Make Sure You Take the FICA Credit on Tips. It's Easy With *PayMaster*'s Report. *PayMaster*™ Clients Have Saved As Much As $29,926.

A Tax Credit, Not a Deduction

Tax deductions for business expenses are nice. But tax credits are even better! They reduce dollar for dollar the taxes you pay.

If you are a food and beverage establishment where tipping is customary for providing food or beverages, you are entitled to a credit for part of the employer social security and Medicare (FICA) taxes you paid on tips earned by your employees. The credit is for the employer FICA paid on tip income in excess of the minimum wage. Tio Leo's in California (a state without tip credit) saved $29,926 the first year they took the credit. Brookside Restaurant & Gift Shop (spotlighted on page 3 of this issue), with an average of 40 employees in a state which allows tip

credit, saved $1,917 this year by taking the FICA credit on excess tips.

How Do You Take It?

Complete IRS Form 8846 shown below left, as part of your tax return. Then follow its instructions for entering the credit on your business tax return.

PayMaster Automates Your Work

The IRS estimates it takes a little over eight hours for record keeping.

report. Select REPORTS from *PayMaster*'s main menu, then OTHER/FICA CREDIT, <5> YTD. Couldn't be easier!

To fill out the form, look at TOTAL (tips) on *PayMaster*'s report, shown at the left. Enter that amount on line 1 of Form 8846. The TIP CREDIT goes on line 2 (Tips not subject to the credit provisions). TIPS IN EXCESS OF MINIMUM WAGE go on Line 3 (Creditable tips).

Obviously they were not using *PayMaster* when they did their calculations! For *PayMaster* users, we estimate one minute for recordkeeping. If you're on a calendar tax year, that's all the time it takes to print the

Important End-of-Quarter Steps

Make sure you process end of quarter prior to processing your first payroll of July to zero out Quarter-to-Date pay files for each

CREDIT FOR FICA TAXES PAID ON TIPS – FINE DINING — YEAR-TO-DATE

FLORA ENTERPRISES
1234 MAIN STREET
VIENNA, VA 22201

Computer Aid Corporation
Payroll System   Version 7.00
12-31-2001   03:02:03 pm
Page 1

