

# News From



A Publication for GMS Accounting and Revolving Loan System Clients

GMS, Inc. • 10559 Metropolitan Ave., Kensington, MD 20895 • (800)933-3501 • Fax (301) 933-3502 • www.gmsactg.com

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## ***Things You Must Do Before Your First Payroll in January***

Here is a simple checklist of those steps you must perform after your last 2006 paycheck is issued and before issuing your first paycheck in January - regardless of when you print your W2's. More details may be found in your electronic user manual or windows help manual.

- ☑ Check employee gross-to-net amounts on the YTD Payroll Register. Make sure all final adjustments have been entered and processed particularly for 3rd party sick pay, certain business expense reimbursements, or the cost of life insurance in excess of \$50,000.
- ☑ For DOS clients, make certain that all employees terminated prior to December 1 are noted with a "T" under status. (We recommend retaining employees who may have terminated in December because of certain reports that may be printed in early January.)
- ☑ Check all last minute items like address changes, name spellings and social security numbers. You will have a chance to correct these later - but it will be easier now.
- ☑ Check your state tax code by displaying to see that information is correct - state codes, names and reporting ID's.
- ☑ Make certain that all year-to-date payroll reports have been run including those for supplements and enhancements, and state and local tax reporting.

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## ***Dear Friends:***

This special issue of News from GMS is devoted entirely to things you need to know about W2's, 1099's and 1098's. We encourage you to read it immediately and to call us if you have any questions.

Again this year, we are **not** sending out a 50 plus page set of W2, 1099 and 1098 instructions that are difficult for everyone to read through. We are identifying the highlights in this newsletter and encourage you to refer to your Electronic User Manual or Windows Help Manual for all of the specific technical details. This way you can focus your attention on the items that apply to you. We can put our energies into filling the electronic user manual and Windows help section with information. You can print applicable sections.

There are some other things you need to know.

- ☑ For DOS users, instructions for downloading your revised software will be emailed to you later this month. For Windows users, instructions for downloading your revised software and Help manual will be emailed to you later this month. **You will want to load these as soon as possible so you will have the latest information.** The memo will describe the software updates and instruct you on loading.
  - ☑ Please note the article on Service Calls in this newsletter. We want to provide you with the very best service. To do so, we need your help.
- From all of us to all of you, we wish you the very best holiday season and a happy and healthy 2007.

### ***Please Note:***

W2, 1099 or 1098 forms will not be sent to any clients that ordered forms from GMS who have an outstanding balance for any charges prior to November. They will be sent in December to those clients who have paid their balances due as of 10/31/06. Those agencies that requested GMS to print forms or prepare magnetic media for 2006 also must not have an overdue balance.

***For GMS Holiday Schedule, See Service and Assistance Article on Page 3***

## When Should You Perform W2, 1099 and 1098 Activities?

As you set your timetable for performing these activities, here are some general rules to keep in mind.

- The proper time to follow W2 preparation procedures is after the last paid payroll in the calendar year and before the first paid payroll in the new calendar year. Paid payroll is defined by the date on the payroll check - not by the pay period ending date. If your paid payroll includes all or part of days worked in December, but checks are not dated and issued until sometime in early January, then W2 steps should be followed before January paychecks are issued.
- You will need to run certain steps to save the current calendar year payroll information and clear year-to-date amounts before issuing your first payroll in January. Once these steps are performed, you may print W2's at any time.
- You may perform normal 1099 activities anytime after you have issued the last accounts payable or other appropriate checks for the year. In DOS, 1099 functions use the *Payment History* as the data base reviewing the history for checks issued for specified dates. Remember, you will want to *save* your payment history for 1099 purposes and normally clear it for the new year before *updating* your payment history for the new calendar year. You do not have to print 1099's before issuing checks in the new year.
- If you will be preparing 1098's for your RLSS system, then you must make certain that transactions dated in the current calendar year are recorded before proceeding. 1098's review loan histories for specified dates allowing you to print 1098's at any time - even after new year transactions are entered.
- If you will be printing Section 8 1099's you must save current calendar year payment data and clear year-to-date amounts following menu steps before issuing checks in the new year. There have been no changes to these procedures.

### Common W2 Errors

- Not setting up the right box # and letter with no spaces next to the deduction for Box 12
- Not putting a Y under the retirement column next to the correct deduction
- Putting a Y under the W2 box column rather than putting the box number and letter
- Not saving the edits after adding box numbers and letters
- Going back to Edit/Prepare and answer Y to the override W2 question after saving edits
- After making changes in the W2 box setup, the proof listing doesn't reflect the changes because Y was not answered to the override W2 question
- Not reading the instructions
- Retirement box was not checked because they had no retirement deductions even if the employer contributed

## RLSS Supplement 804 RLSS 1098's

If your agency issues IRS form 1098 to report interest paid within a year to borrowers, Supplement 804 RLSS 1098's may save you some time. This supplement allows you to identify which loans will receive 1098's, then automatically calculates interest paid within a year and prints the 1098's. It will also create the Magnetic Media file to transmit to IRS for those of you who do so.

