

PAYROLL END OF YEAR 2016 - USA

(LAST UPDATED: 12/27/2016)

BEFORE GETTING STARTED

- Your payroll MUST be updated to 3345 or higher before starting your end of year process.
- You do NOT have to purge your year before running your first payroll in 2017. (In Post Payroll Transactions, if you enter a check date in 2017 you will be notified that the check date you entered is not in the year loaded and asked if you want to change the check date. If you choose NO, to use the check date originally entered, the program will create a data file for your 2017 payroll data and switch you over to this new data file without completely removing your 2016 data).
- Once you have created your 2017 payroll data file, each time you enter the payroll module you will be prompted to select a working year. Select the appropriate year and continue as usual. This prompting will stop when you have purged 2016.
- When you have finished printing W-2's you will need to purge 2016 by following the instructions below (*Phase 8: Closing the Year*).
- You will not be able to run Archive Reports until you have purged 2016.
- Any changes you make in the 2016 data will need to be made in the 2017 data as well, and vice versa. (Examples: employee filing status, address correction, deduction or earnings codes changes, etc.).
- As happens almost every year, we expect some last minute tax changes to be posted by the federal and/or state governments. Watch the Payroll Notices that appear when accessing the Payroll Module for tax rate changes and tax calculation method changes.

WHAT'S NEW THIS YEAR

- We have redesigned the payroll module to eliminate most alignment issues experienced in prior years by printing our W-2's on blank stock paper. Be sure to carefully review the paper and envelope requirements listed below.

PAPER/ENVELOPE REQUIREMENTS

- The W-2's that will be submitted to the Social Security Administration, State Governments, Local Governments, and retained for the employer records will be printed on plain copy paper, at least 20 lb weight.
- The W-2's that will be distributed to your employees for their records, federal, state, and/or local filings must be printed on special paper that can be purchased from most office supply stores and/or online. The required paper must be white, 20 lb weight or higher, and must be perforated 5-1/2" from the bottom of the page, creating two half sheets.
- To determine how much perforated paper to purchase, follow these simple guidelines:
 - Employees without state or local reporting: 1 sheet per employee
 - Employees with state or local reporting: 2 sheets per employee
- W-2 envelopes may be purchased either online or from your local office supply store. Be sure to purchase envelope style **2DWENV05** described as W-2 2up 2-Wide Double Window which is available in self seal and moisture seal. Specifications:

Size: 5 5/8" x 9 1/2"
Top Window Size: 15/16" x 4 1/16"
Top Window From Left Side: 1/2"
Top Window From Bottom: 3 11/32"
Bottom Window Size: 1 7/16" x 4 1/16"
Bottom Window From Left Side: 1/2"
Bottom Window From Bottom: 1 1/2"
Weight: 24#



- The printed W-2 forms that can be obtained from the IRS or office supply stores will **NOT** work, as the software has been redesigned to print on plain paper **ONLY**.

SYSTEM REQUIREMENTS

- Microsoft .Net Framework 2.0 is required to successfully print W-2's.
- If you have not purged 2015, STOP & contact SYS2K Payroll Support Team @ 407-358-2000.

PRINTER REQUIREMENTS

- W-2's and W-3's will print to your default printer. (Payroll: ⇨ File ⇨ Set Default Printer)
- W-2's can only be printed on a laser printer.



STEPS 1 THRU 10 MUST BE COMPLETED IN ORDER - CHECK OFF STEP AS COMPLETED

PHASE 1: THIRD PARTY SICK PAY & FRINGE BENEFITS:

Note: Allows for the manual entry of Third Party Sick Pay & Fringe Benefits. Entries here will create separate W-2's from the wages W-2's.

- From the payroll main menu click on Year End Tax Forms.
- Then click on Enter Third Party Sick & Fringe Benefits.
- Select the applicable employee number and W2 Type from the dropdown.
- Enter the required amounts. Refer to IRS Publication 15a for Third Party Sick Pay and IRS Publication 15b for Fringe Benefits.

Note: Updating W-2's does not remove entries made in the Third Party Sick Pay & Fringe Benefits screen, but does remove any changes made directly on the W-2's in the W-2 Maintenance Screen.

PHASE 2A: AFFORDABLE CARE ACT COMPLIANCE - 2016

Note: Which option you use here is controlled by the choice made last year end or at the time you started using our Payroll Module. If you started using our Payroll after January 1, 2016 or if you chose to manually enter your health care premiums rather than letting the system generate them, you will need to use Option 1 in this Phase. If you are unsure, check Add/Modify Employee Files, if you did not enter an amount in the Affordable Care Monthly Amount box on the Tax Status tab for each employee, you MUST use Option 1.

