

# W-2 Processing and EFW2

## Section 1: Overview

### What's new for TY2007

- The SSA has swapped the contents of boxes 'a' and 'd' on the printed form. So the employee social security number now occupies box 'a' at the top of the form.
- The EFW2 file format for electronic submission of data is the same as the MMREF-1 format for 2006.

The “normal” way of doing things has changed gradually over the years, but here is where we are today:

- Most companies will prefer to print W-2 forms using a laser printer.
- If you process payrolls for the same EIN in more than one OSAS company (often done for confidentiality of staff payroll), then you will likely want to combine the companies for processing W-2s.
- Most companies will want to report to the federal and state governments using the electronic filing procedures over the internet regardless of company size (even if fewer than 250).
- While newer versions of OSAS may use a graphical interface, this W-2 preparation system only uses the character interface to maintain backward compatibility with older systems.

```
*-----*
| 12/17/2007          Company H - Builders Supply          1:43 PM |
*-----*
|
|      *- Main Menu -----*
|      |      *- Periodic Processing -----*
|      |      |      *- Process W-2 Forms -----*
|      |      |      |      Extract/Edit Employer Information
|      |      |      |      Extract Employee Information
|      |      |      |      Edit Employee Information
|      |      |      |      W-2 Proof Reports
|      |      |      |      One-Wide Tractor or Laser Forms
|      |      |      |      Two-Wide Tractor Forms
|      |      |      |      4-Up Condensed Laser Forms
|      |      |      |      Create MMREF-1 Disk File W2REPORT
|      |      |      |      Retrieve W2REPORT File Totals
|      |      |      |
|      |      |      *-----*
|      |      |
|      |      *-----*
|      |
|      *-----*
|
| T030 ----- OPEN SYSTEM ® Accounting Software -----*

```

There are two W-2 specific data files that are created and maintained by this menu. The W2ERyyyy.xxx file (where the yyyy represents the year you are reporting, and xxx is the company ID) contains the employer records describing the submitter and employer – a total of two records, and the W2EEyyyy.xxx file that contains one federal and one state record (if applicable) for each employee.

The general procedure is as follows:

- As you prepare to begin, at the Payroll > Periodic Processing Menu, make sure you are in the desired year by using the F9 key to select the year – current or last year.
- Use the employer extract/edit (top menu item) to setup your employer information.
- Use the employee extract program to pull the W-2 data from payroll into the W-2 data file. You can use this program to combine companies. This is the only function that depends on the operator using the F9 key to select the year for extracting the data prior to performing this function.
- Use the edit employee information to make necessary changes to employee records.
- Use the W-2 proof reports to reconcile with your payroll reports and 941s.
- Print your W-2 forms.
- Wait until closer to the report deadline to prepare and send the EFW2 W2REPORT file to the SSA and state governments.

This design allows for the extract and edit from payroll into W-2 specific work files. Having this ability makes it much easier for the user to know where to fix something for the W-2s in regard to the employer information or employee specific information, instead of trying to find the correct place the data is located in the standard OSAS payroll files.

### **Editing Data**

The W-2 system uses a simple scroll box for editing the data. When a record is displayed for edit, you may use the arrow UP or DOWN to move in the desired direction. You may use the PgUp or PgDn to scroll in that direction, or the HOME or END key to go to the top or bottom of the record. When pointing to a line, you press the <enter> to edit that field. Data is always saved as it is changed. You may use the F7 to exit an edit screen, and any changes to your data are saved. The program will interpret the exit command as a desire to cut short the edit process in a multi-screen edit. While at an edit screen, you press the N key to go to the next screen.

When you edit the employer information, the screens move from:

- Submitter record
- Employer record
- State employer identification number(s)

When you edit the employee information, the screens move from:

- Employee federal information
- Employee state/local information (as many as the employee has)

NOTE: Each employee federal record has more than 60 fields of information. You must use the arrow down or <PgDn> to scroll through the data to make changes.

All amounts are entered as you normally enter amounts in OSAS, with a decimal point. Some fields are flagged as non-changeable. If a field won't allow you to change it, then the software purposely is preventing an edit of that data. These protected fields are only ones you should not need to change. You cannot insert or add additional lines of data.

### **Set Year for W-2s**

Every time you select the Extract/Edit Employer Information, you will be prompted to select the year for processing the W-2s. This year is the year the wages were paid. All the data you extract or edit will be stored in the corresponding data file marked for that given year. Once you set this year, you will not be asked again for this session until you either exit OSAS and return again, or you come back to this menu item.

Should you go to any W-2 menu item and the year has not yet been selected, the system will prompt you for the W-2 year. Aside from the top menu item (Extract/Edit Employer Information), you will only be asked once to select the year. If you need to change the year, you can exit OSAS and come back in, or go to the Extract/Edit Employer Information to set the year.

You can easily set the year to any year for which you have W-2 data. Possibly going back to 2001. At this time, the 2006 data is still compatible with the 2007 data, but you would encounter problems trying to reference data older than 2006. Should you ever need to access W-2 data that is several years old, contact our office and we may be able to help you.

### **Must have resources**

Anyone who has the job of preparing the W-2s, should always have the following resources close at hand:

- Federal Publication 15 (Circular E) from the IRS
- EFW2 manual from SSA
- Instructions for Forms W-2 and W-3 from the IRS

All of these resources can be downloaded over the Internet if needed. Helpful government websites are:

<http://www.ssa.gov/employer>

<http://www.irs.ustreas.gov>

## Section 2: Extract/Edit Employer Information

When you select this menu item, you will always be prompted to set the year for W-2s. This year is the year the wages were paid.

