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In observance of Labor Day, PenSoft will be closed Monday, September 3rd.

In observance of Thanksgiving Day, PenSoft will be closed Thursday & Friday, November 22nd & 23rd.



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## FUTA Fourth Quarter Update

PenSoft Payroll customers can expect a 4th quarter update to address the pending changes to the Employer's Annual Federal Unemployment Tax Return (Form 940).

Federal Unemployment Tax Act (FUTA) was enacted to help the various states fund their federally mandated unemployment compensation programs.

The FUTA tax rate changed on July 1, 2011 to 6% of the first 7,000 dollars of taxable wage per employee annually. Employers who qualify to apply the full credit (up to 5.4%) can bring the tax rate to the .6% shown on the Form 940 line 7d.

### Problem

Recent unemployment levels have resulted in many states needing to borrow from the federal fund account. Due to the states being unable to meet the repayment deadline they will not be entitled to the full credit of 5.4%. As a result, a reduction of the FUTA credit is levied on every employer in the state for each year

the loan remains outstanding, with the value of the loss of credit increasing for multiple years. In 2012, a number of states will be included in the reduction. The length of time the loan has

remained outstanding will determine the additional tax rate levied on the companies in the state. Michigan will be required to pay the usual .6% plus an additional 1.2% more

in the fourth quarter, while Pennsylvania must pay the usual .6% plus .6% more. New states unable to meet the repayment deadline will have a reduction rate of .3% additional tax.

### Individual State Actions

As a pro-active statement, some states have sent out letters to inform companies of the impending increase in liability and even projecting the proposed rate increase for the 4th quarter. While the recommendation to prepare now and begin calculating the liability based on the higher rate

See **FUTA**, page 2

**Unemployment Programs**  
States can request a loan from the Secretary of Labor if they have insufficient funds.

## Affordable Care Act

The Internal Revenue Service's (IRS) Affordable Care Act requires employers (if certain criteria are met) to report the cost of coverage under an employer-sponsored

group health plan on each qualified employee's annual Form W-2. This includes the amount of premium paid by the company as well as any contributions made by the employee for spousal and/or family premiums. A guidance chart designed to provide companies with examples of qualified coverage can be found on the IRS website at [www.irs.gov/newsroom/article/0,,id=257101,00.html](http://www.irs.gov/newsroom/article/0,,id=257101,00.html)

Employers with fewer than 250 reported W-2 forms for the preceding tax year will have the option to forgo including the health insurance information.

**Year-End Webinars**  
Be prepared for year-end AND earn two CPE credits.

### Company Paid

PenSoft has implemented a deduction for reporting the company paid health care premiums on Form W-2 for tax year 2012. The deduction, Health Care – Company, is predefined to include the appropriate Box 12 code “DD” for accurate reporting. Premium amounts can be entered on a payroll by payroll basis in the employee setup or on the last payroll of the year in a lump sum.

See **Affordable Care**, page 4



Leroy Newman  
President & CEO

## President's Corner

As another summer draws to a close we hope your summer season has been a pleasant one with family, friends, vacations and business successes.

By traditional business measures PenSoft is having a very successful year. Ultimately, though, PenSoft defines success by the value of its payroll software and how well PenSoft supports its customers. One measure of this success is the 91.5% software renewal rate for 2012. We continue to offer innovative and competitive products and services and constantly work to improve PenSoft® Payroll to meet the needs of our customers. Our responsiveness distinguishes us from our competition.

### Renew for 2013

Renew your PenSoft Payroll subscription for 2013 early to ensure you have it in time to prepare your first payroll for the new year. When you renew consider upgrading your edition to add direct deposit, electronic pay stubs, remote client, 1099 capabilities, etc. See [www.pensoft.com](http://www.pensoft.com) for a complete listing of features and additional services available for the six editions. This is also a good time to order your 2012 W-2s and a fresh stock of business checks.

