

Now you can automate your 401(k) calculations and reports

- Save hours of drudgery
- Eliminate manual computation errors
- Have an audit trail for all contributions

Do you offer a 401(k) program for your employees and match all or part of what they contribute?

With all versions of *PayMaster*, you can use deduction field 1 or 2 to withhold the **employee's** contribution. On the employee screen, you enter a specific dollar amount or percentage per pay period and the maximum amount per month or per year.

Now, with *PayMaster* 6.0 **Xtra** and the 401(k) option, you can calculate the **employer** contribution as well. And you can submit your monthly 401(k) report on a diskette prepared by *PayMaster*.

cont'd on page 2.

AUTOMATED 401(k) cont'd from page 1.

Even if diskette reporting isn't **required**, many

companies charge **more** if you submit your monthly report on paper. Tom Kontinos' company, Barker Air (see the User Spotlight on page 11), will save \$300

Compensation report

this year by filing their report on diskette.

With *PayMaster's* 401(k) option, you can print the report for the current pay period, MTD, QTD, Last Quarter, or YTD. Shown are employee code, name,

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1993 Paper & Mag Media W-2s require new *PayMaster* Ver 6.2

Auto Update disks will ship soon.

If you're not on Auto Update and haven't upgraded your program, or ordered your W-2s, call us immediately.

W-2 orders received after 12/15 have a 15% surcharge, and availability is **not** guaranteed.

Remember — only W-2s ordered from us are guaranteed to work with *PayMaster* 6.2.

and SSN; gross for the report period; amount or percentage per pay period; employee, employer and total contribution; date of birth; hire and termination dates; and location (division).

Shown below is the 401(k) initialized for the report on page 1. Flora Enterprises matches 100% of the employee's contribution, up to 15% of the gross.

The company in our second example matches 100% of what the employee contributes, up to 5% of the gross on the first \$1,000, up to 3% of the second \$1,000, and up to 1% of the remaining.

THE BLUE PAGES

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The employer contribution is calculated by *PayMaster* at the time you print the report. It is based on how you fill in the fields on the 401(k) initialization screen. You can contribute a percentage (from 1 to 100) of the employee's contribution, or a percentage (up to a maximum) of the employee's gross.

The company in our third example contributes 25%, up to 6% of the employee's gross.

The 401(k) option is available for *PayMaster 6.x Xtra* for \$450, plus tax & shipping. Diskette reporting **MUST BE SPECIAL ORDERED**, since the format varies, depending on the plan administrator. Call us for details.

Check history report will make your life easier

PayMaster 6.x Xtra users — print a check history report to save yourself a lot of time when preparing social service reports (child support, welfare, food stamp), garnishment and unemployment reports, or mortgage verifications.

NEW, IMPROVED!
Version 6.2 *Xtra* adds hours worked and termination date to this report. The new check history report shows employee name, SSN, date of birth, hire date, termination date; and **for each check**: check #, date, net pay, wages, taxes less EIC, miscellaneous deductions total, reported tips, and hours worked, plus totals by employee.

If your health insurance mandates a minimum number of hours worked by covered employees, this report will save you a lot of time and effort.

Backup is critical

At year end, back up your *PayMaster* data onto two different sets of diskettes. Make sure you use the correct type of diskette for your floppy disk drive, i.e. high density diskettes in a high density drive; double density diskettes in a double density drive.

If using double density diskettes in a high density drive, format them a special way as double density diskettes. Check your DOS manual, since the command is different, depending on the diskette size and the DOS version. If not done correctly, the

Check history report

diskettes may not work properly, and you probably won't find out until you need the data.

Do not use high density diskettes in a double density drive. It may look like it's working OK, but you might not be able to get the data back if you need to restore it.

DOS 6.x users, see **Q & A** on page 10.

The cost to upgrade to *PayMaster Xtra* is \$1,000 (\$750 if on telephone support) — a one-time cost. After that, your Auto Update or annual update cost remains the same as it was with *PayMaster* regular.

RUNNING OUT OF SPACE?

