OPEN SYSTEMS®
Accounting Software
Compliance Release – 2019 Tax Update

Date:	December 17, 2018
To:	Software Maintenance Plan Subscribers
Products:	Accounts Payable and Payroll for OSAS® version 8.00

The 2019 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 12, 2018. The update is available to all users current on the OSAS Software Maintenance Plan as of December 17, 2018. Contact your software provider and backup your programs and data before you install this update.

For OSAS version 8.00, the update is available via the online update process. You can install it using the Install Maintenance Updates function on the Resource Manager Installation and Configuration menu. Please review the installation instructions for Version 8 later in this document for more information regarding table changes for 2019.

NOTES:
- OSAS version 7.61 is no longer supported. Contact your authorized reseller for assistance.
- This will be the last year of support for dot matrix government forms.

The update has been tested with version 8.00 of Accounts Payable, 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 of these versions installed, or if you have any other questions, please contact your software 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 2019

California	Colorado	Georgia	Idaho	Illinois	Iowa
Kentucky	Louisiana	Maine	Maryland	Mississippi	Missouri
New Jersey	New York	North Carolina	North Dakota	Ohio	Oregon
Rhode Island	South Carolina	Utah			

State Unemployment Insurance Table Changes for 2019

Alaska	Colorado	Hawaii	Iowa	Kentucky	Minnesota
Missouri	Montana	Nevada	New Jersey	New Mexico	New York
North Carolina	North Dakota	Oklahoma	Oregon	Rhode Island	Tennessee
Utah	Vermont	Washington	Wyoming		

Note: Remember to check your company's SUI rates for accuracy. If you have not already done so, you should create company-specific tables for your company's SUI rates by copying the SUI table provided by Open Systems and changing the rate in the company-specific table.

Alaska	California	Hawaii	New Jersey	New York	Rhode Island
Washington					

Installing the Tax Update for Version 8

You can install the 2019 tax updates for OSAS version 8 using the online update process. The tax update for 2019 will install via the **Install Maintenance Updates** function, and you can install the update before you complete all year-end processing.

Once you have completed the **Year-End Periodic Processing** function for **all** of the companies in your OSAS installation, the 2019 tables will become the active tables for the new year. Therefore, you should not begin payroll processing for 2019 in any company until you have run the year-end process for all companies because the 2019 tax tables and formulas will not be merged with the current tables until you do so. If you would like further clarification, you can view the video at this link: https://www.osas.com/videos/OSAS-Compliance-Update.

Run the **Install Maintenance Updates** function from the Resource Manager Installation and Configuration menu and follow the usual process to find, download, and install the update, then follow these instructions for each of your companies before you begin processing payroll for 2019:

1. Post the last payroll process cycle in 2018.

2. Back up 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.

When you run year-end processing for the last of your companies, the system will update the tax tables and formulas for all companies with the changes for 2019. *Remember to check your company's SUI rates for accuracy after the tables are updated.* You can then begin payroll processing for the new year.

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 documents that describe how you can make the required changes yourself.

If you use OSAS version 8, and you are current on your Software Maintenance subscription, changes to state and federal tables and formulas will be included and merged into your tables through the online update process.

Additional Information

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.

As in prior years, the final rates for 2018 were not published until November, 2018, and there may be discrepancies between the forecasted percentages and the actual percentages assessed. Each year, some states are added to the credit reduction list and some are removed.

California and the U.S. Virgin Islands had Title XII advance balances on January 1, 2018, making them both potential FUTA credit reduction states. California repaid its outstanding advances, and did not have an outstanding balance on November 10, 2018, hence there will be no FUTA credit reduction for employers in this state for 2018.

The U.S. Virgin Islands did not repay all advances prior to November 10, 2018. Therefore, employers in U.S. Virgin Islands are subject to a FUTA credit reduction of 2.4% in 2018.

Additional Instructions for Washington State Paid Family and Medical Leave Program

The Paid Family and Medical Leave program is an insurance program funded through premiums paid by employers and workers in the form of payroll withholdings.

- Employers will start collecting premiums for the program on January 1, 2019.
- For 2019, the premium is 0.4% of each employee's gross wages. Premiums are capped at the Social Security Wage Base.
- The total premium is shared by the employer and the employee. An employer can elect to pay the employee's share of the premium.
- Employers with fewer than 50 employees are not required to pay the employer portion of the premium.
- Premiums must be remitted quarterly during the month following each completed calendar quarter.

You can find more information at this website: https://paidleave.wa.gov/, or contact your tax professional.

Follow the steps outlined in the WA Paper Change 2019 document to implement the state changes.

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 electronic 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.

For tax year 2018, AccuWage Online is available to test your EFW2/EFW2C wage files. You can find more information and instructions on the AccuWage page on the Social Security Administration's website at www.socialsecurity.gov/employer/accuwage/.

