

YEAR-END PROCEDURES

FOR PAYX CLIENT/SERVER



WARNING!!! CAREFULLY READ THESE INSTRUCTIONS IN THEIR ENTIRETY BEFORE BEGINNING PROCEDURES!!!

Year-end procedures should be completed **after the last payroll** of the calendar year has been balanced and processed and **before** the first payroll processing of the new calendar year.

Closing the year in Payroll involves printing reports to retain hard copies of employee data for the present year, an archive-save, the preparation and printing of W2 forms, and end-of-year reset. Suggested procedures are outlined below. More detailed instructions for each menu selection are included in the PayX Client/Server reference manual.



NOTE: *If you have CMI's Finance application (LOGON = FINX) and need to update a new year payroll **before** you complete the Finance end of year, use Voucher Interface with a January batch date and with an <01> fiscal month if you are on a calendar year for financial reporting. If you are not on a calendar year, the January date should reflect the appropriate fiscal month.*

PRELIMINARY PROCEDURES

RUN EXCEPTION REPORTS: Run the W2 EXCEPTION REPORT to check for W2 errors. These errors will also show up on the W2 BACKUP REPORT that you will run in STEP 3. If the report shows no exceptions, continue through the rest of these instructions. If there are exceptions, run W2 EXCEPTION BY EMP BY PAY. This will show the pay(s) that caused the error(s) indicated on the W2 EXCEPTION

REPORT. Use this report as a guide to what needs to be corrected in any employee record. If necessary, call **CMI** for assistance.



NOTE: *This report can be printed at any time throughout the year to help you find potential problems.*



NOTE: *If an employee had a partial-year deduction for FICA or Medicare, you will get an error message on this report. In general, you can ignore the exception if you verify that the YTD withholdings for that employee are correct. Examples include a part-time employee who had FICA withheld who went to fulltime and was then covered under PERS or other pension plan, or an employee who was exempt from Medicare who is rehired and now has Medicare withheld.*

REVIEW EMPLOYEE RECORDS: Verify that each employee's master file is set up correctly. Make sure the name, address and social security numbers are correct. Names should be entered in the format **<LAST SUFFIX, FIRST MI>**, i.e. John Q. Smith, Jr. should be entered as **<SMITH JR, JOHN Q>**. Also ensure that the city, state and zip code is entered in the format **<CITY, OH 99999>**; this is especially important if you are printing laser W2s using **MAG-FILER®**.



QUICK TIP: *Create a USER DEFINED REPORT from the Employee file that prints all pertinent data such as the SSAN and mailing address for all employees rather than reviewing the employee maintenance file for each individual.*

RETAINING RECORDS: To *RETAIN* a terminated employee's records on the system after the YEAR END OVERLAP RESET, enter **<Y>** for yes in the **Retain** field in EMPLOYEE MAINTENANCE. Otherwise, terminated employee records will be deleted for the new year with YEAR END OVERLAP RESET, after the data has been archived in the history file and the W2 data preserved for one year. It is not necessary to retain a terminated employee's record unless you anticipate he or she being rehired in the coming year. **DO NOT DELETE EMPLOYEE FILES!!**



NOTE: Be sure to remove the “Y” from the **Retain** field if you entered it in previous years and now only want the employee’s record available in the history file. Remember, an inactive employee can be reinstated if necessary.

REVIEW DEDUCTION CODES: Verify the accuracy of deduction code setup.

FICA: Check the setup of your FICA code in DEDUCTION MAINTENANCE to ensure that **Maximum Amount** and **Maximum Gross** are correct. The program will test against these fields before printing W2s for employees who must report FICA withholdings.

DEFERRED COMPENSATION: If you have employees with deferred compensation that qualifies as a 401(k) or 403(b) plan, verify that the deduction code(s) for deferred compensation (as established in DEDUCTION MAINTENANCE) contain a ‘D’ in the **W2** field and contain the appropriate IRS letter code in the **Plan** field for the correct processing of W2s. If you do not know the plan code, contact your plan administrator.

PENSION PLANS: If you have employees with eligible pension plans (i.e., PERS, Police Pension, etc.), verify that the deduction code(s) (as established in DEDUCTION MAINTENANCE) contain either a ‘P’ or ‘PD’ in the **W2** field and contain the appropriate IRS letter code in the **Plan** field, if applicable. If you do not know the plan code, contact your plan administrator.

