THOROUGHBRED SOLUTION-IV ACCOUNTING

YEAR-END INFORMATION GUIDE

FOR PAYROLL & ACCOUNTS PAYABLE

DECEMBER 2023

THOROUGHBRED®
SOFTWARE INTERNATIONAL, INC.

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UPGRADE REQUIREMENTS & INFORMATION

Introduction:

In December 2023, a Dictionary and Source backup file will be made available that will work on most versions of Solution-IV.

This file will contain:

- Updates for W-2 printing and electronic file (EFW2) generation for 2023;
- Updated 2024 tax tables;
- Accounts Payable modifications to enable utilizing the new IRIS 1099 reporting system (see below).

IRS News:

The IRS has lowered the threshold for electronically submitting W-2 and 1099 forms from 250 to 10. So even if you have not had to file electronically in the past, you may need to do so for 2023 reporting. In order to provide a means for small to medium-sized businesses to electronically file their 1099-MISC and 1099-NEC forms, the IRS has created a new system called the "Information Returns Intake System (IRIS)".

In order to utilize this, you will need to create one or more Transmitter Control Code(s) (TCC). If you haven't done so already, it is imperative that you apply for this code ASAP as the IRS website indicates it is taking an average of 45 days to receive your code.

You can learn more on the IRS website at
https://www.irs.gov/filing/e-file-forms-1099-with-iris

That said, on the Accounts Payable side, Thoroughbred will be providing a tool to create the .CSV files for both the 1099-MISC and 1099-NEC forms directly from your Accounts Payable data that you can then upload them through the IRIS system. There are no changes to the 2023 physical 1099-MISC and 1099-NEC forms that you send to your vendors.

Important:

Read these instructions and make a backup of your entire Solution-IV Accounting system **BEFORE** installing this backup file on your machine!

Installation of this backup is the same as installing any other new version of Solution-IV Accounting. **It will overwrite** any modifications you have made to the scripts, reports, formats and other Dictionary elements for the module(s) you install, unless care is taken to identify and archive your custom modifications. Please contact your Thoroughbred reseller or Thoroughbred consulting services representative if you have any questions or concerns.

Consulting Services customers should coordinate the upgrade with their Services representative.

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PREPARATION FOR YEAR-END PROCESSING

Step 1:

Verify that you have run your final Payroll and Accounts Payable check runs for 2023, then, ***make a backup!***

Step 2:

Verify that you have the appropriate version of Solution-IV Accounting installed on your system by going to the Solution-IV Utilities menu and selecting the **Display Solution-IV Versions** option. If you have any questions, please contact your Thoroughbred Sales or Consulting Services Representative at (800) 524-0430 or (732) 560-1377 before continuing.

No changes were made to the W-2 form or the electronic submission files (EFW2) for 2023.

In 2020, there was a significant change to the 1099-MISC form in that the previous box 7 for Non-employee compensation was moved to a new form – the 1099-NEC (Non-Employee Compensation). If you have not already made this change, Thoroughbred has an upgrade process that can be run to convert the Employee Masterfile Box Number field as well as the 1099 History File to make use of the new form as well as new box numbers on the new 1099-MISC form.

On the Accounts Payable side, starting with reporting for 2022, the 1099-MISC and 1099-NEC forms have been converted from an annual revision to continuous use and thus now need to have the tax year printed on them. In addition, on the 1099-MISC form, box number 13 was assigned to the Foreign Account Tax Compliance Act (FATCA) filing requirement checkbox. Subsequently, old box numbers 13-17 have been renumbered to new box numbers 14-18. If you did not do this in 2022, please closely review the Accounts Payable section of this guide for instructions on how to complete this renumbering PRIOR to printing your 1099-MISC forms.

In addition to these changes, the requirement for businesses to electronically report W-2 and 1099 data if you issue more than 10 information forms (total), it is CRITICAL that you upgrade Accounts Payable if you plan to print 1099's this year.

VERY IMPORTANT: You cannot take the current Dictionary elements, Reports or Scripts and move them to an earlier version! In addition to upgrade/licensing issues, there are other potential issues. If you need to do this, please contact your Thoroughbred Sales Representative and we can provide advice or arrange to do this as a consulting services project.

Step 3:

After you run your final 2023 Payroll and before running Payroll Year-End Processing, use the Copy Company function and copy your Payroll and General Ledger data to another company, such as P23. You will use the P23 company for steps 5 through 9 below. You can do the same thing for Accounts Payable after doing your final check run in 2023.

After verifying that you have a backup of your 2023 Payroll data and that your final payrolls for 2023 have been run, run Payroll Year-End Processing on your regular company. You may now process 2024 payrolls on your regular company.

In the same manner for Accounts Payable, verify that you have a backup and that final checks for 2023 have been printed. Run Accounts Payable Year-End Processing, answering 'Y' only to the 'Clear 1099 payments?' question. Follow the instructions as shown in the Accounts Payable manual for printing the actual 1099's in the P23 company.

IMPORTANT: Due to the new 1099-NEC form issued for 2021 as well as the current year changes to both the 1099-NEC and 1099-MISC forms, please closely review the Accounts Payable section of this guide and the Accounts Payable manual for further information on processing 1099's.

You may continue processing Accounts Payable in your regular company, including printing any 2024 checks.

