

# THE BLUE PAGES

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## 2012 W2 update available now.

As of December 15, the year end auto-update is available. All auto-update subscribers can download it directly from our web site or call support for assistance with the installation.

This update is a rollup of everything that we released this year, plus the 2012 EFW2 and W2 printing modules. There are many new reports and optimizations included so be sure to install this at your earliest convenience.

As of this writing, **a change in the federal withholding tables for 2013** and an extension of the 'OASDI holiday' **have not yet been revealed**. This will require this update to be installed as soon as available to avoid correct withholding for 2013. As soon as the IRS releases tax tables this update will go into production. Also many state tax tables have not been released so they are not included in this pack. These are usually just a patch so you can grab these from within PayMaster. *Please see page 4 for details on how these will be delivered.*

All users on Auto Update should contact PayMaster for an important year end update before attempting to print the W-2 forms. **If you are not on Auto Update, please call (800) 327-4243 for pricing or to have us print your W2s for you.**

### Holiday Hours

PayMaster Pro offices will be closed:

Mon Dec 24, Tues Dec 25 and  
Mon Dec 31, Tues Jan 1, 2013.

### No Need to Run End of Year

The Windows version of PayMaster does not require you to run End of Quarter or End of Year or archive your company. All reports are based on check date so you can run your January payrolls without having to worry about your year end information.

### Before you print your 2012 W-2s:

To save on printing costs you will no longer receive detailed instructions on EOY procedures and W-2 printing with your W-2 order. The instructions haven't changed this year and they are always available on the internet.

**www.paymaster-pro.com**  
**and see the section labeled Support/Newsletters and Archives.**

There you will find  
2012 Before You Print your W-2s  
2011-2 WIN W-2 Detailed Printing Instructions  
W3 Reconciliation Work Sheet  
W-2 Shipping Insert  
W-2 2012 Pricing and order form

**and a complete archive of the Blue Pages.**

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## Important Federal / State Tax Updates

**Social Security Wage Increases:** The maximum amount of earnings subject to Social Security (OASDI) tax will be to **\$113,700**, up \$3,600 from the 2012 wage base of \$110,100. The Social Security taxable wage base change represents a 3.3 percent increase over 2012.

**2013 Medicare Increase for High Earners:** The 2010 *Patient Protection and Affordable Care Act* includes a provision that imposes an additional 0.9% Medicare tax on taxpayers receiving wages with respect to employment in excess of \$200,000 (\$250,000 for married couples filing jointly and \$125,000 for married couples filing separately). The tax is in addition to the regular Medicare rate of 1.45% on wages received by employees with respect to employment. **The tax only applies to the employee portion of the Medicare tax.** The employer Medicare tax rate remains at 1.45%. An employer must withhold the additional Medicare tax on wages it pays to an employee in excess of \$200,000 in a calendar year, *beginning Jan. 1, 2013*. In determining whether wages exceed \$200,000, an employer **does not take into account the employee's filing status** or other wages or compensation which may impact the employee's liability for the tax.

**2013 State Withholding Tax Table Update:** Several states have issued new withholding tables, effective Jan. 1, 2013. Some states will be issuing new withholding tables soon. The following states have already issued new withholding tables for 2013: **California, Indiana** (new country tables were issued, the state tables may be revised again in December 2012), **Kansas, Kentucky, Maine, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota.**

**FUTA tax rate.** The Federal Unemployment Tax Act (FUTA) currently imposes a federal payroll tax on employers of 6.0 percent of the first \$7,000 of annual wages paid to each employee. The tax funds a portion of the federal/state unemployment benefits system. Before its expiration on July 1, 2011, the Federal payroll tax had included a surtax of 0.2 percentage points, which started in 1976 and had been extended until then. The **Administration proposes reinstating the surtax** and making it permanent, which would raise \$13.9 billion from 2013-2022.

