



OPEN SYSTEMS® Accounting Software

OSAS Payroll and the Affordable Care Act 2012 W-2 Update

Date: November 2012
To: Software Maintenance Plan Subscribers
Products: Payroll for OSAS® versions 7.61 and 7.52

Employers must now report the cost of employer-sponsored health coverage on Form W-2 for tax year 2012 under the Affordable Care Act. The value reported is for informational purposes only and continues to be excluded from an employee's income and is not taxable.

Certain employee deductions may also need to be included with the employer cost in the amount reported. Not all employee deductions should be included, however. For more information about the amounts you need to report for health plans, see the document entitled [Form W-2 Reporting of Employer-Sponsored Health Coverage](#) and other related documents on the IRS website.

If you have not already established and processed an employer deduction for accumulating the employer cost amount through the normal payroll cycle, you will need to follow the procedures below to enter these values before you can produce forms W-2 and associated magnetic media for tax year 2012. If you have been using an existing deduction code to track qualifying employee contributions and you need to report them along with the employer costs, the instructions below will also describe the process you need to follow to combine these contributions with the employer costs when you produce the W-2 forms.

Please read this document in its entirety prior to making any changes. Then contact your software solution provider and back up your programs and data before you make the changes outlined below.

As with all reporting processes, check your procedures carefully and consult your accountant or tax preparer for details on how this 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.

Updating OSAS for the Affordable Care Act

Prior to configuring your OSAS installation for the Affordable Care Act, you must follow these instructions to update your payroll programs:

1. Download and install [PA75X_ACAUPDATE.ZIP](#) or [PA76X_ACAUPDATE.ZIP](#), depending on your version of OSAS.
2. Unzip the files to a temporary folder.
3. Copy all of the unzipped programs into their respective directories for the Payroll application.
4. Restart BBJServices on your network.

Note: Please read the related documents file for more specific information on the PETS addressed by these fixes.

Setting Up a Deduction for Employer-Sponsored Health Coverage on Forms W-2

To set up an employer deduction to store and report the employer costs of health coverage, follow these steps:

1. Open the **Deductions** function on the Payroll Codes Maintenance menu.
2. Use the **Append** command.
3. Enter **Health Cost-Em** in the **Description** field.
4. Enter **Y** or check the **Employer Deduction?** box.
5. Enter the applicable GL accounts in the **Liability Acct.** and **Accrued Ded. Acct.** fields.
6. Enter **Y** or check the **Deferred Compensation?** box.
7. Enter **G** in the **Calc On** field.
8. Use the **Proceed (OK)** command to save your changes.
9. Open **Deferred Compensation Codes** function on the Payroll Codes Maintenance menu.

The screenshot shows a software window titled "2012 Deferred Compensation Codes". It contains a table with the following data:

Code	Description	Box
L	EBE	12
M	USSA	12
N	UMED	12
P	Move Exp	12
Q	COMBAT	12
R	MSA	12
S	SIMPLE	12
T	Adoption	12
V	Stock	12
W	HSA Emplr	12
Y	D409A	12
Z	I409A	12
AA	R401	12
BB	R403	12
DD	Health Cost - Emplr.	12
EE	G457 - Govt. 457	12
125	125	14

At the bottom of the window, there are buttons for "Enter = edit" and "Append". The status bar at the bottom right indicates "Company H 10/12/2012 Terminal T000. OVR".

10. Confirm that the first four characters of the description you set up for the deduction match the first four characters of the description for code DD (as highlighted in the sample above).

Note: This ensures that the accumulated YTD value for the deduction will print in box 12 of the Form W-2 with code DD. Because both the employer and the employee portions are combined for reporting using code DD, the first four characters of the **Description** in the **Deferred Compensation Codes** function (**Heal** in this example) must match with the first four characters of the description in both the **Employer** and **Employee** deductions. In addition, you must set the **Deferred Compensation** field for the employee deduction to **YES** in order to print it on forms W-2.

11. If you have an existing deduction set up for a qualifying employee health care contribution not otherwise reported on Form W-2, and you want to include it with the employer cost, you must also change the description of that deduction to use the same first 4 characters as the description in the Deferred Compensation Codes above for box 12, code DD. By doing so, the employee contribution will be automatically included with the employer cost in box 12, code DD.

Entering the Cost of Employer-Sponsored Health Coverage for Each Employee

You can choose either of two methods for entering the employer cost amounts for each employee.

Using option 1, you will enter the amounts directly into the Employee History for the deduction you've set up. Using option 2, you will create manual checks for your employees with the deduction amounts in them and post them through to the history file.

