

Sage Abra Suite

Sage Abra Payroll

2010 Year-End Processing Guide


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Support and Documentation

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1. Refer to the online Help for assistance. To access online Help, select Contents from Sage Abra Suite's Help menu and use the Table of Contents, Index, and Search function to find what you need. You can also click  to open Help for the function you are currently using.
2. Visit the Technical Forum and Solution Center on Abra SupportPlus Online® at:
http://www.sageabra.com/support_and_training/customer_logon
3. Send an email (include your Customer ID) to:
abratechsupport@sage.com
4. Call Abra Customer Support, Monday through Friday from 8:00 A.M. to 8:00 P.M. (ET) at 800-829-0170. Please have your Customer ID number available.
5. Visit Abra SupportPlus Online and use Abra Live Chat, Monday through Friday from 9:00 A.M. to 5:00 P.M. (ET) at:
http://kb.sagesoftwareonline.com/cgi-bin/sagesoftwareonline.cfg/php/enduser/chat.php?&_input_icf_43=135

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Overview

The Sage Abra Payroll Team provides this guide to help you complete year-end processing and prepare year-end tax and management reports for 2010. We strongly recommend you review this guide before closing the year.

Note: This year-end guide does not provide tax advice. It only provides guidelines for using Sage Abra Payroll. Consult your tax or accounting professional for tax advice.

This guide covers the following tasks:

- Pre-closing activities
- Closing activities
- Printing Forms and Creating Magnetic Media
- Beginning the New Year

Sage updates its software frequently to reflect any changes in federal and state government regulations and forms. The 2010 Fourth Quarter Payroll Update provides updates for completing 2010 year-end processing and running 2011 payrolls.

Release Notes

It is important that you use the Fourth Quarter 2010 Release Notes in conjunction with this year-end guide. The Release Notes document contains the following information:

- Federal, state, and local tax table updates
- 2011 contribution limits and wage bases
- 2010 tax form changes
- Issue resolutions
- Installation and tax table update instructions

Documentation notes

- In this document, when instructions are given to go to a specific page in the Abra Suite system, use the main menu to navigate to the page. Navigating from the main menu is the same for both version 7 and version 9.
- Screenshots included in this document are taken from a version 9 Abra Suite system. In all cases, the information on the page is the same in version 7 and version 9.

Pre-Closing Activities

It is important for you to complete certain pre-closing activities before processing the Quarter Close for fourth quarter of 2010. These activities are included in these general categories:

- [Planning and reviewing year-end requirements](#) (page 4)
- [Validating Form W-2 and Form 1099 reporting classifications in your Deductions, Earnings, and Taxes code tables](#) (page 6)
- [Selecting the earnings and deductions you want to be automatically reset](#) (page 14)
- Miscellaneous procedures (if applicable), including:
 - [Formatting Employee Names for the W-2 File](#) (page 16)
 - [Updating Employees with No Check History in fourth quarter](#) (page 18)
- [Posting taxable benefits and other year-end adjustments](#) (page 19)
- [Completing all payroll processes](#) (page 23)

Important! You **must** install the 2010 Fourth Quarter Payroll Update *before* running the initial Trial Quarter Close process for the Fourth Quarter of 2010. If you have already run the Trial Quarter Close, you must restore the backup you made prior to the Trial Quarter Close, install the 2010 Fourth Quarter Payroll Update, and rerun the Trial Quarter Close. Remember, the Trial Quarter Close can be processed two ways; you can run it manually (be selecting the process from the main menu) or it is run automatically when you run the first payroll of 2010.

To ensure that Abra Payroll references the updated tax tables, you must also run the Tax Table Update before running your first payroll of 2011. For instructions on how to install the 2010 Fourth Quarter Payroll Update and the Tax Table Update, see the “To Run the Quarter 4, 2010 Tax Table Update” section in the Fourth Quarter 2010 Release Notes.

Plan and review year-end requirements

As you approach the end of 2010, the following suggestions can help you better organize your tasks and make your year-end processing run more smoothly.

1. Obtain and review the IRS instructions provided in Publication 393-Federal Employment Tax Forms, and other tax guides, such as those from Commerce Clearing House, Inc. or the American Payroll Association. We also recommend that you carefully verify your state and local reporting requirements.

If you have access to the Internet, you may want to visit the following site, which provides all IRS Forms and Publications along with a link to State Tax Forms:

<http://www.irs.gov/formspubs/index.html>

2. Obtain an adequate supply of the appropriate tax forms, including Form W-2, Form 1099-R, and Form 1099-MISC. Our Sage Business Forms brochure contains the forms supported by Abra Payroll.
3. Verify whether your company is required to submit data electronically or on magnetic media. If so, check with the Magnetic Media Coordinator in the Social Security regional office that services your state for the required procedures and formats. Be sure to ask if your state requires a pre-verification prior to submitting your data.

If you have access to the Internet, you may want to visit the Social Security Administration site, which provides information on the EFW2 record format and filing requirements:

<http://www.socialsecurity.gov/employer>

4. Contact your employer's Accounts Payable, Benefits, and Human Resources departments to identify taxable earnings that should be reported on the employee's Form W-2 and Form 1099, but are not paid through payroll.
5. To produce accurate Forms W-2, verify your employee information, including names, addresses, and Social Security numbers. Consider sending a letter to your employees requesting their name, address, and SSN verification.

If you are using Abra Workforce Connections in your system, have employees review their Address page. If your employees have access to their withholding information, you can also have them verify their filing status and exemptions. For example, if an employee has claimed exempt from Federal Withholding (W-4) or has filed a W-5 for Earned Income Credit (EIC), they will need to file a new form for the new year.

Note: If the employee was terminated, the address used on the Form W-2 is the forwarding address on the employee's Termination page. If the forwarding address has not been entered, it will default to the address listed on the **Address and Phone** tab on the employee's Demographics page.

6. Verify that the employer name, address, and Federal Tax ID are all complete and accurate at the employer level (**Rules > System > Modify Employer**, and **Rules > Payroll > Payroll Setup**) and at the Enterprise level (**Rules > System > Enterprise Setup**). Also, verify the State Reporting ID and the SUTA Reporting ID are included in the appropriate tax codes (**Rules > Payroll > Tax Codes**). This data is used for all reports, forms, and magnetic media.

Note: If you are using the tax filing service to print your Forms W-2, you must include the employer's email address (**Rules > Payroll > Payroll Setup**) and telephone number (**Rules > System > Modify Employer**).

7. Review the **Pension Plan** indicator on the employee's Tax Withholdings page (**Details > Payroll > Tax Withholdings**). This is equivalent to the **Retirement Plan** check box on Form W-2 box 13.
8. Review any year-end benefit adjustments you need to consider.
9. Make sure that all flat amount earnings and all deductions have the correct stop date.

Note: Certain types of earnings or deductions may need to have amounts reset prior to running the Trial Quarter Close. See "[Run the Trial Quarter Close](#)" section on page 30.

10. Make all adjustments needed for local taxes that were not updated with Abra Payroll's Quarterly Tax Update.

Note: Benefits are usually the most common cause of Form W-2 problems because the tax treatment of benefits typically changes from year to year. Review your references carefully to become familiar with all current requirements.

Validate Form W-2 and Form 1099 reporting classifications

Verify that the codes in your Earnings, Deduction, and Tax code tables conform to standard Form W-2 and Form 1099 box assignments.

Note: Employee wages only appear in boxes 1, 3, and 5 of Form W-2 if the Earnings Codes for FED, FSOC, and FMED are selected in the **Taxable Wagebase** or **Accumulate Wages Only** columns of the **Taxable Earnings** tab. To verify taxable earnings and pre-tax deductions, select the appropriate tax code and view the detail page (**Rules > Payroll > Tax Codes**), and select the appropriate employer, if more than one).

To review these codes, print the following code table reports (**Reports > Payroll > Code Table Reports**) and compare them with specific Form W-2 and Form 1099 reporting requirements:

- Earnings Codes
- Deduction Codes
- Tax Codes

Form W-2 reporting requirements

Verify earnings categories

Earnings categories tell Abra Payroll where certain earnings belong on the Form W-2. You must make sure each earnings code is set up with the correct earnings category in order for Abra Payroll to place the earnings in the appropriate box.

To verify earnings categories, select the appropriate earnings code and view the detail page (Rules > Payroll > Earnings Codes). The Earnings Category is located on the General tab.

The following table shows the earnings category, its corresponding form, and box assignment.

Earnings Category	Form	Box Assignment
Military Paid Differential	Form W-2	1
Pay for Work Performed, Bonus, Commission	Form W-2	1, 3, 5
All Leaves	Form W-2	1, 3, 5
Reimbursements	Form W-2	1, 3, 5 (if taxable)
Non-wage Compensation	Form W-2	1, 3, 5
Group Term Life (>\$50,000)	Form W-2	1, 3, 5, 12 (code C)
Reported Tips	Form W-2	1, 5, 7
Allocated Tips	Form W-2	8
Dependent Care	Form W-2	1, 3, 5, 10
Non-qualified Plan	Form W-2	1, 3, 5, 11
Non-qualified Plan (Sect. 457)	Form W-2	1, 3, 5, 11
Shift Differential	Form W-2	1, 3, 5
Standard Earnings FLSA	Form W-2	1, 3, 5
Total Earnings FLSA	Form W-2	1, 3, 5
Weighted Average Earnings FLSA	Form W-2	1, 3, 5
Exercise of Non-statutory Stock Options	Form W-2	1, 3, 5, 12 (code V)
Non-Tax HSH	Form W-2	12 (code W)
Non-Tax Moving Expense	Form W-2	12 (code P)
Non-Tax Third-party Sick Pay	Form W-2	12 (code J)
Taxable Third-party Sick Pay	Form W-2	1, 3, 5
Taxable Moving Expense	Form W-2	1, 3, 5
Medical Savings Account Contributions	Form W-2	12 (code R)

Earnings Category	Form	Box Assignment
Employer-Provided Adoption Benefits	Form W-2	12 (code T)
Substantiated Employee Business Expense Reimbursements	Form W-2	12 (code L)
Non-taxable Combat Pay	Form W-2	12 (code Q)
Annual Deferrals of Income under a Non-qualified Deferred Compensation Plan	Form W-2	12 (code Y)
Non-qualified Deferred Compensation Plan (Sect. 409A)	Form W-2	12 (code Z)

Notes:

- It is best to make all corrections before you complete the Final Quarter Close process for the fourth quarter. If you have already run the Trial Quarter Close, but not the Final Quarter Close and still need to make corrections to the rules, rerun the Trial Quarter Close after making changes. However, you can edit the Forms W-2 after you run the final Quarter/Year-End close.
- The individual boxes on the forms are comprised of year-to-date wage figures. For instance, if an earning has a category of Pay for Work Performed and is also part of the taxable wage base for Federal Income Tax (FED), then all wages paid with this earning appear in box 1 of Form W-2.
- If an employee is set up to receive Earned Income Credit (EIC) payments, the total amount given to the employee prints automatically, as a positive number, in box 9 of Form W-2.

Verify deduction types

Deduction types tell Abra Payroll where certain deductions belong on Form W-2. You must make sure each deduction code is set up with the correct deduction type in order for Abra Payroll to place the deductions in the appropriate box on Form W-2.

To verify deduction types, select the appropriate deduction type and view the detail page (**Payroll > Rules > Deduction Codes**). The **Deduction Type** is located on the **General** tab.

The following table shows each deduction type, its Form W-2 box assignment, and corresponding code.