EMPLOYEE NAME / CODE	CASH	TIPS CHARGE	TOTAL	TIP CREDIT	TIPS IN EXCESS OF MIN WG	FICA PCT.	CREDIT FOR FICA
DORAN, MELINDA / 0012	4470.85	3507.10	7977.95	82.51	7895.44	7.65	604.00
OVERBY, BARBARA / 0554	7084.69	10319.06	17403.75	944.99	16458.76	7.65	1259.10
SNYDER, ROBERTA / 0007	562.04	452.52	1014.56	14.68	999.88	7.65	76.49
MCINTYRE, SEAN / 0334	1094.46	974.18	2068.64	56.42	2012.22	7.65	153.93
BARTHOLOMEW, JOHN / 0255	831.25	989.84	1821.09	20.74	1800.35	7.65	137.73
TALBERTSON, BETH / 0611	81.51	99.55	181.06	4.99	176.07	7.65	13.47
BARBERA, DENISE / 0348	1089.99	1356.55	2445.54	40.91	2404.63	7.65	183.95
BATTLESON, SHARON / 0571	163.25	452.47	615.72	261.63	354.09	7.65	27.09
HAMMER, ROBERT / 0619	81.51	426.71	481.81	137.02	344.79	7.65	26.38
SAMUELSON, ERICA / 0564	152.00	119.47	271.47	118.28	153.19	7.65	11.72
EDELSON, JENNIFER / 0058	165.00	80.24	245.24	29.44	215.80	7.65	16.51
LANTON, SANDRA / 0337	1408.00	1172.66	2580.66	420.20	2160.46	7.65	165.28
CARPENTER, ANN / 0608	1183.00	1613.47	2796.47	1051.53	1744.94	7.65	133.49
CHAMPION, BRIAN / 0135	542.00	864.23	1406.23	401.59	1004.64	7.65	76.85
DAMON, ROBERT / 0587	561.11	529.04	1090.15	541.72	548.43	7.65	41.95
FRANK, MICHAEL / 0188	3665.86	7797.54	11463.40	3726.69	7736.71	7.65	591.86
CUPERTONELLI, ED / 0107	190.00	139.22	329.22	165.76	163.46	7.65	12.50
DONOVAN, AMY / 0607	788.02	1062.86	1850.88	862.55	988.33	7.65	75.61
MALLENBACH, TED / 0134	114.00	57.00	171.00	66.59	104.41	7.65	7.99
DOTSON, JOE / 0601	916.50	1253.97	2170.47	477.58	1692.89	7.65	129.51
...							
KEYSTONE, SHARON / 0038	495.01	693.60	1188.61	324.17	864.44	7.65	66.12
TALBOTT, LISA / 0590	129.00	99.99	228.99	93.33	135.66	7.65	10.38
WATKINS, SERETHA / 0112	671.00	641.98	1312.98	442.71	870.27	7.65	66.58
BILLINGS, STEPHEN / 0612	183.50	621.31	804.81	26.92	777.89	7.65	59.51
SQUIRE, MARTIN / 0602	1028.00	1968.64	2996.64	1268.78	1727.86	7.65	132.18
CAPISTON, AMY / 0617	274.00	397.73	671.73	285.14	386.59	7.65	29.57
SMITHSON, PETER / 0125	1872.33	1501.27	3373.60	326.37	3047.23	7.65	233.11
CRYSTAL, KAREN / 0336	1548.20	2540.73	4088.93	1547.74	2541.19	7.65	194.40
FINAL TOTALS	**61875.21**	**81228.30**	**143103.51**	**29889.86**	**113213.65**	**7.65**	**8660.84**

Form **8846**
Department of the Treasury
Internal Revenue Service

Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips

► Attach to your return.

FLORA ENTERPRISES

Note: Claim this credit **only** for social security and Medicare taxes paid by a food or beverage establishment.

Part I   **Current Year Credit**

1	Tips received by employees for services on which you paid or incurred employer social security and Medicare taxes during the tax year (see instructions)	1	143103 51
2	Tips not subject to the credit provisions (see instructions)	2	29889 86
3	Creditable tips. Subtract line 2 from line 1	3	113213 65
4	Current year credit (see instructions). Multiply line 3 by 7.65% (.0765). If you have any tipped employee(s) whose wages (including tips) exceeded $80,400, check here ► ☐	4	8660 87
5	Form 8846 credits from pass-through entities If you are a— / Then enter Form 8846 credit(s) from— a Shareholder Schedule K-1 (Form 1120S) lines 12d, 12e, or 13 b Partner Schedule K-1 (Form 1065) lines 12c, 12d, or 13	5	
6	**Total current year credit.** Add lines 4 and 5	6	

Tax Liability Limit (See **Who Must File Form 3800** to find out if you complete Part II or file Form 3800.)

7   Regular tax before credits:
• Individuals. Enter the amount from Form 1040, line 40
• Corporations. Enter the amount from Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your return
• Estates ... Enter the sum of the amounts ... 941 Schedule G ... | 7 | Re

FICA Credit on Tip Report
Continued from page 1

CREDIT FOR FICA should match your calculated amount on line 4 of Form 8846 (Current year credit). [Please note that the instructions for Form 8846 tell you to "reduce the income tax deduction for employer social security and Medicare taxes by the amount on line 4."]

Calculations For Your Fiscal Year

Not on a calendar year basis? You don't have to go back to each pre-check register and subtract the total tip credit from the total reported tips and then add each payroll's amount together. There is an easier way. Print the report at the end of each calendar year and at the end of your fiscal year. Then do some simple calculations.