Need room on your hard disk for end of year processing or to save your W-2 data? You can clear out some of the data in your check history. First, back up your payroll data and program. That way if you want to print this version of the check history file in the future, you can restore it. It's best to match the check history file with the employee/payroll data current at that time.

Then, from *PayMaster's* main menu, choose PROCESS/BANK REC/DELETE CHECK. Choose the division you're in or all divisions. You can delete <1>all or <2> **cancelled and voided checks**. At the **Cut-off date (m/d/y)** prompt, enter the date through which you want the checks deleted.

PayMaster responds **All check information (or cancelled/void checks) through ... will be deleted**. Enter **y** to continue. **N** if you don't want to. Screen prompt is **Check deletion in progress. Do not disturb computer**. When it's finished, you'll be back at the BANK REC menu and you now have a smaller check history file.

OASDI and Medicare reconciliation reports

Do what you can to avoid receiving a "Notification of Altered W-2s". Failure to respond could result in serious problems. You may have to file revised W-2s, W-3s, 941s, etc. To do so, you must track down the specific employee(s) affected. The form you receive from the SSA tells you the type of problem, but **doesn't tell you the dollar amount of the individual W-2s they changed!** Where to start? With *PayMaster's* OASDI and Medicare reconciliation reports.

Always check your OASDI and Medicare reconciliation reports before printing and filing quarterly reports and W-2s. Keep them filed with your payroll reports.

These two reports (found under REPORTS/W-2) list employees by social security number. Is an employee in more than one division? Make sure the social security number is the same. See if anyone has INVALID SSN, as does an employee of Flora Enterprises in our example. Call your regional SSA office and request a SSN verification.

Medicare Reconciliation Report

Also shown are: employee code, division number, OASDI/Medicare earnings, OASDI/Medicare paid (actually withheld according to the payroll files), and calculated OASDI/Medicare (calculated at the time the report is printed). The last column shows any difference. A difference of a few cents is due to rounding and does not need to be adjusted. All other differences need to be corrected **before** filing your quarterly reports and W-2s.

OASDI Reconciliation Report

SDI and state/local tax reconciliation

PayMaster's two other reconciliation reports are SDI and state/local taxes.

If you have SDI, print that report (found under REPORTS/W-2) before filing quarterly returns. If you have been underwithholding for anyone, collect that amount before the end of the year or before the employee leaves, otherwise **you** could end up paying it.

SDI reconciliation report

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State/Local tax reconciliation report

Tax law changes

[All changes eff. 1/1/94 unless otherwise indicated.]

Federal

- Federal withholding tax tables change.
- OASDI/Soc Sec wage base for 1994 is \$60,600.
- Medicare wage base has **no limit**.
- FICA rates remain the same (6.2%; 1.45%).
- Maximum OASDI is \$3,757.20.
- There is no maximum Medicare.
- Increase supplemental wage withholding ratio from 20% to 28%.
- Employers can take a tax credit for a portion of the FICA taxes paid on tips in excess of those counted toward minimum wage.
- EIC maximum credit increased to \$2,527 for workers with two or more children. \$2,038 for workers with one child. Also available to those **without children**.

Form 8027 notes

- Make sure your "charge tips on charge receipts" is not higher than total reported cash and charge tips. If it is, there's something wrong. And if there's something wrong, the IRS will be in touch.
- See the **ALERT** on p. 12 about the IRS crack-down on the hospitality industry.

State withholding

- CA New withholding tables.
- HI New withholding tables.
- IL 3% w/h rate will **not** decrease.
- MA New taxpayer service "FAX on Demand" 617-727-2123 (for w/h tables).
- SC New withholding tables (decrease).
and probably lots more states to come!

State unemployment

- AZ New form -- A1-QRT.
- CT Taxable wage base \$9,000.
- NV Taxable wage base \$15,900.
- OR Quarterly wage information can be filed on diskette.
- RI Employers with 200+ employees required to file mag media.

W-2 phobia?

Just can't face printing them? No problem. We'll print them for you. Call for prices and deadlines.

