

Technical Explanation of the 2.2.4 & 2.2.5 Patch

This patch will make the necessary changes to your PcMars program so that it will withhold 4.2% Social Security from the employee's paycheck and the employer's share will remain calculated at 6.2%. The program will have to make some "assumptions" when the simplified payroll method is selected because of the social security phase-out limit possibility. See below for details about each method (**Simplified** and **Non-Simplified** headings). Regardless of which payroll method used, be sure to leave the social security rate as 0.0620 (**Setup** ⇒ **Payroll** ⇒ **Payroll General Information** ⇒ **Employee Data tab**).

Simplified Payroll Method:

The 2.2.4 and any higher updates will calculate a 4.2% social security withholding from the employee's paycheck for all paychecks that will be entered with a 2011 date (1/1/2011 thru 12/31/11).

Keep in mind:

- 1) PcMars will only calculate the 4.2% withholding for paychecks created after the 2.2.4 patch is installed.
- 2) If the employee's compensation reaches the social security phase-out limit, there will be no additional social security withheld from preceding paychecks (same procedure as prior versions of PcMars).

Simplified Payroll Assumptions

For the program to calculate the employer 6.2% match for the Labor Deposit Report, several assumptions are made:

- A. **Transactions that are dated from 1-1-11 to 3-31-11:** PcMars will calculate the employer's social security share at 6.2% on all "FICA deducted" wages if any amount greater than zero is entered for the employee's share of social security withheld (based on the taxable social security wages—which may differ from gross wages, depending on your settings) in the Labor reports, excluding **Optional FICA Reports**.
- B. **For transactions dated between 4/1/11—12/31/11:** PcMars checks to see if the percent withheld for social security from an employee's check (based on the taxable social security wages—which may differ from gross wages, depending on your settings). If the percent withheld is less than 4.2% PcMars assumes the employee has reached the social security phase-out limit. Hence, the program will back-solve for the taxable social security wages (amount of social security withheld / 4.2% = taxable social security wages) and then multiply this calculated social security wages by 6.2% for the employer's share of social security in the Labor Reports, excluding **Optional FICA Reports**.
- C. **If the paycheck's date is NOT in 2011:** PcMars will use the same calculation as it did in the past (match employee withholding).

Non-Simplified Payroll Method:

The 2.2.5 patch will handle the employer's social security and Medicare match differently for paycheck entries depending on the paycheck's date.

- A. Paychecks dated **on or before 12-31-2010:** The program will double the amount withheld from an employee's paycheck for social security and Medicare.
- B. Paychecks dated **on or after 01-01-2011:** PcMars will calculate the employer's and the employee's social security and Medicare withholdings from the paycheck depending on the "matching" account

code and description selected via **Setup**⇒**Payroll**⇒**Payroll General Information**⇒**Labor Withholding** tab.

Reminder: the non-simplified payroll method always has calculated both the employee's and employer's share of social security based on the social security phase-out at the time the check is entered. As a result, PcMars can summarize this data for the Labor Reports—excluding the optional FICA Reports.

Other Payroll Items: Here is a review of several items we have also been receiving questions about. The 2.2.4 patch did not change these items, (this is the same procedure that PcMars did before)

A) Optional FICA Reports Reminder:

As a reminder, the Optional FICA Reports simply calculate social security from **gross** wages (as stated on the report). Hence, if an employer has set up tax preference withholdings or has employee's wages greater than the social security phase-out, or PIK wages this report will be *incorrect*.

B) Social Security Phase-Out Limit: This limit is a cumulative calculated on transaction entry order, (no the transaction date, because the date could be changed at anytime with the "edit"