For example, Flora Enterprises is on a fiscal year ending March 31, 2002. So they can take the credit for the period April 1, 2001, through March 31, 2002. Since *PayMaster* zeroes everything out when you process end-of-year, Flora Enterprises prints the report three times: after the last payroll in March '01, after the last payroll at the end of '01, and after the last payroll in March '02. Then they subtract the Jan-March '01 figures from the '01 total, and add to that the Jan-March '02 figures.

Missed Credits?

If you missed taking the credit, you can file an amended return. Form 8846 instructions say "You can claim or elect not to claim the credit any time within 3 years from the due date of your return on either your original return or on an amended return.

Need Forms?

If you don't have Form 8846, the form and its instructions can be downloaded from the IRS web site (go directly to the form in pdf format at http://www.irs.gov/pub/irs-pdf/f8846.pdf). If you don't have internet access to get the form, please call us at 703-281-7486. **GO**

Don't Forget About *PayMaster* 7.27's Other Enhancements

If you're like most *PayMaster* users, the main reason you eagerly awaited *PayMaster* 7.27 was because it printed your W-2s in the new format. That's not the only thing it does!

PayMaster 7.27 also:

- Prepares the new unemployment mag media format for OH, CA, WI, and WY, and prepares the new OR Form 132.

- Prints the pre-check register to a File or to Display, as well as to the Printer.

- Provides two renamed fields in the General tax tables. Instead of *Additional 1 and 2 taxable*, the fields are now named *Taxing entity code and Tax type code.*

- Prints an individual (select) address label.

- Deletes a range of checks from the check history file, without requiring you to press a key at each check number.

- Allows (with option purchase) interface from the SABLE point of sale system.

- Converts to PDF files the *PayMaster* reports you printed to a File, using text to PDF conversion shareware that is available for trial download and purchase at www.davince.com/download.html. (Please see the article on page 5 of the December 2001 issue of the Blue Pages.)

Please call us if you don't have the latest update of *PayMaster* and would like information on ordering it. **GO**

End-of-Quarter Steps *continued from page 1*

employee. This is critical since your quarterly reports for the next quarter must be based on the employee's earnings in that quarter only.

You process end of quarter the same way you process end of month (from *PayMaster*'s main menu, select PROCESS/END OF MONTH). When you enter the date of the last check distribution, *PayMaster* tells you whether or not the quarter-to-date file will be cleared based on the month of the last check distribution date you entered. Processing end of quarter also clears out the month to date and moves the current quarter information to the "last quarter" file. Once you process end of quarter, you can always print reports for "last quarter." **GO**

Do We Have Your Email Address?

If you're not sure if we have your email address, please send us a message at support@computeraid-llc.com. Thanks! **GO**

Spotlight on Brookside Restaurant & Gift Shop

"With the ease of use, Auto-Update and the support system, everything is pretty much done for us. We can concentrate on running weekly payrolls and let the system handle all of the details – pre-tax insurance, quarterly reports, etc."

Cece Castle, Owner & Vice President,
Brookside Restaurant & Gift Shop

If you've ever driven down winding Skyline Drive through the Shenandoah National Park with its many hiking trails and beautiful views near Luray, Virginia, you might have asked yourself, "Wouldn't it be great to rent a cabin in the woods here?"

Well, Cece Castle and her husband Bob did one better – they *bought* the cabins in the woods 12 years ago and rent them out so they can enjoy the cabins and scenery themselves and share them with others. The cabins have front porches, private decks and brook overlooks. Some also have gas fireplaces, hot tubs and whirlpools.

Helping them staff the cabins, gift shop and a restaurant seating 111 are over 40 employees, including Bookkeeper Beth Redmon, who processes the weekly payroll for everyone.