Deduction Type	Box Assignment	W-2 Code
Regular Withholding After Taxes	None	
Creditor Garnishment	None	
Section 125 Contributions	None	
Section 401(k) Contributions	12	D
Section 403(b) Contributions	12	E
Section 408(k)(6) Contributions	12	F
Section 408(p) Contributions	12	S
Section 457 Contributions	12	G
Section 501(c)(18)(D) Contributions	12	H
Section 414 (h) (2) Contributions	14	STPICKUP
Federal Levy	None	
Qualified Dependent Care	10	
Non-qualified Retirement Plan	None	
Qualified Adoption Plan Contributions	12	T
Health Savings Account Contributions	12	W
Roth 401(k) Contributions	12	AA
Roth 403(b) Contributions	12	BB

Additional form W-2 information

- HIRE Act exempt wages and tips are posted to box 12 with code CC. This amount will include wages and tips paid to the qualified employee from April 1, 2010 through December 31, 2010, for which you claimed the payroll tax exemption, plus wages and tips paid to the qualified employee from March 19, 2010 through March 31, 2010, for which you claimed a credit in the second quarter of 2010. This amount may not exceed \$106,800, which is the maximum social security wage base.
- Taxes that are in arrears for FSOC or FMED are automatically assumed to be tips and are posted to box 12 with codes A and B, respectively. If these taxes are not in arrears due to tips, you must adjust the reason code for these employees in box 12 of Form W-2. After you close the quarter, adjust the forms using the **Edit Quarter/Year-End Forms** process.
- The following items are not entered in Form W-2 box 12; however, you can edit the Form W-2 after closing the quarter to include these items using the **Edit Quarter/Year-End Forms** process:
 - **M** – Group Term life insurance over \$50,000 for former employees and retirees (uncollected Social Security tax)
 - **N** – Group Term life insurance over \$50,000 for former employees and retirees (uncollected Medicare tax)
 - **K** – Golden Parachute 20% excise tax

To edit the Form W-2, select **Processes > Payroll > Edit Quarter/Year-End Forms**. Select the employer from the drop-down list. Enter the appropriate year. From the list of forms, select **W-2 Form**. Click **OK** to open the selected form. Edit the data in the fields as necessary.

Form 1099-MISC and Form 1099-R reporting requirements

Earnings categories tell Abra Payroll where certain earnings belong on the Form 1099-MISC and Form 1099-R. You must verify that each earnings code is set up with the correct earnings category in order for Abra Payroll to place the earnings in the appropriate box.

To check earnings categories, select the appropriate earnings code and view the detail page (**Rules > Payroll > Earnings Codes**). The **Earnings Category** is located on the **General** tab.

The following table shows the earnings category, its corresponding form, and box assignment.

Earnings Category	Form	Box Assignment
1099-R Pension Payments	Form 1099-R	1
1099-Rent	Form 1099-MISC	1
1099-Royalties	Form 1099-MISC	2
1099-Prizes and Awards	Form 1099-MISC	3 (Other Income)
1099-Death Benefits (Non-qualified deferred compensation plan)	Form 1099-MISC	3
1099-Medical Research (payments to individuals)	Form 1099-MISC	3
1099-Fishing Boat Proceeds	Form 1099-MISC	5
1099-Medical and Health Care	Form 1099-MISC	6
1099-Non-employee Compensation	Form 1099-MISC	7
1099-Substitute Payments	Form 1099-MISC	8
1099-Crop Insurance Proceeds	Form 1099-MISC	10
1099-Golden Parachute Payments	Form 1099-MISC	13

The following items are not populated on Form 1099-MISC and Form 1099-R; however, you can manually edit the form after closing the quarter to include these items using the **Edit Quarter/Year-End Forms** process. The information you edit on the Form 1099-MISC and Form 1099-R appears in the appropriate boxes when the form is printed, however, the edited information will not report on the magnetic media file.

- **Form 1099-MISC:** Box 9 – Payer made direct sales of 5,000 or more of consumer products
- **Form 1099-MISC:** Box 14 – Gross Proceeds paid to an attorney
- **Form 1099-MISC:** Box 16 – 18 are state related boxes, they are for optional reporting
- **Form 1099-R:** Boxes 10 – 15 are state and local related boxes, they are for optional reporting

To edit Form 1099-MISC or Form 1099-R, select **Processes > Payroll > Edit Quarter/Year-End Forms**, and then select the employer from the drop-down list. Enter the appropriate year. From the list of forms, select the one you want to edit. Click **OK** to open the selected form. Edit the data in the fields as necessary.

Note: If you use the Mass Update process to update box 2b (**Taxable Amount Not Determined**) of Form 1099-R, in the **New Value** field, enter **Y** to indicate an **X**, or **N** to indicate a blank.

Important! If you process a Form W-2, and either a Form 1099-MISC, or a Form 1099-R, for an employee in the same tax year using the same Federal Tax ID (EIN) for both income types, and if Federal Income Tax was withheld for the Form 1099 income, the amount shown in box 4 of the Form 1099 includes the total of all Federal Income Tax withheld for the employee for that year.

In this case, edit the Federal Income Tax amount that is associated with the Form 1099 income. Adjust the Form 1099-MISC or Form 1099-R after you close the quarter, using the **Edit Quarter/Year-End Forms** process.

Verify tax table IDs

The Tax Table ID tells Abra Payroll to link a tax code to the appropriate Tax Table. You must make sure each tax code is linked to the correct tax table ID in order for Abra Payroll to calculate the correct tax.

To verify Tax Table IDs, select the appropriate tax code and view the detail page (**Rules > Payroll > Tax Codes**, and select the employer). The **Tax Table ID** is located on the **General** tab, as shown below.

The screenshot shows a software window titled "Tax Codes Detail - ZSI/ABC SYSTEMS, INC." with a close button in the top right corner. The window is divided into four tabs: "General", "Taxable Earnings", "Pre-Tax Deductions", and "General Ledger". The "General" tab is active. At the top, there are two input fields: "Code" with the value "CA" and "Description" with the value "CALIFORNIA". Below the tabs, there are several fields and controls:

- Tax Table ID:** A dropdown menu showing "CA CALIFORNIA", which is circled in red.
- Auto Add Tax Code:** A radio button control with "Yes" selected and "No" unselected.
- Tax Type:** A dropdown menu showing "State".
- Automatic Allocation:** A radio button control with "Yes" selected and "No" unselected.
- Employer Rate:** A numeric input field with the value "0.000000" and up/down arrows.
- Time Sheet Work Code:** A radio button control with "Yes" selected and "No" unselected.
- Employer SDI:** A numeric input field with the value "0.000000" and up/down arrows.
- State Reporting ID:** An input field with the value "45444547".
- SUTA Reporting ID:** An empty input field.
- Tax Filing Code:** An empty input field.

At the bottom of the window, there are four buttons: "Previous", "Next", "OK", and "Apply".

Notes:

- Set **Auto Add Tax Code** to **Yes** to automatically add tax withholdings to employees, only if the employees are located in one state. If you have employees working in different states, setting the **Auto Add Tax Code** to **Yes** incorrectly adds state tax withholdings.
- Set **Time Sheet Work Code** to **Yes** for state income taxes so that these tax codes can be selected from the **Time Sheet Work Code** drop-down list on the employee's Tax Withholdings page.
- Confirm **State** or **SUTA Reporting ID** fields contain the correct employer's ID.
- Confirm the **Rate (Employer Rate, SUTA Experience Rate, or FUTA Experience Rate)** is correct for the current year. If the rate is incorrect, change it to the correct amount.

Reset balances for earnings and deductions

Abra Payroll resets the balances for earnings and deductions at year-end, if **Automatically Reset Balance Amount at Year-End** is set to **Yes** on the **Other** tab of the Earnings Code Detail page or the **General** tab of the Deduction Code Detail page.

Note: By default, the **Automatically Reset Balance Amount at Year-End** field is set to **No** when new earnings or deduction codes are added.

Here is how Abra Payroll resets balances for the earnings and deductions you specify to be reset:

- Abra Payroll resets the balance only during the initial Trial Quarter Close for fourth quarter. Therefore, you must specify the deductions and earnings you want to reset **before** you process the Trial Quarter Close.
- Abra Payroll resets the balance to the goal amount found at the employee level (not the rule level). Therefore, you must make sure that all goals are correct at the employee level (on the Other Earnings detail page and Deductions detail page) before you process the initial Trial Quarter Close for fourth quarter.

Example for resetting balances

Suppose you have an employee with a uniform deduction. The deduction amount is \$10 per pay period and the goal is \$300. With the last pay period of 2010, the balance (amount yet to be withheld) reaches \$100. Consider the following scenarios:

- If you do not reset this deduction, when you run the first payroll of 2011, the \$10 deduction is subtracted from the \$100 balance, resulting in a new balance of \$90.
- If you do reset this deduction, the balance is reset to the goal amount of \$300 during the Trial Quarter Close. Therefore, when you run the first payroll of 2011, the \$10 deduction is subtracted from the \$300 balance, resulting in a new balance of \$290.

Important! If an earning or deduction reaches its goal during the year (balance becomes zero), Abra Payroll sets the **Status** of the earning or deduction to **Inactive** on the employee's Other Earnings detail page or the Deductions detail page. However, when the system resets balances for inactive earnings or deductions, it does not set the **Status** back to **Active**; you must manually change the status of any inactive earning or deduction either on the Employee detail page or by using Mass Update.

To specify the deductions to be reset

To reset a deduction’s balance to the goal amount found at the employee level, select **Yes** in the **Automatically Reset Balance Amount at Year End** field on the **General** tab of the Deduction Codes Detail page, as shown in the following figure.

The screenshot shows the 'Deduction Codes Detail - Enterprise' window. The 'Code' field is '0001' and the 'Description' is '401(k) %Plan'. The 'General' tab is selected. The 'Automatically Reset Balance Amount at Year End' field is circled in red and has the 'Yes' radio button selected. Other fields include Deduction Type (Section 401(k) Con), Withholding Cycle (W/h all Periods, Ex), Calculation Rule (Earnings x Percent), Standard Deduction (0.0000), System Deduction Limit (Contribution Only), Deduction Goal (9999999.99), Annual Compensation Limit (245000.00), and Withholding Priority (13). The 'Payee Identifier' is 'Int'l Investment Gi'. Buttons for Previous, Next, OK, Cancel, and Apply are at the bottom.

To specify the earnings to be reset

To reset an earning’s balance to the goal amount found at the employee level, select **Yes** in the **Automatically Reset Balance Amount at Year End** field on the **Other** tab of the Earnings Codes Detail page, as shown in the following figure.

The screenshot shows the 'Earnings Codes Detail - Enterprise' window. The 'Code' field is '0017' and the 'Description' is 'Car Allowance'. The 'Other' tab is selected. The 'Automatically Reset Balance Amount at Year End' field is circled in red and has the 'Yes' radio button selected. Other fields include Automatic Allocation (Yes), Shift Differential Component (No), Include in Retro Pay Calcs (No), Include in Accrual Hours (No), and Include in FLSA Calculations (No). The 'Time Clock Pay Type Code' is empty, 'HR Benefit Code' is '[Not Linked]', and 'Absence Reason Code' is empty. Buttons for Previous, Next, OK, Cancel, and Apply are at the bottom.

Note: After you have run the Trial Quarter Close for the fourth quarter, any earnings or deductions that have been reset cannot be “changed back.” If you find that you reset an earning or deduction in error, you must restore the backup you made prior to the Trial Quarter Close, select **No** for the **Automatically Reset Balance Amount at Year End** field for the earning/deduction reset in error, and rerun the Trial Quarter Close.

Remember, the Trial Quarter Close can be processed in two ways: you can run it manually (by selecting the process from the main menu) or it will run automatically when you run the first payroll with a check date of 2011.

Other Pre-Closing Procedures

Format employee names for the W-2 File

If you submit Form W-2 data using the Annual W-2 Copy A Information magnetic media file, you must verify that employee names are entered on the Demographics page in the proper format required by the Social Security Administration.

