# Sage ERP Accpac U.S. Payroll Versions 5.4P, 5.5K, 5.6G, and 6.0B Tax Update for January 1, 2011

This is your January 1, 2011, tax update for Sage Accpac U.S. Payroll. This document describes important changes that affect your payroll system.

If you receive the tax update on CD, note that the CD contains versions 5.4P, 5.5K, 5.6G, and 6.0B. Install the version that is compatible with your version of Sage Accpac U.S. Payroll.

**Note:** To install the tax update follow the instructions on the CD or as described in "How do I install the tax update?" on page 3.

**Important Notice for Customers using Sage ERP Accpac Version 5.4 with Payroll Tax Table Updates**

**January 2011 will be the FINAL TAX UPDATE**

Earlier this year, Sage notified all Payroll Update Plan (PUP) subscribers that after the 2010 tax year, Sage ERP Accpac Version 5.4 will no longer be supported. This change is particularly important because it means no additional tax updates will be made available after the 2010 tax year. You will need to ensure that your PUP subscription is current to continue receiving compatible updates and upgrade to Version 5.5 or higher.

The last Sage ERP Accpac 5.4 Payroll Tax Update for US Payroll will be January 1, 2011. Based on recent customer feedback, this particular update is a full update that includes updated forms as well as tax table changes provided for 2010 tax filing.

There will **NOT** be a 5.4 Payroll Tax Table Update for March 2011 or going forward.

# Before You Install

**Note:** Before installing the Service Pack/Product Update or the Tax Update, make sure all users have exited the program and there are no Sage ERP Accpac instances running.

## Important Update—Installation Process Change

Activation Codes are no longer required. This modification to the installation process requires some additional requirements. Please ensure you update your installation process appropriately.

## Critical – Product Update Requirements

Before installing the payroll tax update, you must verify your service pack or product update level first. More details on the error you will receive if you are not running the correct Product Update for your version can be found in the Answer ID 28923 Knowledge Base article. To verify what service pack or product update you have installed, click the System Information option in the Help menu in your Sage ERP Accpac program.

- If you are on Payroll 5.4A, System Manager Service Pack 3 or higher is required.
- If you are on Payroll 5.5A, System Manager Product Update 3 or higher is required.
- If you are on Payroll 5.6A, it is recommended that you install Product Update 1 before installing the Tax Update.
- If you are on Payroll 6.0A, no update is required.

### To download Service Packs or Product Updates, follow the steps below:

1. Log on to the Sage Partner Portal.
2. Click **here** to access the Product Update page.

# About this Update

You need the January 1, 2011, tax update to produce your forms for year 2010, and to process your payroll in 2011.

## Why did I receive a tax update?

This tax update contains specifications that allow you to produce W-2 forms for 2010 on paper, on diskette, on CD, or on hard disk. It also contains changes for federal and state (or local) income tax for the year 2011. You need this tax update to produce W-2s for 2010 and to process payroll using the tax changes for 2011.

## When do I install the tax update?

Install and activate the January 1, 2011, tax update immediately. (You can install now even if you still have payrolls to process for 2010. The program uses the processing dates to select the correct tax calculations.)

You must install and activate the January 1, 2011, tax update before you produce W-2s for 2010 or process payrolls for 2011.

## When do I close the year?

You never close the year. Simply continue processing payrolls as you do all year long, entering period-end dates in the new year as you cross the calendar year boundary.

After you have completed all the previous year's year-end processing (W-2s, final 941, reports), and made backup copies of the data, you can run Delete Inactive Records to remove terminated employees and other obsolete information from your data.

## Can I produce W-2s for 2010 after processing payrolls for 2011?

Yes. The U.S. Payroll program allows you to start processing payrolls for a new year and later produce W-2s for the previous year without any extra procedures. When you produce W-2s, select **2010** as the **Payment Year**.

## How do I install the tax update?

If you are downloading the tax update from our Web site, follow the installation instructions on the Web site. If you need more information, see the next topic "Installation Windows".