The cabins and restaurant have been there for about 70 years, since the opening of Skyline Drive. The family-style restaurant actually started as a coffee shop and food stand and expanded in the 1950s. It serves home-style food with a full menu, a large sandwich menu, and a buffet and salad bar. Their customers include not just the many tourists who visit the area each year, but many local people as well.

When they first bought Brookside, Cece says "We used Peachtree software for payroll, following what the prior owners did. We wrote down the time worked each day for each of the 28 employees, manually calculated the hours worked for each, ran it through Peachtree and hand wrote the checks."

The second year, they decided there had to be an easier way. Bob was told about *PayMaster* from Computer Aid in Vienna, Virginia, only an hour away. They visited Computer Aid, looked at *PayMaster*, liked what they saw, and bought it. Since Computer Aid was so close, Donna from Computer Aid installed it on their computer and helped them get started.

Cece says, "Whenever we had any questions, we just picked up the phone.

Brookside Restaurant & Gift Shop, Luray, VA

It was a very simple kind of thing to catch on to." Cece had a full time bookkeeper for several years. When that person left, she took it over for one year, and now Beth, who joined the staff last October, does the weekly payroll. For the gift shop, cabins and restaurant, they average 40 employees, from about 32 in the winter to 42-44 in the summer.

Brookside uses a lot of the reports. Cece says, "We rely heavily on our deduction report because we have a lot of things going on – pre-tax insurance, garnishments, advances, loans. We really like the FICA credit report – it's saved us money on our taxes each year. One year the accountant forgot about it. I noticed something in the Blue Pages newsletter and brought it to his attention so he filed an amended return. We use the laser W-2s for employees.

This year, we had a little print problem running a test W-2 so we just made a quick phone call and Computer Aid support told us how to adjust them. This is so much easier than the way we used to do them on the dot matrix printer, where it was miserable lining them up."

"We're on AutoUpdate. Employers are encumbered by so many regulations that it's impossible for anyone to keep up on your own. Leave it to the pros who track these things and make the changes. Otherwise, you could run yourself into a black hole without realizing it. I do all the quarterly payroll reports and payroll tax returns. *PayMaster* makes it easy. For the New Hire Report, I just print it and fax it. We use the phone lists for personnel purposes."

"Maybe even more important is the telephone support – the personnel who are there and able to quickly answer the question and walk you through. I've had to call them when we've gotten new hardware to ask them what to do. They're so well versed in everything! And there's instant response."

"We've had a time clock for four or five years but did not interface it to *PayMaster*. We printed a report and manually input the data into *PayMaster*'s batch screen. But changes are coming! We just purchased two new computers from Computer Aid, plus a TA 100 time clock and the software to interface to *PayMaster*. These computers are replacing the current bookkeeping and payroll

Q & A

Q I just installed Norton Antivirus and now when I try to print a report in *PayMaster*, I get an error message saying "This program has performed an illegal operation." It also says something about having trouble running MS-DOS programs.

A The Auto-Protect feature of the newer versions of Norton Antivirus is not compatible with many applications.

There are two ways to handle this (these examples are from a system running Norton SystemWorks, of which AntiVirus is one component):

1. Prior to running *PayMaster*, disable the Auto-Protect feature. Click the Norton icon on the Windows taskbar to display the group of icons. Right click the "Auto-Protect Enabled" icon, and select "Disable Auto-Protect." Remember to turn Auto-Protect back on once you exit *PayMaster* (it may do so automatically the next time you reboot your computer).

2. Or you can simply tell it to ignore the *PayMaster* program and directory in Auto-Protect. Open Norton SystemWorks. From its menu, select Options, AntiVirus. Select Exclusions on the System menu; click New. Enter the name of your *PayMaster* folder, followed by *.* (example: c: \prv7*.*). Put checkmarks on (exclude from) Virus detection and Write to program files. Click OK twice.

Q My federal Mag Media came back from the SSA with a rejection note. How do I fix this file?

