

**PAYROLL MODULE**

**YEAR END PROCESSING**

Documents Included:

PAYROLL QUARTER-END PROCESSING  
PAYROLL YEAR-END PROCESSING  
BONUS CHECKS AND FRINGE BENEFITS

**PAYROLL QUARTER-END PROCESSING - 4<sup>TH</sup> QUARTER**

The quarter-end process must be done after all the paychecks for a quarter have been run or entered and before checks are printed for a new quarter. Quarter-end processing clears the quarter-to-date figures for wages and taxes; and moves all transactions from current to history.

\_\_\_\_\_ Make sure that the last payroll for the quarter has been run.

\_\_\_\_\_ Make sure that all manual payroll checks for the quarter have been entered.

\_\_\_\_\_ Make sure that all tax deposits for the quarter have been entered. Print the *Tax File Report*, *Opt Reports*, *Opt Tax File Report*. (Optional - Print the *Tax Deposit Report* for a complete list of all tax deposits made for the quarter.)

\_\_\_\_\_ Print a Preview Federal Form 941 and check the totals against a report such as the Employee Wage and Tax Report. (Only a Preview 941 may be printed before the quarter-end process is run. The purpose of this report is to allow you to check the totals and still make corrections before closing the quarter. *Opt Reports*, *Opt Print Labels/Forms*, *Opt Federal Form 941*. (Suggested grid options - **Preview** yes, verify the displayed rates, **Month and Year** enter the first month of the quarter.)

\_\_\_\_\_ (Optional - Print a check register for the quarter. Suggested grid options - **Departments** blank, **First and Last Employee** blank, **Check Date** blank, **Order By C** for check number, **Test Checks** your choice - do you want alignment checks to print on the register?, **Include** Only C for current).

\_\_\_\_\_ Print an *Employee Wage and Tax Report*. This report is an excellent audit of the total hours, wages, and all taxes for the quarter. It also totals the wages and taxes and can be used to compare with the totals on the Preview 941. *Opt Reports*, *Opt Employee Wage and Tax Report*. (Suggested grid options - **Departments** blank, **Employee Status** blank, **First and Last Employee** blank, **Period Q**, **State** blank, **Activity N**.)

\_\_\_\_\_ Print any other reports you may want. See the list of reports in section 3.10 of the Payroll Manual. See the report examples in the appendix of the manual.

\_\_\_\_\_ If you are using the **PRREPS** programs (which reside in the BASE directory - FOXPROX PRREPS) to print your State and Federal Unemployment reports, these reports must also be printed before you close the quarter. **\*\*\*Documentation for PRREPS follows the Year End checklist but you must run the reports before closing the YEAR.\*\*\***(Windows Version - Company Selection Menu, Opt U, Opt 1)

\_\_\_\_\_ Release any totals to the General Ledger which have not previously been released. This process should be done either monthly or on a payroll-by-payroll basis. At this point there should be no transactions in the file.

\_\_\_\_\_ Backup the payroll files. Your normal daily backup or month-end backup will be sufficient.

You may not want to write over this tape for a month or so, or at least until your next payroll is run.

**Continue the year end processing using the checklist for 'Payroll Year End Processing'.**

\_\_\_\_\_ Print a Federal Form 941 after closing the quarter. Use the same options as listed above except answer **N** to the grid option **Preview**.

Note: Federal Form 941 data is maintained for the entire year, so previous quarter 941's may be reprinted at any time by entering the correct quarter-end month and year.

**PAYROLL YEAR END PROCESSING**

- \_\_\_\_\_ Complete all normal quarter-end processing except do not close the quarter. If you are using the PRREPS programs which reside in the BASE directory (FOXPROX PRREPS), be sure to print all the reports you need from there (Federal and State Unemployment reports) before closing.
  
- \_\_\_\_\_ Print Employee YTD Wage Report (*Reports*). Be sure the grid option is changed from Q for QTD to Y for YTD. The YTD totals on the last page should balance to your four 941's.
  
- \_\_\_\_\_ Print any other yearly reports that you may want. (Check your Payroll manual for a list of reports.)
  
