The Blue Pages

Important End-of-Year Steps to Take

Please see the important notes on the yellow insert of this issue of the BLUE PAGES. Make sure you take these three very important steps **before** processing your first payroll of 2003:

1. Back up your current program and install *PayMaster* 7.28.

2. Back up your payroll data, then archive it to print your W-2s later.

3. Process end-of-year on active data to zero-out year-to-date payroll information.

Please see the instructions that are included with the *PayMaster* 7.28 program, as well as the detailed information in the **Printing W-2s & Processing End of Year Insert** in this issue of the BLUE PAGES. ❏

In This Issue

Tip Reporting — Help From the Experts at Computer Aid

From the early 1980s straight through to the Fior d'Italia v. United States decision this June, tip income is an increasingly important issue for restaurant owners and their employees. The issue has caused some to be confused, others to be misinformed and others to simply ignore the issue praying the IRS doesn't show up for a tip audit.

A major strength of Computer Aid LLC is our understanding of tip income and our support of employers who want to remain compliant with all IRS tip reporting procedures. Our understanding of these issues has led to the development of a training package available for both employers and employees of companies

PayMaster Referrals Pay Off For *PayMaster* Customers

In an effort to bring the accuracy and simplicity of *PayMaster* to more customers, we at Computer Aid, LLC have developed a plan — one that will benefit both you and us.

While interacting with your restaurant and payroll industry associates, simply assess their need for our product. If you think they could benefit by using our software, take a moment to let them know about Computer Aid LLC and *PayMaster*. If that person buys *PayMaster*, we will issue you a $500 credit to your annual AutoUpdate or telephone support fee. Or use your credit for interface capabilities with your POS system or time clock. Need more employees or an additional company? Use your credit to pay for program upgrades as well.

Call in your referral to us yourself or forward our information directly to the person you think will benefit from our software. Just be sure to let us know who generated the sale. Let us know who you think should be using our software and start earning your referral credit today!

Tip Reporting, *cont'd from page 1*

either participating in one of the IRS tip reporting agreements or who simply want to develop internal tip reporting procedures to assure IRS compliance.

Computer Aid's expertise in the hospitality payroll field prompted an invitation to speak at this year's Mid-Atlantic Restaurant and Hospitality Expo in Timonium, MD. Sales Manager Blake Badolato spoke about compliance with IRS tip reporting procedures.

Several IRS tax specialists attended and consequently invited Blake to serve on an IRS panel of restaurant industry leaders whose focus is employer education and IRS tip income compliance. The panel, which meets quarterly, is an IRS effort to open communication with tipped industries and develop strategies to educate employers on how to avoid problems with tip reporting issues.

Computer Aid can help you by providing tip reporting training for you and your employees. Our training for employees is designed both to educate tipped employees about their individual tip reporting responsibilities and to heighten awareness of how these issues affect the employer's payroll procedures. We can help lessen the strain tip reporting issues put on the employer/employee relationship. The employer-focused training concentrates on what the exact tip reporting procedures are for restaurant owners and managers. Topics include tip allocation, overtime on tip credit jobs, the 8027 report, and an overview of Tip Rate Determination Agreements and Tip Rate Alternative Commitments.

Please contact Computer Aid for more information or to schedule a training session at your location. ❏

What Else Will *PayMaster* 7.28 Do?

In addition to handling all of the changes needed for the 2002 W-2 mag media format, *PayMaster* 7.28:

- Prints your 941 Form and Schedule B on **plain paper**!

- Allows **Windows printing for laser checks** — the solution when checks don't correctly line up using check styles 3, 4 or 5.

- **Has these updates for SUTA**: Mag Media for LA, OH, TX. Paper forms for MI, NC, TX.

- **Uses Windows employee viewer**. Special JAVA viewer can be used once you download JAVA Virtual Machine from the Sun web site http://java.sun.com/getjava/download.html.

PayMaster users on AutoUpdate receive version 7.28 automatically. All others, call now for price and ordering information or to sign up for AutoUpdate, so you're always up-to-date with *PayMaster*. ❏

PayMaster 7.28 Shipping Soon

Users on AutoUpdate should soon receive the 7.28 update. If you're not on AutoUpdate, please call for price and order information.