Note: Entries manually made on the W-2 Maintenance screen carry to the W-3 where applicable. However, entries into Box 12 for an item that should be subtracted from the Box 1, will not adjust Box 1.

Note: The IRS defines the cost of health care as: "the amount reported should include both the portion paid by the employer and the portion paid by the employee".

Option 1: Manually enter the health care premiums at the end of the year.

- From the payroll main menu click on Year End Tax Forms.
- Then click on the Enter Affordable Care button.
- Enter each employee's cost of health care here.
- Review your entries by moving through them with the Next/Previous buttons, correct as needed.

Note: Updating W-2's does not remove entries made here.

Option 2: Allow the payroll program to automatically calculate the health care premium amount for your W-2's. (Monthly amount multiplied by 12 months, divided by the number of pay periods per year).

- From the payroll main menu click on Year End Tax Forms.

- Click the Update button to create or refresh the W-2's from the raw payroll data.
- Move through each W-2 and review the amounts the system calculated and entered for the cost of health care in Box 12 using the code DD.
- As needed, manually adjust the cost of health care by changing the amount on the screen. Entries made directly to the W-2 Maintenance screen will be removed each time you click Create/Update W-2's.

Note: An incorrect amount here can be caused by payroll(s) posted outside the normal payroll cycle that calculated without Affordable Care suppressed through Special Handling or when premium changes are not entered on the employee files when they apply, whether due to a qualifying life event or a policy renewal or other rate change.



PHASE 2B: AFFORDABLE CARE ACT COMPLIANCE – PREPARATION FOR 2017

Option 1: Manually enter the cost of health care at the end of the year.

- Do nothing now
- When processing your 2017 W-2's, you will follow the steps in Phase 2a, entering the cost of health care for each employee.

Option 2: Allow the payroll program to automatically calculate the health care premium amount for your 2017 W-2's. (Monthly amount multiplied by 12 months, divided by the number of pay periods per year).

- From the payroll main menu, click on Add/Modify Employee Files.
- On the Tax Status tab in the Affordable Care Monthly field (last field on the left column) enter the monthly amount of the cost of health care premiums that meet the requirements published by the IRS. (Includes both the employer and employee amounts)
- The program will automatically calculate the amount and store it with each payroll check.
- This method will only produce accurate results if:
 - All monthly amounts are entered on the employee files before the first payroll of the year.
 - Any payrolls run outside the normal payroll cycle, such as bonus or commission in addition to regular checks, have the Affordable Care calculations suppressed through the Special Handling options.
 - All premium changes, for any reason, are applied to the employee files when they apply.



PHASE 3: RECONCILING YEAR END REPORTS

Note: All printing in this phase should be done on plain paper to conserve your blank stock forms.

- Print and balance ALL of your tax reports for the 4th quarter.
- Click the Year End Tax Forms button on the payroll main menu.
- Once on the W-2 Maintenance screen, click the Update button to refresh the W-2's from the raw payroll data. Any adjustments entered directly to the W-2's on screen will have to be re-entered.
- Then click the Process W3 button to enter the W-3 Maintenance screen.
- Verify the entries in each of the un-shaded fields, modifying as needed.
- Print the W-3 Summary (to plain paper).
- Total the quarterly 941 reports you sent to the IRS for quarters 1, 2, and 3 and add the quarter 4 that you just printed. (Boxes 1 through 19 where applicable)

W-2 Reconciliation Box Number	From Copies Mailed to IRS			Just Printed
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Box 1				
Box 2				
Box 3				
Etc...				

- Compare your W-3 (Summary) to the 941's you just totaled in the previous step, box by box, to make sure everything is correct.
- Any errors will need to be corrected before moving to Phase 4 "Verifying Form Alignment".

Note: Usually errors occur when the data has been changed (checks voided and/or replaced) after the 941 has been printed and filed with the IRS. Print a 941 for each quarter, 1-2-3, from the payroll program now and compare it to what you filed with the IRS. Figure out what is causing the difference and correct as needed.

- When you are ready to print, click the Print W2 button to print your W-2's (to plain paper).
- Verify all information on the W-2's, such as spelling of names, accuracy of social security numbers and address.

Note: Do not proceed until you are satisfied with the results.