### Many States Are Increasing Their Unemployment Insurance Taxable Wage Base in 2013

So far, 19 states have announced that they are increasing the amount of taxable wages that are subject to unemployment tax (taxable wage base) in the 2013 tax year. One state is decreasing its taxable wage base. Some states have yet to announce their 2013 taxable wage base. Here is a summary of the latest developments.

- Alaska (\$36,900, previously \$35,800);
- Colorado (\$11,300, previously \$11,000);
- Georgia (\$9,500, previously \$8,500);
- Iowa (\$26,000, previously \$25,300);
- Kentucky (\$9,300, previously \$9,000);
- Minnesota (\$29,000, previously \$28,000);
- Montana (\$27,900, previously \$27,000);
- Nevada (\$26,900, previously \$26,400);
- New Jersey (\$30,900, previously \$30,300);
- New Mexico (\$22,900, previously \$22,400);
- North Dakota (\$31,800, previously \$27,900);
- Oklahoma (\$20,100, previously \$19,100);
- Oregon (\$34,100, previously \$33,000);
- Pennsylvania (\$8,500, previously \$8,000);
- Rhode Island (\$20,200,\* previously \$19,600);
- South Dakota (\$13,000, previously \$12,000);
- Utah (\$30,300, previously \$29,500);
- Washington (\$39,800, previously \$38,200);
- Wisconsin (\$14,000, previously \$13,000); and
- Wyoming (\$23,800, previously \$23,000).

**Taxable wage base decrease.** The Illinois taxable wage base will decrease from \$13,560 to \$12,900 in 2013.

**To be announced.** The following states have yet to announce their taxable wage bases for the 2013 tax year: Hawaii (\$38,800 in 2012), Idaho (\$34,100 in 2012), North Carolina (\$20,400 in 2012), and the Virgin Islands (\$23,700 in 2012).

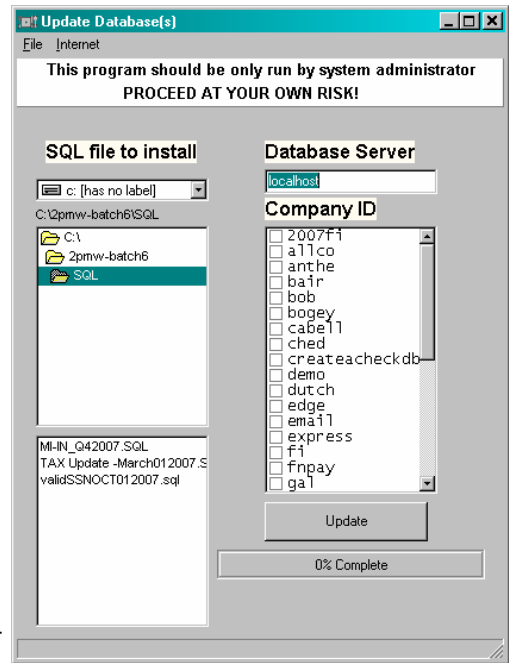
# Q&A : PayMaster for Windows

## Update Your Tax Tables

A new feature in the year end update allows **you** to download the latest tax tables at **your** convenience. As long as you have a working connection to the internet you will be able to download the latest database patches as soon as they become available.

**HOW TO:**

- 1) Logon to any active company and go to Utilities/Apply SQL Patches.
- 2) Note the new menu selection called "Internet"
- 3) Select "Check for SQL Patches"
- 4) If any new patches are found a short description of what the patch does will be displayed and you can decide if it is applicable to your company. Make note of the name of the patches that are applicable to your situation.
- 5) After reading and closing the description, a message will tell you how many patches were found.
- 6) You can only apply one patch at a time but you can apply it to multiple companies by checking off the companies on the right.
- 7) Once a SQL file is selected and the companies you want it apply to are selected, press the "Update" button.  
As each company is processed a confirmation will let you know that it was successful.
- 8) Repeat for each applicable patch.



