



AccuBuild Construction Software

Title: 2017 Payroll Year End Notes

Business Owner: AccuBuild Professional Services Team

Purpose: The purpose of this document is to provide information and the steps for Payroll Year End processes.

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1. AccuBuild Payroll Year End Notes

1.1. Payroll Year End Notes

Payroll Year End Notes:

The following information is an outline for preparing the system for the new payroll year and for processing the W2s and 1099s for the year **2017**.

Please be sure to read **ALL** of the following information before attempting to close the payroll year end.

NOTE: W-2s do NOT need to be printed before closing the payroll year.

- Create a Bonus Check
- Create a Fringe Benefit Check
- Closing the Payroll Year
- W-2 Reconciliation Worksheet

1.2. Create a Bonus Check

Create a Bonus Check

1. Bonus pay should be set up as one of the six miscellaneous pays on the **Payroll > Properties > Misc Pays / Ded** tab. Make sure that the W2 box is checked so that it will be included in gross wages. Typically, the bonus pay is not marked as exempt from any taxes nor as exempt from workers' compensation but check with your CPA. The G/L account on this line does not need to be filled in because the system will use the associated department code in the time card entry for the G/L account.
2. There are a couple of ways to manipulate the calculation of the Federal Withholding and State Withholding taxes on the bonus check:
 - One way is to turn on the **Override Auto Tax Calc** option on the **Payroll > Employee > Federal** tab. When taxes are calculated you will be able to manually type in the specific tax amount that you want deducted from the check.
 - The other method is to temporarily change the default pay period from weekly to monthly or annual on the **Payroll > Properties** screen. This will reduce the amount of tax calculated on the entire batch of checks. Refer to the IRS and State publications for withholding table calculations. **Be sure to reset your pay periods after the bonus checks have been posted, otherwise all future checks will be calculated incorrectly. This option ONLY impacts non-salaried employees.**
 - For salaried employees, choose option one above (override auto tax calc), or change the pay period to monthly or annually. This field is located on each employee's record (**Payroll > Employee > Pays** tab).

3. Set up a department code specifically for the bonus pay. Most companies accumulate bonuses into one expense account. Be sure to choose this department code on the time card entry otherwise it will use the department code found in the employee's file.
4. When you enter your time card entries, use the transaction code associated with the bonus pay. This will be code 51 - 56 (misc pay NOT withheld). The term 'not withheld' on this screen has nothing to do with the taxable status of the item; the taxable status is defined in the payroll properties as described in step 1. Instead, 'not withheld' on this screen simply means that the employee will be receiving the amount on his check. (Do not use transaction codes 81-86 for the bonus pay. The term 'withheld' on this screen is used to pay an amount on the check, tax it, then deduct the amount from the check in order to give it to a 3rd party such a union or approved benefit plan.)
5. Calculate the taxes as usual. If you chose the override auto tax calculations in the employee file then you will need to manually fill in the FWH and SWH fields with the proper amounts. If you chose to change the payroll periods, then review the tax calculations using the Pre-Check Tax Register.
6. Print and post your checks as usual.

1.3. Create a Fringe Benefit Check

Create a Fringe Benefit Check

A fringe benefit is a form of payment for services by an employer to an employee beyond the stated pay. Fringe benefits for employees are taxable wages unless specifically excluded by an Internal Revenue Code. Examples of a fringe benefit include but are not excluded to: personal use of a company-owned vehicle; reimbursed moving expenses; health insurance paid to a shareholder (2% or more) in an S corp.

Note: Be sure to enter any fringe benefit pay adjustment **BEFORE** rolling the calendar year for the Payroll system. Otherwise, the adjustment will not be included in the appropriate year's W2 totals.

The following is an example of how to record a fringe pay for the personal usage of a company vehicle. This can be handled as a year-end adjustment to the employee's wages using a handwritten payroll check. The fringe pay will be automatically included as part of the **Gross Wages** as well as all of the **Subject Wages** for each tax. If the fringe pay is not subject to a specific tax, change the subject wage amount as applicable. (To change the subject wages, you must enable the 'Override Auto Tax Calculations' option found on the Fed Tab of the employee file.) Please check with your company's CPA about which taxes may be applicable before processing the check.

1. In the **Payroll > Properties** option, select the **Misc Pays / Deds Tab** and set up a miscellaneous deduct to use as an offset to the fringe benefit pay. You may want to set the deduct description to **AutoFringe** or something similar as this description will appear on the payroll checks. This deduct can be linked to your auto expense account so the deduct amount offsets some of the total auto expenses for the year.