Step 4:

Maintain the format of the W-2's using the **W-2 Contents Maintenance** option on the Payroll Reports Menu. Use the sample found in company DEM or last year's setup to help you define the contents of the boxes on the W-2's for your company. The format for 2023 has not changed. Each company may have a different setup since it is likely that the earnings codes will be different across different companies.

See the section titled *W-2 Form Maintenance* for further instructions.

Steps 5 through 9 will be used for the P23 company only.

Step 5:

If you will be generating the electronic submission (EFW2) files, maintain the format of the electronic submission files using the **Magnetic Media Contents Maintenance** option on the Payroll Reports Menu. This function works in a manner similar to W-2 Form Maintenance.

See the section titled *Magnetic Media Contents Maintenance* for further instructions.

Step 6:

Maintain the format of the state electronic submission records using the **State Mag Media Maintenance** option on the Payroll Reports Menu. This function works in a manner similar to the Magnetic Media Contents Maintenance.

See the section titled *State Magnetic Media Contents Maintenance* for further instructions.

Step 7:

Be sure that all of the flags in the Employee Masterfile are set to the appropriate response. Verify that the State and Local ID numbers have been entered in Tax Accrual Maintenance and the correct Federal ID number is on the Company Masterfile record.

Step 8:

Print W-2's and create the electronic submission (EFW2) files using the **W-2 Form Printing** option on the Payroll Reports Menu. If you need totals for state and local tax codes, print the W-2 Edit Report and retrieve the totals there.

The following two magnetic media files are created:

- **W2REPT23** is an indexed file which may be backed up and kept as a permanent record of the W-2 information printed.

- **W2REPORT** is the file that you submit to the SSA. See the section titled *Magnetic Media Contents Maintenance* for further information on submitting W-2 Wage information.

IMPORTANT: If you are copying the file from UNIX, be sure to use the command
> **doscp –r**

Step 9:

If you printed W-2's and generated the electronic submission files from your regular company, make another backup then run Year-End Processing.

If you already ran Year-End Processing in your regular company and printed W-2's and/or 1099's from the P23 company, the P23 company will serve as your backup in the event that you need to reprint any 2023 W-2 forms or make any adjustments to the EFW2 file.

Step 10:

In your regular company, verify that each employee's exemptions are defined properly using their 2019 or prior W-4 form (or state equivalent) OR the newer Federal 2020 W-4 form and the section titled *Payroll Exemptions Table* as well as the new section discussing the *New Federal 2020 W-4 form.*.

Step 11:

Verify that the appropriate tax tables are installed for your state. Thoroughbred makes every attempt to update all states currently in use by our customers with new tables for 2024, but we occasionally do not receive the new state tables in time for the December Payroll release. As of the release, we updated Federal and state tax tables that were posted to the various state websites by December 19, 2023.

Please note that Thoroughbred maintains only state and Federal tax tables. Customers are responsible for maintaining any local tax tables as well as disability and unemployment taxes and/or contributions.

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1099 FORM & REPORTING CHANGES

Purpose:

The 1099-MISC form had <u>significant</u> changes in 2020. Non-employee compensation was moved to the new 1099-NEC form and other boxes have been renumbered. Please see the Accounts Payable section of this guide and the Accounts Payable manual for further information on processing 1099's.

Vendor Maintenance:

The 1099 Box Number field has been enhanced to now include the option of Box Number "NC" if the vendor should receive the 1099-NEC form instead of the 1099-MISC.

1099 Box Renumbering:

There is an on the Accounts Payable – Reports Menu called "1099 Box Renumbering". This option will allow you to change the box number(s) automatically from one number to another – or from a number (ie 07) to the new NC if the vendor is to receive the 1099-NEC form instead. It will change the box number both in the 1099 payments file as well as in the Vendor Masterfile.

This option may also be used to renumber boxes for the 2022 (and forward) 1099-MISC form if you currently utilize box numbers 13-17 that have been renumbered to 14-18. Simply run it multiple times to renumber 17 to 18 then 16 to 17 then 15 to 16 then 14-15 and finally 13-14.

If you did not utilize this option for 2022, it is important that you run this option prior to printing 1099 forms for 2023. If you have already made your year-end copies, you will want to run this option in both the copy and live company or companies.

1099 Edit Report & Forms:

The 1099 Edit Report & Forms has been modified to accommodate the newer 1099 forms:
- To print 1099-MISC forms, select Form Type "M";
- To print 1099-NEC forms, select Form Type "N".

Be sure to set your year to 2023 in order to properly include the year on the newer (as of 2022) "continuous use" 1099-MISC and 1099-NEC forms.

Rebuilding 1099 Amounts:

You have the option of rebuilding the 1099 amounts from the Payment History file. This option is especially helpful if you are not sure if the amounts recorded are correct, or if you changed the 1099 flag from "Y" to "N" (or vice versa) incorrectly on some invoices. If you answer "Y" to the "Ignore 1099 flag on invoice" question, it will include <u>all</u> payments to the vendor in the 1099 amount.

Creating the 1099-MISC and 1099-NEC Upload Files (NEW!):

There is a new question on the 1099 Form Printing option that will allow you to create the .CSV files that you can then upload to the IRS utilizing the new IRIS system. If you need to create files for both the 1099-MISC and 1099-NEC forms, you will answer "Y" to this option each time when you print the forms. The files will be named as follows:

- 1099-MISC: xxx-MISC-2023
- 1099-NEC: xxx-NEC-2023

Where xxx is the company code you are creating.