PHASE 4: VERIFYING ALIGNMENT

- Using the W-2's printed in the previous phase, fold a sheet of W-2's in half to make sure that top W-2 prints entirely on the top half of the paper, likewise, for the bottom W-2.
- Using the W-2'S printed in the previous phase and a W-2 envelope, insert Copy C of a W-2 in the envelope and review everything that shows through the windows.
 - Employee Name & Address: does not properly show through the lower window, please measure exactly how far they need to be moved, either up/down and/or left/right.
 - Other Window Alignment Issue: if the employee's social security number shows through the upper window, you may have the wrong style envelope.
- Contact Sys2K Payroll Support Team @ 407-358-2000 for assistance with any alignment issues.
 - Forward a copy of the envelope containing Copy C of a W-2, along with your exact measurement, to our payroll support team by either:
 - Copy & Fax to Payroll Support @ 407-358-2010
 - Scan & E-Mail to Support@sys2k.com (please include Payroll in the subject line)



PHASE 5: PRINTING YEAR END TAX DOCUMENTS

Note: If you share a printer, be sure to notify your coworkers that you will be loading special paper into the printer.

Note: W-2's will be printed in batches of 20 employees. This is to keep the printer from timing out. Be sure to remove any blank pages between batches and to place the partial batch at the end of the printed documents.

- To Print Copies A (Social Security), D (Employer) and 1 (State).
 - Load plain white, 20 lb weight, copy paper into the printer.
 - Click Print W-2's, select W-2's to print as Social Security Copy A, and click Print button.
 - Social Security Copy A is the copy that will be sent to the Social Security Administration (if you are not E-Filing your W-2's).
 - Click Print W-2's, select W-2's to print as Employer Copy D, and click Print button.
 - Employer Copy D is the copy you will retain for your records.
 - If state, city or local reporting is required for any employees, click Print W-2's, select W-2's to print as State Copy 1, and select the appropriate state.
 - Repeat the previous steps, printing copy 1, for each state as required.
 - State Copy 1 is the copy that will be sent to the various states.
 - Remove the plain paper from the printer.

- To Print Employee Copies 2 (Employee's State, City or Local Return), B (Employee's Federal Return), and C (Employee Records).
 - Load white perforated paper into the printer.
 - Employee copies MUST be printed on the blank stock perforated W-2 paper.
 - Click Print W-2's, select W-2's to print as either Employee (No State Withholding) Copies B/C or Employee (with State Withholding) Copies B/C/2/2, select the State, and click Print button.
 - Copy B will be filed with the employee's Federal tax return.
 - Copy C will be retained for the employee's records.
 - Copy 2, if applicable, will be filed with the employee's state, city or local tax return.
 - Two prints of Copy 2 are generated for the employee's tax return filings.
 - Remove the excess white perforated paper from the printer.
 - Insert the newly printed employee copies into the printer to print the employee information and instructions on the back of each employee copy. You may want to print one to make sure the instruction sheet prints on the back side of the paper.
 - Select Employee Information and Instructions, enter the number of sheets need and click the Print button.
- To Print W-3's.
 - Load plain white, 20 lb weight, copy paper into the printer.
 - Click on Process W-3 button.
 - Verify contents of box h (Other EIN used this year) and the contact information, adjusting as needed.
 - Click Print.

Note: *If you need to reprint a W-2 for a certain employee just enter the W-2 Maintenance screen, click on Print W-2's, Select either of the Specific Employee options, enter the employee number, load the white perforated paper into the printer and click print. Be sure to turn the W-2's over and print the Employee Information and Instructions on the back of each sheet.*



PHASE 6: ELECTRONIC FILING:

Special Note: *The Payroll Module only creates the file that you will either upload to your state's website or copy to a CD or Flash Drive and forward to your state via regular mail.*

- Click on Electronic Filing to create EFW2 files for electronic filing.
- Select either IRS/SSA for the federal file or select the appropriate state for the state file.
- Be sure to complete the filter, taking special note of the required fields (indicated in red).

