



TRAVERSE®
Accounting Software
Compliance Release – 2013 Tax Update

Date: December 18, 2012
To: Software Maintenance Plan Subscribers
Products: Accounts Payable, Payroll, and Fixed Assets for TRAVERSE® versions 11.0 (All builds) and 10.5 SP3 (build 9092)

The 2013 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 11, 2012. The update is available to all users current on the TRAVERSE Software Maintenance Plan as of December 15, 2012. Contact your software solution provider and backup your programs and data before you install this update.

As of December 15, the U.S. Congress had not yet passed an extension of the social security tax cut for employees introduced in 2011. As such, the OASDI rate for employees in 2013 included in this update has been restored to the previous rate. In the event that Congress passes the extension, you will need to adjust the rate accordingly.

Similarly, the IRS has not yet published federal withholding tables for 2013, pending enactment of related legislation. Accordingly, the federal withholding tax tables and formulas for 2013 included in this update are the same as those used in 2012. Once the 2013 federal withholding tables and formulas are published, we will send an update advising you on how to apply the proper formulas and tables.

For TRAVERSE version 11, the update is available via the standard update process. Authorized resellers can download the update for version 10.5 from our website at www.osas.com. For version 10.5, 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) and 10.5 SP3 (build 9092) 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 software solution provider, 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 software solution provider or Open Systems Support.

Tax Changes

State Tax Withholding Table Changes for 2013

California	Georgia	Hawaii	Idaho	Kansas	Kentucky
Maine	Maryland	Michigan	Minnesota	Nebraska	New York
North Dakota	Puerto Rico	Rhode Island			

State Unemployment Insurance Table Changes for 2013

Alaska	Colorado	Georgia	Hawaii	Illinois	Idaho
Iowa	Kentucky	Minnesota	Montana	Nevada	New Jersey
New Mexico	North Carolina	North Dakota	Oklahoma	Oregon	Pennsylvania
Rhode Island	South Dakota	Utah	Washington	Wisconsin	Wyoming

'Other' Table Changes for 2013

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

Installing the Tax Update for Version 10.5

If your programs are modified please contact the developer before you apply the update.

Follow these instructions to install this update before you begin processing payroll for 2013:

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

Please contact your software provider before you apply the update. Install the update using the normal update process for TRAVERSE version 11. If you use Payroll or Fixed Assets, you must follow the instructions below to install an additional server update for Payroll, Fixed Assets, or for both applications if you use them both.

If you use Payroll, follow these instructions to install the server update before you begin processing payroll for 2013:

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 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 **TaxRates2013PA_20121212.tsmx** file.
5. Click the check box for **Include Payroll Tax Updates**.
6. Click **Next** and **OK** to install the compliance server update.

If you use Fixed Assets, follow these instructions to install the updated depreciation tables:

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 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 **TaxRates2013FA_20121212.tsmx** file.
5. Click the check box for **Include System Updates**.
6. Click **Next** and **OK** to install the depreciation tables update.

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 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

Employee Medicare Withholding Change

Employees with an annual income of more than \$200,000 are subject to an additional 0.9% withholding on wages above \$200,000. This update includes a new table to hold this information and an updated withholding formula to comply with this change.

Additional Instructions for Georgia State Withholding

In 2012, employees subject to state income tax withholding in Georgia claimed a standard deduction and also personal allowances (claimed by entering the number of allowances in the **Personal Exemption** field on the State Override Factors screen in Employee maintenance).

In 2013, these employees can claim a standard deduction and a personal allowance based on filing status, a dependent allowance, and a Blind/Over 65 allowance. The **Personal Exemption** field no longer applies and a new **Dependent Allowance** field is added to the State Override Factors screen.

To choose to take only the standard deduction for an employee, enter **0** in the **Exemptions** field on the Taxes tab in the Employee Information function. Thereafter, the values in the Dependent and Blind/Over 65 allowance will be ignored.

To claim both the standard deduction and the personal allowance for an employee, enter **1** in the **Exemptions** field on the Taxes tab in the Employee Information function. Thereafter, the values in the Dependent and Blind/Over 65 allowance will be used in calculating the withholding.

To implement this change, this update contains changes to the 2013 Georgia State Withholding table, formula, and factors. Reference the [State of Georgia Department of Revenue Employer's Tax Guide](#) for additional information and instructions.

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.

The list of states subject to the credit reduction and the applicable rates are released by the IRS each year in November for the current tax year. Each year, some states are added to the list and some are removed. To help you comply with the terms of this requirement, we provide a worksheet to help you calculate the amounts of any adjustments you need to make. The following states were added to or removed from the credit reduction list in November 2012:

FUTA States Added for 2012

Arizona	Delaware	Vermont
---------	----------	---------

FUTA States Removed for 2012

Illinois	Michigan	Minnesota	Pennsylvania	Virginia
----------	----------	-----------	--------------	----------

To use the worksheet to help you adjust your FUTA contributions for 2012, and to help you set up employees for the required calculations in 2013, see the **FUTA Worksheet** topic in the most recent [TRAVERSE Help](#) for TRAVERSE version 11 or see the document entitled [Adjusting FUTA Credit Reduction](#) for TRAVERSE version 10.5.

Forms 1099 Processing

The IRS requires Forms 1099-K for certain types of electronic payments. This requirement may make it necessary for you to adjust the information you had planned to report on Form 1099-MISC through Accounts Payable (or Purchase Order). For additional information on the [Form 1099-MISC](#) and [Form 1099-K](#), review the information at www.irs.gov/.

TRAVERSE prints 1099-MISC forms using the data from vendor records. If you find that you need to adjust the 1099 amount to comply with the new requirements of the 1099-K and 1099-MISC forms, you can change the amounts in TRAVERSE version 11 using the **Manage 1099 Invoices** function or in TRAVERSE version 10.5 by editing the **1099 Payments** field in the **Vendor** setup function. Once you have adjusted the amounts, prepare forms or magnetic media using the **Print 1099 Forms** function.

W-2 Forms

Under the Affordable Care Act, employers who filed more than 250 Forms W-2 last year are required to report any employer-sponsored group health plan coverage cost in box 12 of the 2012 Forms W-2; however, reporting this information is optional for employers who filed fewer than 250 Forms W-2 last year. The value reported is for informational purposes only and continues to be excluded from an employee's income and is not taxable.

If you filed more than 250 Forms W-2 last year, or if you choose to report this information regardless of the number of Forms W-2 you submitted last year, please follow [these instructions](#) to prepare for the reporting of these amounts.

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 information at www.irs.gov/.