If you have more than 100 vendors for whom you are creating 1099-MISC or 1099-NEC forms, the system will divide that into multiple files of 100 vendors each, with the subsequent files adding -# (where # is the sequential number) after the initial file name.

If you only have a few vendors requiring the 1099-MISC or 1099-NEC form, you also have the ability to manually enter that information into the IRIS system and thus avoid creating the .CSV file(s).

W-2 FORM MAINTENANCE

Purpose:

This function is used to maintain the contents of each of the boxes found on the W-2 form. ***We cannot emphasize enough that it is your responsibility to make sure that the correct amounts print in the appropriate boxes on the W-2 form!***

The format for the 2023 W-2 form was taken from IRS Publication "2023 Instructions for Forms W-2 and W-3" as found on the IRS website:

www.irs.gov/pub/irs-pdf/iw2w3.pdf

How to Execute:

From the Payroll Reports Menu, select the **W-2 Form Contents** option.

Sample Screen:

Header Screen Fields:

Form for Year
Enter the year this form contents will be used for.

Example: 2023

Lines Screen Fields:

This section of the screen is used to define the contents of the numeric fields on the W-2 form. Use the example shown in the DEM company or from your company's information from last year. Your fields may be different than the DEM company based on the earnings, deduction, contribution and tax codes defined for your company.

Line
Press **Enter, Line #, Up Arrow, Down Arrow, Page Up, Page Down, Line Insert,** or **Line Delete** as used in other lines maintenance programs such as Time Sheet Entry.

Box

Enter the W-2 box number in which you wish to print the total of the amounts entered in the contents field.

Note: If a box contains multiple amounts (such as boxes 12 and 14), you will enter the same box number on multiple lines.

Ch

Enter the special characters required to precede the amount in this box. These characters are used in boxes 12 and 14.

If you need to enter a description in front of the amount in box 14, enter an "*" (asterisk) here.

Sp

Enter the line specification from the following list:

G   Prints the "Gross" amount as found in the employee record
B   Prints the "Basis" amount as found in the employee record
W   Prints the "Withholding" amount as found in the employee record

Contents

Enter up to 240 characters (this is a scrolling field) defining the amount this box will actually contain. Each element must be separated by spaces. This field may contain the types of elements found below:

+ - * /   Defines whether to add, subtract, multiply or divide the elements this is separating.

An actual literal number. This will most likely be used with box 12.

Cx   Where x is the contribution code whose amount will be printed in this box.

Dx   Where x is the deduction code whose amount will be printed in this box.

Ex   Where x is the earnings code whose amount will be printed in this box.

Tx   Where x is the tax code whose amount will be printed in this box.

x   Where x is the literal text. This literal is only allowed in box 14. The literal is then followed by a space and the accompanying formula. For example:

CA-SDI TCASDI1 + TCASDI2

would result in

CA-SDI 1023.44

being printed in box 14 of the W-2.

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State and Local Boxes:

The amounts in the state and local boxes (boxes 15 – 20) on the W-2 form are filled in automatically. You do not need to define lines for these boxes.

In order to ensure that the information in these boxes is correct, please verify that the state and local tax ID numbers are entered in the appropriate tax accrual record(s) and that the 'Jurisdiction Type' in the tax table header is set to an 'S' for state tax codes and an 'L' for local tax codes.

Example:

A sample W-2 Form Definition has been defined in the DEM company. Use this as a guide when defining your own W-2 form. If you used Solution-IV Payroll last year, you may find that last year's W-2 form is essentially correct for this year. *However, please review your setup carefully!*

Important:

You are solely responsible for entering the correct elements into the appropriate boxes on the W-2 form. Each payroll and each company is different, with different needs and different codes. The examples given here are not meant to have a one-to-one correspondence with your company and are useful only as a guide!

Exit the Screen:

When you are finished maintaining the W-2 form, press **F4** from the year field to return to the Payroll Reports Menu.

MAGNETIC MEDIA CONTENTS MAINTENANCE

Purpose:

This function is used to maintain each of the fields found in the W-2 Magnetic Media file.

The record formats used to create the magnetic media file were taken from SSA publication #42-007 – Specifications for Filing Forms W-2 Electronically (EFW2) for Tax Year 2023.

For further information regarding submitting electronically, please refer to the Social Security Administration website at www.ssa.gov/employer/pub.htm .

AccuWage:

If you would like to test your EFW2 file prior to submitting it to the SSA (strongly recommended), AccuWage 2023 is available on the Internet at:

http://www.ssa.gov/employer/accuwage/

As stated in the AccuWage Online introduction, "AccuWage Online is a free application from Social Security Administration that enables you to check W-2 (Wage and Tax Statement) and W-2c (Correct Wage and Tax Statement) Wage reports for correctness before uploading them to Business Services Online."

If you have questions regarding this tool, please refer to the AccuWage website for information on how to receive assistance.

IMPORTANT

The SSA's BSO no longer accepts incorrectly formatted W-2 / EFW2 files.

Thoroughbred strongly recommends you test your wage file through AccuWage Online (within BSO) before uploading your wage file.