Use the following guidelines for formatting employee names.

- Match the name on the Form W-2 to the name shown on the employee’s Social Security card.
- Separate compound surnames with either a hyphen or a blank space. Do not join them into a single word.

Do Use:	SMITH-JONES or SMITH JONES
Do Not Use:	SMITHJONES

- Do not separate single-letter prefixes from the rest of the surname. Join them to the rest of the surname.

Do Use:	OMALLEY
Do Not Use:	O MALLEY

- Do not use any titles in prefixes such as Doctor, Dr., Mr., Mrs.
- Do not use any titles in suffixes such as Senior, Junior, II, III, MD, PhD.

(Source: SSA Pub. No. 31-011, July 2003)

Report wages accrued for deceased employees

If you must report wages accrued and paid on behalf of a deceased employee, you may be required to edit information on the employee's Form W-2 and Form 1099. You can manually edit these forms after closing the quarter using the **Edit Quarter/Year-End Forms** process.

If you have access to the Internet, you may want to visit the Knowledgebase on SupportPlus Online and review the information in "Reporting deceased wages at year-end," Solution ID **fltskb2893**

To navigate to the Knowledgebase:

1. Log on at:
http://www.sageabra.com/support_and_training/customer_logon
2. Select **Sage Abra HRMS Products US > Knowledgebase**.
3. In the **Open By ID** field, enter the Solution ID number and then press **Enter**.

Set up third-party sick pay

Third-party sick pay may be fully taxable, fully non-taxable, or a combination of both. Your company's requirements determine how you set up third-party sick pay. Select the **Third-party sick pay** check box after the final quarter close is run for the year. To do this:

1. From the main menu, select **Processes > Payroll > Edit Quarter/Year-End Forms**.
2. Select the employer from the **Employer** drop-down list box and enter the appropriate year.
3. Select **W2 Form** and click **OK**.
4. Click the magnifying glass icon (in the lower left hand corner), select the employee, and click **OK**. Sage Abra Suite returns to the W-2 Form for the employee.

- Select the **Third-party sick pay** check box and then click **Apply** to save the changes.

W-2 Form for Adams, Donald A.

Wages and Withholdings				Name and Address			
1. Wag,tips,other com.	2. FIT withheld	3. Soc security wages	4. Soc sec tax withheld				
89775.63	16061.54	102000.00	6323.96				
5. Med. wages & tips	6. Med. tax withheld	7. Soc security tips	8. Allocated tips				
105512.50	1529.92	0.00	0.00				
9. Advance EIC	10. Dep. care benefits	11. Nonqualified plans	12. See instrs (Box 12)				
0.00	0.00	0.00	a C 422.28				
			b D 14743.56				
			c 0.00				
			d 0.00				
13. Statutory employee <input type="checkbox"/>	14. Other	Sect457					
Retirement plan <input checked="" type="checkbox"/>							
Third-party sick pay <input checked="" type="checkbox"/>							
15.State	Employer state ID no	16. State Wages, tips,	17. State Income Tax	18. Loc wages, tips,	19. Local Income Tax	20. Locality	
CA	45444547	191.00	0.00	86698.00	693.57	VPDI	
		0.00	0.00	0.00	0.00		

Buttons: Previous, Next, Add, Delete, OK, Cancel, Apply

Update tax filing codes to print in box 20 of Form W-2

Sage Abra Payroll allows you to post a code to box 20 of the Form W-2 for any local tax code. To do this, enter up to five characters in the **Tax Filing Code** field of the Tax Codes Detail page (**Rules > Payroll > Tax Codes**).

If you enter a code in the **Tax Filing Code** field, Pre-Close Reports generated after the Trial Quarter Close will show the code from the **Tax Filing Code** field instead of the Tax Code. If you leave the **Tax Filing Code** field empty, the Tax Code will post in box 20 on the Form W-2.

For example, Indiana requires that you report local taxes on the Form W-2 in a certain format. The Indiana local tax codes supplied are labeled as either a resident or nonresident tax. Box 20 must have the 2-digit county code as supplied by the state of Indiana along with a "Resident" or "Non-resident" status. The proper format for box 20 is the **2-digit county code** for resident or the **2-digit county code** plus **NR** for nonresident.

Therefore, if you paid taxes to Adams County as a resident, box 20 must be **01**. If you paid taxes to Adams County as a nonresident, box 20 must be **01NR**.

Update employees with no check history

If you imported data into Abra Payroll that did not include check history or if the employee was not paid in the current quarter, you must do a mass update of the **Last Check Date** field for all employees who did not receive a check in Sage Abra Suite. Then, you can make any manual changes to the employee earnings, taxes, or deductions.

To update employees with no check history

1. From the main menu, select **Processes > Payroll > Mass Update**.
2. In the **Update File** field, select **Employee Personnel**.
3. In the **Update Field** field, select **Check Date for Last Payment Issued**.
4. In the **Records to Update** field, enter or use the Expression Builder to create the following expression:

Pe.p_lastchk = {}

This instructs Abra Payroll to update the records of all employees whose **Last Check Date** field is empty.

5. In the **New Value** box, enter the date of your last payroll. For example, if the date of your last payroll is 12/31/10, enter the following:

{12/31/2010}

6. The completed expression should look similar to the following figure. Click **OK** to update the records.

Post taxable benefits and year-end adjustments

Many employers defer recording certain benefits, such as options, car allowances, third-party sick pay, mortgage differentials, moving allowances, and COLAs until year-end. Because these items must be recorded on the Form W-2, it is important to post them before running the initial Trial Quarter Close for fourth quarter 2010.

Complete the following before posting any taxable benefits:

- A full reconciliation of all payroll balances

- A complete system backup after you finalize the payroll reconciliation

Note: You can complete the Trial Quarter Close process before posting year-end taxable and nontaxable benefit adjustments. However, if you post these adjustments after completing the Trial Quarter Close process, you must run the Trial Quarter Close process again before you complete the Final Quarter Close process.

To post year-end taxable benefits

To post year-end taxable benefits to Abra Payroll, first create the appropriate earnings code in your earnings code table. Pay special attention to the earnings category, earnings type, the taxation method, and calculation rule. Remember to add these earnings as part of the taxable wage base for the appropriate tax codes.

For example, third-party sick pay is a common year-end taxable benefit that can be handled by setting up an earnings code with the following characteristics:

- Earnings Category **Taxable Third-party Sick Pay**
- Pay Cycle **Pay all Periods, Exclude Supplemental Runs (A)**
- Check Group **1**
- Earnings type **Base Pay**
- Calculation rule **Flat Amount**

You can post earnings using two different methods:

- [Post Earnings with an On Demand Check](#) (page 20)
- [Post Earnings by Editing Payroll History](#) (page 23)

Post earnings by creating an on demand check

If the last check date processed for the pay group you are working with is in 2010, you can post adjustments you have received by following the steps below.

Tip: To verify the check date for the pay group, select **Rules > Payroll > Pay Group Setup**.

1. Prepare an on demand check for the exact amount of the earning and let the system calculate the withholdings. Adjust the withholdings as needed directly on the on demand check. For more information about processing an on demand check, refer to “Create On Demand Check” in Sage Abra Suite online Help.

2. Post the check. Note that this will use a valid check number. Follow the on-screen instructions regarding replacing or adding the current pay period totals. When you print, post, or void a check, Abra Payroll asks two questions. Your answers affect the data posted to the Current fields in PREARN.DBF (ERR), PRDEDS.DBF (VDR), PRTAXES.DBF (TXE), PRJOBST.DBF ((JC), and PRTAXLB.DBF ((TXL).

Determine how to proceed by considering the following questions:

Do you want to start a new pay period with this on demand check?

- **Yes** – If you select **Yes**, the amounts from the on demand check replace the employee’s current pay period totals. All current amounts for this employee are reset to 0.00 and after the check is posted the current amount for the earnings code is the amount of the earning from the on demand check. No other employees are affected.
- **No** – If you select **No**, the amounts from the on demand check are added to the existing current pay period totals. The current amounts are now the existing amounts plus the amounts from the on demand check.

Will this employee receive any additional payments in this pay period?

- **Yes** – If you select **Yes**, the additional payments are added to this employee’s current pay period totals. The P_Accumcur field in HRPERSNL.DBF is set to **True**. When the next regular final payroll process is complete, all other employees’ current amounts are reset to 0.00. However, this employee is **not** reset and the amount paid is added to the amount currently in the current amount field.
- **No** – If you select **No**, the next time you process a payroll this employee’s current totals are restarted at zero. When the next regular final payroll process is complete, all other employees’ current amounts are reset to **0.00**. However, this employee is **not** reset and the **Current Amount** field contains only the amount from the on demand check.

As a rule, if you select **No** for the questions above, the on demand check or void payment adds the amounts to the previous payroll. To report with the next payroll, select **Yes** for both questions. If you want the on demand check or void to report alone, select **Yes** for the first question and **No** for the second. For more information about posting an on demand check or voiding a payment, refer to “Replace or Add Current Pay Period Totals” in your Sage Abra Suite online Help.

The answers to the above questions do not affect the data in month, quarter, or year-to-date fields.

The following reports are affected by the answers to the above questions:

- Employee Earnings
- Employee Deductions

- Tax Withholdings by Tax Code
- Gross to Net Detail
- Payee Withholdings
- 401(K) Report
- Unemployment/Disability Wages

The following reports are not affected by the answers to the above questions:

- Check Register
- Direct Deposit Register
- Gross to Net Summary
- Payroll Deposit Requirements
- Tax Deposit
- General Ledger Distribution
- Check/Direct Deposit Register
- Payroll Allocations
- Check Reconciliation
- Workers' Compensation Cost

Run the Payroll Deposit Requirements report to display taxable wages and compute the employer's liability.

For adjustments you have not received from outside parties, follow these steps.

1. Prepare an on demand check for the amount of \$1.00 using the appropriate earnings code. Make sure the check date is in the same year of the adjustment. For example, when editing the year 2010, make sure the on demand check date is in 2010. The check date cannot be prior to the last check date for the pay group in which the employee belongs.
2. Post the check. Follow the onscreen instructions for replacing or adding the current pay period totals. Also, indicate whether the employee will receive any more payments.

Note: The following step can only be done for an open quarter. This means it must be done before Final Quarter Close.

3. When you receive the adjustment from the outside party, use the **Edit Payroll History** action to make the necessary changes. Because you can only edit payroll history for an

open quarter, you must do this step before you run the Final Quarter Close for the fourth quarter.

Post earnings by editing payroll history

If the last check date processed for the pay group with which you are working is in 2010, use the **Edit Payroll History** action to make the adjustment. To use this method, make sure the appropriate earnings code exists at the employee level. You need to adjust both employee and employer tax liabilities. Also, be sure to use a valid fourth quarter check date as the effective date for the adjustment.

To post nontaxable adjustments

Non-taxable adjustments are items that do not alter the taxable values recorded in Form W-2 boxes 1, 3, and 5. You can also use the on demand check for these items. Follow the directions given in the previous section ([Post Earnings by Creating an On Demand Check](#) on page 20).

Complete all payroll processes

Before running the Trial Quarter Close for fourth quarter 2010, ensure that:

- the final payroll of the quarter has been completed and posted
- all on demand checks have been printed and posted
- all voided payments have been posted

Abra Payroll does not prevent you from running a trial or final quarter close if there are open/incomplete payroll processes.

If you run trial payroll and then run a trial and final quarter close before you run the final payroll, the earnings, deductions, and taxes will post in the new quarter, while the associated liabilities will post in the prior quarter. The checks are also dated for the prior quarter, so you will be unable to void these checks. You have to restore to the point before you ran the trial quarter close, and complete all payroll processes before proceeding.