SCHOOL TAX: Review the setup of any school tax deductions in DEDUCTION MAINTENANCE and TAX TABLE MAINTENANCE. (You should have two deduction codes, one with an asterisk (*) and one without an asterisk (*)). Enter the school district number in the format <SD1111> in the **Description** field of DEDUCTION MAINTENANCE and TAX TABLE MAINTENANCE. For instance, ‘SD1111’ would represent school district 1111.

125 PLANS: Review the setup of any flexible spending plans in DEDUCTION MAINTENANCE. Be sure the codes ‘M’ for Medical or ‘C’ for Child care are displayed in the **Plan** field.

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HSA PLANS: Review the setup of any Health Savings Accounts in DEDUCTION MAINTENANCE. Be sure that the appropriate IRS letter code is entered in the **Plan** field.

NON-MONETARY COMPENSATION

If your W2s must report non-monetary compensation (automobile allowance, meals, uniform allowance, cell phones, life insurance in excess of \$50,000, etc.) that should be subject to taxes **and** Medicare or FICA, use procedures “Entering and Withholding for Non-Monetary Compensation” that are attached as a final page to this document.

STEP 1 – RUN REPORTS

Please refer to the PayX Client/Server reference documentation for descriptions and instructions for each report listed below. These reports should be run with no date restrictions so that all year-to-date information is included.

MANDATORY REPORTS

DEDUCTION CARRYOVER REPORT

MULTI-CITY TAX REPORT *(if applicable)*

QUARTERLY PAYROLL RETURN

Print the 4th quarter and any other quarter you want for the current year.

PAYROLL ACCRUE REPORT

OPTIONAL REPORTS

COMPLETE CHECK REPORT *(restricted to current year)*

SUMMARY FUND REPORT BY DATE *(and/or by account)*

YTD MISCELLANEOUS DEDUCTION REPORT

YTD WITHHOLDING REPORT

PAY CATEGORY REPORTS *(if applicable)*

QUARTERLY PENSION ACCRUE REPORT

FRINGE BENEFITS REPORT

USER DEFINED REPORTS *(if applicable)*

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STEP 2 – ARCHIVE

Perform a FILE-SAVE on a tape that will not be reused. This tape should be archived as a **permanent record** for this year and labeled accordingly.



NOTE: *Clients using third-party backup software should consult the documentation for that application for questions pertaining to any functions not related to **CMI** applications.*

STEP 3 – W2s

Do not proceed unless you have installed the current version update (*if applicable*).

Go to **CMI's** Web site to download the most current software update or enter a software request if you have any questions. Use ANNUAL/W2 PROCESSING to produce your W2s; each menu selection is explained below in the order in which it should be completed. Please note that some menu items may not be applicable to your installation.



NOTE: *If you choose to print W2s in the new year, proceed to Step 4, Annual File Reset. **You must close your year before processing the first payroll of the new year.** We also suggest that you print the W2 Exception Report described below **before** closing the year to ensure that your W2 data is correct.*

W2 EXCEPTION REPORT

You may want to print the W2 Exception Report again before continuing. Please refer to the PRELIMINARY PROCEDURES section previously covered in this document for details.

W2 ADD-ON MAINTENANCE (*if applicable*)

Certain non-cash fringe benefits and other items must now be added to the federal and state taxable wages on the W2. Please refer to the “**Instructions for Form W2**” from the IRS for specific information. This menu selection allows you to add the necessary amounts to the W2 of any employee affected by these requirements.



NOTE: *If your fringe benefits should affect an employee's Medicare gross, contact **CMI** for special instructions.*



NOTE: *If your fringe benefits should affect an employee's Medicare gross, use the procedures that are attached as a final page not attached to this document. This should be done **before** your last payroll of the year.*

W2 ADD-ON REPORT (if applicable)

This report is a proof listing of entries made in W2 ADD-ON MAINTENANCE and can be used to provide documentation of changes made to employee data.

The report may be restricted by department and/or employee. There is an option to print one employee's data per page to allow you to distribute reports of fringe benefits added to affected employees.

