Printing W-2s and Processing End of Year in *PayMaster*™

<u>Before</u> processing the first payroll of <u>2006</u>, see Insert Page 3 for a **most important** step—End of Year Processing. Most people will want to archive their 2005 data to print the 2005 W-2s later. Then on the current data you're going to use for 2006, process end of year before preparing your first payroll of the new year.

Before you print your 2005 W-2s:

> ### W-2 FORMS
>
> Only W-2 forms ordered from Computer Aid LLC are guaranteed to work with *PayMaster*. Not all printing companies print W-2s with boxes the same size and in the same place. Call immediately if you haven't yet ordered your W-2s. Availability is not guaranteed after Dec. 20.
>
> ### AUTO UPDATE 7.30f NECESSARY!
>
> Mag media and paper W-2 format users need 7.30f to stay current with the proper format. And, your *PayMaster* version 7.3f must have a PYW2.EXE file dated 12/15/05 or later. There is a backup and restore feature included.

1. Verify your federal tax ID via INIT/COMPANY/CO.

2. Your W-2s must show the state *withholding* ID. This is often different from your state unemployment ID.

   Make sure your correct state ID for *withholding* is entered in each state tax table via INIT/TAX/STATE/ TAX CODE #/GENERAL. **It is especially important** to double check the number if you upgraded your *PayMaster* program. (Dashes in the ID # are not necessary.)

3. On each division screen, check the responses to tax related questions for Additional Income. If you did not want to withhold federal/state taxes on year-end bonuses, you responded *n* to **Withhold federal, state, local tax**. Change those responses to *y*, (make sure OASDI and Medicare are *y* also) to include the amounts in the 941 and in the correct W-2 boxes.

   Verify that each additional income type has the correct label (*e*, *f*, *i*, etc.). Please see the box on page 2 of this insert for definitions.

4. Make sure that only employees who actually are *statutory* employees have an *x* in the W-2 *Statutory employee* box. [Responding *n* in the **federal? y/n** field on the employee screen puts an *x* there.]

   Check this by printing your W-2s on **plain** paper and looking for *x*'s in the appropriate space. You can also check via DISPLAY/EMPLOYEE. Move your cursor to that field for the first employee. Press [F4] or [END] to display each successive employee. Your cursor remains on the same field.

5. If you have an employee who died during 2005, change his/her status on the employee screen to "D".

If the employee has wages in the year-to-date payroll file, the employee will be noted as deceased on your mag media file, and a W-2 will print. Employees with a "D" status are automatically deleted when you process end-of-year.

6. Make sure only those employees with a pension plan have an *x* in the pension box. Responding *y* in the **pension? y/n** field on the employee screen puts an *x* in the pension box on the W-2. [With an *x* in the W-2 pension plan box, special limits may apply to the amount of IRA contributions the employee may deduct.] You can check this as in step #4.

7. If you have not collected the full amount of any deductions with *n* (pre-tax) as the tax response, collect it in cash before year-end. Increase the deduction amount in the employee's YTD pay file so the 941 and W-2s will be correct. If your deduction responses are all *y*'s, no collections or adjustments are necessary.

8. If allocating tips on an annual basis, do so prior to printing your W-2s (and after backing up your data). If allocating by hours, double check the receipts in your division file—this is what's used for hourly annual allocation. The total of all division receipts should equal company receipts.

9. Verify your 2006 maximums for OASDI (TBA) and Medicare ($999,999.99) (via INIT/TAX/FICA) before you print the reports in step #10.

10. Print your reconciliation reports and make any necessary corrections:

    - OASDI (Social Security)
    - Medicare
    - SDI, WCA, or L&I (if appropriate)
    - Taxes Paid/Owed (under REPORTS/OTHER/TAX)
    - State/local tax reconciliation (*PayMaster* menu: REPORTS/OTHER/OTHER/STATE & LOCAL TAX)

11. For companies with tipped employees, print the FICA tax credit report, even if your fiscal year ends other than 12/31. The data used for this report is zeroed out when you process end of year. It's a good idea to print it at the end of each quarter, and at the end of your fiscal year.

12. Print your W-2s first on **plain** paper to double check them. You can print them as many times as you want. Hold the paper up to an actual W-2 to ensure it

lines up correctly. (Remember, with *PayMaster* 7.27-.30f you can adjust the laser W-2s up or down.)

13. Verify the figures with your quarterly 941s. A copy of our **941 and W-2 worksheet** was included with each W-2 order. Call or email us (703-281-7486 or support@computeraid-llc.com) if you'd like another copy emailed or faxed to you.

14. When printing the alignment copy/copies on the actual dot-matrix W-2 forms, make sure they are aligned both vertically **and** horizontally.

Employees in Multiple Divisions

PayMaster will print **one** W-2 per employee, even if the employee works in more than one division **(unless you print "by division")** .