Make necessary changes due to HIRE Act legislation

The primary focus of the Hiring Incentives to Restore Employment Act (HIRE Act) legislation is to accelerate the hiring of unemployed workers. The HIRE Act has many provisions that affect employers, including a payroll tax exemption. The provisions include reduced payroll taxes and increased tax credits for employers that meet certain eligibility requirements.

Social Security Tax Exemption: The 6.2% Employer Social Security Tax exemption applies to 2010 wages paid to individuals (who were previously unemployed for at least 60 days) hired after February 3, 2010 and

before January 1, 2011. This exemption is effective for wages paid to qualified employees from March 19, 2010 to December 31, 2010.

Employers can save the 6.2% (employer portion) of Social Security Tax, whether they hire a \$40,000 worker or a \$90,000 worker. There is no need to wait until 2011 to benefit from this tax relief because savings accrue with each payroll processed.

Add two new tax codes

Two new tax codes are provided to support the HIRE Act:

- EMP9 (HIRE Act – Employers SS Tax) – similar to EMP1 tax code, but with a rate of 0.00
- RR19 (HIRE Act – R&R Level 1 Tax ER) – similar to RR1E tax code, but with a rate of 0.00

These new codes are used by the system only if **Yes** is selected for the **HIRE Act Qualified Employee** field on the **Payroll Status** detail (see next section, Identify Eligible Employees). They are used to calculate the amount of credit the employer receives and will only accumulate the HIRE Act eligible wages. The EMP1/RR1E tax codes will continue to accumulate full wages, but the taxable amount will be the amount after the credit for the HIRE Act. These codes are set to expire on 12/31/2010.

To add these new codes, complete the following steps for each employer:

1. From the Navigation Pane, select **Rules > Payroll > Tax Codes**.
2. Select the **Employer** and click **Copy**.
3. Select **System Tables** and then click **OK**.
4. From the **Available** list, select **EMP9** and **RR19** (if applicable) and click **OK**.
5. In the **Code** column, select **EMP9** and click the **More** button.
6. Click the **Taxable Earnings** tab and add the **Available Earnings** to the **Taxable Wagebase** field to match the **EMP1** tax code and click **Apply**.
7. Click the **Pre-Tax Deduction** tab and add the **Available Deductions** to the **Selected** column to match the **EMP1** tax code and click **Apply**.
8. Click **OK**.

Identify eligible employees

A new field, **HIRE Act Qualified Employee**, has been added to the **Payroll Status** detail to identify an eligible employee.

The screenshot shows a software window titled "Payroll Status - ZSI/ABC SYSTEMS, INC". At the top, there is a header bar with navigation icons (Find, First, Previous, Next, Last). Below this, employee information is displayed: Employee Name: Donald A Adams, SSN: 232-09-8027, Status: Active Employee 02/12/1976, ID Number: 101. The main area is divided into two tabs: "Payroll Status" and "Payroll Processing". The "Payroll Processing" tab is active and contains several input fields: Unit Pay Rate (70.41552), Pay Period Salary (5633.24131), Hours/Units (80.00000), Pay Frequency (Biweekly), Annual Pay (146464.27), Original Hire Date (02/12/1976), Last Hire Date (02/12/1976), and Payroll Status (Active). A field labeled "HIRE Act Qualified Employee" is highlighted with a black box, showing two radio buttons: "Yes" (unselected) and "No" (selected). At the bottom right, there are buttons for "OK", "Cancel", and "Apply".

To mark an employee as eligible, select **Yes** at the **HIRE Act Qualified Employee** field. The system uses the new HIRE Act tax codes and starts accumulating the incentive wages. Otherwise, the system uses the normal Employer FSOC rate to calculate the taxes. The default value is **No**.

Note: This field has been added to the Data Dictionary so you can use it with the Expression Builder and Crystal Reports.

Make adjustments

If the HIRE Act codes were not set up for tracking wages earlier in the year, you must edit both the employees' Payroll History and the Employer Tax Liability.

Note: These adjustments must be completed by check date to ensure Schedule B accuracy.

For each employee who has qualified wages in Quarter 4, 2010, follow the steps below to edit the QTD Gross Wages and Taxable Wages for EMP9/RR19 in Payroll History.

1. Select **Actions > Payroll > Edit Payroll History**.
2. Select the employee.
3. Select **Complete** for **Tax History** and click **OK**.
4. Enter the **Adjustment Effective** date and click **Continue**. This date must be a valid check date for the qualified employee.
5. Select the **EMP9** or **RR19** code, edit as needed, and click **OK**.

6. Select **Processes > Payroll > Edit Employer Tax Liabilities**.
7. Select the **Employer** and click **OK**.
8. Click **Add**, select **EMP9** or **RR19**, enter the check date, and then add the **Tax Wages** to match the taxable wages for **FSOC** for qualified employees.
9. Click **OK**.
10. Select the **EMP1** tax code for each pay period and decrease the Employer Liability Amount for qualified employees.

Important! Do not decrease the wages.

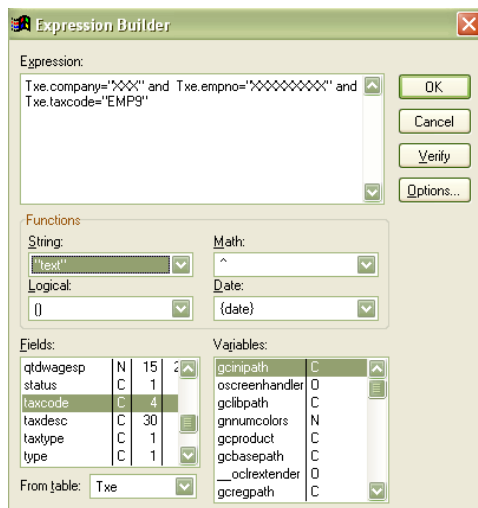
Mass update qualified employees

For the qualified employees who have wages in Quarters 1, 2, or 3 of 2010, you must perform mass updates to the **YTD Gross Wages** and **Taxable Wages YTD**.

Note: Back up the data before performing any mass update.

Mass Update Taxable Wages YTD

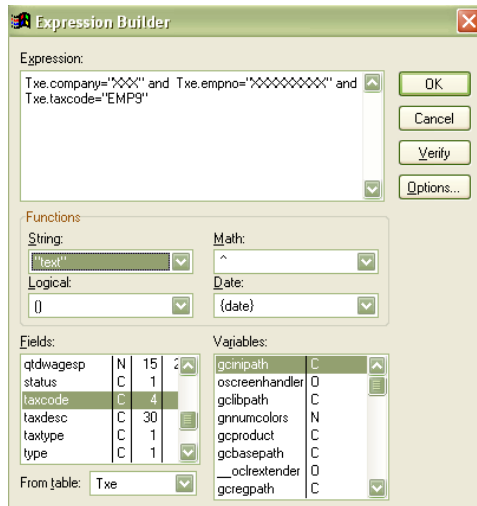
1. Select **Processes > Payroll > Mass Update** to open the Payroll Mass Update dialog box.
2. In the **Update File** field, select **Employee Tax Withholdings Register**.
3. For the **Update Field** field, select **Taxable Wages YTD**.
4. Use the **Expression Builder** to complete the **Records to Update** field, as in the following figure.



5. Replace “XXX” with your company code and replace “XXXXXXXXXX” with the employee’s ID number. If they have only a three-digit number, press the spacebar for the remaining six digits.
6. In the **New Value** field, enter the Taxable wages. Do not use dollar signs or commas. (for example, 1234.56)

Mass Update YTD Gross Wages

1. Select **Processes > Payroll > Mass Update** to open the Payroll Mass Update dialog box.
2. In the **Update File** field, select **Employee Tax Withholdings Register**
3. For the **Update Field** field, select **YTD Gross**
4. Use the **Expression Builder** to complete the **Records to Update** field, as in the following figure.



5. Replace “XXX” with your company code and replace “XXXXXXXXXX” with the employee’s ID number. If they have only a three-digit number, press the spacebar for the remaining six digits.
6. In the **New Value** field, enter the gross wages. Do not use dollar signs or commas (for example, 1234.56).

Closing Activities

Closing the fourth quarter and the year involves these basic steps:

1. Perform an external backup of your complete Abra Payroll system.
2. Install the 2010 Fourth Quarter Payroll Update.
3. Apply Legislative Updates.
4. Adjust tax-related rates and limits.
5. Run the appropriate reports for balancing.
6. Run the Trial Quarter Close process.
7. Run reports to reconcile.
8. Run the Final Quarter Close process. When you complete the Final Quarter Close process for the fourth quarter, it also closes the year.

Back up system files

The Abra Payroll backup option is a quick safety measure that backs up *only* employer data files. To back up Abra Payroll completely, use whatever backup utility your company has installed for comprehensive backup procedures. For more information about backing up, refer to “Back Up Data” in your Sage Abra Suite online Help.

If it is installed, you should also perform a complete backup of Abra Workforce Connections. For more information about backing up, refer to “Backup and Restore” in your Abra Workforce Connections online Help.

Tip: Label all backup media and store in a safe place for your permanent company archives.

Install the 2010 Fourth Quarter Payroll Update

You must install the 2010 Fourth Quarter Payroll Update before running the Trial Quarter Close process for the fourth quarter of 2010. If you have already run the Trial Quarter Close, you must restore the backup you made prior to the Trial Quarter Close, install the 2010 Fourth Quarter Payroll Update, and rerun the Trial Quarter Close. For installation instructions, see the Release Notes for the 2010 Fourth Quarter Payroll Update.

Install the tax table update

To update to the 2011 Tax Tables and 2011 System Deduction Limits:

1. Select **Rules > Payroll > System Tax Tables**.
2. Click the **Apply Legislative Update** button.
3. In the **Update Legislative Tables** dialog box, make the appropriate selections for Federal, State, and Local taxes.
4. Click **OK** to install the tax tables and the new deduction limits.

Adjust tax-related rates and limits

Before processing the first payroll of 2011, you need to review specific tax-related rates and limits and adjust them as necessary.

- The Tax Table Update included with the 2010 Fourth Quarter Payroll Update provides FUTA, SUTA, Medicare and Social Security rates, and limit adjustments.
- You might have to make individual company SUTA, disability insurance, or workers compensation rate adjustments, such as experience or debt service.

Run the Trial Quarter Close

Before running the Trial Quarter Close for fourth quarter 2010, be sure to complete the following activities.

1. Run all the 2010 reports you would like to keep on file (except the fourth quarter and year-end reports, which are available to print after closing). Be sure to run the following reports to help with reconciliation:
 - Employee Earnings
 - Employee Deductions
 - Tax Withholdings by Tax Code
 - Tax Deposit
 - Payroll Deposit Requirements
2. Make sure the goals for all earnings and deductions are correct at the employee level. During the initial trial quarter close, the balances for earnings and deductions will be reset to the goal amount at the employee level if you have indicated at the rule level that the earning or deduction should reset at year-end. For more information about indicating whether you want earnings and deductions to reset, refer to "[Resetting Balances for Earnings and Deductions](#)" on page 14.

3. Install the 2010 Fourth Quarter Payroll Update. If you have already run the Trial Quarter Close, you must restore the backup you made prior to the Trial Quarter Close, install the 2010 Fourth Quarter Payroll Update, and rerun the Trial Quarter Close. For installation instructions, see the Fourth Quarter 2010 Release Notes.

To run the Trial Quarter Close

There are two ways to process the Trial Quarter Close in Abra Payroll. The method you choose will depend upon your situation and timing.

- **Automatic:** The system performs an automatic trial quarter close when you process the first payroll for the new quarter or year.
- **Manual:** To process a manual trial quarter close, select **Processes > Payroll > Run Trial Quarter Close**.

