Year 2007: Sage BusinessWorks Year End Tips Guide

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Year 2007: Year End Tips for Sage BusinessWorks

Important Notes!	Although Sage BusinessWorks Accounting retains five years of payroll history, the Payroll module does ***not*** retain the totals needed for printing W-2s after closing the year. For this reason, it is essential that you verify W-2 figures ***before*** closing December. Since you must complete many tasks ***before or in conjunction with the last payroll***, please take time now to read through any topics that may affect you.

Section 1: General Information

Web Site Assistance

The Sage Software Online Web site provides you up-to-the-minute information, the ability to e-mail inquiries and suggestions to an analyst, and utilities to download documents and the latest releases of Sage BusinessWorks.

You can access Sage Software Online from within Sage BusinessWorks:

- Select Help / Support and Service on the Web / Online Support

Help!

Help with all year-end processing is just a mouse-click away. To access Sage BusinessWorks Help, select *Help / Module Help / [Module] Contents*. Click the *Index* tab and type the text you wish to search. For example, if you want more information on processing bonuses, here are the steps to follow:

1. Select *Help* from the Launcher menu.
2. Select *Module Help* > *Payroll Contents*. Click the *Index* tab.
3. Type "bonuses".
4. Select "bonuses" from the list displayed.

ⓘ Throughout this document, look for the ⓘ symbol for Sage BusinessWorks Help topics to search.

Section 1: General Information

Back Up Data

> **Note:** Sage Software recommends that you back up to a writeable CD drive or zip drive, rather than floppy disks.

Before you close any Sage BusinessWorks modules, it is essential that you perform a complete backup of company data. You should retain this backup indefinitely, as it provides critical data for audit purposes.

1. Select *Backup* from the Launcher's *File* menu (or from the Resources Bar's *Utilities* group) to open the Database Backup Wizard; then click *Next*.
2. To back up company data, click the company ID to back up, and then Click *Next.*
3. In the Select Backup File Name Window:
   - Select a folder or drive from the list on the left. To store the data in a new folder, refer to the Help topic "Backup", and follow the steps to create a new folder.
   - Type a 'Backup File Name' at the bottom, and click *Next*. Be careful not to overwrite an existing backup that you want to keep. We suggest using a file name that includes the company ID and the date. Example: Sample123107.zip. Click *Next*.
   - Click *Start* and select "*Yes*" to begin the backup. When the backup is complete a message appears allowing you to back up another company. If you have multiple companies, select yes and repeat these same steps.

Note: Please perform a backup within Sage BusinessWorks even if another backup utility is used.

Note: Please see page 5 for instructions on making a copy of a Sage BusinessWorks company.

ⓘ For information on safeguarding Sage BusinessWorks data, search the Sage BusinessWorks Help Index for "Backup" and "Backups".

Adjusting Entries

After closing the fiscal year, you can post prior year adjusting entries to all modules ***except Payroll***.

- If a prior-year transaction affects G/L revenue or expense accounts, Sage BusinessWorks automatically rolls the values into retained earnings. No additional action is needed.
- Be sure to make the adjusting entry in the correct module. For example, if you need to make an adjustment to the cash account, you would normally make it through the Cash Management module. Making the adjustment directly in the G/L makes the bank reconciliation more difficult.
- Do not perform a month-end (or year-end) close in the Inventory Control Module during any phase of the Physical Inventory process. Sage BusinessWorks cannot retain book quantity information for a relative inventory update after the close.

Prior / Future Transactions	**G/L**	**P/R**	**A/R, A/P, C/M, I/C, and O/E**
Prior month postings	Post 24 months back	Post current quarter only	Post 12 months back
Future month postings	Post 12 months ahead	No future month postings	Post 1 month ahead
Example: Current month = December 2007	Post Dec 2005 through Dec 2008	Post Oct 2007 through Dec 2007	Post Dec 2006 through Jan 2008
Module's current month?	Launcher *File / System Status Report / Sage BusinessWorks Information*		

Section 1: General Information

Required parameter settings	To post transactions to future or prior months, please set these parameters: • *A/R / Utilities / Maintain A/R Parameters*: **Allow future month postings** • Launcher *Utilities / System Preferences*: Verify **Allow prior month postings** is set to *Yes*.