2. Select the **Handwritten Checks** option in the Payroll module. Please refer to the handwritten check documentation for basic instructions on how to enter handwritten payroll checks. The following fields will be unique for the fringe benefit entry:

- **Check Number** - Since this is not an actual check, you may wish to enter a unique check number series for the fringe benefit checks.
- **Amount** - Enter the amount of the check as zero.
- **Payroll Periods** - Enter the period beginning and ending dates (you may wish to use the last week of the payroll year).
- **Payroll Tax Deductions** - These fields represent the employee deductions only; they do not include the employer's portion of the taxes. Because this is a handwritten payroll check, AccuBuild will not automatically calculate the payroll tax amounts for you. Be sure to check with your company's accountant before calculating any of the taxes on this check as this pay amount may be exempt from certain taxes. If taxes are due on the fringe benefit amount, then offset the amount by reducing the state and federal withholding taxes. For example, an employee is to receive an adjustment for fringe benefit pay in the amount of \$1,000.00. Per the company's CPA, the amount is subject to all taxes except state and federal withholding. Therefore, the taxes must be calculated for FICA, FUTA, SDI, SUI, and ETT (as applicable to your state). First, verify whether the employee has met any of the tax limits. Remember that the FICA tax is a combination of social security and Medicare taxes, and that the Medicare portion does not have a wage limit. If the employee's year-to-date earnings have met the social security wage limit, and the Medicare rate is 1.45%, then \$14.50 will be entered as the amount of Medicare tax for this check. But due to the fact that the net check amount must be zero, a credit amount of (\$14.50) must be deducted by reducing the corresponding Fringe Benefit Deduction amount. The same process would be followed for each state tax but the cumulative adjustment would be also included by a reduction of the corresponding Fringe Benefit Deduction amount..

3. Select the **timecards** button and select Trans code ' **70 – Fringe Benefit Pay** '. Enter the amount of the fringe benefit pay. The rest of the timecard entry fields may be skipped.

Remember, the employee's default union code and workers comp code will be automatically entered in this transaction. Check with your company's CPA to verify whether the fringe benefit amount should be subject to union and workers compensation insurance accruals. If the employee has any automatic pays or deducts in their employee file, then these entries will automatically be added to the list of timecard entries. These entries should be individually deleted. Simply select the entry in the browse screen and select **Delete**.

4. Select **Add** and select the Trans code that represents the **AutoFringe** deduction (61 through 66). Enter the amount of the fringe benefit pay, select **Save** and then **Close** the timecard entry screen. Be sure to reduce the amount by any taxes deducted as explained in number 2, bullet three above.
5. Select **Process** to post the entries through the accounting system. If the **Process** button is not enabled, then make sure that the calculated net amount of the check is equal to the check amount that you entered. Remember, the check amount should be zero. During the posting process, the system will calculate the employer's portion of the payroll taxes.

If you enabled the override of the automatic tax calculations in the employee file, then you will be able to change the tax amount and the subject wage amount at this time.

6. **W2 Information** - The amount of the fringe pay will be printed in Box 14 of the W2. You may need to update the **Payroll > Employees > Fed Tab > Box 14 Info** with the proper description of the fringe pay.

Please note: When you print the W2s, you will have an option to use **Gross Wages** or **Subj Wages** for federal and state wages. If you do NOT have any pre-tax deductions other than the fringe pay, then you can use the Gross Wage option. This will ensure that the fringe pay is included in the federal and state wages. If you DO have pre-tax deductions such as for a 401K, then be sure to print your W2s with the Subj Wage option to ensure that the proper LOWER wage is reported.

1.4. Closing the Payroll Year

Closing the Payroll Year

The following procedures should be followed in the order that they are listed. If you need to process your first payroll BEFORE you can download and install the update, then please follow these steps:

- Finish all payroll entries for the year 2017 (Refer to Step 1)
- Change the Payroll Date and Update Employee Totals (Refer to Step 5)

NEW FOR 2018: There is a new setting for local deduction codes that have a cutoff limit that will allow the system to calculate the NEW balance due for the 2018 year. If you are NOT able to install the new software release and make the necessary setting changes in the employee files BEFORE changing the payroll date, then you will not be able to take advantage of this new feature. Instead, you would need to manually calculate the balance due and update the employee's local deduction cutoff limit manually.