Reconcile your data

After you perform the Run Trial Quarter Close process, run the following reports to reconcile your data.

- **Pre-Close Form 941.** This report contains data that will appear on the actual Form 941 after the Final Quarter Close. Run this report from the Quarter-End Reports menu.
- **Quarterly Report of Wages Paid.** This report contains quarterly SUTA tax filing details. Abra Payroll produces a separate report for each unemployment tax code, as well as providing the state and disability tax data. Run this report from the Quarter-End Reports menu.
- **Pre-Close W-2 Report.** This report contains data that will appear on the actual Forms W-2 after the Final Quarter Close. Run this report from the Year-End Reports menu.
- **Pre-Close W-2 Totals Report.** This report includes State totals, Local totals, box 12 totals, and box 14 totals. Run this report from the Year-End Reports menu.

Follow the steps below to reconcile your data.

Tip: For an additional reconciliation worksheet, see [Appendix B](#) on page 61.

1. Use the Quarterly Report of Wages Paid to balance the following:

Quarterly Report Column	Standard Report	Data Item on Standard Report
UI Gross Wages	Employee Earnings	QTD Amount
FMED Wages	Tax Withholdings by Tax Code	FMED QTD Wages
*Section 125	Employee Deductions	QTD Amount
*Other Deferred	Employee Deductions	QTD Amount
FUTA Wages	Tax Withholdings by Tax Code	FUTA QTD Wages
FUTA Liability	Payroll Deposit Requirements	FUTA Tax Amount Note: This number may be off by a few cents due to rounding.

*These columns are not listed on the standard Quarterly Report of Wages Paid. They are only available if the **Custom** option is selected on the **Specific Criteria** tab of the report options dialog box.

2. To match the total taxes to the total deposits, balance the Tax Withholdings by Tax Code report to specific data items on the Payroll Deposit Requirements report.

Tax Withholdings by Tax Code Column	Payroll Deposit Requirements Data Item
FED QTD Amount	FED Tax Amount
FED QTD Taxable Wages	FED Taxable Wages
FMED QTD Amount	FMED Tax Amount
FMED QTD Taxable Wages	FMED Taxable Wages
FSOC QTD Amount	FSOC Tax Amount
FSOC QTD Taxable Wages	FSOC Taxable Wages
FUTA QTD Taxable Wages	FUTA Taxable Wages

3. Using the Pre-Close Form 941 report, balance the following:

Pre-Close 941 Form Line	Report To Balance To	Field To Match Against	Notes
2	Tax Withholdings by Tax Code for FED	FED QTD Wages	
3	Tax Withholdings by Tax Code for FED	FED QTD Amount	
5a-1	Tax Withholdings by Tax Code for FSOC	FSOC QTD Wages	The figure on the Tax Withholdings by Tax Code report is a combination of the FSOC wages on Lines 5a and 5b of the Form 941 (and Pre-Close 941).
5a-2	Tax Withholdings by Tax Code for FSOC	FSOC QTD Amount multiplied by 2 Note: This number might be off by a few cents due to rounding.	The figure on the Tax Withholdings by Tax Code report is a combination of the FSOC amounts on Lines 5a and 5b of the Form 941 (and Pre-Close 941).
5c-1	Tax Withholdings by Tax Code for FMED	FMED QTD Wages	
5c-2	Tax Withholdings by Tax Code for FMED	FMED QTD Amount multiplied by 2	
7a	Tax Withholdings by Tax Code for FSOC & FMED	FSOC QTD Wages & QTD Amount and FMED QTD Wages & QTD Amount	If the fraction is not due to rounding, the difference is between the employee totals and employer totals with consideration of third-party sick pay to be manually entered.
9	Tax Withholdings by Tax Code for EIC	EIC QTD Amount	
11	Tax Deposit report	Federal Tax Deposit Amount – excluding FUTA	Values entered by the Record and Deposit Tax Liability process.
17	Payroll Deposit Requirements for each month in year end.	Federal Tax Liability Amount – excluding FUTA	Line 11 should equal line 17. Liabilities should equal deposits.

Troubleshoot the quarter-end reconciliation

What if the Gross Wage amounts on the Quarterly Report of Wages Paid do not match?

- Verify that the **Type** field on the Current Job page is set to **Regular** for all employees.

What if the FICA Wage amounts on the Quarterly Report of Wages paid do not match?

- Review the Taxable Earnings tab on the Tax Codes detail page and make sure the correct earnings are selected for the taxable wage base.
- Verify that the FMED tax code on the Tax Withholdings page is assigned to all employees.

What if the Section 125 deduction amounts on the Employee Deductions report do not balance to the Section 125 column total on the Quarterly Report of Wages Paid?

- Verify that the Zero Wages records have been included in the Quarterly Report. Some employees with Section 125 withholdings might have met their FUTA cap; therefore, they will not appear on the Quarterly Report if not selected, or:
 - The deduction codes do not have a deduction type of Section 401(k), Section 403(b), Section 408(p), Section 414(b)(2), Section 457, Section 501(c)(18)(d).
 - The deduction codes were not defined as pretax in the Tax Code rule.

What if the Other Deferred deduction amounts on the Employee Deductions report do not balance to the Other Deferred column total on the Quarterly Report of Wages Paid?

- Verify that the Zero Wages records have been included in the Quarterly Report. Some employees with Other Deferred withholdings might have met their FUTA cap; therefore, they will not appear on the Quarterly Report if not selected, or:
 - The deduction codes do not have a deduction type of Section 401(k), Section 403(b), Section 408(p), Section 414(b)(2), Section 457, Section 501(c)(18)(d).
 - The deduction codes were not defined as pretax in the Tax Code rule.

What if the FUTA wage amounts on the Tax Withholdings by Tax Code report do not match the FUTA wage amounts on the Quarterly Report of Wages Paid?

- Verify that all employees have the FUTA tax code set up on their Tax Withholdings page.
- Verify the wage cap is entered on the System Tax Tables rule.

What if the FUTA liabilities on the Payroll Deposit Requirements report do not match the FUTA liabilities on the Quarterly Report of Wages Paid?

- The experience rate (factor) was not in the Tax Code rule for all or part of the quarter.

What if I have an amount in fractions?

- This represents the difference between the employee amount (Tax Withholdings by Tax Code report) and the employer amount (Payroll Deposit Requirements report) for Social Security and Medicare. Verify that all edits were done to both the employee and employer data. To find which employees are out of balance, run the reports **FSOC Balance Sheet.rpt** or **FMED Balance Sheet.rpt**. Depending on the Abra Suite version you are using, these reports are located in the following folder:

- | | |
|-----------------|--|
| – v7.7 and v7.8 | ..\Abra Suite\Programs\Crystal\Payroll |
| – v9.0 | ..\Sage\AbraSuite\Data\CustomReports\Payroll |

Note: A common cause of fractions is incorrect or incomplete editing for the HIRE Act eligible employees. Compare the **EMP9** or **RR19** taxable wages on the Payroll Deposit Requirements report to the **EMP9** or **RR19** taxable wages found on either the Tax Withholdings by Tax Code report or the Pre-Close Employee Tax report.

What if the wages and/or number of employees on the Pre-Close Form 941 are incorrect?

Three things can cause this.

- The **Type** Field under **EEO Class** on the Current Job details is not populated with **R** for **Regular**. To verify that the **Type** field is populated correctly:
 1. Create a Crystal report with the HRPERSNL.DBF table.
 2. Insert **P_EMPNO** and **P_EMPTYYPE** on the report.
 3. Employees with type **A – Agricultural** or **H – Household worker** will not appear on the Pre-Close Form 941, or the Form 941.
- FUTA is missing from the Tax Withholdings details. To apply FUTA to all employees:
 1. Select **Rules > Payroll > Tax Codes**, the list of tax codes displays.
 2. Select **FUTA** and click **More...**
 3. On the **General** tab, set the **Auto Add Tax Code** field to **Yes**.
 4. Click **OK** and close the tax codes list.
 5. Select **Processes > Payroll > Create Employee Withholdings**. This will add the tax codes that are missing from the employees' Tax Withholdings details.
- The Trial Quarter Close process failed to populate the P fields correctly. To verify the population of the P fields:
 1. Select **Reports > Payroll > Quarter-End Reports > Pre-Close Employee Taxes**.

2. Complete the information on the **Standard Criteria** tab, as necessary.
3. On the **Specific Criteria** tab, select **FMED** for the Tax Withholdings Code and click **Print** or **Preview** to view the report.
4. If the QTD Amount and the QTD Taxable Wage values are 0.00, and the employees had wages and taxes for FMED in the prior quarter, the P fields did not populate during the Trial Quarter Close.
5. In this case, you will need to restore the data prior to when the first trial quarter close was run. This may also require you to restore Sage Abra Suite to the previous version.

What if line 7a of Form 941 has a large fraction?

This is caused by an imbalance between the employee taxes and the employer tax liabilities. When payroll history is edited, the same adjustments must also be made to the employer tax liability file. Select **Processes > Payroll > Edit Employer Tax Liabilities** and make adjustments.

Run the Final Quarter and Year-End Close

There is only one way to close the payroll year. You must manually complete the Final Quarter Close process for the fourth quarter. Before you run the Final Quarter Close process for Fourth Quarter 2010, you must do the following:

- Run your last payroll with a 2010 pay date.
- Process all year-end adjustments.
- Complete the Run Trial Quarter Close process.
- Make a backup of the entire Sage Abra Suite system, label the disks, and store them in a safe place.

To run the Final Quarter Close process, select **Processes > Payroll > Run Final Quarter Close**.

The Run Final Quarter Close process automatically closes the year while closing the fourth quarter. During this process, Abra Payroll:

- Resets year-to-date accumulators
- Creates year-end tax Form W-2, Form 1099, Form W-3, and Form 1096 files.

Tip: You can use the Edit Quarter/Year-End Forms process to make corrections to the information on these forms. For example, after running the final quarter close, you may need to correct an employee's name on their Form W-2.

Print Forms and Create Magnetic Media

After the completion of the Final Quarter Close process for fourth quarter 2010, you can access your 2010 data only through the Edit Quarter/Year-End Forms process.

Tip: After completing the Final Quarter Close, produce W-2 and 1099 Reports and reconcile them with the Employee Earnings, Employee Deductions, and Tax Withholdings by Tax Code pre-close reports.

As a reminder, you have three options for updating W-2 information:

- Make updates **before** you complete the Final Quarter Close.
- Edit the Forms W-2 **after** the Final Quarter Close.
- Restore the backup that was made prior to the final closing of the fourth quarter and the year, update the appropriate information, and close the year again.

In general, printing forms and creating magnetic media involve the following activities:

- Review year-end forms
- Produce supplemental year-end reports
- Print year-end forms
- Report on electronic media
- Adjust tax-related rates and limits
- Verify tax setup

Review year-end forms

After closing the year, use the **Edit Quarter/Year-End Forms** process (**Processes > Payroll > Edit Quarter/Year-End Forms**) to review the Form 1099-MISC, Form 1099-R, Form W-2, Form W-3, Form 941, Form 943 Worksheet, and Form 1096 and to make minor adjustments.

The screenshot shows the 'Edit Data' dialog box. It includes the following fields and options:

- Employer:** A dropdown menu with 'ZSI' selected.
- Year:** A text box containing '2010'.
- Form:** A list box with the following items: '1096M Form', '1096R Form', '1099M Form', '1099R Form', 'W2 Form', and 'W3 Form'.
- Kind of Payer:** A dropdown menu with '941' selected.
- Quarter Selection:** Four radio buttons for 'First Quarter', 'Second Quarter', 'Third Quarter', and 'Fourth Quarter'. The 'Fourth Quarter' option is selected.
- Buttons:** 'OK' and 'Cancel' buttons at the bottom.