Section 2: Payroll Tips

Completing End-of-year Payroll	You must complete many end-of-year Payroll activities before or during the last payroll. • Please contact an accountant or tax advisor for assistance regarding taxable status of deductions or other pays. • Please back up data ***just before*** processing checks or handchecks. If you encounter a problem, you can restore the backup, correct the problem, and reprocess the checks.
Yearly Close Checklist	Sage BusinessWorks provides an End of Year Checklist for Payroll. After you have completed the last Payroll, select *Payroll – End of Year Checklist* from the Launcher *Checklists* menu. From this checklist, you can click each option to launch. After you have completed an activity, click the box next to it to mark it off the list.

Section 2: Payroll Tips

Before Closing Payroll for December: Make a Copy of your Company

Important!

Do not close Payroll before verifying your W-2 figures! Sage BusinessWorks allows you to print, ***but not correct*** W-2s after closing the year.

Create a Sage BusinessWorks backup before performing the December close. If you have not printed ***and verified*** W-2s and you need to process January's payroll, please follow the steps below to create a copy or "clone" of your company data prior to performing a December close. (**Important:** Do not copy the folder in which the company resides to a new folder. Sage BusinessWorks does not recognize data in the newly-created folder as a company.)

1. Have all other users exit the company, and then follow the instructions on page 3 to back up the company you want to copy.
2. Restore the backup you made in Step 1 if running on Version 5.
   - From the Launcher menu bar *File* menu, select *Restore*. Click *Next.*
   - Browse to the location of the backup. Select the zip file containing the company data. Click *Next.*
   - Select the *Restore to New Company ID* check box, and type a new company ID and name. (Suggestion: Use an ID that you will easily recognize as the 2007 payroll data, for example, PAY2007.)
   - Click *Start* to restore the data to the new company ID. Then, click *No* when asked to restore another backup.

Version 6 has a Copy Company option.

1. Select Utilities / Maintain Companies.
2. Select *OK* to the exclusive option message.
3. Use the *Look up* to select the Company ID and select *Accept*.
4. Select the *Copy* icon.
5. Enter a new *Company ID* such as PAY2007 and select *OK*.

Assign security settings to this company for all non-Manager users that need access to this company.

1. Log on as MANAGER or a user who has rights to access security options.
2. In any company, select *Utilities* / *Maintain Users* from the Launcher menu*.*
3. Select the user you want to grant security rights in the new company, and click the *Security Settings* button.
4. Click the ellipses (…) next to *Company ID* and select the new company.
5. Select the module tasks this user should access in this company. Version 7 allows user rights to be copied to another company.
6. Click *OK* and then *Save* on the *Maintain Users* window.

Notes:

- Do not close Payroll for December in the "cloned" company. Use the "cloned" company for printing W-2s only.
- The 2008 OASDI limit increased from $97,500 to $102,000. If you are printing "Current" W-2s (see page 9 for an explanation of "current") after installing the 2008 Tax Table Update, you must set the OASDI limit back to $97,500 (P/R *Taxes / Maintain Tax Tables / US / Allowances, Limits and Rates*) before printing W-2s. After printing W-2s, don't forget to change the limit back to $102,000 for 2008 processing.

Verify SDI / SUI Rates after Installing TTU

Because the SDI and SUI rates vary from one company to another, the Tax Table Update (TTU) revises these fields in Maintain Tax Tables only. Sage BusinessWorks uses the values stored in *Taxes /* ***Activate States***. After installing the 2008 TTU, verify the rates in ***Activate States*** for SDI and SUI are set to the proper rate for each company.