- Enter the New Payroll Tax Rates and Limits (Refer to Step 6)
- Adjust Annual Cutoff Limits on Employee Deductions (Refer to Step 8)
- Create Time Card Entries and Print Payroll Checks for 2018 (Refer to Step 9)

Be sure to review the remaining steps for reconciling the 2017 payroll information, printing W2s and 1099s. If you discover that adjustments need to be entered for 2017 AFTER you have written checks for 2018, then be sure to follow the directions in Step 10.

1. Finish All Payroll Entries for the Year 2017.

A payroll check that has a check date of 2017 will appear on the 2017 W-2s. Check dates with the year **2018** will **NOT** be included on the W-2s for the year 2017, regardless of the week ending date. The W-2 totals are based on **CHECK DATES, NOT ON WEEK ENDING DATES**.

Please also read the documentation on creating a [fringe benefit check](#) to record non-cash compensation for items such as personal use of a company vehicle.

2. Reconcile the Payroll Tax Reports for the Year 2017.

Reconcile the quarterly payroll tax reports to the **W-2 Information Report**. The wage and tax amounts should be reconciled prior to closing the year to verify that all necessary adjustments have been entered.

- Click **Payroll > W-2s**.
- Enter the payroll cutoff year as **2017**.
- Click on the **View W-2s** button.
- On the next screen, click on the **W2 Info Report** button to print the report.
- Using the **W-2 Reconciliation Worksheet** contained in this document, enter **down the page** the wages and tax amounts reported on the quarterly reports submitted to the IRS and your state. Add the amounts **across the page** for all four quarters and compare the totals to the **W- 2 Info Report**. If the totals match, then no adjustments are needed.

Note: *The **W-2 Info Report** includes both the gross wage amount and the wages subject to FWH and SWH so you must choose the proper column to compare to your quarterly reports. The subject wage amounts will be lower if you have pre-tax deductions. Be sure to review this information with your CPA if you are not sure which column you should choose.*

3. Create a Full Backup of your AccuBuild Data.

This backup should be created in addition to your daily system backup.

- Click **File > Backup Data** to create a backup of the current company data.
- Repeat this process for each company that uses the Payroll module.

4. Install the Year End Release AFTER all checks for 2017 have been entered.

NOTE: If you are an AccuBuild Cloud users, then the year end release will be installed on the cloud for you between December 28th and 29th. Please skip to item 5.

For non-AccuBuild Cloud users, please refer to the following instructions:

AccuBuild version **9.6.0.5** contains the tables for the Federal (FWH) and State (SWH) withholding taxes for the year 2018. You must have version **9.5.0.3 or newer** installed before you can install the year end update.

Install the update **AFTER** the last payroll check with a check date of 2017 has been entered and **BEFORE** closing the month of December. Also, be sure that there are no pending (unposted) batches before installing the release.

- a. **Download Update** - Click **Help > Check AccuBuild Website for Updates**. Click on the 9.6.0.5 release and save the file to your desktop or to your Downloads folder. Do not run the installation directly from the website.
- b. **Install Update** - Once the download is complete, close the website page and make sure all AccuBuild users have exited the program (including yourself). (A backup of your data should be created before installing any update but you should have already created a backup in Step 3 so another backup is not necessary unless new transactions have been entered.)

To install the update, double click on the file that was saved to your desktop. Select the drive letter from the bottom of the screen and then **double-click** on the Accubld8 or Accubld9 folder. (For example: P:\Accubld9)

From this point on, click **OK**, **Next**, or **I Agree** to finish the installation; you will not have to choose any other file paths. The update is installed to the original program installation location on the network, therefore it does NOT need to be installed on each workstation.

Once the installation has been completed, open the AccuBuild program. Verify that the new software release number is displayed at the top of the screen.

5. **NEW FOR 2018: Update local deduction codes that have a cutoff limit with a new Cutoff Limit Type.**

- Click **Payroll > Controls > Local Deduction Codes**
- Edit any local deduction code such as an employee loan or tax levy that has a cutoff limit. These types of deductions may have a cutoff limit that may or may not be reached in the current year. AB has a new field called **Cutoff Limit Type** which may be set to '**Reducing Balance**' if you wish for AB to automatically calculate the remaining balance at the end of the calendar year and populate the Cutoff Limit field in the employee's file with the new balance.

6. Change the Payroll Date.

The **payroll cutoff date** must reflect 01/01/2018 before payroll checks may be dated for 2018.