W2 BACKUP REPORT (All Users)

This report is a backup listing of the W2 information as entered through regular payroll processing and through any add-on maintenance you entered in W2 ADD-ON MAINTENANCE.

All deferred compensation is listed for each employee who is properly set up for this type of deduction; verify the total at the end of the report. Also listed are Earned Income Credits, city taxes, school taxes and add-on amounts. Use this report for State and City total tax amounts and gross wages.



NOTE: *W2 errors indicated on the W2 BACKUP REPORT are also on the W2 EXCEPTION REPORT. See PRELIMINARY PROCEDURES near the beginning of this document for information pertaining to the W2 EXCEPTION REPORT.*

W2 FORM PRINT (All Users)



NOTE: *If you purchased the **MAG-FILER**[®] software, please refer to the documentation for that application. **MAG-FILER**[®] allows you to print your W2s on a laser printer.*

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Use this menu selection to print W2 forms. Refer to the PayX Client/Server reference manual for a step-by-step description of menu prompts and screens. You can restrict the form print by employee, department, and whether to include or exclude Medicare eligible employees' W2s. A sort order selection is also available.

Before printing the actual W2 forms, it is recommended that you print your W2s on paper as a trial run and as an additional proofing step before printing the actual forms.

Another suggestion is that you always start your W2 print at the top of a page; in other words, if your first alignment on W2s is correct, continue running alignments until you are again at the top of a page before you print your actual W2s.

Upon entry into this menu, the application will display the following **W2 Form Print** screen:

Select options

Selected Record Use Previous List

Report sort order

Print alignment

Use Prior Year Files

Alphabetic by Name

By Department, Alphabetic by Name

Department, Numeric by Employee Number

Alphabetic by Name, Separated by Medicare

Numeric, Separated by Medicare

By Department, By Name, Separated by Medicare

By Department, By Employee Number, Separated by Medicare

W-2 Form: [Dropdown]

Tax year: [Text]

Last emp: [Text]

City to print: [Text]

Restart

Tax option

Restriction

Label	Starting	Ending
Employee		
Department		
Medicare		

Local: Printer:

Initializing - Please wait to load forms

OK

The Print Alignment check box is automatically selected by default. Remove the checkmark from this check box when the W2 forms are properly aligned.

Before you click on the OK button, the following fields need to be completed:

Use Prior Year Files: Leave this check box unchecked to run the current year W2s. If you have closed the year with STEP 4 - ANNUAL FILE RESET and still need to print W2s for that year, you will need to select this check box before continuing.

W2 Form - Select the correct format to print from the drop-down help field list.

The choices are:

1. Regular W2 (Red on Right)
2. 1099-R Print

Tax Year - Enter the tax year you are reporting; i.e., <2009>.

Medicare Restriction: Procedurally, you may want to divide your employees for W2 printing: one set for those employees who are Medicare-eligible only and one set for all other employees. By printing two sets of W2s, you can obtain data to use in reporting employees on separate W3s depending on whether or not they are Medicare-eligible.



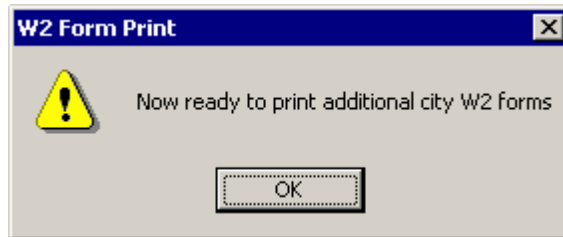
NOTE: *If you file W2 data to the IRS using magnetic media, you can combine all employees into one W2 print run.*

To obtain W2s for those who are *Medicare-eligible only*, enter W2 FORM PRINT and enter <Y> for “yes” in both the **Starting** and **Ending** fields of the **Medicare** restriction. To comply with IRS requirements, print your W2s alphabetically by employee name.

To obtain W2s *for all other employees*, enter W2 FORM PRINT again and enter <N> for “no” in both the **Starting** and **Ending** fields of the **Medicare** restriction. To comply with IRS requirements, print your W2s alphabetically by employee name.

Additional W2 Forms

If necessary, a second W2 will print after the first set of W2s when there are more than two local taxes to report or when entries in Boxes 12 and/or 14 exceed the number of spaces available on the W2. The following prompt will display:



Select the OK button and the second W2s will print.