If you receive the tax update on CD, please follow the below instructions to start installation:

1. Log on to Windows.
2. It is recommended that you back up your data.
3. Insert the tax update CD in your computer's CD drive.
4. Explore to your CD Drive.
5. Double-click on the version folder that you want to install; for example, to install version 5.5, double-click on UT55K, and then double click on SAEUT55K.exe.
6. Follow the instructions on your screen.

### Installation Windows

After you have started the first Installation window, follow these steps.

1. On the Welcome screen, click **Next** to continue to the Software License Agreement screen.
2. Follow the instructions on the screens that follow. For example, you will need to specify:
   - Where you want to install the tax update (accept the default directory, or type another path, or click the **Browse** button to select the path to the drive and directory where you installed Sage Accpac U.S. Payroll).
   - The components to install. Be sure to select the tax update program files and documentation.
   - The appropriate folder in which to install the program icons.
3. On the Start Copying Files window, choose **Next** to continue.
4. On the Setup Complete window, select to view the Readme file to review the Payroll tax changes and adjustments you may need to make to your payroll records. Click **Finish** to finish the installation and view the Readme file.
5. Close the Readme file and exit the Installation screen.

Activate the January 1, 2011, tax update as described in the next section “How do I activate the tax update?

## How do I activate the tax update?

1. Back up your data, if you have not yet done so.
2. Start Sage ERP Accpac and open the Administrative Services folder.
3. Activate your data as follows:
    a. Choose **Data Activation**.
    b. Highlight **US PR Tax Update January 1, 2011 5.*xx***, where ***xx*** is the tax update version compatible with your Payroll version.

    **Note:** If you are using Payroll version 6.0, highlight **US PR Tax Update January 1, 2011 6.*xx*.**

    c. Click **Activate**.
4. If you are prompted to convert a previous U.S. Payroll tax update to the current version, click **Proceed**.

After you have completed installation and activation, and made any necessary adjustments described in this document, you can resume processing payrolls.

# What's New in this Tax Update

For a description of new features, changes, and adjustments you may need to make, be sure to read the tax update readme file. You can open the readme by following either of these procedures.

## For Sage Accpac versions 5.4 and 5.5:

- In Microsoft Windows, click the **Start** button; then choose **All Programs** > **Sage Accpac (or ACCPAC)** > **Online Documentation** > **US Payroll Tax Update 5.5K or 5.4P** > **Readme**.

  Or

- Open the Sage ERP Accpac desktop and select the Help menu, then **Online Documentation** > **US Payroll Tax Update 5.5K or 5.4P** > **Readme**.

## For Sage Accpac version 5.6 and 6.0:

- In Microsoft Windows, click the **Start** button; then choose **All Programs** > **Sage Accpac** > **Documentation**.

  Or

- Open the Sage ERP Accpac desktop and select the Help menu, then Documentation.

  The readme is UTmmddyy Readme.wri.

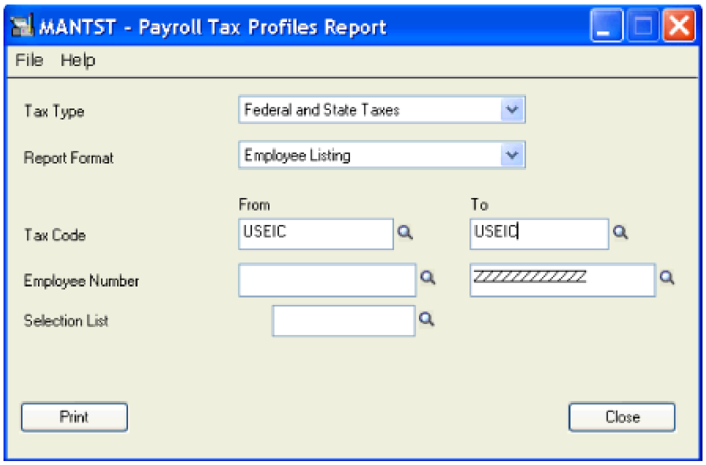
## Advance earned income credit (EIC)

The advanced earned income credit allowed qualified individuals to receive part of the credit in each paycheck during the year the taxpayer expects to qualify for the credit. This credit will be eliminated, effective January 1, 2011.

