



# Traverse® Accounting Software

## Compliance Release – 2021 Tax Update

**Date:** December 17, 2020  
**To:** Software Maintenance Plan Subscribers  
**Products:** Accounts Payable, Fixed Assets, and Payroll for Traverse® versions 11.x (All builds)

The 2021 Tax Update contains changes to all state and federal tax withholding formulas and tables based on the requirements known to Open Systems Adaptable Solutions as of December 14, 2020. The update is available to all users current on the Traverse Software Maintenance Plan as of December 16, 2020. Contact your software solution provider and back up your programs and data before you install this update.

For Traverse version 11, the update is available via the standard update process. This update has been tested with versions 11.x (all builds) of Accounts Payable, Fixed Assets, and Payroll. If you have any questions, please contact your software provider, call Traverse Support at 1-800-320-3088, or send an email message to [Traverse\\_support@osas.com](mailto:Traverse_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](http://www.irs.gov). If you have software questions, contact your software solution provider or Open Systems Support.

## 2020 Change Summary

### Form 941

Earlier this year, OSAS delivered changes to the PA 941 Worksheet function to support the requirements of the new Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act to assist you in completing the IRS Form 941. You can find additional details in these documents: [Traverse 941 Compliance Advisory](#) and the [Traverse 941 Q3 Compliance Advisory](#).

### Social Security Tax Deferment

Earlier this year, OSAS provided an update to support the optional deferral of employee social security withholding for qualified wages from September 1, 2020 until December 31, 2020 based on the Executive Order and subsequent IRS guidance. Additional details can be found in the [Traverse Payroll Social Security Tax Deferment Compliance Advisory](#).

If you elected to defer employee social security taxes, you must now recapture those amounts between January 1, 2021 and April 30, 2021. See the [Recapturing Deferred Social Security Tax Withholding](#) section for instructions on setting up a scheduled deduction to handle the recapture of those amounts.

## Tax Changes

Federal withholding and OASDI limits have changed for 2021.

### State Tax Withholding Table Changes for 2021

Arkansas	Iowa	Kentucky	Maine	Missouri	New York
North Dakota					

### State Unemployment Insurance Table Changes for 2021

Alaska	Arkansas	Hawaii	Idaho	Illinois	Iowa
Kentucky	Missouri	Montana	Nevada	New Jersey	New Mexico
New York	North Carolina	North Dakota	Oklahoma	Oregon	Rhode Island
Utah	Vermont	Washington	Wyoming		

**Note:** Remember to check your company's SUI and SUT rates for accuracy.

### 'Other' Table Changes for 2021

Alaska	Connecticut	Hawaii	Massachusetts	New Jersey	New York
Rhode Island	Washington				

## Fixed Assets

This update contains changes to MACRS depreciation tables for limit changes on luxury automobiles and vans and trucks.

- The MxxG and MxxK tables (where "xx" represents the number of years) are no longer used for vans and trucks placed into service after 2018. These fall under the passenger automobile tables.
- The MxxL tables (where "xx" represents the number of years) are no longer used for autos purchased before 9/28/17 and placed into service in 2020. These fall under the same MxxA tables as other passenger autos that do not qualify for the additional first year depreciation deduction.
- The maximum amount of 179 expense allowed and the threshold cost have changed for tax year 2020.
- There are no changes to the Tax Form 4562 Summary portion of the Depreciation Tax Report.

### Fixed Assets Table Changes for 2021

M03A 1-4	MACRS 3 Year Automobile	M05A 1-4	MACRS 5 Year Automobile
M03J 1-4	MACRS 3 Year Auto Special Allowance	M05J 1-4	MACRS 5 Year Auto Special Allowance

## Installing the Tax Update for Version 11.x

Please contact your software provider before you apply the update. Install the update using the normal update process for Traverse version 11.x. If you use Payroll or Fixed Assets, you must follow the instructions below to install an additional server update for those applications. If you would like further information, you can view this video at this link:

<https://www.osas.com/videos/trav-compliance-update>.