TO RESTART YOUR W2s

If you need to restart your W2s, enter W2 FORM PRINT again. After printing another alignment (if necessary), select the Restart check box. (The Use Previous List radio button will automatically be selected.) Next, enter the four-digit employee number of the last employee whose W2 printed correctly in the **Last emp** field. Click on the OK button and the W2s will begin printing.



NOTE: Don't forget to select the Use Prior Year files check box if it was set previously.



NOTE: Extra W2s (for local taxes) should not be mailed to the SSA if you are not submitting your W2 data electronically.

PRINTING ADDITIONAL W2s (Optional)

If you want to print a set of W2s for a specific City or School District after you have printed W2s for your employees, enter W2 FORM PRINT again. In addition to printing another alignment (if necessary), selecting a W2 Form and entering the Tax Year, you must also select the **Tax Option** check box and enter the deduction code for the city or school tax in question in the **City to print** field for the additional set of W2s.



NOTE: Don't forget to select the Use Prior Year Files check box if it was set previously.

W2 Magnetic Media

Use this menu to download the W2 information file for electronic report submission to the Social Security Administration (SSA), to the state, or to a specified city. If the need arises, this routine can be run after STEP 4 - ANNUAL FILE RESET.



NOTE: If you purchased the **MAG-FILER®** software to print laser W2s, use this menu selection to download W2 data to the software. Use the instructions for **MAG-FILER®** to print W2s.

Upon entry into this selection, the application will display the following **W2 Mag Media** screen:

W2 Codes	Code Descriptions	Local Codes

First, select the media type in the **Media Type** field.

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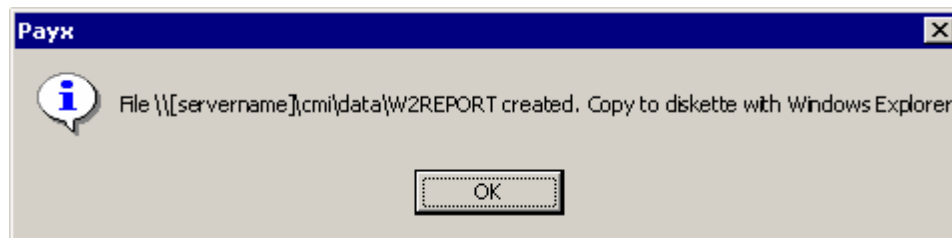
The following media type choices are available:

MAGFILER: Use this selection to download data to the **MAG-FILER®** software.

FEDERAL REPORTING: Use this selection to create an MMREF file for magnetic media reporting to the SSA.

STATE REPORTING: Select the appropriate state for W2 reporting.

CITY REPORTING: Select the appropriate city for W2 reporting. After making your selection, complete the rest of the screen and click . The application will then display a confirmation similar to the following:



ONLINE REPORTING: If you submit your W2 information to the SSA online using OWRS (Online Wage Reporting Service), use the W2REPORT file created with the above process for your electronic submission using the instructions from OWRS.



NOTE: Please review the “Magnetic Media Reporting and Electronic Filing” (MMREF-1) booklet you should have received from the Social Security Administration (SSA) or call the SSA for details on diskette or online reporting.

A file monitor will display. When the file transfer is complete, you will be returned to the menu. A report of downloaded W2 data will spool automatically to your printer for review purposes.

STEP 4 – ANNUAL FILE RESET (After completing all previous steps)



WARNING!!! All PAYX and PAYQ users should be logged off the system before continuing with this step.

Depending on how your overlap flag is set, this menu **DOES NOT** reset the files you need to process your pension and OBES reports for the last reporting period of the year. After processing your final pension and OBES report for this year, you will also need to run the YEAR END OVERLAP RESET as described in Step 5.

After you have completed Steps 1 through 3, select this menu to process the ANNUAL FILE RESET. After completing this menu, check the year-to-date option in EMPLOYEE INQUIRY for a few employees to verify that all files have cleared correctly. The YTD option for these employees should show zero dollars(0). If they do not, process the ANNUAL FILE RESET again. Check an employee's YTD option which should show zero dollars(0). If it does not, then please call **CMI**.