A There is an update on our web site, www.computeraid-llc.com, (select Support, Support Files) that addresses this. Users on Auto-Update can request a password to access these files. Download the file named PYW2.EXE and place in your *PayMaster* program directory. Then go to REPORTS/W2/W2 and most importantly choose ONE-WIDE and Print to Display. To be certain this file is correct, the SSA has a program on their web site (www.ssa.gov/employer/accuwage/download2001.html) called AccuWage that will read your mag media and test it for any errors.

Q I'm trying to print my quarterly wage report and am getting "Error 5." What do I do?

A Select INIT/DIVISION/DIVISION for **each** division within the company and either delete the establishment number or make it two digits or fewer.

Q Now that summer has arrived... Thunder! Lightning! Power surges! How do I protect my data?

A Computer Aid recommends that all computers (home or work) be connected to a UPS — an uninterruptible power supply. You probably want a minimum of a 500VA UPS for **each** computer. It's a small investment for peace of mind. For your server, make sure your get a UPS that is specifically for a network server, with software that will shut down the network operating system before the battery is fully discharged. Most UPSs also offer surge suppression. Belkins and American Power Conversion are two of the well-known UPS companies.

Q We recently upgraded our Digital Dining software from DOS to Windows. Now my export file is not being read accurately by *PayMaster*.

A You'll need to do two things:
1. With Digital Dining (DD) for Windows, you'll need to upgrade to the special export module as well in order to continue to interface *PayMaster*. Contact your DD dealer for details about this special export module.

2. The jobs in DD are exported as ASCII text. However, *PayMaster* is looking for a **number**. The workaround is to set up your job codes in DD like so...

   -If *cook* is job 1 in *PayMaster,* then make the job code in DD read 001Cook.

   -If *waiter* is job 12 in *PayMaster,* then in DD make it 012Waiter.

   It's the first three number (and they *must* be numbers) in the beginning of the DD job name that are being read by *PayMaster*.

   Customers can do this themselves (no need for a DD service call). **GO**

Tax Law Changes

❏ Federal

• An "IRS Restaurant Industry Compliance Project" compared the gross sales figures reported to the state of California with the gross sales figures reported on Schedule C, Form 1040. The study found that approximately 6,000 small business taxpayers (10% to 20% of taxpayers) in the restaurant industry underreported gross sales figures.

It is important to report the same figures to all taxing authorities. Comparisons are getting easier and more likely due to the computerization of local, state and federal tax information.

• The Job Creation and Worker Assistance Act of 2002 contains a number of retroactive tax breaks, the Internal Revenue Service (www. irs.gov) has an article on its web site, entitled "New Law May Cut your 2001 Tax", in which it lists various forms that it is revising and creating.

❏ State Unemployment

Computer Aid's web site (www. computeraid-llc.com) has a PYSUTA. EXE file to correct the problems with MI and TX paper forms, as well as the LA mag media. Users on AutoUpdate can get these files by emailing or calling support@computeraid-llc.com for a password to the support files.

❏ State Wage & Hour Law/ Minimum Wage

CT Minimum wage increases from $6.70 to $6.90 per hour effective 1/1/03. And to $7.10 per hour effective 1/1/04.

HI Employees guaranteed pay of $2,000 per month are exempt from state minimum wage and hour. Previously employees receiving a monthly salary of $1,250 per month were exempt.

VT Has enacted an equal pay law that prohibits employers from discriminating between employees based on sex.

❏ State Withholding

DC The withholding tables issued January 1, 2002, have been rescinded. Employers should withhold using the tables that were effective January 1, 2001, until further notice.

NE Income tax rates will increase in 2003.

NY Effective June 1, 2002, NY may change withholding tables if adopted on May 14, 2002.

PA Thirty-six school districts have eliminated the Occupational Privilege Tax. The act allows for an increase in the earned income tax to offset any lost revenue. The new earned income tax rates have not been released as of May 26, 2002.