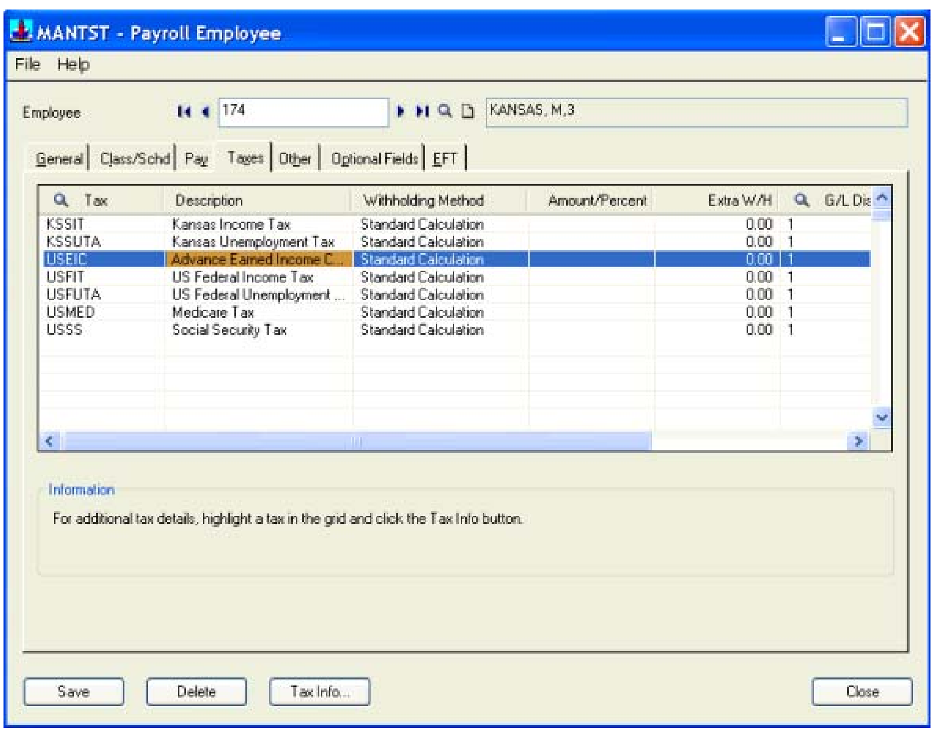
**Important!** To ensure that the Advanced EIC no longer accumulates, you **must** remove the USEIC code from all applicable employees after you run your last payroll for 2010 and before you run the first payroll for 2011.

To remove the USEIC code, do the following:

1. Determine which employees have the USEIC in their profile by printing the Payroll Tax Profiles Report (in the Payroll Setup Reports folder, select **Tax Profiles**).




2. Using this report, on the Employee Payroll window (in the Payroll Employees folder, select **Employees** > select the employee > **Taxes** tab), remove the USEIC from each of the employees.




3. To remove the code, highlight the tax line and press **Delete** on your keyboard.

# Common Year-End Questions

## Which W-2 printed formats can I use?

Sage Accpac U.S. Payroll prints W-2s in these formats:

- 2-per-page laser printer forms
- 4-per-page condensed laser printer forms
- 2-per-page dot-matrix printer (tractor-feed) forms

## If the printer jams or goes offline while printing W-2s, how do I get the printer to begin printing where it left off?

From the Government Reports folder, select **W-2s On Paper**, and then enter the range of employees that have not yet been printed.

**Note:** Although you can print W-2s selectively this way, you will not get the correct totals needed for the W-3 form. To get the correct totals (that is, the totals of *all* W-2s), you must reprint *all* the W-2s (not just the range of W-2s that did not print). To save paper, you can reprint all the W-2s on your screen or to a file instead of on paper.