- \_\_\_\_\_ Make sure the system date is the last day of the year you are closing. (*System/Change System Date*). **Note:** If you are closing and it is still December, you do not have to change the date.
  
- \_\_\_\_\_ Close the Quarter and Year (*Transactions*).
  
- \_\_\_\_\_ Print your 4th quarter 941 (*Reports, Print Labels/Forms, Federal Form 941*).
  
- \_\_\_\_\_ Print W2's whenever you are ready. January payrolls do not affect W2 totals. This information is stored in a file called LASTYEAR, so W2's are printed after year-end closing.
  
- \_\_\_\_\_ Before running your first payroll in January, Update the Taxes and Tax Tables with the new year changes, if applicable. These changes may be found in the Circular E, Employer's Tax Guide, sent directly to you by the IRS each year. Contact Petro-Data if you need help. The withholding tables do not necessarily change every year.
  
- \_\_\_\_\_ Check the system date again to be sure it is back to the current date. If not, change it back. If the Federal Withholding Allowance changes, go to *System, Change System Setup* and edit (E) the field Federal Withholding Allowance.

**The payroll changes for each new year may be found in your Circular E which the IRS mails out to every employer sometime during December. The preliminary information may be found on the internet. Petro-Data will fax you the updated information upon request (including instructions for making the changes) and will assist you in updating your files if needed. Petro-Data reserves the right to charge a nominal fee for this assistance.**

If the TAX TABLES change, go to *Files, Taxes, FWT, Update Table*. There is a separate table page for Single (S), Married (M), and Head of Household (H). Use the page in your Circular E for Annual Payrolls. The screen in the computer looks very similar to the actual table. Edit each line and enter the correct figures.

State Tax Tables work the same way (*Files, Taxes, SWT\_\_, Update Table*.)

If the FICA maximum changes, go to *Files, Taxes, FICA* and *ERFICA*. Change the Max Taxable Gross in both records to the correct amount. If the rates change, the new rates are entered in the same record. (Note: *MEDI* and *ERMEDI* rates could also change from year to year. Check your Circular E each year for changes.)

If your State Unemployment Tax Rate changes, go to *Files, Taxes, SUTA(your state)* (Example: SUTATX for Texas). Enter the new rate in decimal form not percent form. (Example: 8.2% is entered as .082).

## BONUS CHECKS & FRINGE BENEFITS

### BONUS CHECKS

**Bonus Checks** are printed using the 'Post Payroll Individual' option in *Transactions*. The grid options are **S** for **Supplemental** and **Y** for **Bonus**. The Pay Period Beginning and Ending Dates may be the same as your last payroll (Do not use next pay period dates). **Optional Deductions** (insurance, etc.) are usually omitted, however FICA and FWT will be deducted if applicable.

The Federal and State (if applicable) withholding rates for supplemental checks are set up in *Files - Taxes*, code SWT(your state) and FWT. You may set the percent to whatever you want deducted for withholding. The IRS suggested rate is 25% (Aug 2003), or it may be left 0 for no withholding. No withholding will be calculated based on exemptions and filing status when supplemental checks are written.

If you want ***withholding calculated at the regular payroll rates***, change the 'Posting Type' to **R** for Regular. Use the same pay period beginning and ending dates as your last payroll. When the computer displays the message about the overlapping dates, Press <Yes> to continue with the payroll.

If the bonus is a specific dollar amount, change the hours or salary to zero (0) and go to the 'Other Taxable' pay type. Enter 'Bonus' or some other short description in the first field and then enter the amount of the bonus in the dollar field. A default GL account displays if you are linked to the GL. You may accept the default or change the account.

After posting each check, calculate the payroll and print the checks following your normal procedures.

### FRINGE BENEFITS

There are several options available in the Payroll system to handle fringe benefits. The way you handle them at your company will determine how they are handled in the Payroll system.

The Payroll manual has several places that explain the procedure. Look in the Index under 'Fringe benefits'. There is also a page for 'Withholding on' fringe benefits. The other applicable section of the manual is under 'Adding Employees', the section on 'Entering Employee W-2 Information', 'Fringe Benefits (FICA taxed)' and 'Fringe Benefits (FICA exempt)'.

