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In observance of  
Christmas, PenSoft  
will be closed  
December 24 -25.  
In observance of the  
New Year, PenSoft will  
be closed January 1,  
2013.



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## Form 940

Form 940 has been updated for 2012 and many states are subject to the FUTA Credit Reduction. The calculation for the additional FUTA tax on Form 940 Schedule A will generate automatically for any affected state on Line 11 of Form 940 in the 4th quarter. The amount will appear as a balance due in Box 14 along with any other FUTA tax not yet paid for the year. Other Tax and General Ledger reports do not include the additional amount as a quarterly liability so it will need to be added manually to the Deposit window to reduce Box 14. To include the amount in the 4th quarter deposit:

- Click Deposits on the toolbar
- Click Add
- Select FUTA Tax
- Click OK
- Enter the current liability amount *OR*

- Click Check Liability
- In the Set Initial Period drop down menu select "The Most Recent Quarter"
- Click Refresh
- Click Apply
- Add the amount shown as Total Credit Reduction from Form 940 Schedule A, together with the current liability.
- Manually override the total deposit amount.
- Click OK to save

### Form 940 FUTA Credit Reduction

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

If you should have any questions, please do not hesitate to contact Program Support at 757-873-1199 or e-mail to [support@pensoft.com](mailto:support@pensoft.com).

Support hours are 9:00 am to 6:00 pm, Monday through Thursday, and 9:00 am to 5:00 pm Friday (Eastern Time).

## Additional Medicare Tax for 2013

In keeping with the new legislative changes rolling out from the IRS, PenSoft has added the additional 0.9% Medicare tax rate for wages in excess of \$200,000 into the 2013 payroll program, regardless of the employee's federal tax status. Even though an employee may not be liable for the additional tax, the employer has the obligation to withhold at the higher rate when the threshold is met. Excess Medicare withheld will be applied against any outstanding liability on the employee's income tax return.

Workers who choose to withhold additional Medicare tax based on projected earnings can do so by submitting an updated Form W-4 and requesting additional federal tax to be withheld from their paycheck. In

PenSoft Payroll, users can set up additional federal withholding by adding the Federal Income Tax Additional tax to the employee setup:

- Click Employees on the toolbar.
  - Highlight the desired employee.
  - Click Modify.
  - Click Taxes.
  - Click Add.
  - Highlight Federal Income Tax Additional.
  - Click OK.
- Highlight the Federal Income Tax Additional.
- Click Modify.
- Enter the desired amount of additional withholding.
- Click OK to save.

### 2013 PenSoft Payroll The 0.9% additional Medicare tax rate has been programmed into 2013 PenSoft Payroll.



Leroy Newman  
President & CEO

## President's Corner

We are busy preparing and testing 2013 PenSoft® Payroll for the scheduled distribution on December 17, 2012. Because I am writing this article one week prior to the National elections, we don't know how the outcome will affect the 2013 payroll tax code. Two articles elsewhere in this newsletter further address expected tax issues. These articles as well as the following information are as we know them today.

### FUTA Credit Reduction

Due to a high level of unemployment several states have had to borrow from the FUTA fund to continue to pay benefits to their unemployed. When these borrowed funds are not repaid in the allotted time, the FUTA credit is reduced causing companies in the affected states to see an increased FUTA liability in the 4th quarter of 2012. We are still waiting for the final list of affected states. When it is received we will include the calculation for those states in our 4th quarter update. Be sure to install this update when we send it in December before completing your 4th quarter tax deposits and tax returns.

**2013 Software  
Preordered 2013 software ships  
December 17, 2013!**

## 2013 Training Dates

The payroll training dates for 2013 have just been announced!

The Day 1 payroll training and optional Day 2 workshops at PenSoft will provide in-depth knowledge of the payroll program. The content covers setup, processing payroll and reconciliation functions within the payroll program. This course relates to real-life payroll situations and professionals attending the courses will qualify for RCH (recertification credit hour) credits\*. Sign up early for any of the available dates below:

- March 11-12
- June 10-11
- September 9-10
- December 9-10

Visit [www.pensoft.com/training/payrolltraining\\_registration.aspx](http://www.pensoft.com/training/payrolltraining_registration.aspx) or call our sales department at 888-PENSOFT (888-736-7638) to register.