## Is there a limit to the number of times the W-2s can be printed?

You can print the W-2 forms as many times as you need to.

## How does the W-2s On Disk(ette) function work?

The W-2s On Disk(ette) function writes W-2 information to a file on diskette(s), or on your hard disk, depending on your choice.

Note that the Social Security Administration (SSA) does not accept W-2s on physical media (such as diskettes or CD).

You then electronically submit the W-2 file from your hard disk to the SSA. Or, for states that still accept W-2s on diskette, you submit the diskettes to the state taxing authority.

This function is similar to the W-2s On Paper function.

For more information, see the next section, “Reporting W-2s for 2010 on  Diskette or by Electronic Filing.”

# Reporting W-2s for 2010 on Diskette or by Electronic Filing

As of tax year 2006, the Social Security Administration (SSA) no longer accepts W-2s on physical media (such as diskettes or CD), although some states still do. For more details about the submission methods that are acceptable for W-2 reporting and submission deadlines, consult your tax authorities.

Before reporting W-2 data on diskette or electronically, read the federal or state publications on magnetic media so you are familiar with all the requirements. Some may vary from year to year. Be sure to enter all amounts in the formats specified by the federal or state instructions.

Payroll enables you to create W-2s to a file on diskette or on your hard disk.

Creating the W-2s to a file on your hard disk enables you to electronically submit the file, primarily intended for *federal* W-2 electronic filing. However, you can use the hard disk method for *state* electronic filing, if:

- Payroll supports this method for your state. To see which states are supported, see the later section "Report Format for Diskette or Electronic Filing."

  and

- Your state allows electronic filing. Check with your state's Department of Revenue before producing the W-2s.

It is very important that you ***back up your data*** that you used to create the W-2 data file. In the event that the SSA (or your state taxing authority) cannot read or process your W-2 data file, you may need to recreate the file using the data from your backup.

**We strongly recommend that you retain a copy of the files you send.**

We also recommend that you test the W-2 data file(s) before submitting them by using the SSA's AccuWage software. See step 6 of the instructions "How to Create W-2s on Diskette or Hard Disk" on page 10.

## Report Format for Diskette or Electronic Filing

Sage Accpac U.S. Payroll supports the federal disk format specified in the Social Security Administration's EFW2 document, *Specifications for Filing Forms W-2 Electronically (EFW2)*.

For state reporting:

- Sage Accpac U.S. Payroll will produce a W-2 file in the federal EFW2 format (formerly MMREF-1), with slight variations if required by the state, for the following states:

| | |
|---|---|
| Alabama | Michigan |
| Arizona | Minnesota |
| Arkansas | Mississippi |
| Colorado | Missouri |
| Connecticut | Nebraska |
| Delaware | North Dakota |
| Georgia | Ohio |
| Idaho | Oregon |
| Illinois | Pennsylvania |
| Indiana | Rhode Island |
| Kansas | South Carolina |
| Kentucky | Utah |
| Louisiana | Virginia |
| Maine | West Virginia |
| Maryland | Wisconsin |
| Massachusetts | |

- For all other states not listed, U.S. Payroll will produce a W-2 file in the federal EFW2 format, with *no* variations.

  For diskette reporting for California and New York, please refer to the PDF-formatted document *QW on Diskette 6.0B (5.6G, 5.5K, or 5.4P)* that is included with this tax update. To obtain this document, see "Quarterly Wage Reporting on Disk(ette)" on page 8.

  U.S. Payroll also enables Puerto Rico employers to report W-2s on diskette, in the format required by the Puerto Rico Department of the Treasury.

  U.S. Payroll does not support:

  - The federal tape format for any state.
  - Annual reporting for the U.S. territories (except Puerto Rico).

  If you are required to file 250 or more W-2 forms, you must submit W-2s electronically for federal reporting, unless the IRS grants you a waiver. The number of employees at which state diskette reporting becomes necessary can vary.