### Don't Forget to Renew For 2013!

Prepaid 2013 orders ship December 17th via UPS Next Day Air Saver. Customers who select \$0 shipping option will be able to download on or before December 14th.

### FUTA, continued from page 1

is valid, PenSoft must wait until the Internal Revenue Service (IRS) releases the updated Form 940 and Schedule A before any changes can be made to PenSoft Payroll. Since the list of states with remaining loan balances will not be provided until November, the additional liability should not be paid until 4th quarter taxes are due. Once this list has been officially published, PenSoft will program the additional tax rates into the software.

### PenSoft Payroll Procedure

The calculation for the additional FUTA tax will generate automatically for any participating state on Line 10 of Form 940 in the 4th quarter and will appear as a balance due in Box 12, along with any other unpaid FUTA tax. Tax Reports and General Ledger reports will NOT include it as a quarterly liability so it must be added manually to the FUTA Tax Deposit to show as paid and reduce Box 14.

### Webinars/Demonstrations

We offer a number of webinars and product/services demonstrations throughout the year. If you would like a refresher or if you have a new person processing your payroll these events are an opportunity to learn how to better use all the capabilities of PenSoft Payroll and to improve your payroll efficiency. Check our website for dates and times.

### 2013 PenSoft Payroll

As we complete 23 years developing and supporting payroll software and services we are mindful of our customers' payroll needs and our responsibility to deliver the best value in payroll software for 2013.

### Employees

In July we celebrated Paul MacDonald's 10th anniversary as PenSoft's Director of the Information Systems Department and presented him with the 10-year wooden wall clock. During his tenure, in addition to supervising the programmers, network administrator and tax librarian, Paul has been instrumental in bringing our servers and computers into the 21st century. He has introduced many new technologies to increase efficiency, to ensure reliability, and to backup critical data offsite. Thanks for the great work Paul.

To determine the liability amount:

- Display Form 940, scroll to Schedule A; record the amount of the total credit reduction
- Click Deposits on the toolbar
- Click Add
- Highlight FUTA Tax & click OK
- Click Check Liability
- Select period dates
- Click Refresh
- Click Apply
- Add the amount of the current liability and the total credit reduction amount and manually override the total
- Click OK

If the deposit has already been made for the 4th quarter liability, add a separate FUTA deposit and simply enter the amount of Schedule A in the FUTA deposits line item. Click OK.

Thank you for your continued support of PenSoft! If you should have any questions, please contact Program Support at 757-873-1199 or e-mail [support@pensoft.com](mailto:support@pensoft.com)

### Contact Information

Verify we have your correct contact information. Included with your newsletter is a mailing sheet with all your contact information. Please take a moment to verify this information is correct prior to December! If it is not, make the changes directly on the sheet, sign next to "Authorized Signature", and fax to 757-873-1733.

**Q.** Can I use the Reconcile a Checking Account feature to reconcile my business expenses as well as payroll?

**A.** No. PenSoft created the Reconcile Checking Account feature to allow users to reconcile a dedicated payroll checking account easily and accurately. If the account is used for general business purposes as well, the user will need to take this into consideration when viewing the difference.

**Q.** My company policy only allows the last four digits of an employee social security number to appear on checks. Is this possible in PenSoft Payroll?

**A.** Yes. To show only the last four digits or to exclude the social security number completely, click Checks on the toolbar. Select the Options button under Checks to select the desired setting for social security numbers.

**Q.** Printing reports and checks has begun to take longer than usual toward the end of the year. I understand there is a lot of data to generate each time, so is there anything I can do to help speed up the process?

**A.** PenSoft Payroll data files will grow in size as the amount of information continues to increase throughout the year. This can cause unavoidable delays when compiling data for reports or checks. To speed up printing, try ensuring all unnecessary applications are closed, and the operating system is up to date with all suggested Windows updates.

**Q.** I will be providing bonus checks this year based on a net pay amount. Is there a gross up function in PenSoft Payroll?