Important: if you are still on *PayMaster* 7.0 or earlier, your data must first be converted. Please call immediately for instructions. ❏

Mag Media Filers Need *PayMaster* Version 7.28 with PYW2.EXE File Dated 11/11/02 or Later

Changes to the mag media format mean **everyone who files mag media** needs a *PayMaster* upgrade in order to correctly prepare your 2002 mag media W-2s. Your PYW2.EXE file should be dated 11/11/02 or later *(Please note: the date mentioned in the "Printing W-2s and Processing End of Year" instructions that were included with your W-2 form order is no longer valid. There were mag media changes since we sent out the W-2 forms.)*

AutoUpdate subscribers will automatically receive the *PayMaster* upgrade that will be shipped this month. If you're not on AutoUpdate, please call soon for price and order information. ❏

Q & A

Q I have to process my first payroll of 2003 and don't have time to print my W-2s first. Help!

A If you've enough room on your hard drive, have *PayMaster* create a new subdirectory for you and copy the data into it. ***Make sure you do this before processing end-of-year on the data.***

Decide on a new company ID code for the 2002 data, e.g., 02W2. For multiple companies, use ID codes such as A02W2, B02W2, etc. The prompts are shown in **bold**. What you enter is in *italics*. Our example uses *02W2* as the new code and subdirectory under C:\PAYDATA. The company we're creating the 02W2 directory for is Flora Enterprises, whose company ID code is *flora*. (So the code of our *source* company is *flora*.)

1. **Enter company ID code:** *02W2*
2. **1)Add a company, 2)Archive copy of existing company, or 3)Try again:** *2*
3. **Data drive:** *C (or other drive)*
4. **Suggested data path: C:\PAYDATA\02W2**
   Enter data path: C:\PAYDATA\02W2
   Enter a new path if you wish, or press enter to accept this one.
5. **Enter code of source company:** *flora*

Remember — *PayMaster* company ID codes are case sensitive.

PayMaster will create the new directory in the path specified and will copy the data from the source company into it. When it's done,

you're at the password prompt for the copied archive data. Enter your regular password. You're now in the 02W2 company (you can see the data path at INIT/COMPANY/COMPANY). **Tip**: Add "2002 W-2s" to each division name (INIT/DIVISION/DIVISION) so you know at a glance you are using the 02W2 data (division name appears above the main menu line). Print a payroll summary to make sure the data is OK. This is the data you will use to print your W-2s.

Then, after backing up the data on two separate sets of floppies or zip disks, process end-of-year on the data you access using your **original company ID code** (*flora* in our example). This is what you'll use to process your 2003 payroll. When it's time to run the W-2s, use the other company ID code – *02W2*.

Q How can I be sure that my mag media file is OK before I send it off to the SSA?

A Open the file (w2report) in your word processor. You may need to change to Courier or another non-proportionally spaced font. Do **not** save with the new font. Also see Page 3 of the Insert.

Q I forgot to order the tax tables and I need to process my first payroll of the new year. What can I do?

A If your SDI changes, manually make those changes (via INIT/TAX/SDI). Then, fill in the form on Page 4 of the Insert (even if you're on AutoUpdate) and send it in now so you'll have the new withholding tables for your next payroll. Using the old income tax withholding

tables for one or two pay periods isn't critical. OASDI/Social Security and Medicare percentages remain the same for 2003. The 2003 OASDI taxable wage base has increased. You can make that change yourself at INIT/TAX/OASDI.

Q If my printer jams in the middle of printing my W-2s, am I stuck?

A You **can** resume printing your W-2s. Choose REPORTS/W-2 as you normally would.

Respond *y* to **All employees?** Respond *y* to **Resume an interrupted run?** At the **Print from employee =** prompt, enter the code of the first employee to print. *PayMaster* will print from there, including the totals.

Q How long does a diskette last? Can I use the same diskette every year?