When you choose this option, the program checks to see if the employer record already exists for the given year. If the employer record is already in the file, the program moves directly into the edit mode and displays data for edit. If the employer record is not found, the system will check to see if an employer file from the prior year exists. If it does, the program will copy the employer information from the last year and move into edit. If no prior employer record is found, the program will extract what information it can from the standard payroll files and set up the W2ERyyyy.xxx file.

There are three phases to editing the employer information:

- Edit submitter record (first screen) (used with electronic file submission)
- Edit employer record (second screen)
- Edit state identification numbers (third and subsequent screens)

### **Edit Submitter Record (first screen)**

The first phase takes you into the Submitter record. The EFW2 reporting disk file uses this record. This record is NOT used in the printing of the W-2s on forms. The SSA allows for service companies to submit W-2 information on behalf of other companies. Using OSAS to perform your own payroll functions, YOUR COMPANY is the Submitter. So in a sense, this is a necessary duplication of company information in order to meet the reporting standard. For your purposes within this system, your company is both the Submitter and the Employer.

Most of the fields are self-explanatory and would not need any edit. Refer to the SSA EFW2 guide for details on each field. You should check the address and Employer ID number for the company. Note that the address appears in two places in this record. The first name and address is to maintain a mailing list at the SSA for notification of changes to the reporting requirements. The second name and address is for the submitting company. For our purposes these two should be the same.

In the Submitter record the important fields you must edit before you can create the electronic file are: (these fields do not exist in the payroll system)

***Personal Identification Number*** Enter the PIN assigned to the employee who is attesting to the accuracy of this file. This PIN number is assigned to you by the SSA and is necessary for submitting the electronically. This PIN is likely to change each year, so you should be careful to edit this field each year.

***Contact Information*** Toward the bottom of the record are several fields pertaining to contact information. You can and should fill in a contact name, phone number, and e-mail address as appropriate. Also toward the bottom of the record is a selection for Notification Code. In this field: 1 is for e-mail, 2 is for Postal Service (regular mail). The system defaults to using code 2 for old fashion mail, but you may wish to change it as desired.



after you have extracted the employee information. It is always a good idea to check these Ids after you have extracted employees from another company, or just prior to printing W-2s.

## Section 3: How the payroll data relates to W-2 reporting

Have you seen the movie, “Shakespeare in Love”, (please excuse the now dated reference) and the character that always says: “It’s a mystery.” Well this is kind of like that.

Actually, there is a very precise way data gets from payroll onto the W-2s. The employee extract program described in the next section uses the following methods to extract the data and get it into the correct spots for the W-2s. Always keep in mind that after the extract is finished, you can always edit whatever you want to edit manually if needed directly in this W-2 data file.

Information for the employee is found in two places under Payroll > File Maintenance, either under **Employees** or **Employee History**. Precisely where it ends up will also depend on some W2CODE tables and deduction configuration. Here is how it works:

### *Employee Name, Address, and Social Security Number*

This data is found on the General Information screen in the Employees master file.

#### **Form W-2**

-----  
 Box 1: Wages, Tips, and other  
 Box 2: Federal Income Tax  
 Box 3: Social Security Wage  
 Box 4: Social Security Tax  
 Box 5: Medicare Wage  
 Box 6: Medicare Tax

#### **Location in Payroll > File Maintenance**

-----  
 Employee History, Federal History, code=FWH  
 Employee History, Federal History, code=FWH  
 Employee History, Federal History, code=OAS  
 Employee History, Federal History, code=OAS  
 Employee History, Federal History, code=MED  
 Employee History, Federal History, code=MED

Note that the Box 3 & 5 wages will be capped by the FICA table (found under Tax Tables) limit on wages. Wages may also be altered by the “odd ball” items mentioned below.

Box 7: Social Security Tips	Employee History, Misc History, FICA Tips
Box 8: Allocated Tips	Employee History, Misc History, Allocated Tips
Box 9: Advanced EIC	Employee History, Federal History, code=EIC
Box 10: Dependent Care Bene	Employee History, Misc History, Cost of DCB
Box 11: Nonqualified plans	Employee History, Misc History, both 457 Plan and Non-457 Plan amounts combined
Box 12: Code A	Employee History, Misc History, Uncol OASDI
Box 12: Code B	Employee History, Misc History, Uncol Medicare
Box 12: Code C	Employee History, Misc History, Cost of GTLI
Box 13: Statutory Employee	Employees, YES to statutory employee
Box 13: Retirement Plan	Employees, YES to <u>Eligible for Pension</u>

The extract program will automatically turn on the W-2 Retirement Plan indicator in box 13 if the employee has deductions that are going into box 12 under retirement codes: D, E, F, H, and S (see below). Consult with your tax consultants to make sure this box is marked when appropriate.