STEP 5 – YEAR END OVERLAP RESET (Run in the new year)

Do NOT use this routine until you have run reports for the fourth quarter of the old year. This selection removes the prior year files that were not cleared in the ANNUAL FILE RESET (i.e., PERS, Police Pension, OBES). After processing these reports for the fourth quarter of the current year, you must use this selection to clear the files. It must be run before June 1st.

Until this step is done, ACCRUE/PICKUP PROCESSING has prior year and current year data. Be sure to use “date restrictions” instead of “pay period restrictions” to limit processing to the data you want.



Note: This routine also removes terminated employees from EMPLOYEE MAINTENANCE who were not retained and moves their records to prior year history. It also clears W2 Addon Maintenance for the New Year.

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Helpful Web Sites

Department of the Treasury: www.irs.ustreas.gov

Department of the Treasury, Forms and Publications:

www.irs.ustreas.gov/formspubs/

American Payroll Association: www.americanpayroll.org

Social Security Administration, Employer Reporting Instructions:

www.ssa.gov/employer1.htm

State of Ohio Dept. of Taxation: www.tax.ohio.gov

Creative Microsystems, Inc. www.civicacmi.com

To learn more about **MAG-FILER**[®]: www.spokanecomputer.com

PAYROLL EOY CHECKLIST

Preliminary:

- ✓ Run the W2 Exception Reports.
- ✓ Order forms and envelopes.
- ✓ Load the current **CMI** software update. *(If applicable)*
- ✓ If you do not already have the number of your Pension plans, call PERS and/or Police and Fire Pensions agencies and obtain it in writing.

Prepare for any new W2 requirements:

- ✓ Obtain and read a copy of IRS Circular E and/or “Instructions for Form W2.”
- ✓ List fringe benefits earned by your employees. Remember to begin entering fringes in W2 ADD-ON MAINTENANCE after the **CMI** program update has been loaded (if applicable). *
- ✓ If you must report W2s on magnetic media, contact **CMI** if you are unsure of the procedures.*
- ✓ Verify codes as entered on the computer for FICA, Deferred Compensation, School Tax, 125 Plans and Pension Plans. *

END OF YEAR PROCEDURES

Step 1: Run Reports. *

Step 2: Archive Save. *

Step 3: Process W2s. *

Step 4: Annual File Reset. *

Step 5: Year End Overlap Reset. *

(Mark your calendar today to do this procedure after you have run your 4th quarter reports.)

** See the preceding pages of this handout for detailed instructions.*

ENTERING AND WITHHOLDING FOR NON-MONETARY COMPENSATION

If you have an employee who receives non-monetary compensation (automobile allowance, life insurance in excess of \$50,000, etc.) that you want to withhold taxes for, use the following procedures:

- 1) Determine which grosses the compensation should impact (i.e.: is it subject to federal/state/city/Medicare/OBES reporting?).
- 2) Create an income code in Menu 5-5, INCOME CODE MAINTENANCE. Fill in the description and check description. Enter **A** in the field **Taxable Stat**.
- 3) Create a second income code in Menu 5-5, INCOME CODE MAINTENANCE. Fill in the description and check description. At the field **Taxable Stat**, enter / or ? to see a list of acceptable entries. Enter the code that corresponds to the grosses the non-monetary compensation should impact as explained in number 1 above.
- 4) On the timesheet(s), where you want to add the non-monetary compensation amount to the applicable gross, complete the following actions:
 - 1 Create a payment line for the amount of the compensation using the income code created in Step 2, above (the one with **Taxable Stat <A>**).
 - 2 Create another payment line for the *negative* amount of the compensation using the income code created in Step 3 (the one with **Taxable Stat** that is *not <A>*).

EXAMPLE: Joe Smith regularly uses the city's vehicle. The city considers this a taxable fringe benefit of \$2000, with taxes payable on \$500 quarterly.

Once per quarter, the timesheet is changed to add +\$500 on income code "CT" (**Taxable Stat <A>**) and -\$500 on income code "CN" (**Taxable Stat <FSCM>**).

The \$500 is not paid to the employee, yet the taxable grosses for federal, state, city and Medicare are increased to include the \$500, and the applicable taxes are withheld.