Section 2: Payroll Tips

2007 Tax Table Update

The early Tax Table Update (TTU) is available for *download* from Sage Software Online in mid-December. Because the update includes tax tables for 2008, install it only after you have printed W-2s and closed Payroll for December. The early TTUs will be included on V7.0 Service Pack 10 and V8.0 Service Pack 1.

Note: Processing a 2008 payroll before installing the 2008 tax table update does not cause an issue since Sage BusinessWorks automatically recalculates FICA, FUTA, SUI and SDI when you run a payroll after installing the update. Although table-driven taxes do not self-adjust, the differences are a few cents in most cases.

How Sage BusinessWorks Calculates Percentage-based Taxes

Sage BusinessWorks calculates percentage-based taxes (OASDI, Medicare, SDI, SUI, and FUTA) on year-to-date taxable pays, rather than the taxable pay for the current pay period.

Percentage-based tax calculation formula:

[(YTD taxable pay + Current period's taxable pay) * Percentage rate] – YTD tax withheld or accrued = Tax to withhold or accrue for this payroll

Source for figures in formula above:

YTD taxable pay:	*Employees / Maintain Employees / Totals*
Current period's taxable pay:	Calculated from time card entries
Percentage rate:	*Taxes / Maintain Tax Tables* (OASDI, Medicare, FUTA); *Taxes / Activate States* (SDI, SUI)
YTD tax withheld or accrued:	*Employees / Maintain Employees / Totals*

Limitations: Sage BusinessWorks automatically self-adjusts over- or under-withheld taxes when you calculate payroll for an employee within the following limitations:

- Sage BusinessWorks adjusts taxes only when you process payroll. Therefore, Sage BusinessWorks makes no adjustments for a terminated employee.
- If you have over-withheld a tax, Sage BusinessWorks does not reduce the tax already withheld. The program calculates $0.00 until the difference is made up.
- If an employee has met the taxable limit for the year, Sage BusinessWorks does not self adjust. Contact Support for further instructions.

Processing Fringe Benefits as a Lump Sum

Fringe Benefits must be processed with a paycheck. They cannot be entered after you complete your last year 2007 payroll.

Tip!
If you created a fringe benefit deduction in a prior year, you can simply change the active dates in *Utilities / Maintain Deductions*.

Employees must pay taxes on the monetary value of fringe benefits such as personal use of a company vehicle or the premium for life insurance in excess of $50,000. Some employers record fringe benefits on each payroll throughout the year; others record a lump sum at the end of the year.

If you are recording a lump sum, you must ***include the fringe benefit as a company-paid deduction on the employee's last paycheck for the year***. Here's how:

1. Select *Payroll* / *Utilities / Maintain Deductions* to set up a deduction. This is a company-paid deduction that is taxable for the employee.
   - Define the calculation method as "Variable, entered on time card" and the category as "Company-Individual".
   - Select the appropriate taxable fields. (Consult a tax advisor for assistance.)
   - De-select "Always active" and make the "To" and "From" active dates the date you plan to use on the last paycheck.
   - Go to the W-2 window to specify the W-2 box for the fringe benefit.
   - Select *Employees / Maintain Employees*; go to the *Deductions* window to add this deduction for each employee who received the fringe benefit.

ⓘ For the time card processing of fringe benefits, search the Sage BusinessWorks Help Index for "Fringe Benefits".

Section 2: Payroll Tips

Bonuses

By law, bonuses are taxable. The employee is responsible for paying FWT. However, as an employer, you must normally remit both employer and employee FICA for all bonuses paid. (Regulations vary by state. Please consult a tax advisor for any specific state requirements.)

What if I want to hand an employee $500 in cash?

If you want the employee's bonus to be a flat amount, rather than the bonus amount less taxes use this formula to figure the gross bonus amount:

Formula: Net bonus amount / [1 – (FICA Rate ÷ 100)] = Gross bonus amount

Example: $500 / [1 – (7.65 ÷ 100)] = $541.42

> Bonuses are taxable. Be sure to mark the Other Pay as taxable and select "Add to Gross".