Box 13: Third Party Sick Pay	This field must manually be set if you are including wages paid by a third party for sick pay.
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## Other Box 12 Amounts

The other amounts you want to show up in box 12 with the corresponding code letter (see IRS instructions for W-2s for a complete list of codes) will come from the deduction file. This is true even if the code you want to show up is not really a deduction, for example: Code J Non Taxable Sick Pay. A few things are required in Payroll to make the system work:

1. You must edit or setup the **W2CODE** table under File Maintenance > Tax Tables, and know what the source description needs to be to match up with a code letter. This table does not need to have all possible codes in it; just the codes that apply to your company are fine. The standard OSAS payroll system comes with a W2CODE table already in place.
2. You must define a deduction under Codes Maintenance > Deductions, with a description that begins with the same first four letters of the source description found in the W2CODE table for the code letter you are trying to match.
3. You must set the Def Comp switch in the deduction to YES.
4. The employee must have a line with this deduction code under File Maintenance > Employee History, Deduction history. If necessary you can add a necessary deduction history line at the end of the year to force the amount to show up.

In general, if the code corresponds to what is normally an employee deduction, then throughout the year you should have your deduction file in Payroll defined as above and at the end of the year nothing special needs to be done and the amounts will hit box 12 with the correct code. This is particularly true of retirement plan codes: D, E, F, H, and S. If the code you are dealing with is an “odd ball” item and is not normally deducted from the employee’s check, then it is probably easier to use the Edit Employee W-2 Information feature of this program to plug the amount into the correct code after you have extracted the employee payroll information.

One thing to note about the printing of W-2s. If an employee has more than four codes that need to hit box 12, then the program will automatically print an additional W-2 for that employee.

## Box 14 Other

Box 14 operates much like box 12. There is a special **W2CODE2** table under File Maintenance > Tax Tables. This table contains a single column. In this column you can place a maximum of a six-character description that you would like to show up in box 14. Like the workings for box 12, the first four characters of this source description must match the first four characters of your deduction’s description. This deduction must also have the Def Comp setting to YES.

By setting things up this way, the extract program will be able to identify the extra information you want to put in box 14 and place the six character description along with the amount found for the deduction. Keep in mind that you can also use the edit feature in this software to put anything you want on the four available lines for box 14.

One special line with the description of FRINGE will appear in box 14 automatically with the total amount of any earnings paid with earnings codes marked as fringe. This is not required, but is a common practice. You may leave the line in, or edit it out as desired.

## If you have the “oddball” fields GTLI , DCB, or Nonqualified Amounts for Box 11

The standard OSAS payroll system has an unfortunate design in assumptions concerning amounts found on the Employee History, miscellaneous History screen. These are the amounts for Cost of GTLI, Cost of DCB, 457 Plan, and Non-457 Plan. The standard OSAS system assumes these amounts are NOT already in the federal, social security, and Medicare wage buckets. To the user, this assumption means that you don’t see what wage is going to hit boxes



1, 3, and 5 until you print the W-2 and the standard OSAS software adds these special amounts into the wage. I have no idea why they make this assumption, because it is in your best interest to already have these wages in the taxable wage buckets. And the way you get them in there is by: entering earnings using a special earnings code that has been defined as a fringe, NOT included in net pay, and having the appropriate settings under the withholdings screen so the pay hits the appropriate taxable wage spots. The reason you would want to do it this way, is because FICA wages and Medicare wages have some tax that should be taken out. Using this fringe earnings code set to NOT be included in net pay means that the earnings hit the taxable wage boxes, and the appropriate FICA and Medicare taxes are withheld, but it doesn't increase the paycheck – in fact it decreases the paycheck by the amount of the FICA and Medicare taxes.

The whole concern here is with reconciling your 4<sup>th</sup> quarter 941 report along with your W-2s and having everything hit the right boxes on the W-2. For this reason, I believe the best approach if you are effected by the above fields is:

- Do NOT use the special Employee History, Miscellaneous History fields in OSAS at all.
- Make the taxable wages correct in the payroll systems 4<sup>th</sup> quarter by entering these special amounts as wages under an appropriately configured earnings code. This will also have the necessary payroll taxes taken out. (Special hint: You can do this on the last real check of the year, or you can even do this after the last payroll of the year by entering a manual check for the effected employee(s), and entering a negative amount in the FWH taxes to cover the combined total for OAS and MED taxes. This has the effect of reducing the employees FWH taxes withheld, but increasing the OAS and MED taxes – only do this if the amount of the FWH tax reduction will not threaten to put the employee into an under-withheld penalty situation with the IRS using the 90% rule. With this “magic” solution, you may need to make another tax deposit if the employer side of the OAS and MED taxes are significant. You now will have adjusted figures for your 4<sup>th</sup> quarter 941.)
- After you extract the employee data for W-2s, manually edit the effected employees W-2 data to plug the information into the appropriate special boxes – the correct taxable wages should already be in boxes 1, 3, and 5.

The above is just one idea to deal with this situation caused by the design in OSAS. You may have already discovered a method that works for you. The bottom line with this W-2 software is:

**You do the extract.**  
**You proof your data.**  
**You edit any changes that are necessary.**  
**You are responsible for the final figures.**

## Section 4: Extract Employee Information

NOTE: Always make sure you are in the desired payroll year, by using the F9 key at the menu to select either the CURRENT year or LAST year data files for payroll. This is the only W-2 function that required you to be sure to be in the correct payroll year by using the F9. By using the F9, you are controlling where the wages will be pulled from for W-2 reporting. You select the destination W-2 data file when you come into the W-2 program. The system cannot tell if you make a mistake here, so be careful. Typically you will be extracting from LAST YEAR data, and you should be sure to choose the correct year number for the W-2 data that corresponds to LAST YEAR.