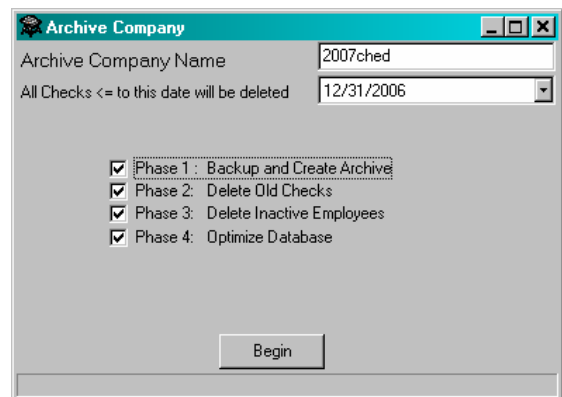
## Archiving your Company

Also new for this year is the ability to archive your company. Many clients have expressed an interest in being able to purge out inactive employees and last years checks from their current years database. Although not necessary as the MySQL database can hold 100s of thousands of records, **Performance gains** can be had for very large datasets.

**NOTE: For larger companies this process can take a very long time. Do not attempt to do this while payrolls are in progress or any employee maintenance.**

The archive module will do a 4 step process.

- 1) Backups your current dataset and put the entire current dataset in your archive company.
- 2) Delete all check that are before the selected



date.

- 3) Delete inactive employees who no longer have any checks. Delete inactive jobs, deductions from active employees.
- 4) Optimizes current dataset.

## W2 Reporting of Employer-Provided Health Coverage

In March 2010, the Patient Protection and Affordable Care Act was signed into law. This law requires all employers to report the cost of health care coverage provided to employees under an employer-sponsored group health plan. The total amount will be reported in **Box 12DD** on the W2 Form. This amount includes the portion of the cost paid by the employer as well as any cost that may be charged to the employee. IRS Notice 2011-28 provides guidance to the employer regarding the reporting requirements. The notice also states that the purpose of this requirement is “provide useful and comparable consumer information to employees on the cost of their health care coverage.” Also, please note that the **reported amounts are for information only and are not taxable**.

IRS Notice 2010-69 made this requirement optional for all employers in 2011 and requirements increase over the next 3 years as listed below:

- For 2011 W2’s (issued in Jan 2012) – Reporting is optional for all employers. However, employers are free to voluntarily report using Notice 2011-28 for guidance
- For 2012 W2’s (issued in Jan 2013)- **Only employers reporting 250 or more W2 Forms will be required to report the cost of coverage**. Reporting is optional for employers reporting less than 250 W2 Forms.
- For 2013 W2’s (issued in Jan 2014) – All employers will be required to report the cost of coverage on all applicable employees.

## How do I do this in Paymaster ??

**Step 1: Create a New Additional Income in PayMaster:** Go to Setup Company/ Additional Income. Type a name for this ‘benefit’ such as Employer Health. Click ‘Create New’.

Make sure nothing is checked off as this will not be part of the employees gross pay and is not a taxable event. It is strictly for informational purposes to allow the gov’t to generate statistics and to make the employee aware of the benefits of working for your company!

Select Code ‘DD’ for the box 12 code and then press ‘Update Existing’.

**Step 2: Give new Additional Income to all employees who had health care benefits.** Go to Setup/Employees/Setup and manually insert this new addl on each employee. Do not add any values at this time.

**Step 3: Gather information:** You will need to find out the portion of health care benefits that the employer paid out for the year for each employee. This is not the total premium. It is only the employer side.

