IMPORTANT NOTICE TO ALL BUSINESSWORKS USERS:

Effective July 1, 2011, the Federal Unemployment Tax (FUTA) rate decreased from .8% to .6%. This means that wages paid January 1, 2011 through June 30, 2011 incurred company paid FUTA taxes at a rate of .8%, and wages paid July 1, 2011 through December 31, 2011 incurred company paid FUTA taxes at a rate of .6%. Many employers have calculated FUTA liabilities at the .8% for the entire year. This document describes how to calculate FUTA taxes correctly for the mid-year rate change, and how to configure BusinessWorks to have correct calculations for 2012.

All of the actions you need to perform are detailed on the following pages. Please contact FLI Customer Support if you have any questions regarding these changes.

Sincerely,
FLI Customer Support

READ THIS ENTIRE DOCUMENT BEFORE MAKING ANY CHANGES

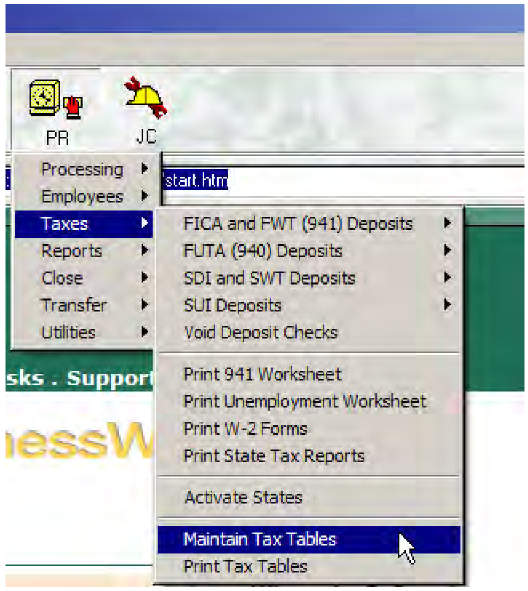
2011 Change in FUTA Tax Rate

Foreword

The following is to be performed after the December close in the Payroll module, and can be performed before **or** after your first payroll for 2012, but must be performed before processing your 940 tax deposit and completing your Form 940 in January. *Multiple Company Considerations: Complete these instructions in every company from which you perform payroll processing.*

Set the correct FUTA Tax Rate

1) In the Payroll Module, go to Taxes > Maintain Tax Tables

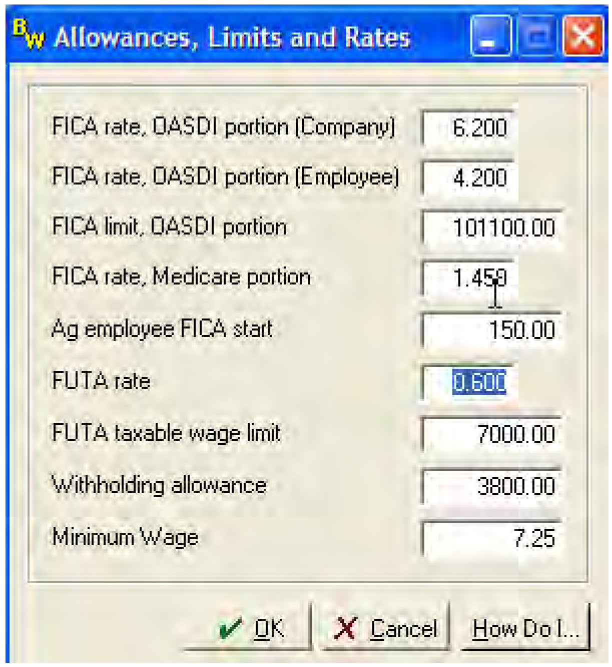


2) In the Maintain Tax Tables Window, use the "binocular" button at the bottom to find the US (Federal) tax information. The top will read "Tax Information for Federal (US)" after your selection. Click the Allowances, Limits and Rates button.

<u>Set the correct FUTA Tax Rate</u> (continued)

3) Change the FUTA rate to **.600**. All other values may remain the same (or as shown in the image below).