You will get an error if you come into this program before you perform the Extract of the **Employer** information. Always extract the Employer information first each year.

It will not do any harm if you come into this program and see on the screen that the year is wrong. Immediately exit back to the menu and fix the situation with the F9 or change the selection for the W-2 year by going to the Extract/Edit Employer Information function. If you run the extract and the year is wrong, you may be combining data from two different years into one file and there is no way to undo it except to reset the data file and perform the extract(s) all over again.

It is also important for the correct FICA wage limits to be set in the FICA table before you perform the extract. These wage limits put a cap on what is reported as social security wages. Go to File Maintenance > **Tax Tables** and double check the FICA table. This table has a place for the FICA wage limit, the Medicare wage limit (all 9s), and DCB limit. For tax year 2007, the FICA wage limit is 97500, and the DCB limit is 5000. The FICA wage limit can be expected to change each January for the new year so make sure the tax table for the year you are extracting is set correctly.

Some users make the mistake of updating the tax tables prior to performing year-end maintenance in Payroll. It is nice to get a jump on things, but this is something you do not want to do. The tax tables are saved as they are for the prior year when you do the year-end maintenance. If you change them prior to the maintenance, then last year's tax tables will be wrong and the FICA limit may be wrong. Check the FICA table now just to be sure.

```
*----- Extract Employee Information -----*
|
|          Company ID H
|
|      Pick Employee ID From
|              Thru
|
|      The year is set to: 2007
|      The W-2 data file has  0 records.
|
*-----*
*- Company H ----- Inquiry -----*
```

The employee extract program is at the heart of the W-2 process. This program goes into the selected company's payroll files and extracts the relevant data. It places the employee records in the W2EEyyyy.xxx for the current company. While the data ends up in a data file for the current company, the original company ID is part of each record. If you have used the same employee ID in more than one company, the system will still keep them separate as the original company ID becomes part of the ID used in the W-2 data file. The program will only allow access to the

selected company if your current access code allows access to the W-2 program for that company. Remember, once data is extracted and brought over, it will become part of the W-2 data in this company for this year. For this reason, you may want to have a special access code for the W-2 menu in all companies or always process and extract the W-2 data from the most secure company.

When you start this program, if there are already employee records in the data file, you will be given the option of erasing all the data and starting over. If you say YES to erase the data, all employee records in this W-2 file will be erased. If you say NO, then the extract will add or replace records in the current file. If you extract information twice for the same employee, the system will replace the record for that employee with the most recent data – it will NOT double the data or create two records. **If you extract an employee a second time, you will loose any manual edits you had done to the original W-2 record.**

If you say YES to erase the existing data during the employee extract, this only resets the special W-2 data file. It does NOT affect any of the ‘normal’ payroll data files. In short, saying YES to erasing the existing data gives you a clean slate to start the W-2 process over. It will never harm payroll master file data or history data.

By running the extract successive times, you can extract employee data from different companies and combine it all into one W-2 work file for a given year. This will allow you to print all W-2s in one group, and submit one disk file to SSA. Important note:

**You should only combine companies that use the same name and Federal Employer ID Number!**

The number of records in the file displayed on the screen is roughly twice the number of employees (assuming each has one federal record and one state record). Do not put too much significance in this number; it is there only to give you an idea of how much data is already in the file.

While this is the most complex program function in the W-2 system, it isn't hard to run for the user. Select your range and PgDn. You're almost ready to proof.

## Section 5: Edit Employee Information

The edit screen allows you to select the employee to edit:

Company ID:

Employee ID:

When you are in the employee ID field, you may use the F2 key to access an inquiry window. This window shows the employees who are in the W-2 file (NOT necessarily the employees in the payroll system). Employee IDs in the W-2 data file have all been converted to UPPER case. (Note that this inquiry window has two alternate sorts: by N for name, or S for social security number.)

In the best of worlds, if your OSAS payroll system is configured properly, the extract will identify all critical pieces of information and place them in the appropriate places. With over sixty potential pieces of information this can be a challenge. This edit feature allows you to “fix” any reporting situations easily. Remember, however, that if you edit data here in the W-2 file, you may also need to adjust company 941 information manually as well. For this reason, it is always best to try to fix situations in payroll directly, and then re-run the extract for the effected employee(s). Refer to the extract rules above under the section: How the payroll data relates to W-2 reporting, in order to more fully understand how each piece of data hits the W-2 record.

```
*----- Edit Employee Federal Record -----*
|
|                                     Year 2007
|
*-----*
| Description                          Data
| Wages, Tips, Box 1                   28969.05
| Fed Income Tax Box 2                   5624.45
| Soc Sec Wages Box 3                   30883.82
| Soc Sec Tax Box 4                     1914.80
| Med Wages Box 5                       30883.82
| Med Tax W/H Box 6                      447.82
| Soc Sec Tips Box 7                     0.00
| Allocated Tips Box 8                   0.00
| Adv EIC Box 9                          0.00
| Depend Care Box 10                     0.00
| 457 Plan Box 11                        0.00
| Non-457 Plan Box 11                    0.00
| Box 12 Code A                          0.00
| Box 12 Code B                          0.00
|
|                                     Line (018 of 070)
|
*-----*
|                                     Enter = edit, Next, Goto
|
*- Company H -----*
```

**NOTE: Don't forget you can use the <Arrow-Down> or <PgDn> keys on this screen to see all the data for an employee! There are over 60 fields here!**

If the employee has state and/or local income taxes, then when you press N for next, the program will cycle through any state or local information found for this employee. There are only three pieces of information that pertain to state or local reporting:

State/Local ID

Wages

Taxes

The program will not allow you to edit the ID, but you can adjust the wage or tax amounts. If you need to add a state or local record for an employee, set up the state under the employee's tax

information screen, File Maintenance > Employees. Then edit the history, File Maintenance > Employee History, and add the state information (wages and taxes) on the state screen. After fixing the employee's payroll records, re-run the extract for that employee to pull the data over to the W-2 data.