Before your last payroll of the year, determine the amount of Fringe Benefits that are FICA Taxed and the amount that is FICA Exempt.

### FICA EXEMPT

If the amount is exempt from FICA, enter the amount only in the *Fringe Benefits (FICA exempt)* field on the W-2 page of the employee record. If you have already closed the year in payroll, enter it on Last Year's page. If you have not closed yet, enter it on the Current page as displayed in Illustration 1 below (500.00).

This amount will appear in Box 12 'Fringe Benefits', and in Box 1 'Wages, tips, and other compensation' of the W-2 form. It will not appear in boxes 3 and 5 which are the FICA wages.

Employee W2 Info			
Current Year			
HJE1	Hammond, Jean		
Retirement plan ? (Y/N)		N	
Box 13 code for 'K' deductions			
Advance Earned Income Credit		0.00	
Dependent Care Benefits		0.00	
Non-income Sick pay		0.00	
Allocated Tips		0.00	
Nonqualified Plans		0.00	
Tax on excess golden parachute		0.00	
Fringe Benefits (FICA taxed)		1000.00	
Fringe Benefits (FICA exempt)		500.00	
Cost of Insurance > \$50,000		0.00	
Total Group Term Life Insurance		0.000	
Uncollected Taxes on Group-Term Life Ins. > \$50,000			Soc Sec 0.00 Medicare 0.00
Uncollected Taxes on Tips			0.00 0.00

Select Menu Option

**Illustration 1**

**FICA TAXED**

If the amount is FICA taxed, enter the amount in the *Fringe Benefits (FICA taxed)* field on the W-2 page of the employee record. If you have already closed the year in payroll, enter it on Last Year's page. If you have not closed yet, enter it on the Current page as displayed in Illustration 1 above (1000.00).

This amount **will** appear in Box 14 'Fringe Benefits', and in Box 1 'Wages, tips, and other compensation' of the W-2 form.

This amount **will not** appear in boxes 3 and 5 which are the FICA wages **unless you also enter it on the withholdings part of the history page of the employee's record.** See Illustration 2 below. This must be done before you run your last payroll for the year or on a special payroll run before you begin the end of quarter and year processing.

Employee History										
HJE1	Hammond, Jean						Exempt (Y/N)		Exempt (Y/N)	
Hours	QTD Wages	YTD Wages			Sick SSEC	N	Sick SOI	N		
	120.00	312.00			Sick MEDI	N	Sick SUTA	N		
Gross	780.00	2080.00			Sick FUTA	N				
Tips	0.00	0.00								
Net	525.67	1479.47								
-----Employee Withholdings-----										
	QTD Wages	YTD Wages	QTD Taxes	YTD Taxes	Exempt (Y/N)		Supplemental Wages		Taxes	
FWT	780.00	1985.10	98.59	197.14	N	N			0	
SSEC	1780.00	3080.00	110.36	190.96	N	N	1000.00			
MEDI	1780.00	3080.00	25.81	44.66	N	N	1000.00			
SWT	780.00	1985.10	9.82	16.07	N	N			0	
EESDI	780.00	1985.10	9.75	21.80	N	N		0.00		
EESUTA	0.00	0.00	0.00	0.00	Y	Y	0.00			
EELOC1	0.00	0.00	0.00	0.00	Y	Y			0.00	
EELOC2	0.00	0.00	0.00	0.00	Y	Y			0.00	
Select Menu Option										
[ 6 ] [ 6 ] [ 6 ]										

Illustration 2

Enter the amount of Fica Taxable fringe benefits in the employee file as supplemental wages as shown in Illustration 2. It needs to be in both fields for SSEC and MEDI to be calculated. When you run your payroll, the social security and medicare on the fringe benefits will be deducted from the employee's check.

This calculation and deduction will cause the fringe benefit amount to be included in Box 3 (Social Security Wages) and box 5 (Medicare Wages) of the W-2.

***EXTREMELY IMPORTANT - Before running your first Payroll in January, REMOVE the supplemental wages amount from the Employee History page of the Employee record. If you don't, additional SSEC and MEDI will continue to be deducted from the employee's check.***