   ****NOTE**: If you see a field at the bottom of the Allowance, Limits, and Rates window that reads "<u>Allow Self Adjusting FUTA</u>", make sure this option is **<u>Checked</u>** (last year you would have unchecked this option).



4) After changing the Limits listed in Step 4, click OK at the bottom of the screen. This will return you to the Maintain Tax Tables screen.

5) Click Save in the toolbar at the bottom of the Maintain Tax Tables screen (the button with the green diskette image).

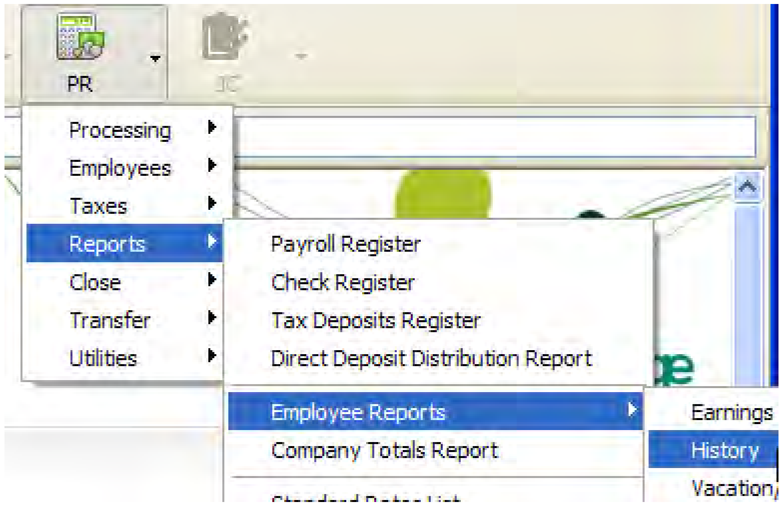
Repeat steps 1 – 5 for each company in which you perform payroll processing. You do not need to repeat this in companies where payroll is not used.

After changing the FUTA Tax Rate, proceed to the next section "How to Verify FUTA Calcuations"