If you use Payroll or Fixed Assets, follow these instructions to install the server update before you begin processing payroll for 2021:

1. Back up your programs and data files.
2. Follow the normal update process to install the update.
3. After you install the update and run the usual server update, you must run an additional server update unique to compliance. To do so, open Traverse Server Manager, and click **Maintenance Update** in the Database menu.
4. In the **Update File** field, browse to the downloaded \Server folder and choose the **TaxRates2021PA\_20201217.tsmx** file.
5. Use the **All** button to select all databases. Click the check box for **Include Payroll Tax Updates**.
6. Click **Next** and **OK** to install the compliance server update.
7. You must also run an additional server update for the Fixed Assets tables. To do so, open Traverse Server Manager, and click **Maintenance Update** in the Database menu.
8. In the **Update File** field, browse to the downloaded \Server folder and choose the **TaxRates2020FA\_20201023.tsmx** file.
9. Click the check box for **Include System Updates**.
10. Click **Next** and **OK** to install the compliance server update.

## Staying Current

Check the Open Systems website, [www.osas.com](http://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

### 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/](http://www.socialsecurity.gov/employer/). For more information, review the information at [www.irs.gov](http://www.irs.gov).

For tax year 2020, AccuWage Online is available to test your EFW2/EFW2C wage files. You must test your file through AccuWage Online before you submit it. You can find more information and instructions on the *AccuWage* page on the Social Security Administration's website at [www.socialsecurity.gov/employer/accuwage/](http://www.socialsecurity.gov/employer/accuwage/).

### Additional Instructions for Massachusetts State Paid Family and Medical Leave Program

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

If you set up employees to withhold the MA Family and Medical Leave in 2020 in accordance with the Traverse updates provided, review the formulas you entered because the taxable wage base limit has changed. Follow the steps outlined in the [MA PFML Paper Change 2021](#) document to implement the change.

### Affordable Care Act (ACA)

Traverse v11 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, Traverse exports the data to the Aatrix Software, where the data is imported into a forms preparation program. If you have employees in certain states where 1095 forms must be filed with the state, you may need to enter certain state-specific information using the Aatrix Software. 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.

Aatrix's changes are listed under the [Aatrix Wiki page](#). **Note:** There is only one AUF file that includes W-2 and ACA information. You can download the latest copy from <http://aatrix.com/Traverse>.

### Forms 1095-B and 1095-C Changes (ACA)

The IRS now allows a new type of employer-sponsored health plan called an HRA. Support for this coverage type affects both the 1095-B and the 1095-C forms.

#### *Form 1095-B Changes*

If you file Form 1095-B, a new coverage type for employer-sponsored plan is type **G**. The Employee Health Insurance Coverage function allows you to choose the **Policy Origin Code** field: select **B** for Employer-Sponsored non-HRA or **G** for Employer-Sponsored HRA, as appropriate.

*Form 1095-C Changes*

If you file Form 1095-C, several new coverage types (codes) are available, as well as a new **Resident Zip Code** field for those who use the new coverage types 1L through 1Q.

**New Coverage Codes – Employer-sponsored HRA**

Code	Employee	Spouse	Dependents	Affordability determined by Primary Residence ZIP code	Primary Employment Site ZIP code affordability safe harbor	Not Affordable	Not Full-Time Employee
1L	X			X			
1M	X		X	X			
1N	X	X	X	X			
1O	X				X		
1P	X		X		X		
1Q	X	X	X		X		
1R	X	X	X			X	
1S							X

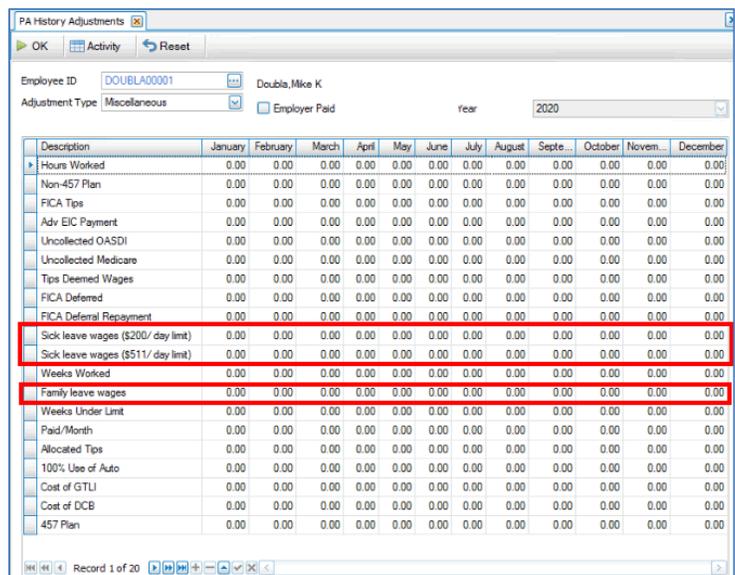
**Federal Form W-2 COVID Sick and Family Leave Statements**

Internal Revenue Bulletin 2020-31 details reporting changes necessary for W-2 reporting to employees for payroll tax year 2020. The changes relate to reporting the amounts of qualified sick leave and family leave wages paid to the employee under the terms of the Families First Coronavirus Response Act (FFCRA) passed in March 2020.