Child support

Immediate withholding for:
AL, DE, LA, MD, ME, NC

OR Beginning 7/1/94, employers must comply with **all** support orders received from other states.

Other state changes

New hire forms required for:
HI, MN, RI, TN, VA, WV.

ME Report all newly hired or rehired employees to Commissioner of Human Resources within 7 days.

TX Voluntary new hire reporting program.

These states require, with 250+ employees, that you file W-2s on mag media:

CT, DE, ID, IL, LA, MD, MI, MN, MS, OR, WI.
CO is mandatory for electronic filers.

THANKS to Janet Shettler of Tripper's Restaurant in Lansing, MI, for bringing the following to our attention:

Michigan doesn't want subtotals at the end of each page of the quarterly unemployment report. They will accept them with the subtotals, at least for now. *PayMaster* will change to accommodate Michigan's wishes.

SOFTWARE SUPPORT HOURS

9:00 am - 6:00 pm Eastern Time, Mon-Fri
We will close at 12:00 noon Dec. 24 and 31.

Before you print your W-2s:

W-2 FORMS

Only W-2 forms ordered from us are guaranteed to work with *PayMaster*. Not all printers print the boxes the same size and in the same place. Call immediately if you haven't yet ordered your W-2s. Availability not guaranteed after December 15.

PROGRAM CHANGE NECESSARY

Because of SSA changes to the W-2 form, everyone needs *PayMaster* Version 6.2 to print the information in the appropriate box and for the correct mag media format.

1. Verify your federal tax ID on the company screen.
2. Make sure your correct state ID for *withholding* is entered in each state tax table (Version 6.x users) via INIT/TAX/STATE/tax code #/GENERAL. Earlier versions of *PayMaster* had a field in the division screen for the withholding/unemployment number. Version 6.x has the *withholding* number in the tax tables and the *unemployment* number in the Division file. Your W-2s must show the state *withholding* ID. You need *PayMaster* Version 6.x/6.x **Xtra** to print multiple state IDs on W-2s.
3. On each division screen, check the responses to tax related questions for Additional Income. If you gave year-end bonuses but did not want to withhold federal/state taxes, you responded *n* to **Withhold federal, state, local tax**. Change those responses to *y*, (and make sure OASDI and Medicare are *y* also) if you want the amount included in the correct boxes on the W-2s.

Not sure what goes in Boxes 12, 13 and 14 on the W-2? See page 8 for that information plus other important W-2 information on deductions.

4. To print the appropriate information in the totally rearranged boxes on your paper W-2s, you must use *PayMaster* Version 6.2 with a PYW2.EXE file dated 12/93. Ditto for filing mag media.
5. If allocating tips on an annual basis, do so prior to printing your W-2s. If allocating by hours, double check the receipts in your division file — this is what's used for hourly annual allocation. All division receipts should add up to company receipts.
6. Print your reconciliation reports and make any necessary corrections:
 - OASDI (Social Security)
 - Medicare
 - SDI (if appropriate)
 - Taxes (State) Paid or State/local tax reconciliation

7. 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 actual W-2s to ensure it lines up correctly. Verify the figures with your quarterly 941s. (Call if you'd like our **941 and W-2 worksheet** faxed to you.)

PayMaster will print **one** W-2 per employee, even if the employee works in more than one division. Exceptions: if an employee has more than three items in Box 13; if an employee moved from one state to another (one W-2 for each state).

8. Make sure that only those employees who actually are *statutory* employees have an *x* in that box. [Responding *n* in the **federal?** *y/n* field on the employee screen puts an *x* in the *statutory* box on the employee's W-2.]
9. Make sure only those employees covered by 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.]

NEW SSA REQUIREMENT

Each 42nd W-2 (subtotal) must be last one on the page, so always start the first W-2 at the top of a page.