> The regular time cards you create for employees receiving bonuses will automatically override standard time cards you may have on file for them.

To set up and pay bonuses in Sage BusinessWorks, please follow these steps:

1. Select *Utilities / Maintain Other Pays* to create an other pay.
   - Specify the calculation method as "Variable, entered on time card" and the category as "Individual."
   - Select all appropriate taxable fields. ***Be sure to select "Add to Gross."*** (Even though you may not withhold FWT from the bonus, it is normally taxable, so "FWT Taxable" should be selected. Consult a tax advisor for clarification on SWT.)
   - De-select "Always active" and make the "To" and "From" active dates the date you plan to use on the bonus checks.
   - Select Employees / Maintain Employees and select the Other Pays window.
   - Activate the other pay on each employee's record.
   - De-select any other pays that should not be included in the bonus.
   - While in *Maintain Employees*, go to the *Deductions* window to inactivate any deductions that should not be included in the bonus calculation.

ⓘ For the time card processing of bonuses, search the Sage BusinessWorks Help Index for "Bonuses".

Allocated Tips

> If you have already completed your last payroll for the year, you can process a paycheck with just allocated tips. Be certain to deactivate all deductions and all other pays except for the allocated tips other pay. *Remember* to reactivate when completed.

Allocated tips are the difference between tips reported by an employee and the employees allocation of 8% of the employer establishment's gross receipts for a calendar year. They are not included in the employee's income, nor does the employer withhold taxes from allocated tips. They are reported in Box 8 of the W-2 only. Here are the steps for reporting allocated tips:

1. Select *Utilities / Maintain Other Pays* to create an other pay.
   - Specify the calculation method as "Variable, entered on time card," and the category as "Individual".
   - ***Clear*** check boxes for all taxable fields and "Add to Gross".
   - De-select "Always active" and make the "To" and "From" active dates the date you plan to use on the last payroll.
   - On the W-2 window, specify Box 8.
   - Select *Employees / Maintain Employees* and go to the *Other Pays* window to add this other pay for each employee for whom you must report allocated tips.
   - Select *Time Card Entry* and select the *earnings type* as *Other Pay / Allocated Tips.*

ⓘ For the time card processing of allocated tips, search the Sage BusinessWorks Help Index for "Allocated Tips".

Section 2: Payroll Tips

Payroll Overlaps Two Years	According to IRS regulations, the employee's tax liability is based on the payment date, not the time period the employee worked. Therefore, employees pay taxes in 2008 on any paychecks they receive after 12/31/07, even though work may have actually been performed in 2007.
Deleting Terminated Employees	During the month-end December close, you will see the option to delete terminated employees. You may delete them as a group now or later on an individual basis through Maintain Employees. Payroll history is kept a minimum of two calendar years but can be increased to up to 5 years under *Payroll / Utilities / Maintain Payroll Parameters / Years to keep history.* **Note**: Any employee that has had activity within the last two calendar years cannot be deleted.
Third-Party Sick Pay	Reporting requirements for the administration of third party sick pay vary significantly from one plan to the next. For this reason, no option is available within Sage BusinessWorks to handle this function. Please review IRS Publication 15-A for information on the requirements that pertain to you. Feel free to contact Customer Support if you believe that the reporting requirement for your situation can be accommodated within Sage BusinessWorks.

Section 3: Processing W-2s

Verifying W-2 figures

We recommend that you first print W-2s on plain paper to verify the figures. Search the Sage BusinessWorks InfoSource Knowledgebase located on Sage Software Online for a complete explanation of how W-2 figures are calculated. To log on to Sage Software Online (see page 2 for instructions), select the Sage BusinessWorks InfoSource link, and type "How W-2 figures are calculated". When W-2's are printed using the Print W-2 option this uses the totals from Maintain Employees. When the W-2's are printed using the Enhanced Tax Reporting feature the payroll check detail compiles the figures. If you were in Payroll Setup mode during the year and changed employee totals, the Enhanced Tax Reporting W-2's will not include these changes.