*\*Attendees must attend the entire training session to qualify for RCH credit.*

### Additional Medicare Tax

Current federal legislation requires all subject individual income over \$200,000 to have an additional 0.9% Medicare tax applied, regardless of marital status. Employers are required to withhold this additional tax but are not required to match it. 2013 PenSoft Payroll will apply this additional tax to taxable income over \$200,000. If the individual is not required to pay it due to marital status the excess paid will be credited on the individual income tax form at the end of the year.

### Other 2013 Tax Changes

The Bush era tax reductions are currently at the center of political party discussions. We will have to wait for the outcome of the elections to know the political party affiliations of Congress and the Presidency. It is expected any changes to the payroll tax code will be decided after the new Congress is convened in January 2013 with the potential of late decisions retroactive to January 1, 2013. We will update and distribute PenSoft Payroll for any payroll tax changes as soon as they are decided.

### PenSoft Employee

Pamela Hart recently joined our Program Support Department. She comes to us with a vast amount of payroll experience. Rapidly getting up to speed on PenSoft Payroll she is a valued addition to the Support team. Welcome Pamela.

### Reconciliation Webinar

PenSoft Quarterly Reconciliation webinar is being offered for the first quarter of 2013. The webinar covers the steps and procedures required to reconcile tax liability, payroll expense and payroll liability accounts. Each 60 minute live webinar is streamed to the registered user using GoToWebinar technology. The webinar consists of the speaker presentation, Microsoft PowerPoint, PDF, and other materials from the speaker's computer. During the live webinar the user can ask questions by typing into the GoToWebinar screen on their computer.

This is a great opportunity to earn one RCH\*. The webinar is \$99 per computer connection. The one hour webinar will be held at 2:00 pm Eastern time on the following dates:

- March 21
- March 26
- March 28
- April 2
- April 4
- April 9
- April 11

Don't delay! Seats fill up quickly so call our sales department at 888-PENSOFT (888-736-7638) to register.



Program Support Quick Contact Information

Call: 757-873-1199

E-mail: [support@pensoft.com](mailto:support@pensoft.com)

Fax: 757-873-1733

Online: [www.pensoft.com/support/support.aspx](http://www.pensoft.com/support/support.aspx)

Please include your customer number and a detailed explanation regarding your Support question when communicating via e-mail and fax. Please note: Program Support cannot make return phone calls.

**2012 Tax Forms**  
Preordered 2012 forms have shipped! There is still time to order. Call 888-PENSOFT (888-736-7638)

## Tips

### Tax Deposits

Recording tax deposits for all taxing agencies in PenSoft is vital to ensure the forms generated at year-end are accurate. To record tax deposits as they are made:

- Click Deposits on the toolbar.
- Click Add to create a new deposit.
- Highlight the desired tax and click OK.

Users can also check the tax liability for a specific period and apply the amounts calculated by the system.

### Electronic Forms

PenSoft provides users the ability to create electronic Forms W-2 with the Professional Edition and higher, and 1099 files with the Enterprise Edition and higher. These files can then be uploaded to the Social Security Administration and the IRS for paperless reporting, eliminating the need to purchase official forms for the employer's copies.

### Company Legal Name

Checking the option for Legal Name in the Company Setup allows users to report both the Legal Name of the company as well as the "Doing Business As" (DBA) name. These names will appear properly on both state and federal forms produced in PenSoft Payroll.

### Small Business Jobs Act of 2010

Specialized incomes and deductions were created within PenSoft to assist users with benefits circumstances normally seen only at year-end.

To setup or modify items such as company provided health care premium, Third Party Sick Pay, and Group Term Life Insurance:

- Click Setup on the menu.
- Select Company.
- Select Income List, Tax List, or Deduction List.