**A.** Yes. Click Payroll on the toolbar, select an employee, and click Enter Payroll Data. The bottom left corner of the Summary field contains a link for Net Pay in blue. Click the link, enter the net pay amount and select the income to adjust. PenSoft Payroll will calculate the amount of gross wages needed to achieve the desired net amount.

### Affordable Care, continued from page 1

To enter the Health Care–Company deduction in the employee setup on a recurring basis:

- Click Employees on the toolbar
- Highlight the desired employee & click Modify
- Select the Deductions tab
- Click Add
- Highlight "Health Care-Company" & click OK
- Enter the appropriate premium amount & click OK
- Click OK to save the employee setup

To add the deduction on the last payroll record of the year:

- Click Setup on the menu
- Select Company
- Click Company Setup
- Click the Options tab
- Check "Allow adding deductions when entering payroll data"
- Click OK

While on the payroll data screen, there will be a small Add button beneath the last displayed tax or deduction on the right of the pay record:

- Click Add to display the list of deductions found in the Company Setup
- Highlight "Health Care-Company" & click OK
- Enter the year to date amount; click OK

### Employee Paid

Including employee paid insurance premiums for spouse and family coverage on the W-2 is done by adding W-2 code "DD" to the setup of the deduction. User defined deductions for health coverage can be modified on the company deduction list and code "DD" added to Form W-2 Code field. In version 3.12.3.06, a change was made to allow the same modification to be made to predefined Cafeteria Plan or Cafeteria Plan Alt deductions.

Thank you for your continued support of PenSoft! If you should have any questions, please feel free to contact a member of Program Support for additional information or assistance. Call 757-873-1199 or e-mail [support@pensoft.com](mailto:support@pensoft.com)

## Year-End Webinars Available

Year-end is fast approaching. All too soon, it will be out with the old and in with the new year! PenSoft will be sponsoring live 60 minute webinars in November to prepare our users for a smooth, stress free year-end. Learn how to avoid common year end mistakes, reconcile forms, and transition seamlessly from 2012 PenSoft Payroll to 2013 PenSoft Payroll. Listen to our Program Support training experts discuss year-end payroll planning, processing, and compliance information, all from the convenience of your desk using our webinar technology. We strongly recommend this webinar to every PenSoft Payroll customer to better understand the new regulations for year-end reporting and 2013 requirements.

Please note the live Year-End webinars begin at 2:00 pm eastern and are 60 minutes long.

- November 1st
- November 6th
- November 8th
- November 13th
- November 15th
- November 20th
- November 27th
- December 29th

There is a lot to do in the next few months. Get a jump start now to exceed last year's success!

### SIGN UP TODAY!

Interested in attending our most popular yearly webinar? Call 888-PENSOFT (888-736-7638) to reserve your space. Training is \$99 per phone connection.

***Sorry, no refunds are available for the year-end webinars. We require a 72-hour advance notice to reschedule webinar dates for participants.***

## Tips

### Test W-2s

Generate a trial run of Forms W-2 early to ensure the employee and wage data is correct before year-end begins. PenSoft Payroll allows users to display and print Forms W-2 at any time during the year. Professional Edition and higher allow users to generate and print directly from the software without the need for pre-printed forms.

### Auxiliary Reports

Auxiliary Reports located in the Tax Reports tab provides users with a specialized set of reports for reconciliation purposes. Wages subject to specific taxes for the report period can be selected. The Subject Wages Summary and Subject Wages Summary by Employee can be customized to add or remove information as needed for a company specific reconciliation process.

### Weeks Worked

Weeks worked information is required in some instances for reporting purposes to state agencies. The number of weeks recorded is usually found in the individual payroll records and can be modified for employees who work part time or for shorter payroll periods. The calculation is based on the pay frequency of each employee.

### Back Up Files

PenSoft researches and maintains the state unemployment wagebase located in the company setup each year to ensure accuracy. Unemployment tax rate fields are also available for users to enter the assigned experience rates provided by the state each year as well as any additional surcharge rates.

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