

Microsoft Dynamics GP Year End Payroll Update United States - 2011

This notification is intended for U.S. companies who use Microsoft Dynamics GP Payroll.

For companies running Microsoft Dynamics GP version 10 or 2010:

Microsoft recently released the US Payroll Year End Update. This is a software update that U.S. companies should install due to the changes detailed below.

Feed Management Systems is awaiting additional information from Microsoft regarding the table changes associated with the payroll update. When that information becomes available, FMS will determine whether or not a corresponding Feed Mill Manager update will be required. We will post another notification once that determination is made.

Please do not apply the Dynamics GP payroll update until FMS has verified that this update is compatible with Feed Mill Manager.

For companies running Dynamics GP version 9:

Microsoft discontinued mainstream support of version 9 early in 2011, and there is no payroll update for version 9. Your company must upgrade to version 10 or 2010 to gain access to the payroll updates. FMS recommends upgrading directly to Microsoft Dynamics GP 2010 to take advantage of the latest enhancements. Please contact Jeff Johnson (jjohnson@feedsys.com) or your FMS Account Manager to begin upgrade planning.

Detail of the changes

- W2 and W3 changes, EFW2 changes (magnetic media)
- 1099 R changes for Pension Payroll
- 1099 Payables Dividend changes
- Fixed Assets Luxury Depreciation changes

*There are also FICA Social Security changes related to the new 4.2/6.2 adjustment.

Pasted below are descriptions from Circular E of some of the changes. Please go to <http://www.irs.gov> for a full copy of Circular E.

What's New

Employee social security tax withholding. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 has temporarily reduced the rate of social security tax withholding (for employees only) from 6.2% to 4.2% for wage payments made in 2011. See *Box 4—Social security tax withheld* on page 9.

Advance earned income credit (EIC) payments. The advance earned income credit payment is eliminated for tax years beginning after December 31, 2010. Box 9, Advance EIC payments, has been deleted from the 2011 Form W-2 and Form W-3.

Interim relief for Form W-2 reporting of the cost of coverage of group health insurance. Code DD is added to box 12 of the 2011 Form W-2 to report the cost of employer-sponsored health coverage. However, this reporting will not be mandatory for 2011. Additional reporting guidance will be available on the Affordable Care Act Tax Provisions page of IRS.gov. For details, see Notice 2010-69, 2010-44 I.R.B. 576, available at www.irs.gov/irb/2010-44_IRB/ar13.html.

Form W-3, Kind of Employer. To improve document matching compliance, box b of the 2011 Form W-3 has been expanded to include a new section, Kind of Employer, which contains five new checkboxes. Filers are required to check one of these new checkboxes. Be sure to check the "None apply" checkbox if none of the other checkboxes apply. For more information, see *Box b—Kind of Employer* on page 11.

Increase in information return penalties. The penalties for failure to file correct information returns and failure to furnish correct payee statements have increased. See *Penalties* on page 7.

Designated Roth contributions. Participants in governmental section 457(b) plans can treat elective deferrals as Roth contributions. Code EE, Designated Roth contributions under a governmental section 457(b) plan, has been added to the list of codes in box 12 of Form W-2. See *Designated Roth contributions* on page 5.