A Diskettes do not last forever. How long? It depends on how often they're used and how well they're treated. To prevent a situation where you need to restore data and get the dreaded error message: "Error reading Drive A: Abort, Ignore, Retry," you might want to follow these two suggestions:

1. Reformat your used diskettes once a year before using them over again. Formatting checks for bad sectors. If you find any, get rid of that diskette.

2. Use brand new formatted diskettes when you back up your end-of-year data, and back it up not just once, but twice, on two diskettes or sets of diskettes. ❏

Tax Law Changes

❏ Federal

- **Mag media format change for the 2002 W-2s.** All *PayMaster* users who file mag media W-2s need a program upgrade to version 7.28 to correctly prepare 2002 W-2s. Your *PayMaster* 7.28 must have a PYW2. EXE file dated 11/11/02 or later. (Please note that the insert instructions included with your W-2 forms were prepared before we had the latest mag media changes.)

Remember, not all W-2 forms have the same size boxes in the same position on the page. Order your W-2s from us to **guarantee** they work with *PayMaster.*

- If you have **employer-provided vehicle as a fringe benefit** in 2002, please call us at 703-281-7486 before preparing 2002 W-2s.

- **Social Security (OASDI) taxable wage base increases** from $84,900 to $87,000 for 2003. Rate continues at 6.2%, so the maximum OASDI tax paid by employer and employees is $5,394 **each**.

  Tip: Be sure to run your 4th quarter 941 and your 2002 W-2s with the 2002 $84,900 OASDI maximum. Change your OASDI maximum in the current company **after** you have archived your *PayMaster* data and processed end of year. Do not run end-of-quarter or end-of-year in the archived company. The archived company should have the 2002 rates.

- **Federal withholding tax tables** will probably change.

- W-2 Box 12 Code V income from **exercise of non-statutory stock options** was optional for 2002 form W-2s. It is **mandatory** for 2003 form W-2s. These options are subject to FICA and FUTA, but not to Federal Income Tax.

- **"Catch-up" contributions** made by an eligible 401(k), 403(b), Simple IRA, and SEP Plan participant who is age 50 or over must be reported in the total amounts as elective deferrals in Box 12 with Codes D through H, and S.

  A plan is not required to allow catch-up contributions, rather it is permitted to do so. The "catch-up" contributions permitted for a 401(k), 403(b), SEP are: $1,000 in 2002; $2,000 in 2003; $3,000 in 2004; $4,000 in 2005; and $5,000 in later years.

  "Catch-up" contributions for a Simple 401(k) and IRAs are: $500 in 2002; $1,000 in 2003; $1,500 in 2004; $2,000 in 2005; and $2,500 in later years.

  PayMaster users: These additional amounts should be added to the amount in the maximum field of the appropriate deduction, but only for those employees to whom it applies. Make sure to change it for following years if applicable.

Have Company-provided Vehicles as a Fringe Benefit?

Please call us at 703-281-7486 before preparing your 2002 W-2s.

- IRS will not treat **amounts paid before January 1, 2003, by an employer to a charitable organization in exchange for vacation, sick or personal leave** an employee foregoes, as wages of that employee. Employees will not be able to claim such contributions as deductions on their personal income tax returns, but employers will be able to claim a deduction.

  PayMaster users: This leave should be tracked in *PayMaster*, but not issued as taxable wages. To "pay" the leave, make the sick and/or vacation rate zero.

Tips to avoid penalties for filing incorrect W-2s:

To **avoid filing incorrect W-2s**, verify that your employees' SSNs match the names on Social Security Administration records. Two common reasons for a mismatch are:

1. The payroll records have a nickname and the name on the Social Security card is the legal name, or

2. A woman changes her name when she gets married and fails to notify the SSA of the change.

To avoid incorrect W-2s, require an employee to produce a Social Security card after they are hired. And require a new Social Security card before changing a name in the payroll system.

Use Social Security's Verification Service (800-772-6270) when an employee is hired or requests a name change. Up to 50 names can be submitted on a paper list to your local Social Security office. The list should have the employee's first and last name and middle initial, Social Security number, date of birth, and gender. If more than 50 names, you must pre-register to file on magnetic media at the Social Security Administration site, www.ssa.gov.