GMS works with IRS regulations to update the 1098 software as necessary, ensuring you will stay in compliance. Also, GMS will print 1098's for you. **In order for GMS to print 1098's for you, you must purchase the supplement.** It will allow you to prepare a disk to be mailed to GMS with your loan data included, allowing our Maryland office access to records required to produce printed 1098's. Please refer to our W2/1099/1098 order form for costs associated with this service.

Supplement 804 RLSS 1098's for DOS sells for \$125.00, with an annual maintenance/licensing fee of \$18.75. The Windows version of the supplement sells for:

1-2 Users	\$280.00 /\$85.00 annual license/maint
3-4 Users	\$350.00/\$105.00 annual license/maint
5+Users	\$440.00/\$135.00 annual license/maint

If you wish to purchase this product, please fax the order to 301-933-3502 or email [service4gms@gmsactg.com](mailto:service4gms@gmsactg.com).

## Deadlines to Remember

Remember these important deadlines for W2's, 1099's and 1098's.

### January 22, 2007

- Latest date you can send files to GMS for form printing and expect to receive them before February 1

### January 31, 2007

- W2's are to be furnished to employees
- 1099's and 1098's must be given to recipients

### February 19, 2007

- Latest date you can send files to GMS for preparation of IRS or Social Security Administration file to be submitted electronically.

### February 28, 2007

- W2 information must be filed with Social Security Administration if filing paper forms or by magnetic media
- 1099 & 1098 information must be filed with IRS if filing paper forms.

### April 2, 2007

- W2 Information must be filed with Social Security Administration if filing electronically.
- 1099 & 1098 information must be filed with IRS if filing electronically.

## Service and Assistance

January is by far the busiest month in the year for our Service Staff - W2's, 1099's and 1098's are prepared and printed, tax and other software changes are being installed and many agencies are beginning their new fiscal year. Here are some things that you should know. Thanks in advance for your patience and understanding.

- GMS service hours are 9:00 am to 8:00 pm EST Monday through Thursday. On Fridays, our service hours are 9:00 am to 5:00 pm EST. It is GMS policy to respond to every service call within two hours of receipt (unless another arrangement is made). Calls received after 6:00 pm EST will be responded to no later than 10:00 am the following day.
- Calls are responded to on a first come - first served basis.
- You may place your service call by phone (800) 933-3501, by fax (301) 933-3502, via the website at [www.gmsactg.com](http://www.gmsactg.com) or by email to [service4gms@gmsactg.com](mailto:service4gms@gmsactg.com). Or if it is a quick call you can use the Service Chat via the web, the link is on our website.
- When you place a call, we need your name, client number, **extension number** and a brief (but specific) description of the problem so we can route the call most efficiently.

**Note: All GMS offices will be closed on December 25, 2006 and January 1, 2007 for the Christmas and New Year's holidays.**

For all of us and all of you, January can be a particularly stressful time. Our service call volume usually grows threefold. As we prepare, there are some things that you can do that will really help us serve all GMS clients.

- 1) Review your W2, 1099 and 1098 instructions this month - in December. Should you foresee questions or issues, please feel free to contact us now - when our service call volume is much lighter.
- 2) When a problem does occur, see if it is addressed in your Electronic User Manual or Help Manual before placing a service call.
- 3) When you do call, please let us know the urgency of the issue and an extension number. If you have a deadline, tell us. If there is no urgency, that is also nice to know.
- 4) If you are returning a call from a member of the Service Staff, please let us know so your call can be routed directly. GMS clients and Service Staff members all share a common frustration - telephone tag.

### Consider These Special Issues Please!

Double check to see if you are affected by one or more of these special issues now. If so, please review the Electronic User Manual or Help Manual for details.

- Do you have a cafeteria plan?
- Will you have 3rd party sick pay that will need to be reported on your W2's?
- Did any of your present or terminated employees receive life insurance in excess of \$50,000?
- Have you made any expense reimbursements that are considered taxable?
- Are you subject to any Earned Income Credit notification requirements?
- Do you have a qualified pension plan?
- Did you withhold dependent care benefits from any employees that must be reported in Box 10 on W2's?
- Did you withhold any Ohio School District taxes?
- Did you have employees who made contributions to a deferred compensation retirement plan?

For some of the above issues you may wish to check with your CPA to be certain that you follow IRS reporting requirements properly.

A Christmas Reminder: Don't try to borrow any money from elves... They're always a little short!

### Need to Prepare Files for IRS or the Social Security Administration?

Many GMS clients report W2 information electronically to the Social Security Administration and/or 1099 amounts to the Internal Revenue Service. Remember you have two options to do so.