If you processed your year-end adjustments correctly, you should not have to make changes to the actual numbers on the forms. However, Abra Payroll allows for edits on each form.

Note: When you run the Final Quarter Close process, Abra Payroll takes into account arrears amounts for FSOC and FMED taxes. However, during Final Quarter Close, arrears records from several quarters (not just the one you are currently closing) might be taken into account.

If this is the case, you might have to make adjustments for Social Security and Medicare taxes on line 7e on Form 941. Specifically, if you have tipped employees with FICA amounts in arrears, it is likely you will have to edit these lines.

Produce supplemental year-end reports

Following the year-end close, you should produce several supplemental reports, as listed in the following table.

Reports	Description
Quarterly Report of Wages Paid	Select this report from the Quarter-End Reports options.
Form 941	Select this report from the Quarter-End Reports options.
The current year State and Local Tax Reports	You can prepare individual state and local tax reports by manually combining data from the pre-closing Tax Withholdings by Tax Code report, the W-2 Report, and Form W-3.
Form 943 Worksheet	For those organizations with agricultural employees, select this worksheet from the Year-End Reports options.

Print year-end forms

You can print employee and recipient copies of Form W-2, Form 1099-MISC, and Form 1099-R with a laser printer. All forms are printed from the Year-End Reports menu.

Special considerations with paper forms

- Make sure you have selected the proper printer type in Windows.
- Because all printed forms have variations, we recommend that you order all your forms from Sage Business Forms at 800-869-8950 or fax a request to 800-543-0809. You can also visit the Web site:

<https://sage.checks-and-forms.com>

- You need 2-up or 4-up Forms W-2 or both. For example, you can run 4-up forms for the employee and 2-up forms for government production runs.
- You can reprint all your year-end forms as many times as necessary.

Align the forms

Due to the various combinations of operating systems, printers, and printer drivers available on the market, Abra Payroll enables you to adjust form alignment. When printing your quarter or year-end forms, you can change the alignment based on how your printer is working.

Vertical alignment

You can adjust the vertical alignment when printing Forms W-2, Forms 1099, Form W-3, and Form 1096.

If your forms are not aligning correctly, adjust the number in the vertical form adjustment field to raise or lower the printed text. Enter the vertical line adjustment in the range of -3 to 3. You can enter a positive or negative number to raise or lower the alignment in increments of approximately 1/6 of a line. For example, enter **3** to lower the printed text one-half of a full line or enter **-3** to raise it one-half of a full line.

Horizontal alignment

The Form W-2 type, Two on a Sheet/Preprinted, and Four on a Sheet/Preprinted, enable you to adjust the horizontal alignment as well as the vertical. Enter a positive or negative number to adjust the horizontal alignment to the right or left in increments of 1/16 of an inch. For example, enter **3** to move the text 3/16 of an inch to the right or **-3** to move it 3/16 of an inch to the left.

To print Forms W-2

1. Select **Reports > Payroll > Year-End Reports**. Highlight W-2 Forms on the **Report List** tab.
2. On the **Standard Criteria** tab, select the employer for which you want to process forms.
3. On the **Specific Criteria** tab, select the type of Form W-2 you want to use (two or four to a page).

The screenshot shows the 'Year-End Reports' dialog box with the following settings:

- Tax Year: 2010
- Form Type: Two on a Sheet / Preprinted
- Sort By: Employer, Last Name
- Select Tax State: All States
- Kind of Payer: 941
- Start W-2's (selected)
- Restart W-2's
- Test Pattern
- Form Adjustment: Horizontal 0, Vertical 0

Buttons at the bottom: W-2 Forms, Print, Preview, Export, Cancel.

- Align the forms in the printer. Use the built-in test pattern to check the print alignment. If necessary, adjust the vertical or horizontal alignment.
- After making sure the forms line up properly, click **Print**.

To print Forms 1099

- Select **Reports > Payroll > Year-End Reports**. Highlight either **1099-MISC Forms** or **1099-R Forms** on the **Report List** tab.
- Use the **Standard Criteria** and **Specific Criteria** tabs to choose an employer and set other selection criteria.
- Align the forms in the printer. Use the built-in test pattern to check the print alignment. If necessary, adjust the vertical alignment.
- After making sure the forms line up properly, click **Print**.

To print Forms W-3 Transmittal of Wage and Tax Statements

- Select **Reports > Payroll > Year-End Reports**. Highlight **W-3 Form** on the **Report List** tab.
- Click the **Specific Criteria** tab and select the employer and year for which you want to print. If necessary, adjust the vertical alignment.

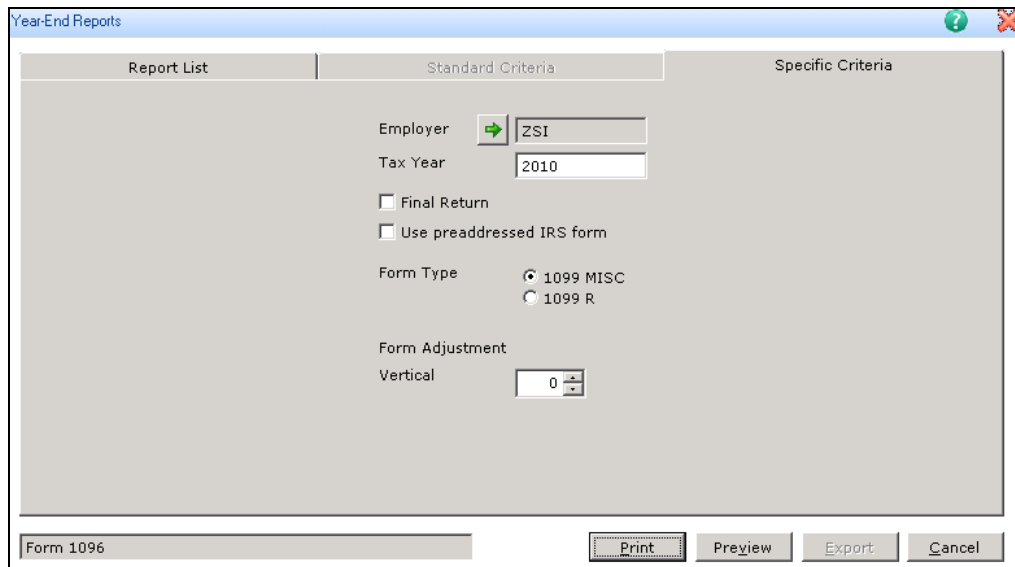
The screenshot shows a software window titled "Year-End Reports". It has three tabs: "Report List", "Standard Criteria", and "Specific Criteria". The "Standard Criteria" tab is selected. Inside this tab, there are four input fields: "Employer" with a dropdown arrow and "ZSI" entered; "Tax Year" with "2010" entered; "Form Adjustment" with a dropdown arrow; and "Vertical" with "0" entered. At the bottom of the window, there is a label "Form W-3" and four buttons: "Print", "Preview", "Export", and "Cancel".

3. Click **Print**.
4. Verify the grand totals on the final Form W-2 and the totals on Form W-3:
 - Boxes 1-10 on the final Form W-2 should match boxes 1-10 on Form W-3.
 - Box 11, Non-qualified plans, on the final Form W-2 should match box 11 on Form W-3.
 - The total of all box 12, Deferred Compensation amounts on the W-2 Totals report should match box 12 on Form W-3.

If there is a mismatch of the totals, it is likely that you edited form W-2 and the new totals did not transfer to Form W-3. If this is the case, you can edit Form W-3 (**Processes > Payroll > Edit Quarter/Year-End Forms**), select **W3 Form** for the employer and year, and then modify the information).
5. Verify box c, Total Number of Forms W-2, to verify the number of Forms W-2 you printed is recorded correctly.
6. Verify the employer information is correct.

To print Form 1096

1. Select **Reports > Payroll > Year-End Reports**. Highlight **Form 1096** on the **Report List** tab.
2. On the **Specific Criteria** tab, select the Employer and Tax Year for which you want to print. Select **Final Return** if this is the final Form 1096 your employer will file. Also, select the **Use preaddressed IRS form** if you intend to use the preaddressed form provided by the IRS. Select the appropriate **Form Type**, either **1099 MISC** or **1099 R**.



The screenshot shows a software window titled "Year-End Reports" with three tabs: "Report List", "Standard Criteria", and "Specific Criteria". The "Specific Criteria" tab is active. It contains the following fields and options:

- Employer: A dropdown menu with a green arrow icon, currently showing "ZSI".
- Tax Year: A text box containing "2010".
- Final Return: A checkbox that is currently unchecked.
- Use preaddressed IRS form: A checkbox that is currently unchecked.
- Form Type: Two radio buttons, with "1099 MISC" selected and "1099 R" unselected.
- Form Adjustment: A label above a vertical alignment spinner box set to "0".

At the bottom of the dialog, there is a status bar showing "Form 1096" and four buttons: "Print", "Preview", "Export", and "Cancel".

3. Preview the form to check for accuracy before printing. If you do find discrepancies, check the pre-close reports to find the problem. The totals should match the totals of all the Forms 1099-MISC or 1099-R printed.
4. Click **Print** to send the form to the printer. If necessary, adjust the vertical alignment and reprint.

Reporting electronically

Several options are provided for reporting electronically. You can create a file for any of the following:

- Quarterly Tax and Wage file
- Form W-2 information (EFW2 format)
- Form 1099 information
- State W-2 information

If you have access to the Internet, you may want to visit the Social Security Administration site, which provides information on the EFW2 record format and filing requirements:

<http://www.socialsecurity.gov/employer/>

To create Form 1099 data for electronic filing

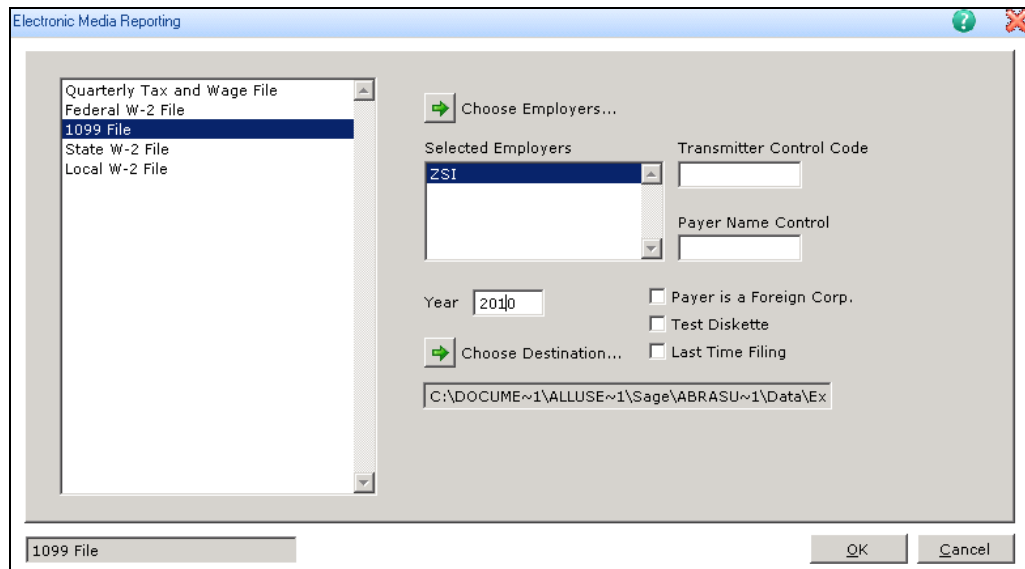
This function produces Form 1099-MISC or Form 1099-R data in the format required by the IRS. Note that the only acceptable method of filing information returns is electronically through the FIRE (Filing Information Returns Electronically) System.