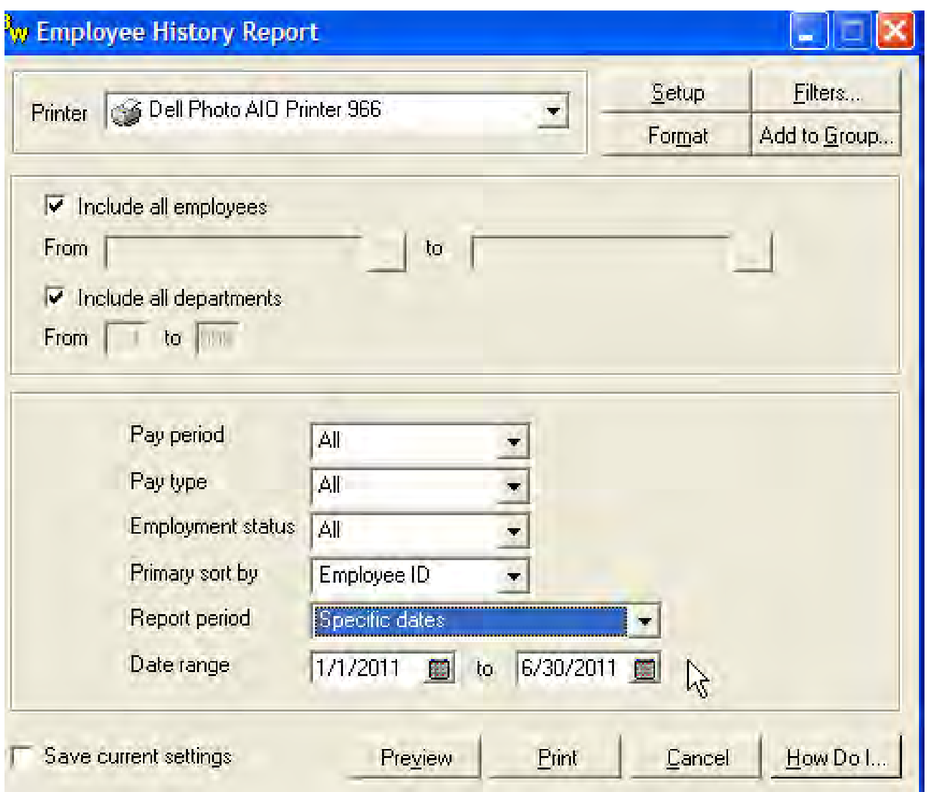
How to Verify FUTA Calculations

You must manually verify FUTA calculations were performed correctly before you process your 940 Tax Deposit and before you submit your 2011 Form 940.

1) Go to PR > Reports > Employee Reports > History

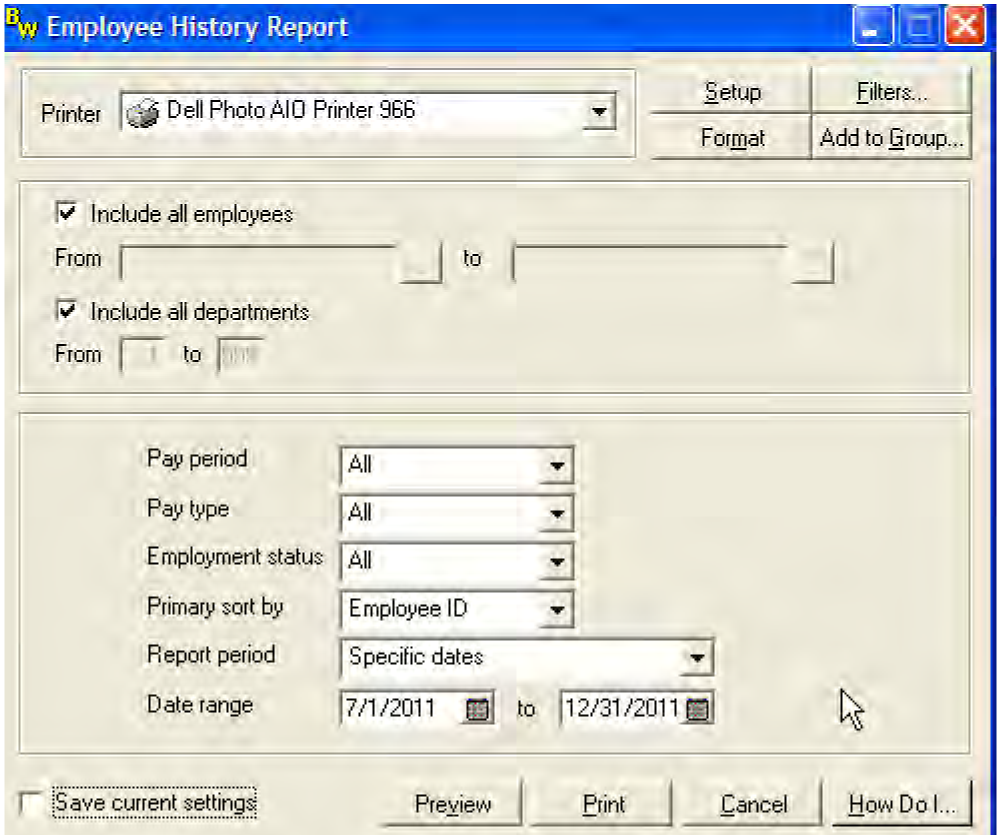


2) Select **Specific Dates** for the Report Period, and enter **1/1/2011 and 6/30/2011** as the date range (as shown below), and Print the report. The resulting report will show payroll history from Jan 1, 2011 through June 30, 2011 (the period when the FUTA rate was .8%).



How to Verify FUTA Calculations (continued)

3) Repeat Step 1 above, select **Specific Dates** for the Report Period, and enter **7/1/2011 and 12/31/2011** as the date range (as shown below), and then Print the report. The resulting report will show payroll history from July 1, 2011 through Dec 31, 2011 (the period when the FUTA rate was .6%).