## How to Create W-2s on Diskette or Hard Disk

You can create W-2s to a file on diskette, or on hard disk for electronic submission.

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**Note:** Creating the W-2s to a file on your hard disk is primarily intended for federal W-2 electronic filing. If you wish to create it for state electronic filing, check first with your state's Department of Revenue to see if electronic filing is acceptable. Also, check if your state is supported by Sage Accpac U.S. Payroll, as described in the section "Report Format for Diskette or Electronic Filing," on page 8.

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To create W-2s on diskette or on hard disk, follow these steps:

1. From the Payroll Government Reports folder, select **W-2s On Disk(ette)**.
2. The choices at the **Tax Authority** field are the income taxes that you have set up in Federal and State Taxes. In the **Tax Authority** field:
   - Select **US Federal Income Tax** to prepare a W-2 data file for federal reporting.

     or
   - Select your state to prepare a W-2 data file that includes only employees with data for your state.
3. Complete the information on the Payroll W-2s On Disk(ette) form, using your government publication as a guide.
4. After you enter all the fields, click **Process**.
5. On the dialog box (called W-2 Report File Destination) that appears, select either **Diskette Submissions** or **Electronic File Upload**, and follow the instructions on the dialog box.
   a. If you selected **Electronic File Upload**, you must enter the hard disk location where you want your W-2 data file to be produced.
   b. Click **OK**.

   The system will automatically create a W2REPORT data file.

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   **Note:** For some states, the system will create a file with a different name, to meet government requirements.

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6. Before you submit the W-2 data file, you can test it by using AccuWage, a software application that you can download from the SSA's Web site:

   http://www.socialsecurity.gov/employer/accuwage/

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   **Note:** AccuWage is only for the federal EFW2 (formerly MMREF-1) reporting purposes.

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Read the information on the Web site before downloading and using AccuWage. AccuWage checks the W-2 data file for the most common errors.

After you start AccuWage (and insert the diskette into the drive, if the file is on diskette), click **Start Testing**. A dialog box then asks you to enter the file name to be tested. In the **Files Of Type** field, be sure to select **All Files {*.*}** Then double-click the file name to start the testing. When testing completes, you will be informed of any errors found.

7. Make a backup of your company data files. If the Social Security Administration (or state) cannot read or process the W-2 data file you submit, it may be necessary for you to re-create the file.

8. When you are ready, follow the instructions from the Social Security Administration (or state) to submit the W-2 data file on diskettes or electronically. (If you need information regarding multiple diskettes, see the next section "Multivolume Reporting on Diskette.")

   Retain a copy of the W-2 data files you submit to federal and state tax authorities for your records.

## Multivolume Reporting on Diskette

Payroll supports multivolume reporting for the states that accept W-2s on diskette. When data in the W2REPORT file fills one diskette, the system prompts for another diskette. The file name on both (or more) diskettes is W2REPORT.

If your state requires that W2REPORT have a file name extension for multivolume reporting, use the RENAME function (on the File menu in Windows Explorer) to rename the W2REPORT file on each diskette.

If a state requires a file name extension for multivolume (multiple-diskette) reporting, rename the W2REPORT file on the diskette in drive A to:

**w2report.*d01*** (where ***d01*** is the first, ***d02*** the second, ***d03*** the third, and so on, of multiple diskettes).

The approximate number of employees* per diskette for magnetic media reporting in the federal EFW2 format (formerly MMREF-1) is as follows:

| Diskette | Number of Employees * |
|---|---|
| 720K | 470 |
| 1.44M | 940 |

* The numbers assume that each employee is configured for one state.

## Additional Instructions for Specific States (W-2s on Diskette or Electronic Filing)

This section provides additional instructions for specific states that are filing W-2s electronically or on diskette. Additional information for states may also be provided in the readme file that is included with this tax update.