Abra Payroll supports the reporting of state and/or local information on electronic media (in version 7.8 and v9.0) for the following tax collection agencies:

- Central Collection Agency (CCA), Ohio
- North Ridgeville City (NRIDG), Ohio
- Regional Income Tax Agency (RITA), Ohio
- City of Westerville (WESTV), Ohio
- Capital Tax Collection Bureau (CTCB), Pennsylvania
- York Adams Tax Bureau (YATB), Pennsylvania

Notes: Refer to the Release Notes for the Fourth Quarter 2010 Update for additional information on Local filing.

1. Select **Reports > Payroll > Electronic Media Reporting**. Highlight 1099 File.
2. Select the employer and enter the tax year, as in the following figure.



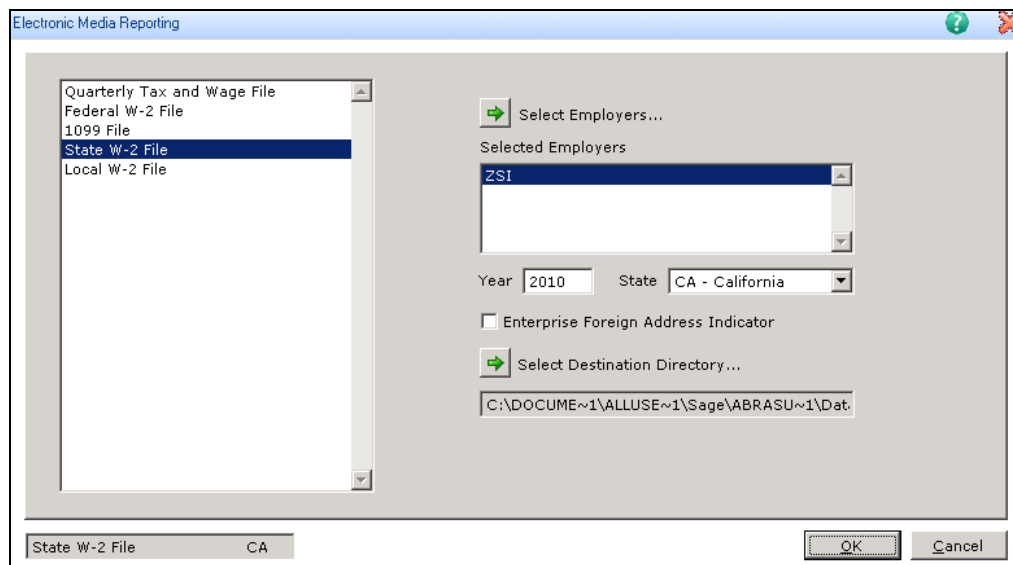
3. Enter the **Transmitter Control Code**.
4. Enter the **Payer Name Control** number.
5. Select the destination directory for the file.
6. Indicate whether the corporation is foreign. Also, indicate whether the file is being submitted as a test electronic media, and if this is the last time the employer is filing (clear the check boxes to indicate **No** or **False**).
7. Click **OK**. Abra Payroll creates the file named **IRSTAX** in accordance with the IRS requirements in the directory you selected.

To create State W-2 data on electronic media

This option produces Form W-2 data on disk in the electronic format required by the State.

1. Select **Reports > Payroll > Electronic Media Reporting**. Highlight **State W-2 File**.
2. Select the employer, state, and enter the tax year.

3. Select the file destination directory, as in the following figure.



4. Click **OK** to create the file.

If you select a state that requires a State W-2 file (for example, Georgia), Abra Payroll opens a series of dialog boxes in which you must select or enter information. Enter the requested information and click **OK**. When you have completed all the information, you receive a message indicating that the file has been created.

If the state does not accept or require an electronic file, Abra Payroll displays a message stating that the state does not require or accept W-2 information reported on diskette.

Beginning the New Year

Sage Abra Payroll enables you to update payroll processing from year to year quickly and easily. We recommend you review the following checklist to continue your payroll processing into next year.

- [Reset Balances for Earnings and Deductions](#) (page 47)
- [Update Goal Amounts](#) (page 47)
- [Update Annual Compensation Limits](#) (page 50)
- [Set Up Dependent Care Benefits](#) (page 51)
- [Set Up Employees Exempt from Federal Withholding or Reporting](#) (page 53)
- [Set Up Withholding for Railroad Employees](#) (page 54)
- [Adjust Tax Rates and Limits](#) (page 54)
- [Verify Tax Setup](#) (page 55)

Reset balances for earnings and deductions

If an earning or deduction reaches its goal during the year (balance becomes zero), Abra Payroll sets the status of the earning or deduction to **Inactive** on the employee's Other Earnings or Deductions page.

When Abra Payroll resets balances for inactive earnings and deductions, it does not set the status back to **Active**; you must manually change the status of any inactive earnings or deductions.

Update goal amounts

The following limits for retirement plans are effective for 2011. These deduction limits are updated automatically when **Apply Legislative Updates** (on the System Tax Tables page) is selected to perform the Tax Table Update (see page 30).

- The dollar limit on annual elective deferrals for qualified savings plans 401(k), 403(b), 408(k)(6), and 457 remains at **\$16,500**. The dollar limit for 408(p) SIMPLE retirement plan remains at **\$11,500**.
- The otherwise applicable dollar limit on annual elective deferrals for the 401(k) 403(b), 408(k)(6), 408(p) and 457 qualified savings plans for individuals who have attained age 50 by the end of a calendar year remains the same. The dollar amount for catch-up contributions is **\$5,500** for 401(k), 403(b), 408(k)(6) and 457(b), and **\$2,500** for 408(p) SIMPLE retirement plans.

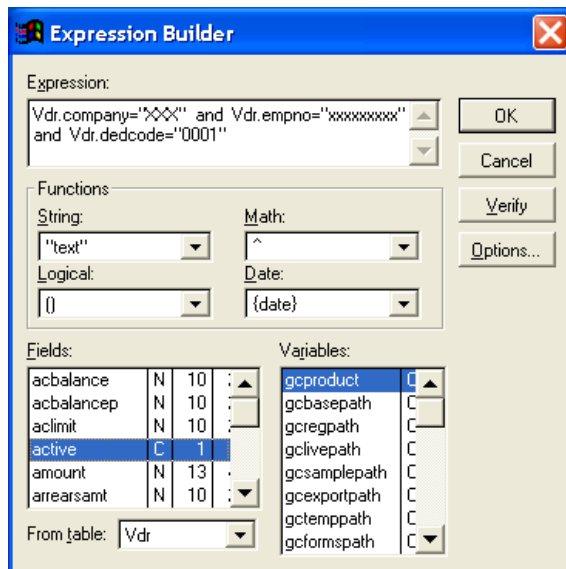
Tip: Run the 401(k) report to determine which employees are eligible to make catch-up contributions.

To update employee deduction goal amounts, do the following:

1. Select **Rules > Payroll > Deduction Codes** and select the deduction code that needs to be changed.
2. Click **More...** to open the Deduction Codes detail page and increase the goal to the desired amount. The following figure shows the Deduction Codes Detail for 401(k).

The screenshot shows the 'Deduction Codes Detail - Enterprise' window. The 'Code' field is '0001' and the 'Description' is '401(k) %Plan'. The 'Deduction Goal' field is highlighted with a red circle and contains the value '16500.00'. Other fields include 'Deduction Type' (Section 401(k) Co), 'Withholding Cycle' (W/h all Periods, Ex), 'Calculation Rule' (Earnings x Percent), 'Standard Deduction' (0.0000), 'System Deduction Limit' ([Not Linked]), 'Annual Compensation Limit' (245000.00), 'Withholding Priority' (13), 'Accumulate Arrears' (No), 'Deduct Arrears When Inactive' (No), 'Withhold In All Checks' (Yes), 'Automatic Setup' (No), 'Automatic Allocation' (Yes), 'Automatically Reset Balance Amount at Year End' (Yes), and 'Payee Identifier' (Int'l Investment Gi). Buttons for 'Previous', 'Next', 'OK', 'Cancel', and 'Apply' are visible at the bottom.

3. Repeat steps 1 and 2 for each deduction code that needs to change.
4. To mass update the goals for the affected employees select **Processes > Payroll > Mass Update** to open the Payroll Mass Update dialog box.
5. In the **Update File** field, select **Employee Voluntary Deductions Register**.
6. For the **Update Field** field, select **Cumulative Maximum Amount**.
7. Use the **Expression Builder** to complete the **Records to Update** field, as in the following figure.

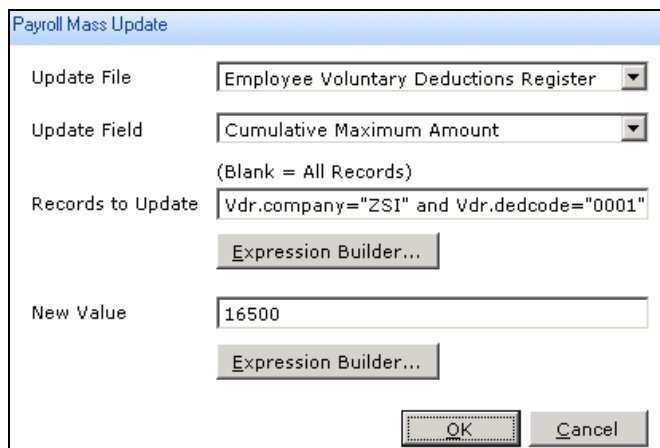


- Replace “XXX” with your company code, replace “0001” with your company’s plan deduction code (such as 401k) and replace “xxxxxxx” with the employee’s ID number. If they have only a three-digit number, then press the spacebar for the remaining six digits.

Note: The employee ID can be omitted when updating the goal for all employees with that deduction code.

- In the **New Value** field, enter the new amount for the limit.

The following figure contains the completed information on the Payroll Mass Update dialog box. This expression will update all **ZSI** employees with the **0001** deduction code.



Note: If a deduction reaches its goal during the year (balance becomes zero), Abra Payroll sets the status of the deduction to **Inactive** on the employee's Deductions detail page. However, when the system resets balances for inactive deductions, it does not set the status back to **Active**; you must manually change the status of any inactive deductions.

If you have access to the Internet, you can visit the Knowledgebase on SupportPlus Online and review the information in "401(k) Catch-Up Contributions" Solution ID **fltskbx3996**

To navigate to the Knowledgebase:

1. Log on at:
http://www.sageabra.com/support_and_training/customer_logon
2. Select **Sage Abra HRMS Products - US > Knowledgebase**.
3. In the **Open By ID** field, enter the Solution ID number and then press **Enter**.

Update the annual compensation limit

The maximum amount of annual compensation that can be taken into account for qualified plans for 2011 remains the same at **\$245,000**.

To set the Annual Compensation limit, do the following:

1. Select **Rules > Payroll > Deduction Codes**. The Deduction Codes page opens.
2. Select the **Employer** to view all deduction codes associated with that employer.
3. Select the qualified plan (for example, 408(k) plan), and click **More...** to open the Deduction Codes detail page.
4. On the **General** tab, update the **Annual Compensation Limit** field to **\$245,000**, and then click **OK**.

The following example shows how to update an Annual Compensation limit for each employee record that is enrolled in a qualified plan.

1. Back up your data before performing a Mass Update.
2. Select **Processes > Payroll > Mass Update** to open the Payroll Mass Update dialog box.
3. In the **Update File** field, select **Employee Voluntary Deductions Register**.
4. For the **Update Field** field, select **Annual Compensation Limit**.
5. Enter the deduction code of the qualified plan that you want to update in the **Records to Update** field.
6. Enter **245000.00** in the **New Value** field and click **OK**.

The following figure contains the completed information on the Payroll Mass Update page.