Philadelphia has reduced its wage tax to 4.50% for residents, 3.912% for non-residents, effective July 1, 2002.

VA Effective July 1, 2002, all VA revenue collection agencies may accept payment of any amount of tax due by any commercially accepted means — check, credit card, debit card or electronic transfer.   **GO**

Getting a New Printer?

Caution — The only way a USB printer will work with a DOS program such as *PayMaster* is if it is a shared printer on a network.

If you're getting a new printer to connect directly to your computer, make sure it connects to the parallel port.

Call us if you'd like suggestions for printers that work well with *PayMaster*.   **GO**

Spotlight on Brookside

computers. Computer Aid staff came out to install the time clock and computers a few weeks ago."

"*PayMaster* is a great system to use. I'm averse to change, so I was a little worried about this. I was pleased to learn that the time clock data goes right into the batch input screen which we've been so happy with, and to know that Beth can still make modifications on the batch screen. This is great! It'll also eliminate problems where there was confusion as to which rate or which job someone worked. With our old time clock, each person had only one job in the system, so we had to give them a different card for their second job, and sometimes we would confuse the cards."

Beth says, "I really like *PayMaster*. The batch screen is very easy and fast. But it left a lot of room for human error. With the time clock interface now, we won't have to run the numbers an extra time. We set up the new time clock and interface software and did a test run last week. We used it live for the first time for this week's payroll. It all went smoothly."

"Support from Computer Aid is great. They walk me through things, they return my calls, they're very helpful, and they always make me feel that my call is welcome."

"We also have the GL system from Computer Aid, but never interfaced before. But now we plan to have *PayMaster* interface to GL. We used to take sales data from the cash register and put it in Excel. We had spreadsheets for everything. Now we won't have to do a lot of those steps."   **GO**

Brookside Restaurant & Gift Shop (with information about their cabins) is on the web at www.brooksidecabins.com.

Save Time, Reduce Errors, and Save Money by Downloading Hours Worked, Receipts and Tips into *PayMaster*

Do your employees clock in on one of these point of sale (POS) systems or time clocks?

ALOHA	Micros 8700
Amano	NCR 2160
Delivery Plus	PAR 2000
Digital Dining	PayMaster Plus
EASytime	POSitouch
ETPlus	Rapid Fire
Gamma	ReMACS
Golden Corral	Right Touch
HSI	Sable
IDS	SDA
Kronos TKC	Squirrel
LMPlus	SUS
Micros 2700 - Ver 4	Time America
Micros 2700 - Ver 5	TASC 150
Micros 3700	Touch 'n' Serve
Micros 3700- Alternate	Tridata
Micros 4700	Uniquest

If so, you can purchase interface software from Computer Aid to easily download data directly into *PayMaster*.

From a POS system, you can download hours-worked for up to six jobs for each employee, plus cash and credit card receipts and tips. From a time clock, you can download hours-worked for up to six jobs for each employee, plus cash tips if your employees enter these as they clock out each shift.

Save Money

You'll save money two ways — by saving time not having to rekey the data into *PayMaster's* batch screen and re-checking your numbers, and by having fewer errors since the data is automatically brought in.

How does it work?

In your POS or time clock software, check the data and create the export file. Copy the file into the *PayMaster* data directory (this can be automated). Now you're ready to process payroll:

1. Calculate/Batch
2. Select <4> Timekeeper
3. Your data (hours worked, tips, etc.) is brought into *PayMaster*'s batch screen where you can review it and make changes as you always have. Then continue processing payroll as you always have in the past.

Jobs 1-3 for each employee display on the batch screen. Jobs 4-6 are downloaded and you view that data as you did in the past — at the "Make corrections" stage by pressing the TAB key to go to each employee's second screen.

Contact us at 703-281-7486 for price information on the interface you need. If yours is not on the list, ask if it's in development. **GO**

W-2 Season is Coming!
Watch your mailbox for
the order form for W-2 forms.