Remember that each employee federal W-2 record has over 60 fields of information. When the screen shows the federal record and you see the employee name and address near the top of the screen, be aware that you can scroll down the screen and access the other data fields very easily.

## Section 6: W-2 Proof Reports

The proof reports allow you to quickly and easily reconcile your W-2 data with the original payroll data. There are five reports to choose from:

```
*----- W-2 Proof Reports - 2007 -----*
|
|          Pick Company ID  From
|                          Thru
|          Key From
|                          Thru
|
|  Report:
|  1. Name & Address
|  2. Fed Wages & Taxes
|  3. Fed Misc
|  4. State & Local
|  5. Box 12
|
|  Print by:
|  1. Company & ID
|  2. Soc Sec Num
|  3. Last Name
|
*-----*
*- Company H ----- Inquiry -----*
```

The pick screen allows you to select a company range and key range. The key range relates to what you intend to select as the PRINT BY. For flexibility purposes, the key range is used slightly different from standard OSAS as described below.

If the print by is 1 Company & ID, then the key range can be employee ids from and thru. If the print by is 2 Social Security Number, then the key range is social security number. If the print by is 3 Last Name, then the key range is last name. In a slight twist, if the key THRU is partially filled-in, then the remaining relevant characters of the key are filled with a logic high equivalent of a Z. This means that a From and Thru of B to B will yield ALL the keys that start with B, not just the single key that is equal to B. It would be equivalent to entering B thru BZZZZZ except that you don't need to enter all the Zs.

**Names and Addresses** Gives you a quick way to see if any address information is missing or incorrect.

**Federal Wages and Taxes** Gives you a quick way to proof the totals that will go in boxes 1 – 6 of the W-2s. These are the main wages and taxes for each employee and should tie-out with your payroll reports and combined totals reported on the quarterly 941 reports for the year.

**Federal Misc** Gives you a quick way to proof any employees who are affected by Tips, Adv EIC, DCB, and Nonqualified plans (boxes 7-11). Also, the 3 check boxes for the W-2 are included - Statutory Employee, Retirement Plan, Third party sick pay. Only the effected employees print on the report so it is easy to proof.

**State and Local** Gives you an advance look at what the bottom lines on the W-2 for state reporting would look like with the wages and taxes included. **This is the ONLY proof for state and local wages.**

**Box 12** Perhaps box 12 is the most difficult box on the W-2. This report shows who has data that is going to hit box 12. Refer to the IRS documentation on preparing W-2s about box 12 for a list of what each code represents.

## Section 7: One-Wide, Two-Wide, or Laser Forms

W-2s are printed in alphabetical order by last name. You can select to print a single company or all companies by leaving the single company ID blank. You can also select a range of employees by last name, or a range of states and/or local codes.

You also have the ability to micro-adjust the laser form alignment. See the last section in this documentation for instructions on how to create the LASERW2 table.

```
*----- One-Wide Tractor or Laser Forms - 2007 -----*
|
|      Pick   Company ID
|
|           Last Name From
|                Thru
|           State   From
|                Thru
|           Local   From
|                Thru
|
|           Is this a laser printer? YES
|
|           Print Alignment Form?
|
|-----*
|*- Company 1 ----- Quick ----- Verify --*
```

You may print the forms as many times as needed. Some companies like to print them once on plan paper for proofing. At the very least you should print a few employees as tests on plan paper, and look for:

- Are your company name, address and Employer Identification Number correct?
- Is Employer's state ID number correct for each state?
- Is the alignment going to work? (Hold it up in the light with the actual form. Create or edit the LASERW2 table to make adjustments if you are using a direct connect printer.)

The employer information is found in the Employer record and should be double-check prior to printing the forms. (Nothing much worse than printing all the forms only to discover the employer Ids are missing from all the forms.)

Have you reconciled all of your figures prior to printing the forms? You should have proof totals already in hand prior to printing the forms.

For those who have done this for a while, you will be pleased with where we are today in this process. A few years ago, the SSA eliminated the need for the subtotal W-2 (remember every 42<sup>nd</sup> form needed to be a subtotal). Now with easy internet uploading of your W2REPORT file, you can send the data directly to the SSA with no need for printing the Copy A Federal Copy (the red ink form). Add to that the fact that you get a later filing date if you send it over the internet (check SSA for details); this process is truly getting better. With most states also accepting the disk file for reporting purposes, you have fewer copies of the forms to print.

One significant benefit of reporting to the SSA with the EFW2 format (electronic submission over the internet) is that you do not need to print as many forms. You eliminate the need to have a federal Copy A form. You can easily reprint a selected employee's W-2 and you no longer need to worry about the "buddy" W-2 that was with it on the Copy A.