Affordable Care Act (ACA) Changes

OSAS version 8.0 contains features that allow you to collect required data and print some required ACA forms through our partner, Aatrix Software. An active Enhanced Payroll Tax Reporting (EPTR) subscription is required to use these features.

When you are ready to file, OSAS exports the data to the Aatrix Software, where the data is imported into a forms preparation program. You must then check the imported data for accuracy and completeness, edit it if necessary, and approve it. After you approve the data, you can then print and send the forms and/or use the Aatrix eFile service to electronically file the information with the government.

Aatrix Software

Our partner, Aatrix Software, allows you to collect required data and print some ACA forms. Aatrix Software also offers the eFile service, which you can use to electronically file your tax information with the government.

NOTE: The W-2 and the ACA process require the Windows operating system. You cannot utilize these functions on Linux or MacOS.

Aatrix's changes are listed under Aatrix Wiki page. **Note**: There is only one AUF file that includes W-2, 1099, and ACA information. You can download the latest copy from Aatrix/OSAS Partners Main Page.

Qualified Equity Grant

On the 2018 W-2 form, a new Box 12 Code **GG** has been added to report new qualified equity grants under section 83(i). The Tax Cuts and Jobs Act added section 83(i) for "qualified equity grants." The law also added new Form W-2 reporting requirements for these grants. Employers with employees who have qualified equity grants must report the amount includible in gross income under section 83(i) for an event which occurs in the calendar year in box 12 using code **GG**.

On the 2018 W-2 form, a new Box 12 Code **HH** has been added to allow employers to report the aggregate amount of income which employees elect to defer under section 83(i) as of the close of the calendar year in box 12, using code **HH**.

For more information about section 83 in the Tax Cuts and Jobs Act, see the SSA Publication No. 42-007.

Issue QEG Amounts via Payroll

Follow these steps to issue QEG amounts through the payroll cycle:

1. Use the **Payroll Earning Codes** function to set up a new earning code (QEG, for example) for the qualified equity grant amounts. Leave the **Include in Net Pay** check box blank. Leave the **Fixed Withholding** check box blank. Use the **Miscellaneous** earning type for the new earning code.

2. To exclude the earning code from appropriate taxes (*contact your tax professional to determine which taxes are appropriate*), use the Payroll **Withholdings** function. Exclude the earning code you created for the QEG amounts from the applicable withholding codes of the tax authorities.

3. Use the Payroll **Tables** function to *create a company-specific version* of the GGQEGx table (where x = Company ID).
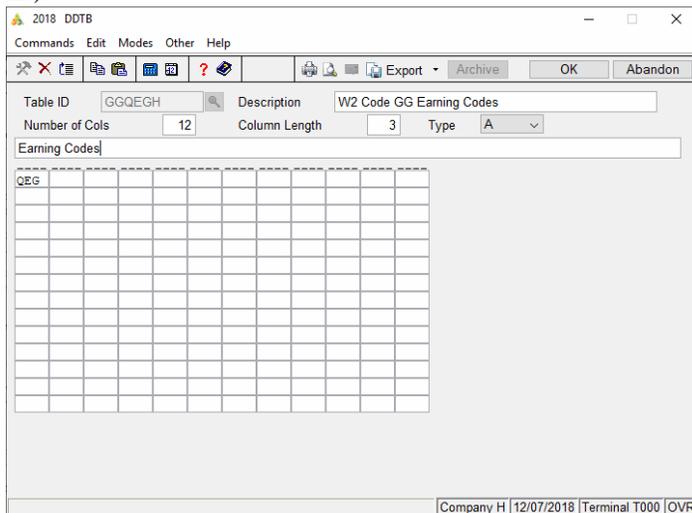
4. Enter the earning code you created in Step 1 into the company-specific GGQEGx table created in Step 3. Use the verify command or **PgDn** to save your changes.

5. Continue with normal payroll processing.

   OSAS will use the earning codes entered in the GGQEGx table to identify the QEG amounts and report them as code **GG** in Box 12 on the W-2 forms.

Aggregate QEG Deferral Amounts as of the close of the calendar via Payroll

Follow these steps to aggregate QEG deferral amounts as of the close of the calendar year through the payroll cycle:

1. Use the **Payroll Earning Codes** function to set up a new earning code (D83, for example) for deferral amounts. Leave the **Include in Net Pay** check box blank. Leave the **Fixed Withholding** check box blank. Use the **Miscellaneous** earning type for the new earning code.

2. To exclude the earning code from appropriate taxes (*contact your tax professional to determine which taxes are appropriate*), use the Payroll **Withholdings** function.

3. Use the Payroll **Tables** function to *create a company-specific version* of the HHADFx table (where x = Company ID).

4. Enter the earning code you created in Step 1 into the company-specific HHADFx table created in Step 3. Use the verify command or **PgDn** to save your changes.

5. Continue with normal payroll processing.

    OSAS will use the earning code entered into the HHADFx table to identify the deferral amounts and report them as code **HH** in Box 12 on the W-2 forms.