4) If your accountant completes Form 940 for you, give them copies of both reports. They will be able to use the information on these reports to determine your FUTA liabilities and complete your Form 940. Skip to the section later in this document "**How to Adjust FUTA Tax Liabilities**"

   If you complete Form 940 yourself – AND – you have Microsoft Excel installed on your computer, download and save the spreadsheet we created to help you complete your 940 at www.flisupport.com/FUTA_2011_Calculations.xlsx. Use the reports printed earlier to enter gross wages for each employee in the yellow cells (once for wages 1/1 – 6/30, and again for wages 7/1 – 12/31). The spreadsheet will provide values needed for your Form 940. Skip to the section later in this document "**How to Adjust FUTA Tax Liabilities**"

   If you complete Form 940 yourself and you do NOT have Microsoft Excel installed on your computer, follow the instructions in the next section "**Manually Calculate FUTA Wages and Liabilities**"

Manually Calculate FUTA Wages and Liabilities

1) Using the first report printed for **Jan 1 – June 30**, look at the Gross Wage totals for each employee:
   a. For employees who had wages of $7000 or more, write $7000 as their FUTA wages
   b. For employees who had less than $7000 of wages, write their wages as their FUTA wages
   c. Multiply each employee's FUTA wages by .008 to get their FUTA taxes
   d. Add all employees gross wages to get a total wages paid before 7/1/11
   e. Add all employees FUTA wages to the total FUTA wages paid before 7/1/11
   f. Add all employees FUTA taxes to the total FUTA taxes before 7/1/11

EXAMPLE:

BARNETT	Barney T Terrific							
1619	03/26	506.00	54.24	38.71	14.03	0.00	0.00	399.02
1704	04/02	505.00	54.09	38.63	14.00	0.00	0.00	398.28
1792	04/09	656.00	76.74	50.18	18.53	0.00	0.00	510.55
1875	04/16	329.00	27.69	25.17	8.72	0.00	0.00	267.42
1956	04/23	789.00	106.26	60.36	22.52	0.00	0.00	599.86
2043	04/30	709.12	86.29	54.25	20.12	0.00	0.00	548.46
2132	05/07	513.00	55.29	39.24	14.24	0.00	0.00	404.23
2216	05/14	520.00	56.34	39.78	14.45	0.00	0.00	409.43
2297	05/21	561.00	62.49	42.92	15.68	0.00	0.00	439.91
2386	05/28	528.00	57.54	40.39	14.69	0.00	0.00	415.38
2468	06/04	557.00	61.89	42.61	15.56	0.00	0.00	436.94
2548	06/11	282.00	20.64	21.58	7.31	0.00	0.00	232.47
2632	06/18	570.00	63.84	43.60	15.95	0.00	0.00	446.61
2713	06/25	760.00	99.01	58.14	21.65	0.00	0.00	581.20
		7785.12	882.35	595.56	217.45	0.00	0.00	6089.76
BEATY	Ned "SQUEALY" Beaty							
2044	04/30	270.00	0.00	20.66	6.95	0.00	0.00	242.39
2217	05/14	206.00	0.00	15.75	5.03	0.00	0.00	185.22
2298	05/21	151.00	0.00	11.55	3.38	0.00	0.00	136.07
2387	05/28	181.00	0.00	13.86	4.28	0.00	0.00	162.86
2633	06/18	223.00	0.00	17.05	5.54	0.00	0.00	200.41
		1031.00	0.00	78.87	25.18	0.00	0.00	926.95
BROWNC	"Sorry" Charley E Brown							
2133	05/07	229.12	0.00	17.53	5.72	0.00	0.00	205.87
2218	05/14	446.00	11.14	34.12	12.23	0.00	0.00	332.26
2299	05/21	602.00	29.77	46.05	16.91	0.00	0.00	439.27
2388	05/28	871.00	70.12	66.64	24.98	0.00	0.00	639.26
2469	06/04	357.00	2.24	27.31	9.56	0.00	0.00	317.89
2549	06/11	358.00	2.34	27.39	9.59	0.00	0.00	318.68
2634	06/18	852.00	67.27	65.17	24.41	0.00	0.00	695.15
2714	06/25	417.00	8.24	31.90	11.36	0.00	0.00	365.50
80982	01/08	400.00	6.54	30.60	10.85	0.00	0.00	282.01
81132	01/15	516.00	18.14	39.47	14.33	0.00	0.00	409.06
81275	01/22	440.00	10.54	33.66	12.05	0.00	0.00	399.44
		5488.12	226.34	419.84	151.99	0.00	0.00	4404.39