W-2 Form Types

Laser printers: When printing through Print W-2 option only the two W-2's per page form (arranged vertically) can be printed. Version 7 and Version 8 has the ability to print the actual payroll forms through the Enhanced Tax Reporting option. The Enhanced Tax Reporting only prints the 4-up W-2 form but the proper blank, perforated forms must be purchased from our Forms Department.

Dot matrix printers: Forms must be one-across, continuous forms.

Forms may be purchased from Sage Software (1-800-538-5514), the IRS, or any office supply store.

Notes:

- Use a standard 8.5" x 11" print driver for printing reports. (Whether you use a dot matrix or laser printer).
- Sage BusinessWorks does not accommodate side-by-side forms.
- Printing an alignment test first is recommended when using the Print W-2 option.

ⓘ For the processing of W-2 forms, search the Sage BusinessWorks Help Index for "W-2" / "Print W-2 Forms".

Using Customized W-2 Forms

The 2007 W-2 forms were reformatted. If using a W-2 form customized prior to V7.0 SP7 the updater does not modify it to the new format. You must use a new form using one of the existing templates in 7.0 SP7 or higher. Any previous custom forms must be deleted.

Section 3: Processing W-2s

Previous or Current?

When you access the option to print W-2s, you may have a choice to print “Previous” or “Current” W-2s. When you print W-2 forms for all employees or close the year, a file is created which holds all the necessary information for printing W-2s.

Previous: Sage BusinessWorks prints W-2s from this file.

Current: Sage BusinessWorks prints W-2s based on information currently stored in the employee’s record. Example: If the current open Payroll month is December 2007, it prints the current YTD figures. If your current open Payroll month is January, 2008 and "Current" is selected, January 2008 YTD figures print.

Caution! If you select “Current” and then respond “Yes” to the query to save W-2 information, previously saved information is no longer available.

W-3 Worksheet

After printing W-2s in one continuous run for all employees who had earnings in 2007, you are prompted to print the W-3 worksheet. Be sure to print the report at this time, as no menu option exists to print it later.

Note: Sage BusinessWorks Version 6 prints a W-3 Worksheet only. These figures must be manually transferred to the actual W-3 form. Version 7 and Version 8 includes the capability to print the actual W-3 form through the Enhanced Tax Reporting option.

Note: If you change figures for any employee, you must reprint W-2s ***for all employees***, not just for those employees whose W-2s changed in order to print the corrected W-3.

Special Cases: Local Tax and Box 12 Entries

W-2 forms have space for only two local taxes and four entries in Box 12. If an employee’s W-2 exceeds this limit, the IRS requires that a second W-2 be created.

- The second W-2 must include information in Boxes b, c, d, and e, and the entry in Box 12 or the local tax in Boxes 18, 19, and 20 only. No entries should be made in Boxes 1 through 8. Sage BusinessWorks does not create the second W-2. You must create it manually and manually adjust the W-3 totals to reflect the additional entry.
- To determine whether you have any employees with more than four Box 12 entries or two local taxes, print the Employee Master List to review deductions and other pays for each employee. (A warning displays when a deduction or other pay is added to the employee’s record that exceeds the number allowed on the W-2. However, no warning is issued at the time the W-2 is printed.)
- **If you are affected by this limitation, Version 7 includes the Enhanced Tax Reporting option that will produce the required second W-2.**

Printing W-2's

The Print W-2 forms figures are derived from the Maintain Employees > Totals. Printing W-2's through the Enhanced Tax Reporting option uses the Check Detail, not employee totals. If you have been in Payroll Setup mode during the year and made changes to employee totals, these changes will not be reflected in the Enhanced Tax Reporting option.

Section 4: Magnetic Media Filing

General Information: Magnetic Media Filing

W-2s: When you print W-2s ***in one continuous run*** for all employees who had earnings during 2007, Sage BusinessWorks creates a special internal file. When you select *Transfer / Create W-2 Reporting File* and enter the necessary information for the company, Sage BusinessWorks creates the file, W2REPORT. This is the file you will send, along with the appropriate filing forms, to the Social Security Administration.