For additional information, please visit the SSA's Accuwage website:

https://www.ssa.gov/employer/accuwage

Electronically Submitting W-2's (EFW2):

Starting with the 2006 tax year, if you have 250 employees or more, it is necessary to electronically transmit your W-2 information to the SSA. Employers with fewer than 250 employees are also encouraged to file electronically.

Information on this function is found on the SSA website at:

https://www.ssa.gov/bso/bsowelcome.htm

Business Services Online (BSO) is a suite of applications enabling organizations and authorized individuals to conduct business with, and submit confidential information to, the Social Security Administration.

If you have not already done so, Thoroughbred recommends that you do not wait until the last minute to complete your registration.

Please note that Thoroughbred cannot submit the electronic files for you. The Magnetic Media function in Solution-IV creates the W2REPORT file in the EFW2 format. But you are responsible for submitting this file to the SSA.

Also, please note that you will be "Submitting W-2 wage files to Social Security". You will not be utilizing the "Forms W-2 online" function.

Further information on electronically filing your W-2 information may be found at the Business Services Online at:

http://ssa.gov/employer/

Please note: January 31st is the filing deadline for BOTH electronic and paper forms W-2. If this date falls on a Saturday, Sunday, or legal holiday, the deadline will be the next business day.

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How to Execute:

From the Payroll Reports Menu, select the **Magnetic Media Specs** option.

Screen 1:

Description of Fields:

Payment Year

Enter the year for which you are submitting W-2's on magnetic media.

Example: 2023

The following fields default to the information found in the company record and are used on the A, B and E magnetic media records.

Employer ID

Enter the 9-character employer identification number used for Federal reporting. Do not enter the dash or any spaces.

Example: 331234567

Company Name

Enter up to 44 alphanumeric upper-case characters for your company name.

Address

Enter up to 22 alphanumeric upper-case characters for your street address. Enter up to 22 alphanumeric upper-case characters on the second line for your location address. Do not put city and state information on these lines.

City

Enter up to 20 alphanumeric upper-case letters for your city.

State

Enter your 2-character state abbreviation using upper-case characters only.

ZIP Code

Enter the first 5 characters of your ZIP code.

ZIP Extension

Enter a dash followed by the last 4 characters of your ZIP code.

Contact
Enter up to 20 characters for the main contact of the employer.

Phone
Enter up to 10 characters (without punctuation) for the employer's main phone number.

Ext
Enter up to 5 characters for the extension of the employer.

Fax
Enter up to 10 characters (without punctuation) for the FAX number of the employer.

Email
Enter up to 60 characters for the employer's e-mail address.

Foreign Address Indicator
If the address entered on this screen is outside of the United States or its possessions and is not an APO or FPO, enter an 'X' in this field. Otherwise, leave it blank.

Computer Manufacturer
Enter up to 8 alphanumeric upper-case characters representing the name of the manufacturer of your computer system.

Type of Employment
Enter the appropriate code from the following list:

A   Agriculture
H   Household
M   Military
Q   Medicare Qualified Government Employment
X   Railroad
F   Regular (Form 944)
R   Regular (all others) (Form 941)

Establishment Number
Enter up to 4 upper-case characters for either the Establishment Number or the Coverage Group/Payroll Record Unit Number, whichever is applicable. Otherwise, leave this field blank.

Other EIN
If a form 941, 942 or 943 was submitted to the IRS for the same tax year as this report and the form used an EIN other than the one entered at the top of this screen, enter the other 9-character EIN. Otherwise leave this field blank.

Employee Name Format

The IRS allows you to specify whether you want to report the employee names first-name first or surname (last-name) first.

Solution-IV will capitalize and use the first 27 characters (22 if deceased) of the Employee Name (PRLEMPL1.EMPL-NAME) when writing to the magnetic media file. It is your responsibility to ensure that the name is correct (matches the individual's social security card) and that spacing, hyphens and apostrophes are properly placed.

Please specify how the employee name is displayed in the Employee Name (EMPL-NAME) field in the Employee Masterfile as follows:

F	First-name first	John M Doe
S	Surname (last-name) first	Doe, John M

Note: Solution-IV defaults to first-name first when entering new employees.

Third Party Withheld

Enter the amount of any taxes withheld by a third party.

Kind of Employer

Enter the proper code for the type of employer. Leave blank if the Tax Jurisdiction Code (below) is P (Puerto Rico).

F   **Federal Government**
        Federal government entity or instrumentality
S   **State/local non-501c**
        State or local government or instrumentality (this includes cities, townships, counties, special-purpose districts or other publicly-owned entities with governmental authority)
T   **501c non-government**
        Non-governmental tax-exempt section 501(c) organization (types of 501(c) non-governmental organizations include private foundations, public charities, social and recreation clubs and veterans organizations)
Y   **State/local 501c**
        State or local government or instrumentality where the employer received a determination letter from the IRS indication that they are also a tax-exempt organization under section 501(c)(3)
N   **None Apply**

EFW2:

The following fields are required for creating the magnetic media files in EFW2 format.

Agent
Enter up to 9 characters for the Agent Indicator Code, if applicable.

1   2678 Agent
2   Common Pay Master

PIN
Enter up to 8 characters for the Personal Identification Number assigned to the employee who is authorized to submit this file.

