu, select 941, and print a "current" 941. Do this before making any employees paid in the current payroll inactive, and before issuing any select and/or void checks (all of which change an employee's "current" pay info).
- Q. If I order W-2s and am short a few, can I use the ones from my local office supply store?
- A. No. Not all printers position the boxes the same on the W-2 forms. To ensure that your W-2s work with *PayMaster*, it's best to order them from us. Those are the only ones we can guarantee to work with *PayMaster*. ■

Throughout **THE BLUE PAGES**, there are references to payroll tax laws and requirements in effect as of the date specified. These references to the laws and the explanations provided are designed to familiarize the employer with said laws, but are not meant to serve either as a legal or accounting opinion, or as any indication that reference to the Internal Revenue Code or Regulations issued thereunder and appropriate administrative or court rulings interpreting same is unnecessary. All persons using this newsletter should look to and rely upon their respective legal counsel and accountants with respect to these laws and requirements.

User spotlight

“Printing the 401(k) report takes seconds, compared with hours if I had to prepare it manually. Our customized report shows all eligible employees. And the file we submit has all the information our plan administrator needs.”

Maggie Chaney,
Controller, Rod ‘N’ Reel

The Rod ‘N’ Reel in Chesapeake Beach, Maryland, is more than you might think — a lot more! It’s a restaurant **and** a charter fishing company with a 120-slip marina, 25+ charter boats for groups of 6 or more, and two Headboats (per person fares) — the Tom Hooker which holds 70 and the Bounty Hunter which holds 35. Not into catching your own? The restaurant specializes in seafood, of course, and offers Southern Maryland specialties such as delicious crab cakes, rockfish, and oysters. They also offer shrimp, lobster, steaks, sandwiches, and salads. And, of course, there is always “fresh catch.”

Owned by brothers Gerald (the mayor of Chesapeake Beach) and Fred Donovan, Rod ‘N’ Reel Inc. was formed in 1978 and purchased the Rod ‘N’ Reel Restaurant which had been partially owned by the family since 1946. In addition to charter fishing and the marina, the Rod ‘N’ Reel offers banquet service, off-premise catering, company picnics on the beach and an outdoor bar-boardwalk cafe.

In 1979, Gerald and Fred formed Chesapeake Amusements, Inc. which offers bingo six nights a week upstairs at the Rod ‘N’ Reel. Their monthly Big Game draws players from North Carolina to New York. Their Solomon’s Island bingo operates five days a week.

In 1990, they formed Chesapeake Beach Rib Co., operating as Smokey Joe’s Grill. Next door to the Rod ‘N’ Reel, it specializes in B-B-Q ribs, chicken and steaks. Two years later, they purchased Wesley Stinnett’s Restaurant that their grandparents had opened back in 1936, and thus became the third generation to operate this family dining landmark.

Left to right, Maggie Chaney, Terri Murray, and Brenda Humphrey of the Rod ‘N’ Reel

Open daily except Christmas, the restaurants are staffed by approximately 200 employees who are paid weekly. Brenda Humphrey, Payroll Supervisor, has been there 13 years and processed payroll manually the first couple of years. Brenda says “in 1988, I purchased the first computer for the office and set up an accounts payable software program. I asked Fred about a payroll program, and he suggested *PayMaster* from Computer Aid.”

Fred says, “Dan Gimpel of Advanced Analytical recommended *PayMaster* to me. I showed it to our CPA, who liked it, but was critical of some parts. Computer Aid was very interested in what he had to say and, based on his suggestions, made changes to *PayMaster*, mainly to do with the audit trails. Once our CPA was satisfied, we were too.”

Brenda continued: “This was my first experience with a payroll software program. I set it up with the help of the *PayMaster* manual — it was very clear and concise. It’s very user-friendly. In the beginning, one of my staff processed payroll, but I’ve been doing it for the last six years. I use the interactive screen because I can see the whole picture — I look at the tip percentage as I enter receipts and tips. Just like the DISPLAY/PAYROLL screen, all of the information is there.”

“Support is very good and always available — everyone is really helpful. I remember when I first started, they walked me through it and were very patient. Just like every January when I process end of year. Because of the software and the support, I would recommend *PayMaster* to

anyone! We’ve been 100% happy with it, with all the reports that come out.”

A month ago, Terri Murray was hired to process payroll. Terri, who previously worked for payroll service firms, said “I asked why we do payroll in-house instead of using an outside vendor. A major reason is we process payroll for four separate companies. The pay period ends on Sunday; payday is Wednesday. This is the first payroll I’ve seen with the turnaround that fast. What I like is that you can print the checks yourself.”

In April of this year, Rod ‘N’ Reel set up a 401(k) plan. Maggie Chaney, CPA, who is the Controller for all four companies, knew that *PayMaster* handled 401(k) plans, but she didn’t realize everything that

Continued on page 2

IRS now imposes \$50 penalty
for each incorrect SSN

Details on page 3