Set up dependent care benefits

Dependent Care benefits are recorded in box 10 on Form W-2. The amounts reported include the total dependent care benefits paid or incurred by an employer for an employee. This may include:

- The fair market value (FMV) of benefits provided by the employer.
- An amount paid directly to a day-care facility by the employer or reimbursed to the employee to subsidize the benefit.
- Benefits from the pre-tax contributions made by the employee to a Section 125 dependent care flexible spending account.

Dependent Care benefits may be set up in one of two different ways:

- One earnings code to track the non-taxable portion of the benefit and a second earnings code to track the taxable portion of the benefit.
- A deduction code to track the non-taxable portion of the benefit and an earnings code to track the taxable portion of the benefit.

To set up dependent care using a deduction code and two earnings codes

Use one earnings code to track the non-taxable portion of the benefit and a second earnings code to track the taxable portion of the benefit.

1. To deduct dependent care, set up the employee with a pre-tax deduction whose deduction type is **Qualified Dependent Care**. Set the deduction with a \$5,000 goal.
2. To record the nontaxable reimbursement, set up an earnings code as follows:
 - Set the **Earnings Category** to **Dependent Care**.
 - Set the **Earnings Type** to **Tax Only, Not in Check**.
 - Set the **Calculation Rule** to **Flat Amount**.
 - Set the **Earnings Goal** to **5000.00**.
 - Do not include the earnings as part of the taxable wage base for FSOC or FMED. Consequently, it will not be reported in box 3 (FSOC taxable wages) and box 5 (FMED taxable wages) on Form W-2.
3. After the \$5,000 goal is reached, Abra Payroll makes the deduction and the earning inactive. To record the taxable reimbursement (any amount in excess of \$5,000), set up a second earning as follows:
 - Set the **Earnings Category** to **Dependent Care**.
 - Set the **Earnings Type** to **Tax Only, Not in Check**.
 - Include the earning as part of the taxable wage base for FSOC or FMED. Consequently, it will be reported in box 3 (FSOC taxable wages) and box 5 (FMED taxable wages) on Form W-2.
4. Abra Payroll will record the sum of both earnings codes in box 10 on Form W-2.
5. Click **OK**.

To set up dependent care using a deduction code and an earnings code

Use a deduction code to track the nontaxable portion of the benefit and an earnings code to track the taxable portion of the benefit.

1. To deduct dependent care, set up the employee with a pre-tax deduction whose deduction type is Qualified Dependent Care. Set the deduction with a \$5,000 goal.
2. After the \$5,000 goal is reached, Abra Payroll makes the deduction inactive. To record the taxable reimbursement (any amount in excess of \$5,000), set up an earning as follows:
 - Set the **Earnings Category** to **Dependent Care**.
 - Set the **Earnings Type** to **Tax Only, Not in Check**.
 - Include the earnings as part of the taxable wage base for FSOC or FMED. Consequently, it will be reported in box 3 (FSOC taxable wages) and box 5 (FMED taxable wages) on Form W-2.
3. Abra Payroll will record the sum of the deduction and the earning in box 10 on Form W-2.
4. Click **OK**.

Set up employees exempt from federal withholding and wage reporting

If you have employees who are exempt from federal tax withholding and wage reporting, indicate that the employee is exempt on the Tax Withholdings page.

1. Select **Details > Payroll > Tax Withholdings**.
2. Select the employee who is exempt.
3. Select the tax code and click **More...** to view the detail page.
4. Select **Yes** in the **Exempt** field.

Note: If you have employees for whom no taxes should be withheld, but wages must be reported, select **No** in the **Exempt** field.

The screenshot shows a dialog box titled "Taxes for Donald A. Adams". It contains several fields for tax configuration. The "Exemptions" field is a dropdown menu currently showing "98", which is circled in red. The "Exempt" field has two radio buttons, "Yes" and "No", with "Yes" selected, also circled in red. Other fields include "Tax Code" (FED - FEDERAL INCOME), "Filing Status" (Married), "Extra Tax" (0.00), "Extra Tax Type" (Absolute), "Nonresident Alien" (No), "Category" (Work), and "Status" (Active). At the bottom, there are buttons for "Previous", "Next", "OK", "Cancel", and "Apply".

5. In the **Exemptions** field, enter:
 - **98** to withhold no taxes from the Regular Tax Tables. Supplemental Tax Tables will still calculate.
 - **99** to withhold no taxes from the Regular and Supplemental Tax Tables. Amounts or percentages can be entered in the **Extra Tax** field for Federal and State Income Taxes.
6. Click **OK**.

Set up withholding for railroad employees

If you are a railroad employer, make sure your employees do not have the FMED tax code on their Tax Withholdings page. Instead, **RRHI** and **RRHE** should be selected.

Adjust tax rates and limits

At the beginning of a new year, you should review certain tax-related rates and limits and adjust them as necessary.

The Tax Table Update provided with the 2010 Fourth Quarter Payroll Update provides the FUTA, SUTA, Medicare, and Social Security rates, and limit adjustments.

Note: To run the Tax Table update, select **Rules > Payroll > System Tax Tables** and click the **Apply Legislative Update** button.

On the Update Payroll Tax Tables dialog box, make the appropriate selections and click **OK** to install the update.

Your employer must determine individual rate-related issues. You may have to make individual employer SUTA, disability insurance, or workers' compensation rate adjustments, such as experience or debt service.

As you receive updates on rates and limits, you need to update your records. To update employee records, use the Mass Update process. For more information about mass updating any data item, see the section “Mass Update” in your Sage Abra Suite online Help.

Verify tax setup

You should verify the taxable wage bases are set up to accumulate correctly throughout the year. To check the taxable earnings and pre-tax deductions, select the appropriate tax code and view the detail page:

1. Select **Rules > Payroll > Tax Codes**.
2. Select a tax code and click **More...**

The Tax Codes detail page displays and the **Taxable Earnings** and **Pre-Tax Deductions** tabs enable you to set the wage base for each tax.

Tax Codes Detail - ZSI/ABC SYSTEMS, INC

Code: CA Description: CALIFORNIA

General | **Taxable Earnings** | Pre-Tax Deductions | General Ledger

Available Earnings	Taxable Wagebase	Accumulate Wages Only
0001 - Regular Pay	0002 - Overtime Pay	0012 - X Life -no link
0009 - Expense Reimb	0003 - Double Overtime	
0011 - Allocated Tips	0004 - Vacation - STD	
0030 - 1099 MISC-box 1	0005 - Illness Pay	
0031 - 1099 MISC-box 2	0006 - Shift Premium	
0032 - 1099 MISC-box 3	0007 - Holiday Pay	
0033 - 1099 MISC-box 5	0008 - Retroactive Pay	
0034 - 1099 MISC-box 6	0010 - Reported Tips	
0035 - 1099 MISC-box 8	0013 - Miscellaneous	
0036 - 1099 MISC-box 10	0014 - Jury Duty	
0037 - 1099 MISC-box 7	0015 - Bereavement Pay	
0038 - 1099R - Retire	0016 - Personal Leave	

Previous Next OK Cancel Apply

Mass update year-end files

This appendix describes how you can use the **Mass Update** process to adjust the data posted in boxes 12 and 14 on Form W-2.

Abra Payroll does not support all the codes for box 12 on Form W-2. However, you can use the Mass Update process to add a code in box 12 that is not supported.

Warning: The Mass Update process has the potential to alter a significant amount of information. Be sure to back up your data before mass updating any item.

Forms and fields to update

The Form W-2 information is contained in the Employee Year End W-2's (2001 and after) (PRW22001.DBF) database. Several fields, as listed in the following table, contain the codes and related amounts for boxes 12 and 14 on Form W-2.

Code Fields		Related Amount Fields	
Field Name	Description	Field Name	Description
N12CODE1	Box 12 Code 1	N12AMT1	Box 12 Amount 1
N12CODE2	Box 12 Code 2	N12AMT2	Box 12 Amount 2
N12CODE3	Box 12 Code 3	N12AMT3	Box 12 Amount 3
N12CODE4	Box 12 Code 4	N12AMT4	Box 12 Amount 4
N14CODE1	Box 14 Code 1	N14AMT1	Box 14 Amount 1
N14CODE2	Box 14 Code 2	N14AMT2	Box 14 Amount 2
N14CODE3	Box 14 Code 3	N14AMT3	Box 14 Amount 3

When mass updating information, you need to update the code field and then the related amount field.

Before you update a specific code or amount, make sure you will be updating the next available box (code and amount) so that you do not overwrite any existing items in box 12 or 14. For example, Abra Payroll automatically writes information to box 14 for 414 (h)(2) contributions, New Jersey, Ohio, and Railroad Employers. Check the printed Forms W-2 or review the Form W-2 information using the Edit Quarter/Year-End Forms process. If information is already entered for the first and second codes for box 12 or 14, then update the third code and amount.

Warning: Using the Mass Update process with the Employee Year-End W-2's (2001 and after) (PRW22001.DBF) database can potentially produce inconsistencies between Form W-3 data and the Form W-2 data on file. Use the Mass Update process with caution.

To mass update a code

The following example shows how to update one employee record and change the first code in box 12 to 'A.'

Note: If you use the Mass Update process to update data in box 12, use an upper case letter for the code. For the amount, use decimal points, but not dollar signs or commas.

1. Select **Processes > Payroll > Mass Update** The Payroll Mass Update dialog box appears.
2. In the **Update File** field, select **Employee Year End W-2's (2001 and after)** database.
3. For the **Update Field** field, select **Box 12 Code 1**.
4. Use the Expression Builder to complete the Records to Update.

For this example, we are selecting the employee whose employee number is 101 for the year 2010.
W22001.empno = "101" and W22001.company = "ZSI" and W22001.procyar = "2010"

5. Enter **"A"** for **New Value** and click **OK**.

The following contains the completed information in the Payroll Mass Update dialog box.

The screenshot shows the 'Payroll Mass Update' dialog box with the following settings:

- Update File:** Employee Year End W-2's (2001 and after)
- Update Field:** Box 12 Code 1
- Records to Update:** W22001.empno = "101" and W22001.compan
- New Value:** "A"

To mass update a related amount

The following example shows how to update one employee record and change the related amount to \$150 for the first code in box 12.

1. Select **Processes > Payroll > Mass Update** The Payroll Mass Update dialog box appears.
2. In the **Update File** field, select **Employee Year End W-2's (2001 and after)** database.
3. For the **Update Field**, select **Box 12 Amount 1**.
4. Use the Expression Builder to complete the Records to Update.

For this example, we are selecting the employee whose employee number is 101 for the year 2010.
W22001.empno = "101" and W22001.company = "ZSI" and W22001.procyar = "2010"

5. Enter **150.00** for **New Value** and click **OK**.

The following contains the completed information in the Payroll Mass Update dialog box.

Payroll Mass Update

Update File: Employee Year End W-2's (2001 and after)

Update Field: Box 14 Amount 1

(Blank = All Records)

Records to Update: W22001.empno = "101" and W22001.compan:
Expression Builder...

New Value: 150.00
Expression Builder...

OK Cancel

Appendix B

Reconciliation Worksheet

In order to simplify your year-end processing, consider using a worksheet similar to the following, to reconcile wage and tax information.

- Use the Pre-Close Form 941 report or Form 941 to obtain the quarterly figures.
- Use the Tax Withholdings by Tax Code report to obtain the year to date figures.

Worksheet for Quarterly and Annual Reconciliation							
941 Items	Quarter 1	Quarter 2	Quarter 3	YTD at Quarter 3	Quarter 4 (including adjustments such as relocations)	YTD	W-3 Totals
Federal Wages							
Federal Income Tax							
Social Security Wages							
Social Security Tax (employer and employee)							
Taxable Social Security Tips							
Medicare Wages & Tips							
Medicare Tax (employer and employee)							
Advance EIC Payments							