Contact
Enter up to 27 characters with the name of the person the SSA can contact if there are questions regarding the magnetic media files.

Phone
Enter up to 15 characters for the contact's telephone number.

Example: 8005551234

Ext
Enter up to 5 characters for the extension where the contact can be reached.

Email
Enter up to 40 characters for the contact's e-mail address.

Fax
Enter up to 10 characters for the contact's fax number, without formatting.

Tax Jurisdiction
Enter a single character representing the tax jurisdiction, if applicable.

V   Virgin Islands
G   Guam
S   American Samoa
N   Northern Mariana Islands
P   Puerto Rico

Preparer
Enter the appropriate code from the following list:

A   Accounting Firm
L   Self Prepared
S   Service Bureau
P   Parent Company
O   Other

Screen 2:

Description of Fields:

The remainder of this screen works in a manner similar to W-2 Form Contents Maintenance. Beside each field description, you will indicate which amount from the employee record is to be used and what that amount is made up of as follows:

GBW

This field indicates which amount to use from the employee records when accessing the contents in the next field.

Enter one of the following:

G   Uses the "Gross" amounts as found in the employee record

B   Uses the "Taxable" or "Basis" amounts as found in the employee record

W   Uses the "Withholding" amounts as found in the employee record

Contents

Enter up to 240 characters (this is a scrolling field) defining the amount this box will actually contain. Each element must be separated by spaces. This field may contain the following types of elements:

+ - * /   Defines whether to add, subtract, multiply or divide the elements this is separating.

An actual literal number.

C*x***   Where *x* is the contribution code whose amount will be printed in this box.

D*x***   Where *x* is the deduction code whose amount will be printed in this box.

E*x***   Where *x* is the earnings code whose amount will be printed in this box.

T*x***   Where *x* is the tax code whose amount will be printed in this box.

Note: These will be similar to boxes you have defined in W-2 Form Contents Maintenance.

Important: Lines left blank will be filled with zeros.

Contents:

Wages, Tips & Other Compensation
The elements entered here correspond to box 1 on the W-2 which contains taxable earnings.

Example: GBW = B; Contents = TFEDMAR + TFEDSIN

Federal Tax Withheld
The elements entered here correspond to box 2 on the W-2.

Example: GBW = W; Contents = TFEDMAR + TFEDSIN

Social Security Wages
The elements entered here correspond to box 3 on the W-2.

Example: GBW = B; Contents = TFICA

Social Security Tips
The elements entered here correspond to box 7 on the W-2.

Example: GBW = G; Contents = ETIPS

Social Security Withheld
The elements entered here correspond to box 4 on the W-2.

Example: GBW = W; Contents = TFICA

Medicare Wages & Tips
The elements entered here correspond to box 5 on the W-2.

Example: GBW = B; Contents = TFICA2

Medicare Tax Withheld
The elements entered here correspond to box 6 on the W-2.

Example: GBW = W; Contents = TFICA2

Non-Qualified 457 Distribution
The elements entered here correspond to box 11 on the W-2 and contain the amount of distributions from a Section 457 plan.

Non-Qualified Not 457 Distribution
The elements entered here correspond to box 11 on the W-2 and contain the amount of distributions from any non-qualified compensation plans that are not Section 457 plans.

Excess Life Insurance Premiums
The elements entered here correspond to box 12 on the W-2 and contain the employer's cost of premiums for group term life insurance in excess of $50,000.

Uncollected Tax on Tips
Combine the uncollected social security tax with the uncollected Medicare tax and report as one amount in this field.

Allocated Tips
The elements entered here correspond to box 8 on the W-2 and contain the tips allocated to the employee.

Fringe Benefits
The elements entered here correspond to box 12 on the W-2 and contain the total taxable fringe benefits included in box 1.

Deferred Compensation
The elements entered here correspond to box 12 on the W-2. This amount should equal the total of all deferred compensation contributions to the following plans: 401k, 403b, 408k6, 457b and 501c18D.

Dependent Care Benefits
The elements entered here correspond to box 10 on the W-2. It contains the total amount of Section 129 dependent care benefits paid or incurred by the employer for the employee, including the fair market value of employer-provided or employer-sponsored day care facilities and amounts paid or incurred in a Section 125 cafeteria plan. The total should include any amount in excess of the $5,000 exclusion.

Screen 3 – Contents:
This screen contains additional fields that are required on the EFW2 Magnetic Media files.

401k Deferred
The elements entered here represent deferred compensation contributions to Section 401(k).

Example: GBW = B; Contents = D401K-C

403b Deferred
The elements entered here represent deferred compensation contributions to Section 403(b).

408k Deferred
The elements entered here represent deferred compensation contributions to Section 408(k)(6).

457b Deferred
The elements entered here represent deferred compensation contributions to Section 457(b).

501c Deferred
The elements entered here represent deferred compensation contributions to Section 501(c)(18)(D)

Uncollected tips
The elements entered here represent uncollected employee tax on tips. Combine the uncollected Social Security tax and the uncollected Medicare tax in this field.

Medical Savings
The elements entered here represent the medical savings account amount.

Simple Retirement
The elements entered here represent the simple retirement account amount.

Adoption Expense
The elements entered here represent qualified adoption expenses.

