Getting Ready for W2s and Other Year End Tax Forms

Although three months remain before you need to prepare W2s, here are some things you can do now to get ready.

- Make sure that the year-to-date payroll information is correct. Don’t wait until the last payroll of the year is completed to verify this information. A YTD Payroll Control Sheet is an excellent tool to use to verify these amounts, if you maintain one. A sample YTD Payroll Control Sheet can be found on the GMS Website under Client Portal-Downloads & Updates-Sample Data Entry Forms. The sample forms are in an Excel workbook. Look for the YTD PR Ctrl Tab.

- Understand your special W2 requirements particularly for issues such as pension, deferred compensation, dependent care and group life insurance over $50,000. You may need to review the IRS requirements or consult your CPA.

- Be familiar with any appropriate federal, state and local electronic reporting requirements that must be met.

- Review the following links so that you are prepared to report health insurance pursuant to the Affordable Care Act (ACA). Federal forms 1095C will need to be filed with the IRS by February 28, 2017 if filing paper forms or by March 31, 2017 if filing electronically. This will be for calendar year 2016 information. We have created tables under Payroll/Annual/Health Insurance for collecting the information for these forms. These tables do require setups on your part.


- Order sufficient W2 and Affordable Care Act (ACA) Reporting forms, and should you need or desire to, you can arrange for W2 and/or ACA printing or electronic file preparation with GMS.

- Review the W2 processing section in your Help files. These instructions are located under Payroll/Annual.

Cost Allocation Series #2 - Fringe Benefits

Note: the following article is based on an allocation procedure where the actual fringe benefit rate is used rather than a fixed rate.

The second pool that is included as part of the basic GMS Accounting and Financial Management System is the Fringe Benefit Pool. As with the Leave Pool discussed in the September, 2016, newsletter, how the base is defined and the employee class structure is set up within the GMS software will be the two main factors determining how the fringe benefit costs are allocated to programs. Please refer to the Help Manual under Tools\Cost Allocation Setup, in the Class Setup and Fringe Allocation sections, for the setup of classes and the fringe benefit matrix.

continued on page 4
What Exactly Does the Active Box Do?

In the basic accounting system (not counting supplements) there is an active box on Vendor Entry, GL Codes and Program Elements. Following are the options these boxes provide:

**Vendor** – if you decide to make a vendor “inactive” and uncheck the active box and you subsequently select that vendor during voucher data entry, you will be given a message that the vendor is not active. You will then be given the opportunity to make the vendor active at that time should you desire.

**GL Code** – if you uncheck the active box on a GL code, it will not appear in any combo boxes during data entry and is not available for use during coding in any book of entry. Also, if the GL code marked as inactive is a Project code and it does not fall within the current fiscal year, it will not be included in list boxes such as the Revenue & Expenditure Report by Project list box.

**Program Elements** – if you uncheck the active box on a Program Element code, it will not appear in any combo boxes during data entry and is not available for use during coding in any book of entry. Also, if the Program Element code marked as inactive is assigned to a project that does not fall within the current fiscal year, it will not be included in list boxes such as the Revenue & Expenditure Report by Element list box.

The print options for all three areas are the same. If when printing these master files, you select Active/Inactive, the system will print all active codes followed by all inactive codes beginning on a new page. (Should you wish to just print the active or inactive you can make that choice by selecting which pages to print in the printer dialog box.) If you select All, the system will print the entire code list with the description of active or inactive to the right of each code.

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RLSS Additional Disbursements

Whether it is written into the original contract with your client or they just require additional funds at a later date, there are many things to consider when making additional disbursements. We recommend these types of loans be set up on the daily interest basis rather than amortized so that interest will accrue correctly. Once all disbursements have been made, you may then change the loan to amortized if you choose.

If your loan is funded by just one funding source, you may simply enter the disbursement when it takes place. You should also review the Fund/Amts screen within the Loan Master to determine if the amount entered there needs to be increased.

If your loan is multi-funded and all of these funding sources are participating in this additional disbursement according to the same ratio entered in the Fund/Amts screen, you may follow the steps listed above.

If your loan is multi-funded but only one of the funding sources is participating in the additional disbursement we recommend that you create a new loan for this additional amount. This is the only way to show this new amount being disbursed from just one funding source. If you were to enter this disbursement to the existing loan, it would appear on your reports as having been disbursed from all funding sources set up in the Funds/Amts screen within the Loan Master, which is not what you are after. Please keep this in mind when doing something of this nature as new loan documents may also need to be prepared for this “new” loan.