To accommodate these new reporting requirements, Traverse includes additional values to be entered and maintained per employee for payroll year 2020. These amounts will be used to print the special statements that need to accompany employee W-2 forms at the end of the year.

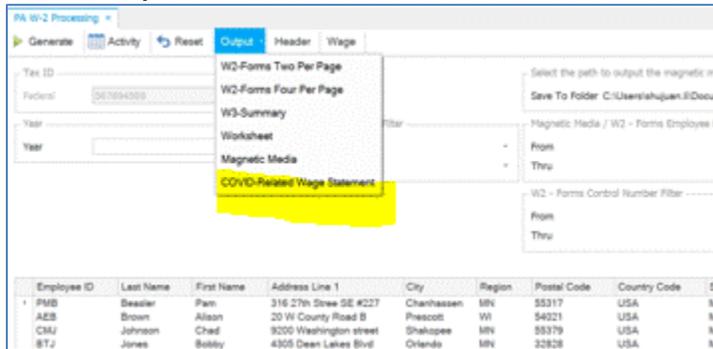
*PA History Adjustments*

1. You must be in payroll year 2020 for these options to be available.
2. Open the **History Adjustments** screen from the Periodic Processing menu.
3. Select an **Employee ID** to maintain.
4. Select “Miscellaneous” for the **Adjustment Type**.
5. Leave the **Employer Paid** check box clear.
6. Edit the **Sick leave wages (\$200/day limit)** and the **Sick leave wages (\$511/day limit)** as necessary.
7. Edit the **Family leave wages** as necessary.
8. Save the changes.



## W-2 Forms Function

1. You must be in payroll year 2020 for these options to be available.
2. Open the **W-2 Processing** function from the Quarter/Year-End Reports menu.
3. Fill out the W-2 Processing screen as per your normal process.
4. To print the special statement to accompany the W-2 form, select to print the **COVID-Related Wage Statement** from the **Output** command button.



## Sample COVID-Related Wage Statement

**Statement of COVID-Related Sick and Family Leave Wages**

Employer Name  
Address 1  
Address 2  
City, State, Zip

LastName, FirstName MI  
Address 1  
Address 2  
City, State, Zip

Social Security Number \*\*\*\*\*9999

Included in this statement, if applicable, are amounts paid to you as qualified sick leave wages or qualified family leave wages under the Families First Coronavirus Response Act. Specifically, up to three types of paid qualified sick leave wages or qualified family leave wages are reported in here:

- Sick leave wages subject to the \$511 per day limit because of care you required:  
\$99999999.99
- Sick leave wages subject to the \$200 per day limit because of care you provided to another:  
\$99999999.99
- Emergency family leave wages:  
\$99999999.99

If you have self-employment income in addition to wages paid by your employer, and you intend to claim any qualified sick leave or qualified family leave equivalent credits, you must report the qualified sick leave or qualified family leave wages on Form 7202, *Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals*, included with your income tax return and reduce (but not below zero) any qualified sick leave or qualified family leave equivalent credits by the amount of these qualified leave wages. If you have self-employment income, you should refer to the instructions for your individual income tax return for more information.

## Recapturing Deferred Social Security Tax Withholding

In accordance with Executive Order and subsequent IRS guidance, employers were permitted to defer withholding of the employee portion of social security (OASDI) beginning September 1, 2020 through December 31, 2020. The choice was optional, and OSAS provided a way to defer the withholding using a formula factor for the OAS withholding code.

If you chose to defer employee social security withholding on qualified wages for your employees in 2020, you must recapture those amounts pursuant to the IRS guidelines starting on January 1, 2021 through April 30, 2021.

In order to recapture these amounts for employees, follow these steps:

### Set up a deduction code

1. Open the Deductions/Employer Costs function from the PA Codes Maintenance menu. Click **New**.
2. Enter a **Code** value of "CAP".
3. Enter a **Code Description** of "OAS Recapture".
4. Enter or select a **GL Liability Account**.
5. Select to calculate on "Gross Pay" in the **Calc On** column.
6. Save your changes.