## Employee Self-Service Forms W-2s

PenSoft customers can cut costs and improve the efficiency of year-end Form W-2 processing while improving employee customer service within their organization with Doculivery Online services. Easily accommodate employees' requests for W-2 copies simply by directing employees to a website.

PenSoft customers already registered for Doculivery have been automatically setup to have the ability to upload their employees' Form W-2s to the secure online site. The cost of providing this service is \$0.95 per Form W-2.

Implementing this service will save paper, printing, and distribution costs while providing employees with enhanced availability to their W-2 information. We think that you will find this service to be convenient and easy to use.

The benefits of this service include:

- Increased security and confidentiality.
- Immediate receipt of W-2s. No delay in waiting for them to be delivered or arrive in the mail!

- Access from anywhere employees have Internet access.
- Employees may opt in to only receiving their W-2s electronically.
- W-2s uploaded to this site are available to employees for seven (7) years; eliminating the employer's requirement to reprint old W-2s.

Protecting against identity theft is of utmost importance. Doculivery offers SSL (secure socket layer) encryption, and advanced password management to ensure the protection and integrity of all W-2 data. Online W-2s actually offer increased confidentiality over a paper W-2 since paper copies pass through multiple people before being delivered to the employee.

To learn more about how Doculivery can improve efficiencies for both the company and your employees visit [www.pensoft.com/services/onlinedocuments.aspx](http://www.pensoft.com/services/onlinedocuments.aspx). To sign up for a webinar visit [www.pensoft.com/training/webinar\\_dates.aspx](http://www.pensoft.com/training/webinar_dates.aspx)

Medicare, continued from page 1

Employers will be responsible for withholding the Additional Medicare Tax and there is no employer match as of the date of this publication. Visit [www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax](http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax) for a list of frequently asked questions.

PenSoft has also programmed a new specialized Medicare Summary Report in the 2013 software to view and track the Additional Medicare tax and wages in excess of the threshold. It can be found in the Auxiliary Tax Reports option in the Tax Reports tab and will aid in the reconciliation process at the end of each quarter.

## Q&A

**Q.** I have paid my FUTA and state unemployment taxes correctly and on time. Why do I suddenly have a large balance due on my Form 940 applied only to the fourth quarter?

**A.** The most common cause for a fourth quarter increase is the state you reside in may be subject to a FUTA tax credit reduction. This is a loss in the credit applied towards the FUTA tax rate for states unable to complete loan commitments due to unemployment solvency issues. If this is the case, a Form 940 Schedule A will accompany the Form 940 showing the additional amount due.

**Q.** Upon reconciling my W-3, I have discovered a discrepancy in the Federal taxable and Medicare taxable wages not explained by a retirement plan. What report can I generate to show more details?

**A.** The Subject Wages Summary Report can be generated to discover the employee(s) involved in the discrepancy. From the Reports button, choose the Tax Reports tab. Click the Auxiliary button and select the Subject Wages Summary report. If the difference is only one employee it may be simple to determine the problem and correct it. If not, additional assistance may be required and users can contact PenSoft Program Support for further assistance at 757-873-1199.

**Q.** My employee wants to claim exempt from Federal Tax withholding on the last payroll of the year because we distribute bonus checks. Is there an easier way to accomplish this than changing the employee setup?

**A.** Yes. While entering payroll data, the federal income tax withholding amount can be overridden in the pay record. Use this ability with caution, and always consult a tax advisor or accountant before making tax changes in PenSoft Payroll.

**Q.** I am going to install my 2013 PenSoft Payroll on a new machine. Can I just copy the data file and the common data for 2012 so I can do the transfer on the new machine?

**A.** No. Both software years must be installed on the computer to be used to transfer data from 2012 to 2013. Install the previous year software on the new machine and use a PenSoft Backup file from the old computer to restore the 2012 data onto the new computer. Then transfer to 2013. To view complete instructions on how to backup and restore the files can be found by visiting [www.pensoft.com/support](http://www.pensoft.com/support) and searching for Doc ID 847.

*May peace and joy be yours during this wonderful season  
and the coming New Year.*

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