- Click File > System Administrator > Configuration > Accounting
- Click on the Payroll Cutoff field and enter **01/01/2018**. **DO NOT** change the fiscal year end date or the system cutoff date.
- Click **OK** to save your change.
- Once you click OK, the system will alert you that the employee totals must be updated. Click OK to start the process. Since no payroll checks have yet been written for 2018, all of the employee accumulators will be set to zero.
- **NEW FOR 2018:** During this process, the system will also calculate and update the new balance on any local deduction code that has been updated with the new cutoff limit type titled 'Reducing Balance'.
- **NEW FOR 2018:** After the payroll date has been changed to 2018 and the totals have been updated, you may print the new Payroll report titled 'Payroll Deductions Cutoff Limits - Year End Log' dated 01-01-17 through 12-31-17. This will show you how AB calculated the remaining balance for each local deduction by employee. You may always manually change the cutoff limit in the employee file, if needed.

7. Enter the New Payroll Tax Rates and Limits.

The software update will install the state and federal **withholding tax** changes automatically. However, you **MUST** manually enter the following payroll tax rates and wage limits before generating payroll checks for the 2018 calendar year.

- Click **Payroll > Properties > Tax Rates**. This screen contains the rates and cutoff limits for FICA and FUTA. (Refer to the table below). (*Please note: There was no increase in the 2017 FICA or FUTA tax rate and cutoff limits for 2018.*)
- Click on the **State Tax Settings** button to access the rates and cutoff limits for SDI, SUTA, SUI and ETT. Select your state code(s) and make the appropriate changes. Be sure to save your changes once they are completed. **Note:** *If your state does not use some of these tax fields, then set the limits and rates to zero.*

The following chart includes state tax rates for California only. **Be sure to verify the following tax rates and limits with your company's accountant before entering them into the system.**

Federal Tax Rates	Cutoff Limit	Tax Rate
FICA (Social Security)	\$128,400	6.20%
FICA (Medicare)	None	1.45%
FICA (Additional Medicare - Single, Head, Widow)	\$200,000	0.90%
FUTA (Federal Unemployment)	\$ 7,000	0.60%

California Tax Rates *as of 12/14, not set yet, please confirm before inputting		
SDI (State Disability)	\$114,967	1.00%
SUI (State Unemployment)	\$ 7,000	See below
ETT (Employment Training)	\$ 7,000	0.01% (See below)

FICA (Social Security) - Please enter the employee rate of 6.2%; AccuBuild will automatically use 6.2% for the employer contribution rate.

FICA (Additional Medicare)

- Additional Medicare - Tax Rate (Employee) – This field holds the Additional Medicare Tax rate entered as a percentage. Enter 0.9 in this field.
- Additional Medicare - Exempt Wage Cutoff – This field contains the amount of Medicare Wages that must be reached **before** the Additional Tax is required. In 2018, the Exempt Wage Cutoff amount is \$200,000 which means that the Additional Medicare Taxes are only due on Medicare Wages that exceed \$200,000 for the payroll year. Once this limit is reached, the Additional Medicare tax will be withheld from the employee's check.
- Additional Medicare – Tax Rate (Employer) – This field is a READ ONLY field and contains the Additional Medicare Tax rate for the Employer. Currently for 2018, there is NO required tax for the employer tax burden so a rate of zero is shown.

Federal Unemployment Tax - The FUTA tax rate is 6.0% but generally you can take a 5.4% credit for the amount that you pay into a state unemployment fund. If you are entitled to the maximum 5.4% credit and the state **is not** determined to be **credit reduction state**, then the tax rate is 0.6%.

"A state that has not repaid money it borrowed from the federal government to pay unemployment benefits is a "credit reduction state." The Department of Labor determines these states. If an employer pays wages that are subject to the unemployment tax laws of a credit reduction state, that employer must pay additional federal unemployment tax when filing its Form 940." (<http://www.irs.gov/pub/irs-pdf/p15.pdf>)

- **If you have payroll in only one state**, and your state is a credit reduction state, then enter the proper tax rate in the FUTA field.

- **If you have payroll in multiple states**, and one or more of the states is a credit reduction state, use 0.6% as the FUTA tax rate. Due to the fact that there is only one FUTA tax rate field, you will need to manually adjust the FUTA tax rate accrual with a general journal entry.
- You may utilize the **FUTA Tax Liability Report** to help you determine the tax amount due. This report will compare the accrued FUTA (posted with each paycheck) and the calculated FUTA (based on the Federal rate of 0.6%) to calculate an over/under accrued liability amount which may then be adjusted with a general journal entry. Again, if you are in a credit reduction state, refer to the single state/multiple states notations above and consider how this may impact the report. Please check with your CPA if you are uncertain of the FUTA tax rate for your company.