Employee	Wages	FUTA Wages	FUTA Taxes (FUTA wages X **.008**)
Barney Terrific	7785.12	7000.00	56.00
Ned Beaty	1031.00	1031.00	8.25
Charlie Brown	5488.12	5488.12	43.90
Totals	14304.24	13519.12	108.15

The FUTA Wages Total (ex. 13519.12) will be used for Line 7b on your Form 940

<u>Manually Calculate FUTA Wages and Liabilities</u> (continued)

2) Using the second report printed for **July 1 – Dec 31**, look at the Gross Wage totals for each employee:
    a. For employees who had wages of $7000 or more prior to 7/1/11, write $0 as their FUTA wages
    b. For employees who had less than $7000 of wages prior to 7/1/11, add their wages from the first report to their wages from the second report.
        i. If their total wages are less than $7000, write their wages from the second report as their FUTA wages after 7/1/11.
        ii. If their total wages are more than $7000, subtract their wages prior to 7/1/11 from $7000 to get their FUTA wages after 7/1/11
    c. Multiply each employee's FUTA wages by .006 to get their FUTA taxes
    d. Add all employees gross wages to get a total wages paid 7/1/11 and after
    e. Add all employees FUTA wages to the total FUTA wages paid 7/1/11 and after
    f. Add all employees FUTA taxes to the total FUTA taxes 7/1/11and after

EXAMPLE:

BARNETT		Barney T Terrific							
	2790	07/02	779.00	103.76	59.60	22.22	0.00	0.00	593.42
	2875	07/09	414.00	40.44	31.66	11.27	0.00	0.00	330.63
	2957	07/16	613.00	70.29	46.90	17.24	0.00	0.00	478.57
	3035	07/23	290.00	21.84	22.19	7.55	0.00	0.00	238.42
	3116	07/30	741.21	94.32	56.69	21.08	0.00	0.00	569.12
	3201	08/06	665.50	78.17	50.92	18.81	0.00	0.00	517.60
	3284	08/13	700.00	84.01	53.55	19.85	0.00	0.00	542.59
	3364	08/20	605.00	69.09	46.29	17.00	0.00	0.00	472.62
	3444	08/27	665.00	78.09	50.87	18.80	0.00	0.00	517.24
	3525	09/03	617.50	70.97	47.23	17.37	0.00	0.00	481.93
	3609	09/10	240.00	14.34	18.36	6.05	0.00	0.00	201.25
	3688	09/17	645.00	75.09	49.34	18.20	0.00	0.00	502.37
	3765	09/24	645.00	75.09	49.35	18.20	0.00	0.00	502.36
	3845	10/01	529.25	57.73	40.48	14.72	0.00	0.00	416.32
	3929	10/08	558.00	62.04	42.69	15.59	0.00	0.00	437.68
	4011	10/15	846.50	120.64	64.76	24.24	0.00	0.00	636.86
	4096	10/22	774.00	102.51	59.21	22.07	0.00	0.00	590.21
	4174	10/29	561.63	62.59	42.96	15.70	0.00	0.00	440.38
	4256	11/05	844.00	120.01	64.57	24.17	0.00	0.00	635.25
	4337	11/12	381.00	35.49	29.15	10.28	0.00	0.00	306.08
	4419	11/19	539.00	59.19	41.23	15.02	0.00	0.00	423.56
	4506	11/26	714.00	87.51	54.62	20.27	0.00	0.00	551.60
	4664	12/03	253.00	16.29	19.35	6.44	0.00	0.00	210.92
	4739	12/10	1094.50	182.64	83.73	31.68	0.00	0.00	796.45
	4819	12/17	275.00	19.59	21.04	7.10	0.00	0.00	227.27
	4895	12/24	720.50	89.14	55.12	20.46	0.00	0.00	555.78
	4973	12/31	593.75	67.40	45.43	16.66	0.00	0.00	464.26
			16304.34	1958.27	1247.29	458.04	0.00	0.00	12640.74
BEATY		Ned "SQUEALY" Beaty							
	2791	07/02	290.00	0.00	22.18	7.55	0.00	0.00	260.27
	2876	07/09	110.00	0.00	8.42	2.15	0.00	0.00	99.43
	3202	08/06	245.00	0.00	18.74	6.20	0.00	0.00	220.06
	3285	08/13	260.00	0.00	19.89	6.65	0.00	0.00	233.46
	4257	11/05	346.60	1.20	26.52	9.24	0.00	0.00	309.64
			1251.60	1.20	95.75	31.79	0.00	0.00	1122.86