Either method will result in the amounts appearing on the form W-2, but while option 1 is more straightforward, option 2 provides a better audit trail.

Option 1: Adjusting Employee History Directly With Deductions

1. Open the **Employee History** function on the Payroll File Maintenance menu.
2. Enter the employee ID. Then enter **Y** (or check the box) for the **Employee Deductions History** screen and enter **N** (or uncheck the box) for all other screens.
3. Use the **Change Quarter** command to display the fourth quarter on the screen.
4. Use the **Append** command.
5. Select the employer-sponsored health coverage cost deduction code from the **Code** field.
6. Enter the total year's amount of the employer cost in the **December** field (if you want to enter the cost by month, you can enter the amounts into each month instead).
7. Use the **Proceed (OK)** command to save your changes.
8. Use the **Next page** command to return to the Employee History selection screen.
9. Repeat steps 2-8 for each employee.
10. Exit the **Employee Deduction History** function to print the **Employee History Audit Log**. Retain this log for your records.

Option 2: Adjusting Employee History Using Manual Checks

1. Open the **Departments** function on the Payroll File Maintenance menu.
2. Enter the department ID for which you want to add the deduction (you must add the deduction to each department, prior to processing manual checks).
3. Use the **Proceed (OK)** command to move to the detail section of the Departments screen.
4. Use the **Append** command.

5. Enter **D** to selection Deduction in the **Type** field.
6. Enter the deduction number corresponding to the employer-sponsored health coverage cost in the **Code** field.
7. If you have already made general ledger entries to recognize the cost of the employer portion of the health coverage, enter the same GL account that you used for the liability account when you set up the deduction. This way, the Post Expense to GL function will reverse out the entry created when you post the manual checks. If you later want to account for these costs in each pay period, change this account number to the appropriate expense account after you complete this procedure.

If you have not already accounted for the employer cost and you want to do so now, or in the future, enter the expense account you want to use for posting in this department.

8. Use the **Proceed (OK)** command to save your changes.
9. Use the **Department ID** command to return to the Department ID field.
10. Repeat steps 2-9 for each department you use as any employee's home department.
11. Complete the current payroll check run, if one is in process.
12. Select the **Post Expense to GL** function from the Periodic Processing menu. Run the post to ensure that any payroll processes are complete and no new processing has begun.
13. If you have already accounted for the employer cost of health coverage in general ledger and you want to disable GL postings for these entries, use the **Options and Interfaces** function on the Resource Manager Company Setup menu to turn off the interface from Payroll (or Direct Deposit, if you have it installed) to General Ledger now.
14. Select the **Manual Checks** function on the Payroll Payday Work menu.
15. Enter the appropriate information to define this payroll run.
16. Use the **Proceed (OK)** command to save your changes.
17. Enter the ID of an employee for which you want to record the employer cost of health coverage in the **Employee** field.
18. Enter a check number in the **Check No** field.

Note: Because these entries will not generate an actual check, enter a check number outside your normal check number sequence to make it easier to track it without disrupting your normal check number sequence.

19. If any earnings appear, edit them to change the **Hours** and **Amount** fields to **0**. If no earnings appear, add an earnings line, but set the **Hours** and **Amount** fields to **0**.

Note: Do not use the **Calculate check** or the **Recalc check** commands, even if you are prompted to do so.

20. Use the **Next page** command to move to the Deductions screen.
21. Use the **Append** command to add a deduction to the check.
22. Enter the deduction code for the employer cost of health coverage in the **Code** field.

23. Enter the employer cost amount into the **Amount** field.

24. Use the **Proceed (OK)** command to save your changes.

Note: Do not use the **Recalc check** command, even if you are prompted to do so.

25. Use the **Next page** command to move to the withholding and liability screen. Verify that the **Employee Withholdings** and **Employer Liability** sections contain no entries.

26. Use the **Next check** command to return to the Employee field to enter the next employee check.

27. Repeat steps **17-26** for each employee for whom you want to record the employer cost of health coverage.

28. Run the applicable reports as an audit trail. You do not need to print checks or vouchers, as there should be no net pay for these manual checks.

29. Post checks.

Note: When you do, the expense amount associated with the employer cost of health coverage will be posted to the employee's home department because the earnings are zero for the check.

30. Select the **Post Expense to GL** function from the Periodic Processing menu. Run the post to clear the expenses for the departments and to post them to General Ledger (if you did not turn off the interface to General Ledger).

31. If you turned off the interface to General Ledger for these manual checks, use the **Options and Interfaces** function on the Resource Manager Company Setup menu to turn on the interface from Payroll (or Direct Deposit) to General Ledger again.