The **State Unemployment** tax rate and the **Employment Training** tax rate are supplied to your company by the State. These rates are different for each company and are based on the amount of unemployment taxes paid by your company, along with the amount of unemployment claims charged to your company.

8. Review Employee Information on the Federal Tab

- Click **Employees > Fed** tab.
- Review **Box 12**, **Box 13** and **Box 14** information. Review the IRS documentation on the reporting requirements for these boxes with your CPA. Please refer to the documentation on entering a fringe benefit check for Box 14 amounts.
- Employee Deductions for items in Box 12:
- On the **Payroll > Employees > Fed** screen, manually enter the total amount in field A, B, C or D of Box 12 with the appropriate IRS code.
- Instead of entering the amount manually on the employee screen, you may click on the Ded Accum setting on the same screen and then select the appropriate deduction accumulator. If an accumulator is selected, then the system will automatically calculate the amount based on the check records for 2017. *Note: In order to use the feature properly, be sure that the deduction accumulator has been reserved for only one type of deduction. In other words, be sure that two different types of local deduction codes (such as 401K and Child Support) have not been assigned to the same accumulator. Otherwise, the calculated amount for the 401K would be incorrect.*

Employer Paid Health Insurance - The **Affordable Care Act** requires employers to report the cost of coverage under an employer-sponsored group health plan on an employee's Form W-2, Wage and Tax Statement, in Box 12, using Code DD.

- On the **Payroll > Employees > Fed** screen, manually enter the total amount in field A, B, C or D of Box 12 with the IRS code DD.
- Instead of entering the amount on the employee screen, you may edit the W-2 information

using the Aatrix program (**Payroll > Tax Forms / E-File / W2s**). The W-2 grid will display the employee information in a grid format including a column for the employer paid health insurance. This may be quicker than editing each individual employee, however, these entries **will not** be stored in the AccuBuild program.

- For more information, refer to A|B “Printing Tax Forms Notes,”

9. Adjust Annual Cutoff Limits on Employee Deductions.

If you are using a **local deduction code** for an employee deduction, then be sure to update the cutoff limit in the employee's file. The cutoff limit should be changed to reflect the **new remaining balance** for the deduction in the new year.

- Click **Payroll > Employees**.
- Select an employee and click the **Deds** tab.
- Click **Edit** to make your changes.
- If an employee has fully satisfied a deduction in 2017, then be sure to remove the deduction code completely from the employee's file otherwise the deduction will continue in 2018.

10. Create Time Card Entries and Print Payroll Checks in 2018.

Once you have completed all items listed above, **you may process** the first payroll batch for the calendar year 2018. You **do not have to print W-2s** before processing checks for 2018.

Before you post the batch, verify that the year-to-date earnings on the checks **do not** include earnings from 2017.

11. If you need to enter adjustments to 2017 payroll AFTER you have posted checks in 2018 . . .
 ... then you will need to change the payroll cutoff date BACK to 12/01/2017 and let the system update the employee year-to-date accumulators. This must be done BEFORE you calculate any taxes on any adjustments to 2017 otherwise the YTD totals will not be correct. Keep in mind that the year end release has already been installed at this point, therefore, the FWH and SWH calculations may be slightly different. You may also need to change the State Unemployment and/ or other tax rates back to their original settings for 2017 in order for the system to calculate your employer burden correctly. Consider turning on the 'override auto tax calculation' option on the **Employees > Fed Tab** so that you may manipulate the tax amount and subject wage amounts.

12. You are now ready to print W-2s.

AccuBuild uses Aatrix to produce W-2s and quarterly payroll tax reporting. This software is accessed through the **Payroll > Tax Forms / E-File / W2s** menu option. The **Payroll > W2s** menu option will only allow you to update your company tax identification information and print the **W2 Information Report**.

1.5. W-2 Reconciliation Worksheet

W-2 Reconciliation Worksheet

Quarterly 941 Reports							
	941 Line	1st Qtr	1st Qtr	1st Qtr	1st Qtr	Totals	W2 Box
Wages	2						1 and 16
Fed W/H	3						2
FICA Wages							
SS Wage	5a C1						3
SS Tax	5a C2						4
Medi Wage	5c C1						5
Medi Tax	5c C2						6
Quarterly State Payroll Tax Reports							
State W/H							17
SDI							19

You may use this form to help you reconcile the federal and state quarterly payroll tax returns to the **W2 Information Report**.