❏ State Disability Insurance

PayMaster users: **Be sure to make this change in your tax tables prior to processing your first payroll of 2003. Do so via Init/Tax/SDI.**

CA The state disability insurance program has been expanded to include payment for up to six weeks of family leave. These payments will be funded by

(Continued on page 5)

© 2002 Computer Aid LLC

Tax Law Changes *continued*

CA State Disability Insurance
cont'd from page 3

increased employee disability insurance payroll deductions.

CA increase is .08% for 2004 and 2005. Payroll deduction is effective Jan 1, 2004.

The CA state disability insurance taxable wage base will increase to $56,916. The contribution rate for 2003 has not been announced as of November 1, 2002.

NJ The taxable wage base for 2003 is $23,900; up from $23,500 in 2002. Employees will continue to pay .0425%; 0.1825% for unemployment insurance; .0425% to the workforce development and supplemental workforce funds; and .2% to the health care subsidy fund from Jan. 1, 2003 to June 30, 2003. From July 1, 2003 though Dec. 31, 2003, employees will continue to pay .425%. However they will contribute .3825% for unemployment insurance and 0% to the health care subsidy fund.

PA Effective 1/1/03 – 3.6% surcharge on employer contributions and employees will have .02% withheld from wages.

Have You Ordered Your W-2 Forms?

If you haven't yet ordered your W-2 forms, call us immediately.

December 20 is the last date we can guarantee shipment of W-2 forms.

❏ State Income Tax Withholding

Effective 1/1/03. (Additional states may be changing.)

NE Income tax rate increases in 2003, BUT the withholding tables will not be changed.

MO The supplemental wage withholding rate increases to 6% from 3% effective 30 days after publication in Code of State Regulations.

NM New percentage withholding tables effective 1/1/03. The annual exemption allowance increases to $3,000 per allowance.

Order Your 2003 Tax Tables

Please see the Tax Table order form on page 4 of this issue's W-2/End of Year Insert.

If you're on AutoUpdate, there is no charge, but you still need to send in the form.

❏ State Unemployment

Taxable wage base issued as of November 30, 2002

State	Old Wage Base	New Wage Base
NJ	$23,500	$23,900

❏ State Wage & Hour Law

CT Minimum wage increases from $6.70 to $6.90 per hour effective 1/1/03. And to $7.10 per hour effective 1/1/04.

If your state minimum wage changes, **make the change in *PayMaster* at INIT/DIV/DIV** for *each* division

1. Change the **Min wage for adj/overtime** to the new state minimum.
2. If your state allows a tip credit, change the (tip credit) **Percent of minimum wage** (two fields above the minimum wage amount).

To calculate the percentage, subtract the allowable minimum wage from the state minimum wage. This gives you the tip credit amount. Divide the tip credit amount by the state minimum wage to get the tip credit percentage. *PayMaster* uses this to calculate the overtime rate and wage adjustments.

Change each employee's pay rate if it's less than the new minimum. ❏

Computer Aid Holiday Hours

Our office will be closed:
December 24 — 3 pm
December 25
December 31 — 3 pm
January 1

Overnight Delivery

Please remember to use our street address for overnight deliveries:

501 Church St, NE, Suite 306
(we moved from Suite 104)
Vienna, VA 22180-4734

Sign Up for AutoUpdate to Keep Current With *PayMaster* Changes Required by Paper and Mag Media W-2 Formats

Why subscribe to AutoUpdate?

1. You'll save money. The annual AutoUpdate cost is less than paying separately for the upgrades as they are available.

2. You'll be able to take advantage right away of *PayMaster*'s new features and reports.

3. You'll be all set for whatever changes are made each year to the paper and mag media W-2s, and to your state tax laws.

Please call or email us for more information about AutoUpdate.

703-281-7486
support@computeraid-llc.com   ❏

All of us
at Computer Aid
wish all of you
peace, joy, and a
wonderful holiday season.

Best wishes for a
successful 2003!

Order Your W-2s
by December 20 to
Guarantee Delivery

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