Note: *A copy of the electronic file is stored in your "My Documents" folder.*

For Federal Files: *The dealership is required to obtain a user name and login from the Social Security Administration for use with BSO (Business Services Online). Web address for registering with BSO is <http://www.socialsecurity.gov/bsowelcome.htm>*

For State Files: *The dealership is required to obtain any required user name and/or login from their state.*

Note: *There are still three states that have not confirmed their E-File format for 2015, Massachusetts, Michigan, Mississippi.*

PHASE 7: VERIFYING CONTENT OF E-FILES:

FEDERAL E-FILE: *The content of your electronic file can and should be verified using the AccuWage software available, at no cost, on the Social Security Administration website. This step is highly recommended.*

- Access the Social Security Administration website at www.ssa.gov
- Click on Business & Government
- Click on Business Services
- Click on Employer W-2 Filing
- Click on AccuWage
- Download & Install AccuWage – 2016 Tax Year (if needed you can also download the Installation Guide and/or Troubleshooting)
- Download AccuWage 2016 Help Guide
- To run the AccuWage program, double click on the icon. If you receive a security warning, it should be safe to click run
- To test your file, click the Start Testing button
- Browse to the file to be tested, highlight and click Open
- Test results will be displayed for your review.

STATE E-FILE: *Some states provide a process, similar to the Social Security Administrations AccuWage program, for verifying e-files. Check with your state for your testing options.*

PHASE 8: CLOSING THE YEAR:

Note: *Closing the year in the Payroll module will have no affect on Accounting.*

- Be sure to print all reports you want to retain for your records, as most payroll reports cannot be reprinted after the payroll year is closed.

Note: *Only reports found on the Archive Reports Menu in the lower right quadrant of the Payroll Main Menu can be printed after the year is closed. You may want to review these reports before making a decision as to what reports you want to print before closing the year.*

- Make sure ALL of your W-2's have printed correctly.
- Click the Year End Purge button on the Payroll Menu.
- This will generate a dialog box for entering the 4 digit year to be purged. Enter 2016 and then click OK.
- If any issues exist with your data, you will be warned and required to correct them before the system will allow you to close the year.
- Once the year has been purged, make sure your year-to-date datasheets are empty.

Note: *Most dealers like to allow the year to remain open for a while to accommodate any last minute changes in address from employees. This is okay, but be sure that you close the year 2016 before the end of July 2017. Leaving 2016 open past July 31, 2017 will cause issues.*

PHASE 9: PREPARING THE 2016 TAX TABLES:

Note: *We will NOT publish the final 2017 tax tables until the end of the business day on 12/29/2016, so completing the remaining steps in this document is NOT recommended prior to 12/30/2016.*

- Click the Add/Modify Income Taxes & Other button.

- **REQUIRED:** Create a new SUTA record for 2017 entering the new SUTA rate provided to you by your state. Be sure to close the 2016 SUTA record by adding an ending date, if not already there.
- Enter the City and/or County Withholding Tax Rate(s) (if applicable).
- Enter the School District Withholding Tax Rate(s) (if applicable).
- If you are in any of the following states, enter the rates for the taxes listed below:
 - New Jersey: UI/DI
 - Washington: EAF

Note: Maine. Dealers with employees having state taxes withheld for this state will need to contact SYS2K Payroll Support Team to have your Payroll module updated. After the update, skip to the "Confirming Installation of the New Tax Table" section of this document.

Note: You will need to be connected to the internet to complete the rest of this step.

- Click the Download Tax Table Update Button.
- Click the Yes button to begin the download.
- If prompted, you will need to enter your company's SYS2K Support ID and Security ID and click the Save button.

Note: If you are not aware of your company's Support ID and Security ID please request it from us using the online form located at <http://www.sys2.com/support/emailsupport.aspx>. We will send it to the email address you specify in your request.

- If the download and update are successful, click OK and continue. Otherwise click OK, verify that you are still connected to the internet and click the Download Tax Table Update button again.
- Once the update is complete click the Exit button.

Note: When downloading tax table updates, you should receive three notifications that the download was successful. This is normal since you are actually downloading three separate tax table files.

PHASE 10: CONFIRMING INSTALLATION OF THE NEW TAX TABLES:

Note: The program will only show you the tax tables for the year you selected upon entering the payroll module.

- Enter the payroll module selecting the year 2017.
- From the main menu of the Payroll module, click the Add/Modify Income Taxes & Other button.
- Click the FICA & Other button.
- If you can see a FICA record for 1/1/2017 through 12/31/2017, the new tax tables have been downloaded and are installed correctly.
- **Note:** If the tax tables did not download and install correctly, you will need to contact SYS2K Payroll Support Team @ 407-358-2000 for assistance prior to running your next payroll.

As happens almost every year, we expect some last minute tax changes to be posted by the federal and/or state governments.

Watch the Payroll Notices that appear when accessing the Payroll Module for tax rate changes and tax calculation method changes.