Exceptions: you will have multiple W-2s for employees with more than four Box 12 items, or if an employee moved from one state to another and you initialized the employee again for the new state (one W-2 for each state).

Important W-2 information for Additional Income and other items

Additional Income *W-2 Income Type*	2005 W-2 Box	Use for this type of income: (Make sure when printing on plain paper to double check that the letter codes in Box 12 are the correct ones for the deductions noted below.)
e	12 (L)	The substantiated, i.e. non-taxable, portion of the amount you reimbursed employees using a per diem or mileage allowance. You must use another Additional Income to record the portion of the reimbursement that is more than the amount treated as substantiated. This
f	1	Fringe benefits included in Box 1 and, if applicable, Boxes 3 and 5. **If an employee has a company-provided vehicle, call Computer Aid at 703-281-7486.**
i	12 (C)	Taxable amount of cost of employer-provided group term life insurance coverage over $50,000 (also included in Box 1 and, if applicable, Boxes 3 and 5).
n	none	No dollar amount included on W-2.
o	1	"Other compensation" in Box 1 and, if applicable, Boxes 3 and 5, e.g., annual bonus.
p	12 (P)	Moving expenses.
s	12 (J)	Nontaxable sick pay.
Other items	Box	Description
Uncollected FICA	12 (A) 12 (B)	Prints uncollected OASDI/Social Security tax. Prints uncollected Medicare tax.
Dependent Care	10	First $5,000 of pre-tax dependent care deduction goes in Box 10. Use Miscellaneous Deduction 1 field. The deduction name in the Division file (INIT/DIV) *must* read **DEP CARE**. (All caps.)
State SDI	14	State SDI. [NJ is split into SUI and SDI.]
401(k) employee amount	12 (D)	Amount of elective deferrals to a §401(k) cash or deferred arrangement. Make sure **401** is the **beginning** of the deduction name in your Division file (i.e. **401(k), 401K**). Also puts an **X** in the "Retirement plan" box on the W-2.
403(b)	12 (E)	Amount of elective deferrals to a §403(b) salary reduction agreement. Make sure **403** is the **beginning** of the deduction name in your Division file. Also puts an **X** in the "Retirement plan" box on the W-2.
408(k)	12 (F)	Amount of elective deferrals to a §408(k)(6) salary reduction SEP. Make sure that the deduction name in your Division file reads **408(k)**. This is a different requirement from earlier years because now there's an additional 408 plan. Also puts an **X** in the "Retirement plan" box on the W-2.
408(p)	12 (S)	Amount of employee salary reduction contributions to a §408(p) SIMPLE retirement plan. Make sure that the deduction name in your Division file reads **408(p)**. Also puts an **X** in the "Retirement plan" box on the W-2.
Any Questions? Call Computer Aid at 703-281-7486		

Mag Media Preparation

There **have been changes** to mag media and paper format. You must have *PayMaster* Version 7.30f with a PYW2.EXE dated 12/15/05 or later to prepare the current format for mag media and paper filing of W-2s. If you're not on AutoUpdate, call us for a *PayMaster* 7.30f order form and prices.

PayMaster will prepare the correct format state mag media for all states where mandatory. If your state accepts the mag media federal specifications, you can also use *PayMaster* for your state mag media filing in those states where it is optional.

1. Follow the **"BEFORE YOU PRINT YOUR W-2S"** steps on pages 1-2 **without** preparing the mag media file, to make sure everything's OK.

2. Then, to prepare the mag media file, put a newly formatted diskette in drive A: or B:.

3. The key is to print the W-2s again, printing to **[D]isplay** instead of **[P]rinter** this time. **It is important to choose One Wide** for the W-2 Format. Use the Print Screen key to print the last W-2 that appears on the screen – these are your W-3 totals (if using Windows, it copies this, so paste it into your word processor). **Do not remove the diskette before it's done. It's not completely done until you see the W-3 totals, and you've returned to the main *PayMaster* menu.**

   If preparing mag media for more than one company, the SSA prefers you do them all, one right after the other, *adding* each new company to the existing file and inserting another diskette when prompted. (Call for detailed instructions.)

4. **Double check your file before sending it to the SSA**

   First, do a directory listing to make sure your W2REPORT file has greater than zero bytes. From a DOS Prompt Type *Dir A:*

   You'll see something like this (84454 is the bytes):

   Directory of A:\ W2REPORT 84454 1-25-06 4:19p

   Second, you can open the file in your word processor. Change the font to Courier or another proportionally-spaced font in order to read it easily. (Be sure to **not** save this over the original file.)

   Last, you can download AccuWage, free 32-bit software from the Social Security Administration (SSA) for use with Mag Media reporting. It allows you to check your W-2 (Wage and Tax Statement) and W-2C (W-2 Correction) reports for over 200 different errors before you send them to SSA. It can be found on the web at http://www.ssa.gov/employer/accuwage/index.html. Computer Aid has this software here and **we can test** your Mag Media as well.