## **Everyone should report to SSA on EFW2 format!**

Perhaps that's a little strong, but why not? It really makes everything easier. Also, don't be in a hurry to send in your federal and state reports. As employees take their forms to tax-preparers, sometimes issues or the need for corrections are discovered. If you wait till closer to the deadline for filing with the government, you can edit and reprint individual employee W-2s and not have to make a correction using form W-2c since you haven't sent anything in to the feds yet.

After you select your printer, if you are using the One-Wide Tractor or Laser form menu option, you may be asked: **Is this a laser printer? YES**

This question will NOT appear if you are using a Windows sysprint printer such as LPL or PSL. It will appear if you are using a direct connect printer such as one defined as connected to your LPT1 port. Since the tractor and laser versions are identical in layout, and you use the same menu option to print them, the system wants to know which you are using. If you say YES (the default answer), then the program will attempt to program your laser printer directly with the correct margin settings for this form. If you say NO, the program will not send any special margin commands and will use the settings in the printer. If you are using tractor feed forms on a dot matrix printer, you should say NO.

You will be asked: **Print Alignment Form?**

You only have to print an alignment form if you want to. You can do as many alignment tests as you like.

After the W-2s are printed, you will be asked: **Print Total W-2?**

This again is your choice. If you just completed the main run, you will want to print the totals. If you just printed one or two forms, you may want to skip the totals so as not to waste forms.

New in 2004 was the option to print using a 4-Up Condensed Laser form. An example of this form would be form number 82635 from Deluxe or form 82646 as part of a set of forms. Forms employers submit to the federal or state governments must be the traditional 1-wide format for scanning purposes, however, the 4-up format can be used for the employee copies that are attached to income tax forms. This provides a very nice option. The majority of states (but not all) only require 3 or 4 copies for the employee. This new format fits ALL the employee copies on one page! You only have to print once! This is only available for laser printers.

In general, for speed, quality of print, and hands free operation – a laser version of the forms is the way to go. When you use the 1-wide laser printer you will put all of one copy of the W-2 forms in the printer and print all the employees. Then you will put the next copy of the W-2 form in the printer and come back into the program and print the same employees again. You will continue until all the copies of the forms are printed. While this means coming into the program and making several printing passes, it moves fast on a laser printer and you don't need to baby-sit the forms. One job you will end up with is collating the stacks of W-2 forms and putting the 3 or more copies that go to the employee together. (Why not use the 4-up forms?)

A high-quality dot-matrix printer is still a suitable choice for many companies. The Two-Wide tractor feed forms require that you have your printer configured for 140 SPCOLS. You can change this setting in the Resource Manager > Workstation Configuration > Devices. Go into the program, accept the backup file name, and say YES to overwrite the existing backup file. When the configuration file is displaced, move down to the alias line that defines your dot-matrix



printer. Change the SPCOLS to 140. **The Two-Wide tractor forms will no longer be supported in future releases of this program – please switch to laser.**

### **Laser printer alignment**

In this version of the program, the laser printer alignment and printing of W-2s is easier. You may simply test print on plan paper a few forms just to see how they look. You may be already to go without having to make any adjustments to your printer configuration. Generally you should only need to go into the Resource Manager and edit your printer definitions if you intend to use a Windows SYSPRINT printer. With the new LASERW2 table (see last section of this document) you can very easily micro-adjust direct connect printers (non-SYSPRINT printers).

Printer configuration is very much a site-by-site configuration issue. If you intend to use a SYSPRINT printer, your printer definitions for OSAS are modified from the Resource Manager > Workstation Configuration > Devices menu. When you come into this option, the system will show you the name for a configuration backup file. If this is your first time trying to change the file, then you should press <enter> to accept the default file name. If you are experimenting, and this is the second or more time you are coming into the configuration file, then I would use an extension on the end of the file like .try instead of .bak so you don't overwrite the last good backup file. In either case, the next prompt may say that the backup file already exists, do you want to erase it? Say Yes to overwrite the previous configuration file backup.

With this option you can add or change printers. You will see an alias line in this file for each of your printers. Find the alias line for the printer you intend to use for printing W-2s, or create a printer definition specifically for printing W-2s. While pointing to the line with the > press <enter> to edit the line. In the window that appears, do not change any of the information in the top box on the screen, simply press <enter> to accept what is already there. If you get a message that the device is not available, ignore it by pressing <enter>. In the main box on the screen you will see the settings for this printer. On laser printers, if you are using a SYSPRINT device, you can set the lines per page and the left margin. These are the two settings that usually have an effect on your alignment. Make note of what the standard settings are before you change them. For the 1-wide laser forms, 63 lines per page, and a top margin of .69 are good starting points. For the 4-up laser forms and a SYSPRINT printer, 84 lines per page, and a top margin of .75 is a good starting point.

If during your test printing you see that the whole form needs to be moved down, then increase the TOP margin. If it already is too low, decrease it. Valid settings usually range from .5 to .85 for the top margin. If the top lines for the top W-2 on the page look good (then your top margin is good), but by the time it prints the bottom W-2, the lower lines are drifting out of alignment, creeping up or down, then the number of lines per page is wrong. Valid settings are usually from 63 to 66 lines for the 1-wide forms, or 83 to 86 lines for the 4-up forms. You should be able to experiment with these settings to get the printing looking very good on all forms.