The screenshot shows the 'Create or Maintain Additional Incomes' window. The 'New Addl Inc Name' is 'Employer Health'. The 'Box12 Code' is set to 'DD', highlighted with a red circle and a red arrow. Other options include 'Include in Gross Pay?', 'Subject to Medicare', 'Subject to Federal', 'Subject to State', 'Subject to Local1', 'Subject to Local2', 'Subject to FUTA', 'Subject to SUTA', 'Subject to SDI', 'Use Federal Pct?', 'Regular Hrs as Units?', 'Add OT Hrs to Units?', 'Counts Towards Workers Comp?', 'Use For Weighted Ave OT?', 'Towards Wage Adj Tipped?', and 'Towards Wage Adj NonTipped?'. There are also input fields for 'Credit Percentage' (0), 'GL Number' (XXXX), and 'WC Code' (0000). An 'Update Existing' button is at the bottom left.

## Employer-Provided Health Coverage (cont)

**Step 4: Create Manual Checks:** Go to Checks/Manual Checks & for each employee create a manual check that will insert this information into their pay files.

Additional Incomes	
Bonus	Employer Health
Units: <input type="text" value="0.00"/>	Units: <input type="text" value="1"/>
Amount: <input type="text" value="0.00"/>	Amount: <input type="text" value="2012.00"/>

Select employee and put in one (1) unit and the total amount on the newly created additional income .

Pay Period Start	<input type="text" value="12/31/2012"/>
Pay Period End	<input type="text" value="12/31/2012"/>
Check Date	<input type="text" value="12/31/2012"/>

On the Finalize Tab, give it a check no & date it somewhere in the 4th quarter. The check number can be the same for each employee.

Review	
Job Income	0.00
Additional Income	2012.00
Total indirect tips	0.00
Total direct tips	0.00
Deductions Paid	0.00
Deductions Unpaid	0.00
Total Tax	0.00
Total Paid	0.00
Total Unpaid	0.00
PayPeriod	
From	12/31/2012
To	12/31/2012
<input type="button" value="Commit Record"/>	

Click 'Create Check' & ignore the warning that it's a Zero Check. Final Review will come up so that you can verify that you entering the correct values for the correct employee. If you are satisfied then "Commit Record" & continue to the next employee.

When you are finished inputting the amounts you can double check your work by running Reports/Additional Incomes and select your Employer Health and verify that each amount is correct.

Then before you print your W2s you can print the employees to screen to see if the Box 12 Codes 'DD' (and others) show up before committing to paper.

### States with 2012 Federal Unemployment Tax Act (FUTA) Credit Reductions

Employers in the following 19 states will be subject to a reduction in FUTA credit on their IRS Form 940 for 2012: Arizona 0.3%, Arkansas 0.6%, California 0.6%, Connecticut 0.6%, Delaware 0.3, Florida 0.6%, Georgia 0.6%, Indiana 0.9%, Kentucky 0.6%, Missouri 0.6%, Nevada 0.6%, New Jersey 0.6%, New York 0.6%, North Carolina 0.6%, Ohio 0.6%, Rhode Island 0.6%, Vermont 0.3%, Virgin Islands 1.5%, Wisconsin 0.6%.

The Federal tax is nominally 6.0%; however, the FUTA provides for a credit of 5.4% for payment of state unemployment insurance (UI) taxes, making the effective Federal tax rate 0.6 % (.006), up to the taxable wage limit of \$7,000. When state UI funds are depleted, states draw from a designated Federal loan account. If such loans are not repaid within two consecutive years, part of the 5.4% FUTA tax credit is reduced

When this "credit reduction" applies, the FUTA tax typically increases by 0.3%, or \$21 per worker, payable in January of the following calendar year with IRS Form 940. This credit is further reduced annually by 0.3% until loans are repaid.

“Helping Employers Do Payroll Right”

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WE'RE ON THE WEB!

[WWW.PAYMASTER-PRO.COM](http://WWW.PAYMASTER-PRO.COM)

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Happy Holidays !

**TO :**

It pays to know your business  
501 Church St. Suite 306  
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Payroll the Right Way since 1983  
We Value Your Business, Thanks Again!

**PAYMASTER**  
*Hospitality*