



OPEN SYSTEMS®
Accounting Software
Compliance Release – 2013 Tax Update

Date: December 18, 2012
To: Software Maintenance Plan Subscribers
Products: Accounts Payable, Payroll, and Fixed Assets for OSAS® versions 7.61 and 7.52

The 2013 Tax Update contains changes to all state and federal tax withholding formulas and tables based on the requirements known to Open Systems, Inc. as of December 11, 2012. The update is available to all users current on the OSAS Software Maintenance Plan as of December 15, 2012. Contact your software solution provider and backup your programs and data before you install this update.

As of December 15, the U.S. Congress had not yet passed an extension of the social security tax cut for employees introduced in 2011. As such, the OASDI rate for employees in 2013 included in this update has been restored to the previous rate. In the event that Congress passes the extension, you will need to adjust the rate accordingly.

Similarly, the IRS has not yet published federal withholding tables for 2013, pending enactment of related legislation. Accordingly, the federal withholding tax tables and formulas for 2013 included in this update are the same as those used in 2012. Once the 2013 federal withholding tables and formulas are published, we will send an update advising you on how to apply the proper formulas and tables.

We have tested this update with versions 7.61 and 7.52 of Accounts Payable, Fixed Assets, Payroll, Payroll with Direct Deposit, Payroll for CJC, Payroll with Direct Deposit for CJC, Purchase Order, and Purchase Order with Landed Cost. You must have all maintenance packs, hot fixes, and prior tax updates installed before you install this update. If you do not have one or more of these updates installed, or if you have any other questions, please contact your software solution provider, call OSAS Support at 1-800-582-5000, or send an email message to osas_support@osas.com.

As with all reporting processes, check your procedures carefully and consult your accountant or tax preparer for details on how this update affects your business. Additional information is available from the IRS at www.irs.gov. If you have software questions, contact your software solution provider or Open Systems Support.

Tax Changes

State Tax Withholding Table Changes for 2013

California	Georgia	Hawaii	Idaho	Kansas	Kentucky
Maine	Maryland	Michigan	Minnesota	Nebraska	New York
North Dakota	Puerto Rico	Rhode Island			

State Unemployment Insurance Table Changes for 2013

Alaska	Colorado	Georgia	Hawaii	Illinois	Idaho
Iowa	Kentucky	Minnesota	Montana	Nevada	New Jersey
New Mexico	North Carolina	North Dakota	Oklahoma	Oregon	Pennsylvania
Rhode Island	South Dakota	Utah	Washington	Wisconsin	Wyoming

'Other' Table Changes for 2013

Alaska	California	Hawaii	New Jersey	Pennsylvania	Rhode Island
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Installing the Tax Update

Follow these instructions to install this update before you begin processing payroll for 2013:

1. Post the last payroll process cycle in 2012.
2. Backup your programs and data files.
Note: If your programs are modified please contact the developer before you apply the updates.
3. Run the **Periodic Maintenance** function for year-end in Payroll.
4. Download and unzip the update to a local drive on your application server.
5. Use the Resource Manager **Directories** function to point the **Install** directory to the directory in which the update is located.
6. Select all of the check boxes at the bottom of the Resource Manager **Install Applications** screen to unzip, merge, and install the update correctly.

Staying Current

Check the Open Systems website, www.osas.com, frequently for the latest information on federal and state tax withholding, unemployment, and disability formula and table changes. When the federal government or states make changes, we provide two methods to help you stay current: a Tax Update file which is periodically updated to include new changes, and documents that describe how you can make the required changes yourself.

Additional Information

Employee Medicare Withholding Change

Employees with an annual income of more than \$200,000 are subject to an additional 0.9% withholding on wages above \$200,000. This update includes a new table to hold this information and an updated withholding formula to comply with this change.

Additional Instructions for Georgia State Withholding

In 2012, employees subject to state income tax withholding in Georgia claimed a standard deduction and also personal allowances (claimed by entering the number of allowances in the **Personal Exemption** field on the State Other Information screen in Employee maintenance).

In 2013, these employees can claim a standard deduction and a personal allowance based on filing status, a dependent allowance, and a Blind/Over 65 allowance. The **Personal Exemption** field no longer applies and a new **Dependent Allowance** field is added to the State Other Information screen.

To choose to take only the standard deduction for an employee, enter **0** in the **Exemptions** field on the Tax Information screen in Employee maintenance. Thereafter, the values in the Dependent and Blind/Over 65 allowance will be ignored.

To claim both the standard deduction and the personal allowance for an employee, enter **1** in the **Exemptions** field on the Tax Information screen in Employee maintenance. Thereafter, the values in the Dependent and Blind/Over 65 allowance will be used in calculating the withholding.

To implement this change, this update contains changes to the 2013 Georgia State Withholding table, formula, and factors. Reference the [State of Georgia Department of Revenue Employer's Tax Guide](#) for additional information and instructions.

Federal Unemployment Tax Act (FUTA)

Employers with wages subject to unemployment laws in certain states are assessed an additional FUTA percentage for those employees called a "Credit Reduction." These percentages are added to the usual FUTA rate for employee earnings in these states.

The list of states subject to the credit reduction and the applicable rates are released by the IRS each year in November for the current tax year. Each year, some states are added to the list and some are removed. To help you

comply with the terms of this requirement, we provide a worksheet to help you calculate the amounts of any adjustments you need to make. The following states were added to or removed from the credit reduction list in November 2012:

FUTA States Added for 2012

Arizona Delaware Vermont

FUTA States Removed for 2012

Illinois Michigan Minnesota Pennsylvania Virginia

To use the worksheet to help you adjust your FUTA contributions for 2012, and to help you set up employees for the required calculations in 2013, see the document entitled [Adjusting FUTA Credit Reductions](#).

Forms 1099 Processing

The IRS requires Forms 1099-K for certain types of electronic payments. This requirement may make it necessary for you to adjust the information you had planned to report on Form 1099-MISC through Accounts Payable (or Purchase Order). Review the document entitled [Using the Edit 1099 Amounts Function](#) for additional information.

W-2 Forms

Under the Affordable Care Act, employers who filed more than 250 Forms W-2 last year are required to report any employer-sponsored group health plan coverage cost in box 12 of the 2012 Forms W-2; however, reporting this information is optional for employers who filed fewer than 250 Forms W-2 last year. The value reported is for informational purposes only and continues to be excluded from an employee's income and is not taxable.

If you filed more than 250 Forms W-2 last year, or if you choose to report this information regardless of the number of Forms W-2 you submitted last year, please follow [these instructions](#) to prepare for the reporting of these amounts.

Business Services Online

As an employer, you can use the Social Security Business Services Online (BSO) to submit your W-2 information. To do so, save the W-2 file to your hard drive and upload the file using the Social Security Business Services Online. The Social Security Business Services Online site is www.socialsecurity.gov/employer/. For more information, review the information at www.irs.gov/.