You must be on either Version 7 Service Pack 9 or Version 8 prior to creating the W2 Reporting file.

Notes: If you change figures for any employees, you must reprint W-2s ***for all employees***, not just for employees whose W-2s changed in order to correct the file from which Sage BusinessWorks creates the W2REPORT file.

The Social Security Administration requires that you obtain a PIN number and password for magnetic media filing. Please call them at 1-800-772-6270 or visit their website, http://www.ssa.gov/bso/bsowelcome.htm for more information. The PIN number needs to be entered under *Payroll / Transfer / Create W-2 Reporting File* and select the *Contact* tab.

The Enhanced Tax Report option includes the ability to file the W-2's electronically as well. This option automatically runs the file through the Accuwage program to verify accuracy prior to submitting the file.

Magnetic Media File Verification

The Social Security Administration provides a program to verify the wage report's format accuracy prior to submitting it for processing. This program verifies that employee names meet filing requirements and that all required values have been completed. You can download the program from this website: http://www.ssa.gov/employer/accuwage.

California Form DE 6

California employers can electronically file the DE 6 in compliance with state regulations requiring electronic submission of forms for companies with 250 or more employees. Select *Transfer* / *Create DE 6 Reporting File* to create the file.

Note: If you are submitting the California DE 6 Reporting File on a diskette or CD-R CD-ROM (the state does not accept CD-RW CD-ROM), the state of California requires that the DE 6 file name be "MMREF". To rename this file on the **Create DE 6 Reporting File** window, replace the text "DE6RPT" with "MMREF" in the *File location* field.

The Enhanced Tax Report feature includes the ability to electronically file the DE6 file. Please review the information found under Payroll / Taxes / Enhanced Tax Reporting.

Section 5: Accounts Payable

Before You Close A/P for December

You must print 1099 forms before closing December**. Once you close the calendar year, you lose all 1099 information.** If you have 1099 vendors, we recommend you review the 1099 Worksheet. Once the figures have been verified print 1099 forms prior to closing December. If your fiscal year does not coincide with the calendar year, be sure to print the 1099 forms at the end of the calendar year.

1099 Form Types

Print 1099s ***before closing December.*** Closing sets the Maintain Vendors 1099 payment information field to $0.00.

Laser printers: Use two forms (arranged vertically) per page if printing from the Print 1099 option. Printing through Enhanced Tax Reporting print the 4-up 1099.

Dot matrix printers: Forms must be one-across, continuous forms.

1099-MISC forms may be purchased from Sage Software (1-800-538-5514), the IRS, or any office supply store. (You must use the 1099-MISC form; other forms are not compatible with Sage BusinessWorks.)

Notes:

- Use a standard 8.5” x 11” print driver for printing reports. (Whether you use a dot matrix or laser printer).
- Sage BusinessWorks does accommodate 4-up forms in Version 7 and Version 8 with the Enhanced Tax Reporting feature.

ⓘ For the processing of 1099 forms, search the Sage BusinessWorks Help Index for "1099" / "Print 1099 Forms".

Magnetic Media 1099s

Sage BusinessWorks Version 7 has the ability to create a magnetic media file for 1099's. This option is found under A/P > Vendors > Enhanced 1099 Reporting.

Call us!

If you have a current ClientCare or PartnerCare phone support plan and have any questions about year-end processing, please contact Sage Software Customer Support at 1-800-447-5700 and press 3. We are available from 6:00 a.m. to 5:00 p.m. Pacific time, Monday, Tuesday, Thursday, and Friday and 6:00 a.m. to 4:00 p.m. on Wednesday. (We close at 4:00 p.m. on Wednesdays for staff development.) If you wish to purchase a support plan or upgrade your plan to include phone support, please call 1-800-447-5700 and press 2.