BROWNC		"Sorry" Charley E Brown						
2792	07/02	620.00	32.47	47.43	17.45	0.00	0.00	487.65
2877	07/09	610.00	30.97	46.66	17.15	0.00	0.00	515.22
2958	07/16	190.00	0.00	14.54	4.55	0.00	0.00	170.91
3036	07/23	615.00	31.72	47.05	17.30	0.00	0.00	518.93
3117	07/30	1045.00	96.22	79.94	30.20	0.00	0.00	768.64
3203	08/06	877.00	71.02	67.09	25.16	0.00	0.00	608.73
				Page 2				
BROWNC		"Sorry" Charley E Brown						(continued)
3286	08/13	435.00	10.04	33.28	11.90	0.00	0.00	344.78
3365	08/20	495.00	16.04	37.87	13.70	0.00	0.00	427.39
3445	08/27	507.00	17.24	38.78	14.06	0.00	0.00	436.92
3526	09/03	675.00	40.72	51.64	19.10	0.00	0.00	528.54
3610	09/10	688.50	42.75	52.67	19.50	0.00	0.00	573.58
3689	09/17	840.00	65.47	64.26	24.05	0.00	0.00	686.22
3766	09/24	826.00	63.37	63.19	23.63	0.00	0.00	640.81
3846	10/01	630.00	33.97	48.19	17.75	0.00	0.00	530.09
3930	10/08	498.00	16.34	38.10	13.79	0.00	0.00	429.77
4012	10/15	535.00	20.04	40.93	14.90	0.00	0.00	459.13
4097	10/22	490.00	15.54	37.49	13.55	0.00	0.00	423.42
4175	10/29	615.00	31.72	47.04	17.30	0.00	0.00	483.94
4258	11/05	808.00	60.67	61.81	23.09	0.00	0.00	662.43
4338	11/12	623.00	32.92	47.66	17.54	0.00	0.00	524.88
4420	11/19	501.00	16.64	38.33	13.88	0.00	0.00	432.15
4507	11/26	492.00	15.74	37.63	13.61	0.00	0.00	390.02
4578	12/03	108.28	0.00	8.28	0.00	0.00	0.00	100.00
4740	12/10	544.00	21.07	41.63	15.17	0.00	0.00	431.13
4820	12/17	562.75	23.88	43.05	15.73	0.00	0.00	480.09
4896	12/24	731.00	49.12	55.92	20.78	0.00	0.00	605.18
4974	12/31	230.00	0.00	17.59	5.75	0.00	0.00	206.66
		15791.53	855.68	1208.05	440.59	0.00	0.00	12867.21

Employee	Wages	FUTA Wages	FUTA Taxes (FUTA wages X **.006**)
Barney Terrific	16304.34	0.00	0.00
Ned Beaty	1251.60	1251.60	7.51
Charlie Brown	15791.53	1511.88	9.07
Totals	33347.47	2763.48	16.58