PR Wages
The elements entered here represent wages subject to Puerto Rico Tax.

PR Commission
The elements entered here represent commissions subject to Puerto Rico tax.

PR Allowances
The elements entered here represent allowances subject to Puerto Rico tax.

PR Tips
The elements entered here represent tips subject to Puerto Rico tax.

PR Tax Withheld
The elements entered here represent Puerto Rico Tax withheld.

Retirement
The elements entered here represent retirement fund subject to tax.

Other Wages
The elements entered here represent total wages, tips and other compensation subject to Virgin Islands, or Guam, or American Samoa, or Northern Mariana Islands tax.

Other Taxes Withheld
The elements entered here represent tax withheld by Virgin Islands, Guam, American Samoa or Northern Mariana Islands.

Screen 4 – Contents:
This screen contains additional fields that are required on the EFW2 Magnetic Media files.

Uncollected FICA
The elements entered here represent uncollected social security or RRTA tax on cost of group life insurance.

Uncollected FICA2
The elements entered here represent uncollected Medicare tax on cost of group life insurance.

Non-statutory Stock
The elements entered here represent income from the exercise of non-statutory stock options.

Health Contribution
The elements entered here represent contributions made by the employer to the employee's health plan.

Non-taxable Combat Pay
The elements entered here represent non-taxable combat pay.

409A Income
The elements entered here represent income under Section 409A compensation plans.

409A Deferred
The elements entered here represent deferrals under Section 409A compensation plans.

ROTH 401 Contribution
The elements entered here represent all the codes which make up distributions from any employer contributions to ROTH 401 plans.

ROTH 403 Contribution
The elements entered here represent all the codes which make up distributions from any employer contributions to ROTH 403 plans.

Cost of Health Coverage
Enter up to 255 characters representing all of the codes which make up distributions from any employer contributions for the cost of employer sponsored health coverage.

ROTH 457B Contribution
Enter up to 255 characters representing all of the codes which make up distributions from any employer contributions for the Governmental Section 457b Plan.

Permitted Benefits
Enter up to 255 characters representing all of the codes which make up distributions from any Permitted Benefits Under a Qualified Small Employer Health Reimbursement Arrangement (Code FF).

Section 83(i) Income (GG)
Enter up to 255 characters representing all of the codes which make up distributions from any Income from Qualified Equity Grants under Section 83(i) (Code GG).

Section 83(i) Defer (HH)
Enter up to 255 characters representing all of the codes which make up distributions from any Aggregate Deferrals under Section 83(i) Elections as of the Close of the Calendar Year (Code HH).

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Example:

A sample Magnetic Media Specification has been defined in the DEM company. Use this and your W-2 specification as a guide.

Important:

You are solely responsible for entering the correct elements into each of these fields. Each payroll and each company is different, with different needs and different codes. The examples given here are not meant to have a one-to-one correspondence with your company and are useful only as a guide!

Use of the AccuWage software, available from the SSA web page, is highly recommended prior to electronically submitting your magnetic media files.

Exit the Screen:

When you are finished maintaining the magnetic media file, you will be returned automatically to the Payroll Reports Menu.

STATE MAGNETIC MEDIA CONTENTS MAINTENANCE

Purpose:

This function is used to maintain each of the fields found in the state record (RS) of the EFW2 electronic filing format.

The records have been defined as found in the SSA EFW2 publication on the web for Tax Year 2023. Since these records are considered optional by the SSA, additional information may be required by individual states. Please contact the appropriate agency within your state for further information.

How to Execute:

From the Payroll Reports Menu, select the **State Magnetic Media Specs** option.

Sample Screen:

Description of Fields:

State Code
Enter the 2-character state abbreviation for the state to which this record applies.

Example: NJ - New Jersey

Employer Account Number
Enter up to 12 alphanumeric characters representing the State Employer Account Number. The Employer Account Number is assigned by the state. Punctuation for this field is defined by the individual states.

Taxing Entity Code
Enter up to 5 characters for the Taxing Entity Code. The contents of this code will be defined by the individual states.

State Optional Code
Enter up to 2 characters representing the optional code, as defined by the individual states.

Control Number
Enter up to 7 characters representing the optional state control number.

Supplemental Data 1
Enter up to 75 characters representing information that you want to attach to your state magnetic media records.

Supplemental Data 2
Enter up to 75 characters representing information that you want to attach to your state magnetic media records.

GBWL
This field indicates which amount to use from the employee records when accessing the contents in the next field.

Enter one of the following:

G   Uses the "Gross" amounts as found in the employee record

B   Uses the "Taxable" or "Basis" amounts as found in the employee record

W   Uses the "Withholding" amounts as found in the employee record

L   Uses the actual literal data entered in the contents

Unemployment Insurance Total Wages
Enter up to 255 characters representing all of the codes which make up the Unemployment Insurance wages for this state.

Example: GBWL = G; Contents = CNJSUI1 + CNJSUI2

Unemployment Insurance Taxable Wages
Enter up to 255 characters representing all of the codes which make up the Unemployment Insurance taxable wages for this state.

Example: GBWL = B; Contents = CNJSUI1 + CNJSUI2

State Taxable Wages
Enter up to 255 characters representing the state tax taxable wages for this state.