Remember, you can print as many times as you like, and you can print on plain paper and hold it up to the actual forms to test the alignment without using any actual forms. If you plan on mailing any forms, you will also want to test the alignment of the printed form after it is placed in the envelope. This may effect your alignment decisions.

## Section 8: Create MMREF-1 Disk File W2REPORT

(Note: For TY2007, the SSA has renamed MMREF-1 and is now referring to it as EFW2. This represents only a name change from the MMREF-1 format from 2006. This menu item still has the old name, but it works fine for submitting your file for 2007.)

Using a disk file for reporting to the SSA and state governments is the preferred method for reporting year-end W-2 information. This program creates the standard EFW2 file format described in the SSA information booklet. Check with any state governments you report to in order to confirm their acceptance of this format (see the notes at the end of this section about the optional state RS records).

The two end goals of this W-2 preparation software are:

- To print the W-2 forms (described earlier)
- To create the EFW2 file (described here)

Once the W2REPORT file is created where you want it, you can do anything you like with the file. Move it, rename it, zip it, place it on a floppy, etc. This is an important file. It is also a text file that can be viewed and read by a word processor. Be careful where you put this file so you do not accidentally allow access to the information by persons who should not see the data. While you could view this file, you should never edit this file with a word processor.

Normally there will be a span of at least a few weeks that elapse between when you print the W-2 forms and when you create the disk file. It is strongly recommended that you wait to send the EFW2 file to the government until close to the deadline (this gives you flexibility in making easy corrections right up to the last minute). This program creates a disk file of the name W2REPORT in the location path selected by the operator. You may run this program as many times as you wish.

```
*----- Create MMREF-1 Disk File W2REPORT - 2007 -----*
|
|
|      Reporting Year  2007
|      FEIN           77-7777777  (if incorrect, edit Employer info)
|      PIN            1234567
|
|      State Selection                (leave blank for ALL)
|
|      Output Path   0:\OSAS6\data
|
|-----*
|
|*- Company H -----*
```

Make sure the correct year, FEIN, and PIN are displayed on the screen. This information is taken from the Submitter, and Employer records in the employer W-2 file. You may get a message when you come into this program indicating that some information is missing back in the submitter or employer records. If you get a message indicating missing data, go back to the Extract/Edit Employer Information function and enter the appropriate data, then come back here and proceed. **YOU MUST HAVE A PIN NUMBER TO PROCEED.**

**State Selection** If you are creating the file to send to the SSA, you should leave the state

selection field blank. This will include ALL employees from the employee W-2 data file in the report file. If you are creating a file to send to a particular state, then you may enter that single state. In this case, the resulting W2REPORT file will only contain employees who have wages and taxes withheld for that state. (The totals you get should reflect the difference.)

**Output Path** You may select the output path for the W2REPORT file. Do not include the name of the file. Only enter the location where you want the file to be placed. You may use any location, but be sure to keep track of where you are putting your file. It is generally a good idea to place the file in your normal OSAS data directory or on a floppy. By placing the file there, you will know where to find it, the file inherits any security or access protection you have assigned through the operating system to that folder, and the file will be backed up with your normal system backup (if it is on your server). A floppy disk can hold a W2REPORT file with approximately 1350 employees.

If a copy of the W2REPORT file already exists in the path, a prompt appears:

**W2REPORT file already exists. Do you wish to erase it?**

If you are surprised by this prompt and don't know how the file got there, use the retrieve function described in the following section to find out what is in the file. If you know the file is one you wish to replace, simply say YES and the program will erase the existing file and replace it with the new one you are creating.

You will also be asked for a printer output selection. When you create the file, the program will print a one-page report that includes key amount totals for the data included in the file. Use these totals to confirm that you have on the disk exactly what you expected.

The SSA provides a very nice FREE program for checking your W2REPORT file. This program can be downloaded from the SSA website at: <http://www.ssa.gov/employer/accuwage/>

It is highly recommended that you use this program to test your file. It will identify many problems that would cause your file to be returned by the SSA. It also allows you to view every record in the file. In the past, the creation of the file and sending it in the mail was a bit of a "black box" procedure for the average user. The user always hoped they were doing it right, but it wasn't always easy to tell if you had on the disk what you expected. With the Accuwage program from SSA, and the retrieve program in this system, you can know for sure what is in the file that you are sending. With the ability to send this file directly to SSA over the Internet, you will also learn of any problems within a few weeks instead of several months.

**ALWAYS KEEP A COPY OF THE DISK FILE FOR YOUR OWN RECORDS!**

### **Optional RS State Records**

Most states at this time accept the EFW2 file format, although some require you to mail them the diskette instead of sending the file over the Internet. Check with your state for details on electronic file reporting. This program includes the optional RS records needed for state reporting. There is a loose standard for what is required in the RS records.

This program fills in the RS records as follows:

Positions	1-2	RS (constant)
	3-4	<u>Numeric</u> state code for the state being reported
	10-18	Employee SSN

19-194	Employee's name and address (from the federal record)
248-267	State Employer Account Number
274-275	Numeric state code (same as positions 3-4)
276-286	State Taxable Wages
287-297	State Income Tax Withheld

All other positions are blank or zero.

With the above RS format, most states should accept the file. If in doubt, check with your state for details.

For 2007, the SSA has added a new optional state record 'RV'. At this time there are no standards for putting data in these records so this system does not create any 'RV' records in the data file.

