



TRAVERSE®
Accounting Software
Compliance Release – 2011 Tax Update

Date: January 14, 2011
To: Software Maintenance Plan Subscribers
Products: Accounts Payable and Payroll for TRAVERSE® versions 11.0 (All builds), 10.5 SP3 (build 9092), and 10.2 SP3 (build 7189)

The 2011 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 January 7, 2011. The update is available to all users currently on the TRAVERSE Software Maintenance Plan as of December 15, 2010. Contact your authorized reseller and backup your programs and data before you install this update.

Note: This new version of the update includes additional federal and state table and/or formula changes for Payroll enacted since the initial compliance update was made available in December 2010. Also included in this document are additional instructions for FUTA and EIC changes that may affect your payroll processing. Please read this advisory carefully to learn about these changes.

For TRAVERSE version 11, the update is available via the standard update process. Authorized resellers can download the update for both currently supported 10.x versions from our website at www.osas.com. For versions 10.5 and 10.2, the update is available in a compiled format for unmodified and fully updated environments (those with all service packs installed) for currently supported versions, or as a source code update module for use at sites with modified software or sites that have not yet applied the latest service packs.

This update has been tested with versions 11.0 (all builds), 10.5 SP3 (build 9092), and 10.2 SP3 (build 7189) of Accounts Payable, Payroll, and Payroll with Direct Deposit. If you do not have one of these versions installed, or if you have any other questions, please contact your authorized reseller, call TRAVERSE Support at 1-800-320-3088, or send an email message to 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. If you have software questions, contact your authorized reseller or Open Systems Support.

Tax Changes

State Tax Withholding Table Changes for 2011

| | | | | | |
|-----------------|------------|----------|--------------|--------------|------------|
| Arizona | California | Colorado | Connecticut | Hawaii | Kentucky |
| Maine | Maryland | Michigan | Minnesota | Missouri | New Mexico |
| North Dakota | Oklahoma | Oregon | Pennsylvania | Rhode Island | Vermont |
| Washington D.C. | | | | | |

State Unemployment Insurance Table Changes for 2011

| | | | | | |
|--------------|------------|-----------|----------------|--------------|------------|
| Alaska | Hawaii | Illinois | Indiana | Iowa | Minnesota |
| Mississippi | Montana | Nevada | New Hampshire | New Jersey | New Mexico |
| North Dakota | Oklahoma | Oregon | South Carolina | South Dakota | Utah |
| Vermont | Washington | Wisconsin | Wyoming | | |

'Other' Table Changes for 2011

| | | | | |
|--------|--------|------------|--------------|--------------|
| Alaska | Hawaii | New Jersey | Pennsylvania | Rhode Island |
|--------|--------|------------|--------------|--------------|

Federal Tax Withholding Table Changes for 2011

| | | |
|------|------|------|
| FEDM | FEDS | FICA |
|------|------|------|

Other Changes

The Hiring Incentives to Restore Employment (HIRE) Act, enacted March 18, 2010, allows employers to receive two new tax benefits for hiring certain previously unemployed and qualified workers. The 2010 Form W-2 and W-3 both include information for reporting HIRE Act wages and tips for qualified employees in 2010. Additional information is available from the IRS at www.irs.gov.

This update also features changes to the magnetic media reporting formats for 1099-MISC and W-2 filings.

Installing the Tax Update for Versions 10.2 and 10.5

Note: If your programs are modified please contact your Authorized Reseller before you apply the update.

Follow these instructions to install this update before you begin processing payroll for 2011:

1. Backup your programs and data files.
2. Download and unzip the update. Then see the **_readme.htm** file included in the download file for further installation instructions.

Installing the Tax Update for Version 11

Note: If your programs are modified please contact your Authorized Reseller before you apply the update.

Follow these instructions to install this update before you begin processing payroll for 2011:

1. Backup 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 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 **TaxRates2011_01062011.tsmx** file.
5. Click the check box for **Include Payroll Tax Updates**. Click **Next** and **OK** to install the compliance server update.
6. Using the Permissions function in TRAVERSE Server Manager, check the box for **W2 Processing** in the Payroll Quarter/Year-End Reports menu. This will make W-2 processing available from the menu.

Staying Current

Check the Open Systems website, www.osas.com, frequently for the latest information on state tax withholding, unemployment, and disability formula and table changes. When 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 manually make 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 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 following sites: www.socialsecurity.gov/employer/ and www.irs.gov/.

Federal Unemployment Tax Act (FUTA)

Employers with wages subject to unemployment laws in Indiana, Michigan, and South Carolina are being assessed an additional FUTA percentage for those employees called a "Credit Reduction." The credit reduction percentage for Indiana and South Carolina is .3%, while the reduction amount in Michigan is .6%. These percentages are added to the usual FUTA rate for employees in these states.

This update includes changes to meet the requirements of calculating and tracking FUTA in these states. If your company pays wages in these states, you must install this update to incorporate the modified FUTA tables.

If you have any question, please contact TRAVERSE Support at 1-800-320-3088 or send an email message to traverse_support@osas.com.

Earned Income Credit

Employees can no longer receive their Earned Income Credit (EIC) advance in their paycheck starting in 2011. You must change the EIC Codes for any employees who previously received EIC advances to stop the calculation of the advance.

You should also communicate this change to any employees who previously received EIC advances, as they may claim it on their personal income tax returns, and under certain circumstances, reduce their federal withholdings to compensate.

See the 2011 Employer's Tax Guide (Circular E) <http://www.irs.gov/pub/irs-pdf/p15.pdf> for complete information.

To comply with this change, you must edit all employees who previously received EIC advances by performing these steps:

1. Open the **Employee Information** function from the Payroll Setup and Maintenance menu.
2. Select an employee who utilizes the EIC advance in the **Employee ID** field.
3. Select the **Taxes** tab.
4. Select **N** from the **EIC Code** field.
5. Click the **Save** button, on the toolbar, to save the change.