Example: GBWL = B; Contents = TNJA + TNJB + TNJC + TNJD + TNJE

State Income Tax Withheld
Enter up to 255 characters representing the state tax withheld for this state.

Example: GBWL = W; Contents = TNJA + TNJB + TNJC + TNJD + TNJE

Other State Data
Enter up to 255 characters representing the other state data to be defined by this state. If this field is to be a literal, enter "L" in the GBWL field and enter up to 10 characters that are to appear in this field.

Example:

A sample State Magnetic Media Specification has been defined in the DEM company. Use this and your W-2 specification as a guide.

Important:

You are solely responsible for entering the correct elements into each of these fields. Each payroll and each company is different, with different needs and different codes. The examples given here are not meant to have a one-to-one correspondence with your company and are useful only as a guide!

Exit the Screen:

When you are finished maintaining the state magnetic media file, you will be returned automatically to the Payroll Reports Menu.

PAYROLL EXEMPTIONS TABLE

State	Primary Exemption	Second Exemption	Third Exemption
AL	1	If "O" then 0; other codes then 1	# of dependents other than spouse
AR	W-4	1	0
AZ	N/A		
CA *	DE-4 est. deductions OR 0 if using W-4	1	W-4 OR DE-4 personal exemptions
CO !!	W-4 if using 2019 W-4 1 if using 2020 W-4	0	0
CT #	0	0	0
DC	W-4	0	0
DE	1	W-4	0
GA	1 (standard deduction)	1 (personal allowance)	# of dependent allowances
HI	W-4	0	0
IA	1	0 if 0 exemptions 1 if 1 exemptions 2 if 2 or more exemptions	# of exemptions over 2
ID	W-4	0	0
IL	IL-W4 – Line 1	IL-W4 – Line 2	0
IN	WH-4 – Personal Exemptions	WH-4 – Dependent Exemptions	Adopted Child Exempt
KS	W-4	0	0
KY	1	0	0
LA	0, 1, or 2 from W-4	0 or W-4 minus 2	0
MA	1	If > 1 exemption, then W-4	# of blindness exemptions and/or 1 if filing as Head of Household
MD	1	W-4	0
ME #	W-4	1	0
MI *	W-4 or 1 if claimed as a dependent on another return	# of special exemptions	0
MN	W-4	0	0
MO *	1	0	0
MS	1 if Head of Household, Single, or Married only 1 works; If Married and both work, enter amount claimed divided by 500 – ie: enter 8if claiming $4,000	Number of dependents claimed (including first HofH dependent) plus 1 for each "over 65" or "blindness" exemptions claimed	1
MT	W-4	0	0
NC *	1	W-4	0
ND !!	W-4	0	0
NE	W-4	0	0
NJ	W-4	0	0
NM	W-4	0	0
NY #	1	W-4	0
OH *	W-4	0	0
OK	W-4	1	0
OR *	W-4	1	0
PR	0 if claiming none of the personal exemption, else 1	# of dependents	# of allowances for deductions
RI	W-4	0	0
SC	W-4	0 if 0 exemptions 1 if 1 or more exemptions	0
UT #	W-4	0	0
VA	1 or 2	W-4	# of 65 & over OR blind exemptions
VT *	W-4	0	0
WI	W-4	0	0
WV	W-4	0	0
FED !!	See page 28 for instructions	0	0

Notes for Payroll Exemptions Table:

- This exemptions table was designed for the December 2023 Solution-IV Payroll release.

- States with no personal income tax or where all exemptions should be zero are not listed.

- W-4 indicates the number of exemptions claimed on the W-4 form or state equivalent.

- The states marked with an "*" have changed since the December 2022 Payroll release.

- The following states marked with a "#" need special coding. Please call Thoroughbred for assistance.

  - **Connecticut** – We have not incorporated Steps 8 & 9 in the calculation.

  - **Maine** – We have not incorporated the high income phase out on the Standard deduction.

  - **New York** – We have not incorporated the special tax calculation for married taxpayers earning more than $2,155,350 and single taxpayers earning more than $1,077,550.

  - **Utah** – Simply needs custom code to accommodate the tax calculation.

- **IMPORTANT:**
  Federal and states marked with "!!" have separate tables for use with the Federal 2020 W-4 form.

  - **Colorado**
    - If still using a W-4 form prior to 2020, use the following tax codes and enter the number of exemptions in the primary exemption field:
      - COMAR – Married
      - COSIN – Single
    - If using the 2020 Colorado Worksheet, enter 1 in the primary exemption field and use the appropriate tax code below:
      - COM20 – Married filing joint return
      - COS20 – Single / All others

  - **North Dakota**
    - If still using a W-4 form prior to 2020, use the following tax codes and enter the number of exemptions in the primary exemption field:
      - NDMAR – Married
      - NDSIN – Single / Head of Household
    - If using the 2020 W-4 form, use the following tax codes and enter the amounts as documented in the new section titled "New Federal 2020 W-4 Form":
      - NDH20 – Head of Household
      - NDM20 – Married
      - NDS20 – Single

  - **Federal**
    - If using a W-4 form from 2019 or prior, enter the number of exemptions from that form to the employee's primary exemption field.
    - If using the newer 2020 W-4 form, enter 1 to the employee's primary exemption field and see the next section titled "New Federal 2020 W-4 Form" for further details.