### **Zippping your file**

While the SSA will accept zipped files, for the vast majority of compaies I recommend simply sending the W2REPORT file as it created by this program. Pkzip, and Winzip are examples of compression software that significantly reduce the size of files. This can be useful for transmitting files over the Internet and for storage purposes. Smaller files move faster and take up less room.

If you are not familiar with zipping, then skip the zip and just send the normal file.

If you are comfortable with zipping, then you can zip your file as desired. If you will be sending your file to the SSA via the Internet, then the file name can be any name you wish. This is particularly useful for saving files from year to year. It gets confusing if every year the file name remains W2REPORT. So you can be creative in renaming your file to a useful name, perhaps one with the year included in the name. Remember, if you ever need to, you can always rename the creative name back to the standard name as needed for checking or sending to the state.

As of this writing, most states still are looking for the magic W2REPORT file name. So for state reporting you are safest to still use the standard name.

## Section 9: Retrieve W2REPORT File Totals

The retrieve program is provided as a convenient way for the user to check a given W2REPORT file in order to confirm what data it contains. You have one input for this program:

**W2REPORT Path** \_\_\_\_\_

You enter the location path for the file, and the system will check that file. The file must have the name W2REPORT, and it must NOT be compressed. The program will print a one-page report giving you important proof totals from the file.

This is a fast and convenient way to check what report totals are in the file. It is recommended that you also use the free Accuwage program supplied by the SSA at:

<http://www.ssa.gov/employer/accuwage/>

The Accuwage program provides more detailed testing of the file, and allows you to visually scroll through the file and look at your data. (But you cannot edit the data with accuwage.)

Remember you can run all of the W-2 functions as many times as you like. If you use the SSA's Accuwage program to scan your disk file, and discover for example that you have an invalid employee name, then you could edit the employee information and then recreate the EFW2 data file.

Some of the error messages flagged by the Accuwage program are non-critical and will not result in rejection of your data file submission.

## Section 10: Technical Stuff

These notes are only for those who need to know more about what is under the hood. This is intended for OSAS programmers/resellers but not most end-users.

This W-2 system is written by Crosse-Over Designs to be compatible with all OSAS payroll data files since version v5.2. This software makes only one change to the standard OSAS system when it is installed. Upon installation, the system modifies the menu record for Periodic Processing. The standard OSAS system has a menu line that appears as:

```
> 10   W-2 Forms                                3   PAPRW2
```

This line is replaced with a line that appears as:

```
> 10   W-2 Forms                                2  PAXW2
```

When you choose W-2 Forms in standard OSAS, the program runs a program called PAPRW2. With these modifications, it loads a menu called PAXW2. Installation will likely place the W2 Forms menu item at the bottom of Periodic Processing. You may wish to use the Resource Manager to move it where you like it.

On installation, the PAXW2 menu record is merged into the PAMN payroll menu file, and the PAXW2EDE custom inquiry windows are merged into the PAWIND file.

The definitions for the fields in each record displayed for editing purposes are contained in a text file named: PAXW2DEF.TXT. This file should not need to be changed. Each line defines a field, what type of variable it is, its length, and the description to display next to the field. Each field in this file is separated with a <TAB>. Comments start with a semi-colon.

The available types are: C for character, N for numeric, and 2 for dollar amounts with 2 decimal places.

If the length is negative, then the field is protected and will not allow editing.

The system creates two W2 work files:

```
W2ERyyy.yyy   for the two employer records (submitter and employer)
W2EEyyy.yyy   for the employee records
```

These files are created as needed. So if you need to reset a system for any reason, you can manually erase these files (or rename them) and the system will recreate the necessary files on the fly.

The same program files work in all versions from v5.2 to v7.0 of OSAS. The provided installation media should work for all supported versions.



**Top Margin** The units are measured in  $1/720^{\text{th}}$  of an inch. So a setting of 90 will move the form down  $1/8^{\text{th}}$  of an inch. A setting of -90 will move the form up  $1/8^{\text{th}}$  of an inch. You can use any number  $\pm 720$ .

**Left Margin** The units again are measured in  $1/720^{\text{th}}$  of an inch. Again you can use the range  $\pm 720$ . A positive number will move the form more to the right, a negative number to the left.

**Line Drift Adjustment** This setting will generally fall in the range of  $\pm 10$ . A positive number will cause the lines to drift down the page while a negative number will cause the lines to creep up the page. Since the W-2 forms have a form at the top of the page and another form at the bottom of the page, you can tell when this setting needs adjustment when the bottom form doesn't line up as well as the top form. If you look closely you will see that what is happening is that each line as it prints drifts down or creeps up the page, thus resulting in the bottom form not lining up as well as the top. Each box that it prints down the page gets worse and worse on alignment so that you may be off by as much as a whole line near the bottom of the form. I would generally start with a  $\pm 2$  setting if necessary then experiment from there.

If when you change the settings you find that it does not change your print alignment, then make sure that you have created the table in the correct YEAR for payroll. Also double check that the table is defined just as outlined above.

#### **Note for SYSPRINT Printers**

For the 1-wide forms, 63 lines per page, a top margin of .69, and a blank (or zero) left margin is a good starting point.

For the 4-up condensed forms, 84 lines per page, a top margin of .75, and a blank (or zero) left margin is a good starting point.

You can also experiment with the FONT setting if you like. Courier is one possibility, maybe even Courier Bold or Lucida Console will work.