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**I CAN SMELL AUTUMN DANCING IN THE BREEZE**
**THE SWEET CHILL OF PUMPKIN AND CRISP SUN BURNT LEAVES**

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Limited Sponsorship Opportunities Now Available!

San Diego, California
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Sponsorship applications are now being accepted for the 2017 Summit.

Is there an organization you would like to see at the GMS Summit 2017? Please pass along this opportunity and let them know you would like to see them in San Diego!

All current sponsorship information can be found on our website at:

http://www.gmsactg.com/sponsorships.html

Wednesday, October 26, 2016 @ 2:00pm
Basic Payroll Procedures
This webinar is designed for GMS users that are new to the Payroll Process or would like a refresher course of the basics. We will cover topics ranging from the initial setup of employee files to calendar year end activities such as W2 processing. You will be guided through the mechanics of the process and learn about the importance of internal control, proper reviewing of preliminary reports and timely backups. Tips and/or suggestions will be provided to help assure your employees get paid on time!

>>LEARN MORE

Wednesday, December 14, 2016 @ 2:00pm
Cost Allocation (Leave and Fringe)
This webinar will deal with the logic and mechanics behind the Leave and Fringe Benefit Pools, which are the two most widely used pools in the GMS Accounting System. Advantages of allocating these costs rather than direct charging them will be discussed. See how using these features of the system actually makes you more accountable in the preparation of your Financial Statements.

>>LEARN MORE

Have You Ordered Your Tax Forms Yet?

Don’t forget to order your W-2, 1095C, 1099 and/or 1098 forms no later than October 31, 2016. Orders may be placed at www.gmsactg.com.
**Cost Allocation Series - Fringe Benefits**

continued from page 1

When an expense is coded as a fringe benefit, the element used is 998000. (This is a control account set up in the GMS system and cannot be changed.) Typically, the transaction codes set up for fringe benefits follow **immediately after** GL code 50500. An example would be GL code 50600 – FICA Fringe Benefits. (50500 is the control account that is used to allocate the fringe costs in the pool to the financial statements and cannot be changed.) All transactions coded to element 998000 are accumulated, by line item, on an **agency fiscal year-to-date basis**.

The system then looks at the year-to-date fringe benefit costs, on an individual line item basis, and allocates a percentage of the total cost to each individual class using the ratio of the **YTD base amount** (typically salaries and leave) to the **YTD total base of the classes that receive each benefit**. For example, let’s say the YTD FICA expense for the organization was $24,400. Class 1 total base was $168,660 and the agency total base was $321,330. The ratio of the class 1 base to the total base is $168,660/$321,330 or .5249. The system then applies the .5249 against the YTD total agency FICA $24,400. That results in $12,807.56 FICA expense being allocated to class 1. The system then follows the same procedure for the FICA expense for all remaining classes who receive the FICA benefit.

Once all classes have been accounted for and the total YTD FICA expense has been allocated, the entire process is repeated for the next and all subsequent fringe benefit costs. At the end of the process the total of all fringe benefit costs allocated to each class is then compared to that class’ base. For example, if the total allocated class 1 fringe benefit cost is $60,750, the ratio of that amount against the class 1 base is $60,750/$168,660 or .3602. That 36.02% fringe rate is then applied to all class 1 salaries during the cost allocation process.

Note: If your organization uses the fringe pool in the GMS software, it is imperative that you use the calculated fringe benefit rate(s) when preparing your program budgets. Too often we see clients using the fringe pool to allocate their fringe benefits but they create program budgets based on individual employee costs. In addition to saving an incredible amount of time in budget preparation when using the fringe rate(s), you should always be using the same procedure for your budgeting as you do your accounting to give you the most realistic budget comparative on your financial statements.

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**Welcome** to the Catamaran Resort Hotel and Spa. We are delighted to host the GMS Summit 2017 Conference. The Catamaran Resort Hotel is a tropical hideaway in the San Diego Pacific Beach community on the sparkling shores of Mission Bay. Our Polynesian themed resort offers casual elegance and unique charm. We are centrally located, just 9 miles from the San Diego Airport and within a short walking distance to a variety of shops and options for dining and nightlife. Our goal is to provide you with a WOW experience, before, during and after your program. We look forward to your arrival in May 2017.

_Victoria Hartwell_

Convention Services Manager
Catamaran Resort Hotel and Spa

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