10. When printing the alignment copy(ies) of the W-2s, make sure they are aligned both vertically **and** horizontally.

Important W-2 information for Additional Income

Additional Income <i>W-2 Income Type</i>	1993 W-2 Box	Use for this type of income:
e	13 (L)	The substantiated, i.e. non-taxable, portion of the amount you reimbursed employees using a per diem or mileage allowance. NOTE: You must use another Additional Income to record the portion of the reimbursement that is more than the amount treated as substantiated. This one would have a W-2 income type of <i>o</i> because it's to be included in Box 1.
f	12	Fringe benefits included in Box 1, such as a company-provided vehicle.
i	13 (C)	Cost of group-term life insurance coverage over \$50,000.
n	none	No dollar amount included on W-2.
o	1	"Other compensation" in Box 1 (example: annual bonus)
s	13 (J)	Nontaxable sick pay.

- In addition to entering the correct W-2 income type (*e, i, o, etc*), make sure that your responses to *withhold OASDI/Medicare, Federal, State, Local and SDI* are *y* to include the additional income amount in the proper boxes.
- State SDI goes in Box 14. And yes, NJ is split into SUI and SDI.
- For 401(k) deductions (employee contribution to 401(k), the deduction name in your Division file (INIT/DIVISION) **must** read **401K** (no spaces) for the employee-contributed amount to appear in Box 13 labelled **D** (elected deferrals to 401(k) plan). Yes, that's a capital K in 401K.
- If you have not collected the full amount of any pre-tax deductions with *n* as the tax amount, collect it in cash before year end. Increase the deduction amount in the employee's YTD pay file so the W-2 will be correct. (If your pre-tax deduction responses are all *y*'s, no collections/ adjustments are necessary.)

End of Year Processing

No time to double check everything and print the W-2s before processing your first 1994 payroll? No problem. Before processing end of year create a 1993 W-2 data company. See **Q & A** on p.10 or p.4-19 of the 6.0 manual.

This is probably the most important part of payroll (other than actually paying your employees, of course). See *PayMaster* manual page 3-485 (old manual), or page 4-51 (Version 6.x manual), for easy end of year processing instructions.

Make sure you have space on your hard disk (enough for the PYPAY#.DAT and PYEMPL.DAT files) before actually processing end of year.

Just as you process end of month/quarter to clear out

the 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 also deletes unneeded employee records.

"Last Quarter" reports are **not** available after you process end of year. That data is zeroed out during the EOY processing.

ONLY after you have printed (and double-checked!) your reports (including W-2s) and backed up your data should you process end of year to clear the data files to zero.

- 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.)
- Payroll report summary (detail optional).
 - Quarterly reports -- 941, 940, wage.
 - 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.)
 - Any other reports your state requires.
 - The W-2s (see the important information on page 7 about what to do *before* printing your W-2s).

ORDER FORM FOR FEDERAL & 3 STATE TAX TABLES ON DISKETTE		
Diskette size (DD) [] 5¼" [] 3½"	Check one box and fill in appropriate amount	
[] check enclosed [] send COD All orders must be prepaid or COD.	\$50 for tax tables (up to 3 states)	\$50
Name of States Tax code 1:	Additional states -- \$10/state	\$
Tax code 2:	Shipping: CA, AK, HI \$10 for UPS 2nd day air; all others \$5 UPS ground	\$
Tax code 3:	COD charge \$5.00	\$
List additional tax codes numbers and state names on separate sheet	VA residents add 4.5% sales tax	\$
	TOTAL	\$
Ship to: Name		
Company		
Street Address		
City/State/Zip		
Area code/telephone		

Mag Media Preparation

Yes, there have been changes to the 1993 mag media format. You must have *PayMaster* Version 6.2 or 6.2 **Xtra** to prepare the mag media filing of W-2s in the current format required by the Social Security Administration. (If you're not on Auto Update, call us for a *PayMaster* 6.2/6.2 **Xtra** order form and prices.)

PayMaster will prepare the correct format state mag media for all those for which it is mandatory, plus CA. Also, if your state accepts the mag media federal specifications, you can use *PayMaster* for your state mag media filing.