NEW FEDERAL 2020 W-4 FORM

New Form:

The IRS significantly modified the W-4 form (and accompanying tax calculations) for 2020.

It may be helpful for you to have a copy of the new 2020 W-4 Form handy as you review this section. You can download a copy from the IRS website at:

https://www.irs.gov/pub/irs-pdf/fw4.pdf

Fortunately the IRS is, for the time being, allowing employees who have a 2019 or prior W-4 form on file, to continue using it in 2024. However, all employees hired after January 1, 2020 are required to use the new form.

For calculating Federal withholding in 2024, the IRS has issued different tables based on whether the employee is using a 2020 W-4 form or a 2019 (or prior) W-4 form.

2019 or Prior:

If you or your employee(s) decide to continue to use the W-4 form from 2019 or prior, you will continue to use the prior Solution-IV Tax Codes as follows:

FEDSIN: Single or Married filing separately
FEDMAR: Married filing jointly (or qualifying widow(er))

Enter the number of exemptions indicated on the W-4 form into the primary exemption field in the Employee Tax record.

2020 W-4 Step 1:

Filing Status
The 2020 W-4 form has three filing status options that correlate to the following Solution-IV Tax Codes:

FEDS20:   Single or Married filing separately
FEDM20:   Married filing jointly (or qualifying widow(er))
FEDH20:   Head of household

2020 W-4 Step 2:

Multiple Jobs or Spouse Works
In Step 2(c), the employee has the option of checking a box indicating that either (1) the employee holds more than one job at a time or (2) is married filing jointly and the spouse also works.

If the box is checked, the employee should use the appropriate Solution-IV Tax Code below:

    FEDS2C: Single or Married filing separately
    FEDM2C: Married filing jointly (or qualifying widow(er))
    FEDH2C: Head of household

2020 W-4 Step 3:

Number of Qualifying Children under age 17

If the employee has entered a number in this field, enter that number divided by 2000 to the employee's 2nd exemption.

For example: If the employee put $4,000 in this field on the W-2, enter 2 to their 2nd exemption field.

Number of Other Dependents

If the employee has entered a number in this field, enter that number divided by 500 to the employee's 3rd exemption.

For example: If the employee put $1,500 in this field on the W-2, enter 3 to their 3rd exemption field.

2020 W-4 Step 4:

In order to accommodate the new calculations required in Step 4 of the W-4 form, Thoroughbred added two new fields to the Employee Tax File shown on the following screen:

Other Income
This field may be found as Step 4(a) on the 2020 W-4 form.

If the employee wants tax withheld for other income he expects this year that won't have withholding, enter the amount of **other income** here. This may include interest, dividends, and retirement income.

Other Deduct
This field may be found as Step 4(b) on the 2020 W-4 form.

If the employee expects to claim deductions other than the standard deduction and wants to reduce withholding, enter the **other deduction** amount here.

Override Type – Percent/Amount – Override Amount
These fields take on new meaning with the 2020 W-4 form as they are associated with Step 4(c).

If the employee has indicated he wants **extra withholding**, enter these fields as follows:

Override Type: A
Percent/Amount: A
Override Amount: Amount entered on the W-4 form box 4(c)

Please note that the override amount should be entered as a "per pay period" amount, not an annualized amount.

Number of Exemptions – Primary
When using the new 2020 W-4 form, the Primary exemption field should always be "1".

When using a W-4 form from 2019 or prior, the Primary exemption field should have the number of exemptions being claimed on that form. The Second and Third exemption fields are not used with the 2019 and prior W-4 forms.

Example:

Using the example shown on the screen above, if the employee were to make $2,000 bi-weekly, the initial tax after taking the standard deduction would be calculated using annualized earnings of $52,000 plus $10,000 other income minus $2,700 other deductions or $59,300. Once the annualized tax amount was calculated using the tax tables it would subtract $4,000 for dependents under 17 and $1,500 in other dependents then divide by 26 to get the tax amount per pay period then an additional $25 would be added to his bi-weekly withholding amount.

DECEMBER 2023 PAYROLL RELEASE

Purpose:

Each December, Thoroughbred releases a new version of Payroll in order to incorporate any changes made to the W-2 printing or W-2 magnetic media files. We also incorporate any new tax tables posted in time for the release as well as any technical bulletins issued in Payroll since the last release.

Thoroughbred makes every attempt to update the Federal tables and all states where our customers have employees with new tables for 2024, but sometimes new tables are not made available on the tax authority websites in time for the December Payroll release.

For 2024, we updated Federal and state tax tables that were posted to the various tax entity websites by December 19, 2023.

Reminder: Thoroughbred maintains only state and Federal tax tables. Customers are responsible for maintaining any local tax tables as well as disability and unemployment taxes and/or contributions.

Please call Thoroughbred Customer Support or your Client Project Services Representative at (800) 524-0430 or (732) 560-1377 if you need assistance updating tables that were released after the above cutoff date or need tables for states not listed below.

Changes to Payroll Tax Tables:

The following tax tables have been updated as indicated above. Unless otherwise stated, the tax tables are effective January 1, 2024:

California
Federal
FICA (limit change only)
Michigan
Missouri
North Carolina
Ohio (11/2023)
Oregon
Vermont

Changes to W-2 Reporting:

None.

Changes to Magnetic Media Reporting:

None