Code	Code Description	GL Liability Account	Formula ID	W-2 Box	W-2 Code/Description	Calc On
401	401K	205000		12	D	Gross Pay
CAF	125 CAFETERIA	780000				Gross Pay
CAP	OAS Recapture	110000				Gross Pay

### Calculate the deduction amount for each employee

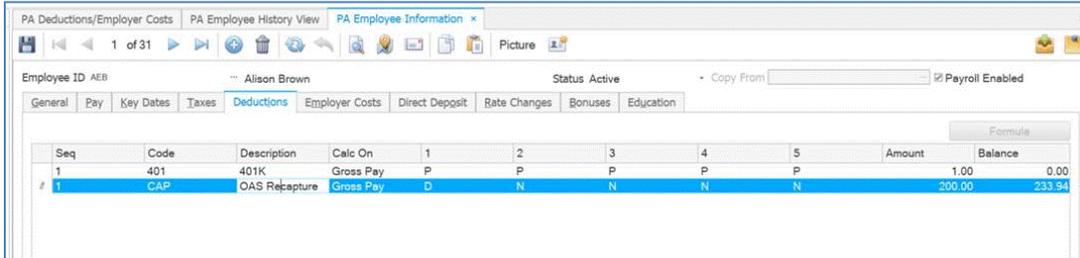
Description	January	February	March	April	May	June	July	August	Sept...	October	Nov...	December
Hours Worked	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-457 Plan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FICA Tips	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Adv EIC Payment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Uncollected OASDI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Uncollected Medicare	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tips Deemed Wages	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FICA Deferred	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FICA Deferral Repayment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sick leave wages (\$200/ day limit)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sick leave wages (\$511/ day limit)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Weeks Worked	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Family leave wages	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Weeks Under Limit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Paid/Month	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Allocated Tips	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Use of Auto	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cost of GTLI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cost of DCB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
457 Plan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

The difference between the FICA Deferred amount and the FICA Deferral Repayment amount is the starting balance for the employee deduction.

Next, calculate the number of pay periods for the employee between January 1 and April 30. Divide the starting balance for the employee by the number of pay periods and round the result **up** to the nearest penny. This will be the deduction amount for the employee.

**Set up a scheduled deduction for employees having deferral amounts to be recaptured**

1. Open the Employee Information function from the PA Setup and Maintenance menu.
2. On the Deductions tab, add a declining balance deduction for the OAS Recapture deduction **Code**.
3. Enter “D” (declining balance) for the period codes.
4. Enter the Amount to be deducted per pay period.
5. Enter the Recapture Amount YTD from Employee Miscellaneous History (The difference of FICA Deferred field - FICA Deferred Repayment)



The screenshot shows the 'PA Employee History View' window with a table of employee earnings and deductions. The table is filtered for 'Miscellaneous' and shows data for 2020. The 'FICA Deferred' amount for employee AEB is highlighted in yellow.

Em...	Description	Type	Payroll Year 2020											
			April	May	July	September	October	November	December					
Ⓞ AEB	Family leave wages	Amount	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Ⓞ AEB	FICA Deferred	Amount	0.00	0.00	0.00	0.00	247.94	186.00	0.00	0.00	0.00	0.00		
Ⓞ AEB	Sick leave wages (\$200/ d...	Amount	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Ⓞ AEB	Sick leave wages (\$511/ d...	Amount	200.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Ⓞ BTJ	Family leave wages	Amount	150.00	13.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Ⓞ BTJ	FICA Deferred	Amount	0.00	0.00	0.00	0.00	0.00	247.94	545.88	495.88	0.00	0.00		
Ⓞ BTJ	Sick leave wages (\$200/ d...	Amount	250.00	11.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Ⓞ BTJ	Sick leave wages (\$511/ d...	Amount	350.00	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Ⓞ CMJ	FICA Deferred	Amount	0.00	0.00	0.00	0.00	247.94	619.88	0.06	217.00	0.00	0.00		
Ⓞ Shu1	FICA Deferred	Amount	0.00	0.00	0.00	0.00	0.00	0.00	62.00	248.00	0.00	0.00		

**Process Payroll normally**

Process your Payroll according to your procedures.

**Reporting deferred employee Social Security**

When you defer employee social security withholding in 2020, the W-2 forms produced for 2020 show the full social security earnings for the employee and the amount of social security actually withheld, in accordance with federal requirements. The IRS requirements state that once you recapture the deferred amounts in 2021, you must produce a Form W-2C (corrected W-2 form) for the employee showing the full social security withheld including the deferral recaptured.

Note that because Traverse does not support Form W-2C, you may need to use some other method to create and file these corrected forms.