The FUTA Wages Total (ex. 2763.48) will be used for Line 7d on your Form 940

How above was calculated

- Barney Terrfic's wages prior to 7/1 were 7785.12, so he met the FUTA wage base prior to 7/1. FUTA wages for Barney 7/1 and after are 0

- Ned Beaty's wages prior to 7/1 were 1031.00, less than the $7000 wage base. His wages 7/1 and after were 1251.60, giving him total wages of 2282.60, still less than the $7000 wage base, so his 7/1 and after FUTA wages equal his 7/1 and after wages of 1251.60

- Charlie Brown's wages prior to 7/1 were 5488.12, less than the $7000 wage base. His wages 7/1 and after were 15791.53, giving him total wages more than the $7000 wage base, so his 7/1 and after FUTA wages are calculated at 7000 minus his wages before 7/1 (7000 – 5488.12 = 1511.88)

How to Adjust FUTA Tax Liabilities

When you process your FUTA (940) Tax Deposits in BusinessWorks, if the amount shown matches your calculated amount you were using the correct FUTA rates for 2011, or all your employees met their $7000 wage base limit during the first half of the year. Either way, your FUTA tax liabilities are correct so you can process your FUTA (940) tax deposit and skip the following adjustment instructions.

If the amount shown as owed does not match the amount you or your accountant calculated as owed, this is most likely because you were using .8% as the FUTA rate for the entire year, and you will need to adjust your tax deposit and make a journal entry to adjust liabilities.

Adjusting your FUTA (940) Tax Deposit:

- Calculate the difference between the amount BW shows as being owed with your calculated amount, and enter the difference in the Penalties/Overpayments field

- Enter your calculated amount owed in the Total Deposit Amount field

- Post the deposit and answer Yes to the prompt to process with penalties/overpayments. If another prompt appears that penalties/overpayments will be posted to a payroll posting error account (2.000), click Yes or OK.

Adjusting your FUTA Liabilities:

- Go to PR > Utilities > Maintain Payroll Parameters
- In the Maintain Payroll Parameters screen, click the Posting Accounts button on the right side
- In the Posting Accounts screen, note the GL account used for Tax penalties/overpayments (the last line in the list). If it shows "Account not on file", note account 2.000. Also, note the FUTA Payable account.
- Cancel or close the Posting Accounts and Maintain Payroll Parameters windows
- Go to GL > Entries > Post to Journals
- Enter a new general journal entry dated the same day as your FUTA (940) Tax Deposit check, with:
    - Description: Adjust liabilities for 2011 mid-year change in FUTA tax rate
    - Account: Enter the Tax penalties/overpayment account (or 2.000) noted above; Enter the difference amount calculated when you made your FUTA (940) Tax Deposit as a CREDIT; then Accept
    - Account: Enter the FUTA Payable account noted above; Enter (or accept) the difference amount calculated when you made your FUTA (940) Tax Deposit as a DEBIT; then Accept
    - You should now have a balanced journal entry...Post, Close, print a journal report and keep it with your calculation worksheets in case they are needed for future reference.

Payroll Processing

After completing the steps listed above, continue processing your 2012 payroll as you normally would. BusinessWorks will calculate FUTA liabilities based on the tax information you entered, and will automatically adjust any over-calculated amounts from 2012 payroll already processed.

Disclaimers

FLI provides this information as a convenience and service to assist our customers in making payroll tax changes to their BusinessWorks software to remain compliant with Federal and State statutes. All rates and values listed in this document were obtained from the Illinois Department of Employment Security (IDES) and the Internal Revenue Services (IRS), and are believed to be accurate and correct. FLI assumes NO responsibility for inaccurate, incorrect, or omitted information regarding any amounts or rates listed in this document. Further, FLI assumes NO responsibility for any damages resulting from any actions taken, or not taken, based on the information provided in this document.

Getting Assistance

Please contact your accountant, IRS, IDES, or FLI Customer Support if you have any questions regarding the information provided in this document