- Follow the steps on page 7, **BEFORE YOU PRINT YOUR W-2S**, without preparing the mag media file, to make sure everything's OK.
- Then, to prepare the mag media file, put a newly formatted floppy disk in drive a: or b:.
- Print the W-2s again, printing to **[D]isplay** instead of **[P]rinter** this time. Respond *n* to **Reprint? y/n**. Use the PRINT SCREEN key to print the last W-2 that appears on the screen -- these are your W-3 totals. **Make sure you don't remove the floppy disk before it's done.**

It's not completely done until you're back at the main *PayMaster* menu.

If preparing mag media for more than one company, do them all, one right after the other, inserting an additional diskette whenever *PayMaster* prompts you. This is the way the

SSA prefers it.

- From the DOS prompt, double check your file before sending it to the SSA:

Do a directory listing to make sure your W2REPORT file has greater than zero bytes.
Type: *Dir a:* (or b:) [ENTER]
You'll see something like this (the 844544 is the size in bytes):
Directory of A:
W2REPORT 844544 1-31-94 11:45p

If you have a wide-carriage, dot matrix printer (make sure you first put in wide paper), you can print this file with the DOS *type* command, redirecting it to the printer:
Type: *Type a:w2report > prn* [ENTER].

This will not work on a laser. Instead, take a look at it on the screen:
Type: *Type a:w2report | more* [ENTER].

Q & A

Q. I have to process my first payroll of 1994 and don't have time to print my W-2s first. Help!

A. If you've enough room on your hard disk, *PayMaster* Version 6.x/6.x **Xtra** will create a new subdirectory for you and copy the data into it. **Make sure you do this before processing end of year on the data.**

Decide on a new company I.D. code (e.g. 93W2). If more than one company, use company I.D. codes such as A93W2, B93W2, etc. At the **company I.D. code** prompt, enter the new code (93W2). At the prompt: **1) Add a company, 2) Archive copy of existing company, or 3) Try again**, enter *2 Archive*. Enter the name of the data drive where you want the subdirectory created (*c, d*, etc). At the prompt, enter the code of the source (original) company. *PayMaster* will create the new directory under your program directory and copy the data into it. In the W2 company data, print a payroll summary to make sure the data's OK. Change Division 1's name to 93W2 so you know at a glance you are using the 93W2 data (appears above the main menu).

Then, after backing up the data on two separate sets of floppies, process end of year on your real company data, using your **original company code**. When it's time to run the W-2s, use the **93W2 company code**.

Q. I need to change my company name. How do I do it?

A. Just give us a call. We'll give you a new authorization code for the changed name.

Q. How can I be sure that my mag media file is OK before I send it off to the Social Security Administration?

A. Use DOS to print out the file and spot check the information and the totals. See Mag Media Preparation on page 9.

Q. I forgot to order the tax tables. What can I do?

A. If you're on Auto Update, you'll receive your state(s) automatically. If not, use the old tax tables for one or two pay periods. It's not critical. But order them now to make sure you have them for the next payroll. The OASDI and Medicare percentages remain the same for 1994: 6.2% for OASDI and 1.45% for Medicare. The 1994 taxable wage bases, however, do change. See page 6.

Q. If my printer jams up in the middle of printing my W-2s, am I stuck?

A. Good news. You **can** resume printing your W-2s. Choose REPORTS/W-2s as you normally would. Respond *y* to **All employees?** Respond *y* to **Resume an interrupted run?**. At the **Print from employee =** prompt, enter the code of the first employee to print. *PayMaster* will print from there, including the W-2 subtotals and total.

Q. I have DOS 6.0 and cannot backup from *PayMaster's* utility menu. What can I do?

A. You have two choices:

1. Use the DOS 6.0 MSBACKUP program from the DOS prompt, making sure you select the correct subdirectory and files, or
2. Copy your DOS Ver 5.0 BACKUP and RESTORE commands into the DOS directory on your hard disk so *PayMaster* can use them. You may have to use the DOS SETVER command first.

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

"...multi-state, multi-taxing, and multi-division service. I found these features were available *only* in *PayMaster* or in payroll packages costing \$10,000 to \$15,000 more than *PayMaster*."