1. GMS can prepare the file for you to submit to SSA should you use this option, please follow the instructions for sending files to GMS for processing. You may do so by mail or email.
2. Supplement 400, W2 Magnetic Media Reporting and/or Supplement 401, 1099 Magnetic Media Reporting will enable you to prepare these files yourself. You may order by email to [service4gms@gmsactg.com](mailto:service4gms@gmsactg.com) or fax at 301-933-3502. If you use the Windows version of GMS Accounting, and have already purchased Supplement 330 Complete 1099's, Supp 401 1099 Magnetic Media Reporting is now part of Supplement 330.

#### Is GMS Printing Your W2's, 1099's or 1098's?

If so, follow the instructions to send us your files. Your forms are being held ready for printing. Expect a 2-3 business day turn around starting January 5, 2007. They will be done in the order received assuming there is not a past due balance. Remember, the deadline for file submittal to GMS is January 22, 2007.

## ***If you are submitting W2 files to SSA, you need to register for a PIN and Password***

You must register with the Social Security Administration in order to use their Business Services on-line. Registering allows you to use the Employee Services to submit a wage file, W-2 on line, view status, view notices and view errors. It also allows you to use the SS number verification service. Registration is required if you plan to file using Electronic Data Transfer.

December 2006 is the preferred period for new registrations. You may register on the Internet at <http://www.ssa.gov/employer>, select Business Services Online, select Registration. To register by phone, call the Employer Reporting Branch at 1-800-772-6270. Information you will need to register is (some of the information below is optional) company name, phone number, address and the Employer Identification Number of the company you work for, your name (first name, middle initial and last name) as shown on your social security card and your mailing address, your social security number, date of birth, your work telephone number, e-mail address and fax number to contact you if they have a problem processing your file

If all of the information given is verified, they issue a PIN immediately and mail you a password that you should receive within 10-14 days.

For further information on registering, go to their web site to review other questions and answers about using the PIN and password.

## ***First Year Magnetic Media Filers of 1099's and 1098's***

Magnetic media submission is required for organizations submitting 250 or more 1099 or 1098 forms. All filers must obtain approval to file prior to submitting Form 1099 or 1098 returns on magnetic media. Form 4419, Application for Filing Information Returns Magnetically or Electronically, should be submitted to the IRS, Martinsburg Computing Center, Information Reporting Program, 230 Murall Dr., Kearneysville, WV 25430, at least 30 days before the due date of the returns. You can request this form and instructions by calling 800/829-3676 or online under Forms and Publications at [www.irs.gov](http://www.irs.gov). A separate form 4419 has to be submitted for each type of return. If you are submitting both 1099 and 1098 forms magnetically or electronically, you have to submit two 4419 forms. After approval of your Form 4419, you will be assigned a 5 character Transmitter Control Code (TCC), used to identify magnetic media/electronic filers. Magnetic media and electronically filed returns may not be submitted to IRS until the

application has been approved and a TCC assigned. If any information on the form changes, you are to notify the Martinsburg Computing Center in writing so the database can be updated. Be sure to include your TCC in all correspondence. You may be subject to penalties for failure to file timely, failure to follow the instructions, and failure to include correct information. If you have any questions on magnetic media or electronic filing, you may contact the Information Reporting Program Call Site by calling 304/263-8700 between 8:30 a.m. and 4:30 p.m. Eastern Standard Time.

***Things You Must Do Before Your First Payroll in January...***  
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### ***For DOS clients:***

- Specific State Quarterly Reports -
- Year-to-Date Payroll Detail (supplement 301)
- Ohio School Tax Analysis (enhancement 602)
- Annual Worker's Compensation Analysis (supplement 311)
- Monthly Payroll Analysis (supplement 312)
- Complete all Quarterly reporting activities.

### ***For Windows Clients:***

- Year-to-Date Payroll Detail (supplement 301)
- Complete all Quarterly reporting activities.

### **DOS Clients: Follow these procedures on your Payroll - Process Year End W2's Menu**

- Backup Employee Files to Diskette
- Be certain to label the diskette "Pre W2 Backup" with current date and time. Repeat this step more than once if you wish.
- Prepare Employee Files For New Year
- Enter START to begin. This step will save the current year payroll data and setup your employee files for the new year. The software will prevent you from running the step more than once without GMS assistance.
- Select #3 Backup New Year Employee Files
- Label diskette "New Year Employee Files - 1st Backup" with date and time.
- Check employee files. You should find that terminated employees are no longer in the system and year-to- date amounts are zero.
- If your fiscal year ends December 31, now is the time to send your employee files into the new year. (See instructions for Year End Closing and Setting Up Your New Directory.)

### **Windows Clients: Follow these procedures on your Payroll - Annual Menu**

- Click on the Save/Prepare for New Year button. You will be asked to specify the drive and folder that your database is stored on. It will make a copy of that file and save it in the same folder called conversionXXXX.mdb ( The XXXX represents the year). It will also copy the information from your year-to-date payroll and deduction tables into W2 tables and then zeros out the year-to-date amounts in the payroll and deduction tables.
- Check employee files. You should find that year-to- date amounts are zero.

You may now proceed with processing your first payroll in January. W2 printing may take place at your convenience.