End-of-Year Processing

This is probably the **most important** part of payroll (other than actually paying your employees, of course). See *PayMaster* manual page 5-31 (Version 7.2 manual) for easy end-of-year processing instructions.

Just as you process end-of-month/quarter to clear out MTD and QTD files, you **must** process end-of-year so YTD totals for each employee are reset to zero. At end-of-year, you do **not** have to process end-of-month/ quarter. Processing end-of-year (EOY) takes care of that and deletes unneeded employee records.

ONLY after you have printed (and double-checked!) your reports (including W-2s) and backed up your data and program should you process end-of-year to clear the data files to zero. (Please see the box below and the Q&A of the December BLUE PAGES for information on archiving your data to print the W-2s later.)

Before you process end-of-year, you must print your reports: (You can print your payroll and employee reports to the printer or to a file.)

These are the reports you should print:
- OASDI, Medicare and SDI reconciliation reports
- Payroll report summary (detail optional)
- 941, 940, wage (QTD and YTD)

   An important note: "Last Quarter" reports are **not** available after you process end-of-year. That data is zeroed out during the end-of-year processing.
- Employee report (optional, but suggested)
- 8027 annual tip allocation report (If allocating tips on an annual basis, do so **before** printing the 8027 or the W-2s. Refer to your manual for annual allocation instructions.)
- FICA tip credit report
- Any other reports your state requires
- The W-2s (please see the important information on page 1 of this insert about what to do *before* printing the W-2s)

And, turn the page to read on for information on making sure you have enough space on the hard disk before processing end of year.

No Time To Print W-2s Before First Payroll of 2006?

No time to double check everything and print the W-2s before processing your first 2006 payroll? No problem. Before processing end-of-year, create a 2005 W-2 data company. Then you can enter the code for the W-2 company and print the reports, including W-2s, later. Please refer to page 5-35 in the *PayMaster* 7.2 manual for instructions or to the Q&A of the December BLUE PAGES.

Space Crunch

It's good to check that you've got enough hard disk space before creating a 2005 W-2 archived company. In MS-DOS, type *dir*. The very last line tells you how many bytes are left on the disk. Windows users can double click the My Computer Icon. Right click the drive (C: or the drive where your payroll data is stored). Select Properties.

Also, before processing end-of-year, make sure you have enough space on your hard disk for the PYPAY#.DAT and PYEMPL.DAT files.

ALERT: Do **not** use DOS/Windows to delete the files in your old (2003, 2004 etc.) directories. That will not remove them from your *PayMaster* path. Use *PayMaster* instead to delete companies. From INIT/COMPANY just press ALT + D and follow the prompts. This will permanently delete all files associated with this company.

> AutoUpdate subscribers also – please send in the Tax Table order form. Thank you!

End of year for *Xtra* users

Xtra version users have a check history file that can grow forever if you never delete old checks. Now might be the time to tell *PayMaster* to delete checks more than a year old.

Before you begin, **back up your data** using UTILITY/ BACKUP from *PayMaster*'s menu. Then, from the main menu, choose PROCESS/BANK REC/DELETE CHECKS. If you have the divisions version, choose the division you're in or all divisions. Then follow these prompts:

1. **Delete <1>all, <2>cancelled and voided checks, or <3> selected checks:** 1, 2, or 3 (<2> means checks cancelled and voided through *PayMaster*.)
2. **Cut off date (m/d/y):** *12-31-04* (for example, if you want to keep checks from 2004 on .)
3. **All check information through 12/31/04 will be deleted. Warning. Press a key.** *Press a key.*
4. **Check deletion in progress. Do not disturb computer.** You might want to get a cup of coffee at this point. It may take a while, depending on how many checks are in the file.

Order Form for Federal & Three State Tax Tables on Diskette		
AutoUpdate subscribers receive tax tables on diskette as part of their subscription, but must return this form to us so we can verify the state numbers. Please send to Computer Aid LLC, 501 Church St NE, Suite 306, Vienna, VA 22180 or fax it to us at 703-281-3461		
Diskette :[ ] Email: [ ]	$110.00 for tax tables — up to 3 states (if not on AutoUpdate)	
	# of additional states [ ] (list on separate sheet) $25 per state	
All orders must be prepaid, COD, or charged to a credit card.	VA residents add 5% sales tax on above two amounts.	$
[ ]check [ ]COD [ ]credit card	Shipping: CA, AK, HI $15 for UPS 2nd day air; all others $10 for UPS ground (save shipping by having it sent email)	$
Names of states:	COD charge $10	$
Tax code 1:	If on AutoUpdate, check here [ ] and enter zero for TOTAL	$
Tax code 2:	TOTAL	$
Tax code 3:	Credit card #: Exp date:	
If credit card payment, circle type: Visa MC AmEx Discover	Signature: Billing name & address of card:	
Ship to: Name (or enter email address to receive as an email attachment)		
Company		
Street Address		
City/State/Zip		
Area code/telephone		