Tom Kontinos, the controller of Barker Air and Hydraulics in Greenville, SC, met Computer Aid ten years ago when he owned the Coconut Cove restaurant and a dry cleaning shop in Florida. He was a pioneer in the use of computers, getting the original IBM PC and the first accounting system developed for restaurants. Tom says, "I selected *PayMaster* from Computer Aid because it was really able to do all the tip calculations. The other software companies **professed** to, but didn't."

"I used all the accounting (AP, GL, AR, and payroll) for both businesses, as well as food costing and inventory control for the restaurant. In 1988, I decided to get out of the restaurant business. My family never saw me because I spent most of my waking hours in the restaurant."

"I decided to become an accountant because I enjoyed working with numbers and computers. I sold the businesses and enrolled in Furman University in Greenville, SC. After graduating with an accounting degree, I became the controller for Barker Air and Hydraulics in Greenville."

"Barker Air distributes fluid power parts and manufactures items such as machinery for sophisticated garbage trucks that partially automate collection, nuclear test equipment and crushers for used oil filter cartridges. We have one plant and two offices located in North and South Carolina, so the multi-state reports provided by *PayMaster* are critical. When I arrived, Dona Mattison was doing payroll with a custom program. It just was not performing. She had to balance by hand every month and use a spreadsheet to file the tax returns. I decided to do something about this immediately."

"I hadn't been in touch with Computer Aid since I had sold my Florida businesses, but I remembered that their payroll handled taxes very well. I had used the program for my non-tipped company as well as for the restaurant with total success. So I dialed the telephone number I had used years ago and they were still there. Of course *PayMaster* had been updated and revised many times through the years."

"I asked about multi-state, multi-taxing, and multi-division service and found out that this was the area (along with tip calculations) in which *PayMaster* specialized. I ordered a demo to see for myself. And I called all of the other software vendors to see what they offered. I found these features were available **only** in *PayMaster* or in payroll packages costing \$10,000 to \$15,000 more than *PayMaster*."

Tom Kontinos and Dona Mattison of Barker Air and Hydraulics

"My decision was made. We started out with *PayMaster* 6.0 regular. Then when I saw the features that *PayMaster* 6.0 **Xtra** offered, we upgraded immediately. The **Xtra** GL transaction register is really good and the workers' comp report is outstanding. It used to take me two days to pull all the numbers together. Now it takes 15 minutes. The **Xtra** version really helped, too, because of the Section 125 individual cafeteria accounts."

"We offer a 401(k), so it's good to have that report. When we changed our 401(k) plan, the new administrator, WASSAU, will charge us \$300.00 a year **less** if we file our 401(k) report on diskette. Computer Aid revised the *PayMaster* report to meet our needs and added our diskette format."

Dona says, "*PayMaster* is a great system, a much better program. At year end, I don't have to do hand calculations to match quarterlies to the W-2s. The old system didn't have any of the special reports — it just wasn't anything compared to this one."

Tom adds, "I really enjoy working with the people at Computer Aid. They are both knowledgeable and helpful. And as an added benefit, the W-2s have been a breeze the last two years since we've been using *PayMaster*."

"*PayMaster* has proven to be as outstanding for our distribution and manufacturing business as it was for my restaurant."

IRS crack-down on hospitality industry. Watch the next BLUE PAGES.

The IRS is concentrating on specific industries for audit purposes. And, they are enlisting the (reluctant) help of some restaurant chains. Purpose — to get servers to declare all of the tips they make.

One thing you want to check before filing your Form 8027: ***Are your charge tips on charge receipts more than the total reported tips for the company?*** If so, you might want to take another look. Because the IRS **definitely** will be taking a good look at your 8027.

PayMaster gives you the option of paying the credit card tips through payroll. This eliminates the possibility of a server reporting a different amount in credit card tips than the amount in the company's records.

All of us at Computer Aid Corporation wish all of you the merriest of Christmases and the most prosperous and happiest of New Years!!

We thank each of you for using PayMaster and we promise to continue to support the program, and