### Kentucky Requirements

In Federal and State Taxes, remove the hyphen and check digit from the Kentucky Tax Reporting ID (Employer Identification Number). For example, change the ID 123456-7 to 123456.

### Maine Requirements

Support is now included to report up to 5 MEPERS (Maine Public Employee Retirement System Contributions) codes. Verify that the W2 reporting for the deduction setup is set to “Other Information Box”. Add the codes in the **Employer Info II** tab.

### Ohio Requirements

Support is now included to report up to 5 School District wages and taxes under the Supplemental Information setup under Employees. If you have at least one school district for an employee, then the first set of boxes cannot be blank.

For the particular employee, define the school district to which you want to report (4 digit school district code) in the first box. In the next box, enter the tax code you setup in Local and Customs Taxes for this school district. You can enter up to 5 school districts for a single employee.

On the **Employee** tab of the Employee Supplemental Information window, if you enter a **School District** code you must enter a **Local tax ID** code.

### Wisconsin Requirements

In Federal and State Taxes, remove the hyphen and check digit from the Wisconsin Tax Reporting ID (Employer Identification Number). For example, change the ID 123456-7 to 123456.

### Virginia

Only the Web Upload specification is supported.

### Maryland Requirements

Before you create your W-2 on diskette, you need to set up so that the local/county tax and the state tax are reported as one amount. To do this:

1. From the Payroll Setup folder, open the Local and Other Custom Taxes form, and select your local/county tax (such as M1).
2. On the **Employee** tab, in the **W-2 Reporting** field, choose **Combine With Another Tax**.

3. In the **Combine With Tax** field, choose **MDSIT**.

4. After your diskette is created, restore the original setting.

### Indiana Requirements

If you are reporting more than 2000 W2's, use the **From Employee/To Employee** range option to create the multiple W-2s on Disk(ette). The EFW2 format for Indiana will only support up to approximately 2000 W2s in a single file.

In order to have U.S. Payroll generate Indiana county tax information on the W-2 data file, read this section.

#### Check the Reporting ID

Before you create the W-2 data file, check that the reporting ID is properly configured, as follows:

1. On the Federal And State Taxes setup form, choose **INSIT**.

2. In the **Reporting ID** field, check that the first 10 digits signify the Employer TID (Taxpayer ID) number, and the next 3 digits signify the Employer TID location.

#### Enter Employee Supplemental Information

Before you use the W-2 On Disk(ette) form to create your W-2 data file, use the Employee Supplemental Information form in the Employees folder to enter the values in the **County Tax ID** and **County Code** fields on the **Defaults** tab. If you need more details, press **F1** on the W-2 On Disk(ette) form to view the online Help.

## Miscellaneous Information for W-2 Diskette and Electronic Reporting

The following miscellaneous information is of interest to you if you report W-2s on diskette or electronically.

- **Filing Deadlines.** W-2s filing deadlines vary, depending on the submission method you use, or your state. Contact your tax authorities for more information.

- **Second EIN.** For federal reporting, you can enter a second EIN for the Employer Record Data at the **Other EIN** field.

- **Employee Addresses.** When creating W-2s on disk, the Payroll program takes line 1 of the **Address** field of the Employees form as the Delivery Address, and line 2 of the **Address** field as the Location Address. Therefore, enter the street or post office in line 1 of the **Address** field, and the suite and room number in line 2 of the **Address** field if applicable.

- **State/Province field**. Enter the state abbreviation in the **State/Prov.** field if the employee's address is in the USA.

- **Foreign addresses.** The U.S. Payroll program supports foreign addresses for employees. EFW2 (formerly MMREF-1) requires the country code in a foreign address.

If an employee's **Country** field is not USA (the default), the Payroll program assumes the employee has a foreign address. Then, in the W2REPORT file, the program reports the country code entered in the **Country Code** field of the Employees form.

## Reporting W-2s for 2010 on Paper

To print W-2s on paper, use the W-2s On Paper online form, which you open from the Government Reports folder in U.S. Payroll.