

This is a document for the payroll processing department...

PRINT PRINT PRINT AND READ CAREFULLY

NEW ADDITIONAL MEDICARE TAX REQUIRED BY THE AFFORDABLE HEALTH CARE ACT... EFFECTIVE 1-1-13... GENERAL, SETUP AND PROCESSING INFORMATION...

BACKGROUND

For years prior to 2013, every Medicare gross dollar earned by an employee (no wage limit) required Medicare tax to be withheld at the rate of 1.45%... with a matching 1.45% paid by the employer.

LEGISLATION, IRS AND OTHER INFORMATION

The Affordable Care Act establishes an additional .9% tax on Medicare gross earnings exceeding a threshold of \$250,000.00 (married couple) or \$200,000.00 (single) for payrolls starting 1-1-13... withheld from an employee only... no matching amount from an employer at this time.

Click this IRS [link](#) for FAQ information.*

Your accounting and/or legal professionals should be consulted for complete information.

If you KNOW ABSOLUTELY that you WILL NOT have at least one temp payroll employee or at least one staff payroll employee who will exceed \$200,000.00 in Medicare gross during 2013, you do not need to do anything and you can stop reading this document.

SKILMATCH STATEMENT

- 1. This new tax may affect only a minimal number of people, if any, in most temp payrolls...**
and only perhaps a few in some staff payrolls.
- 2. Programming for this new additional tax has been challenging...**
due to delayed and incomplete Federal government information. Accountants, programmers and others responsible for implementing the tax are still "in the dark" concerning many aspects of this tax.
- 3. We purposely waited until "the last minute" to determine "how" we would program for this tax...**
because we were hoping the Federal government would "reveal" all of the details about implementation by "year end". They haven't. So... there are "knowns" and "unknowns"... with more to be "revealed" by the Federal government... "later". Not exactly a basis for good programming.

a. KNOWN: The Federal government has established the tax effective 1-1-13...

The new .9% additional Medicare withholding tax on Medicare grosses exceeding \$250,000.00 for a married couple or \$200,000.00 for an individual becomes effective 1-1-13. Since an employer does not know the "spousal" income of an employee, an employer must treat every employee, for this tax, as an individual. If the combined Medicare grosses of a married couple exceeds \$250,000.00, and the tax withheld for each individual is not "enough" when Medicare grosses are combined, the "couple" must pay the additional tax on their 1040 tax return. Or, if too much tax has been withheld when Medicare grosses are combined, the "couple" can claim a credit on their 1040 tax return.

b. KNOWN: The Federal government requires employers to withhold this tax effective 1-1-13...

After an employee's Medicare gross exceeds \$200,000.00 in a calendar year, the additional tax must be withheld - but, if not withheld, must nevertheless be paid by the employer and reported for the employee as if it had been withheld.

c. UNKNOWN: The Federal government has not determined reporting...

EOQ (941) and EOY (W2) reporting is still "in the dark". Will the over-\$200,000.00 Medicare gross be reported a separate "line" or combined with below-\$200,000.00 Medicare gross? Will the additional .9% tax be reported as a separate line or combined with the base 1.45% tax? Until the government issues regulations and form changes, we don't know the details for reporting. We also do not know when this reporting information will be available... although it should be before the end of Q1 2013.

4. We have been required to "guess" about the various ways reporting might be handled...

Our initial programming to withhold this new tax is being delivered with your EOQ4 and EOY enhancements and modifications... and has been enabled for both temp and staff payrolls... for those situations where it may be needed right away in 2013. Due to the "unknowns", our initial programming has been written in a way that enables us to have flexibility and a range of options when reporting "rules and forms" for the new additional Medicare tax and the Medicare gross over \$200,000.00 are established. Our preference would have been a "more complete" design.

5. As the government "reveals more", we may or will be required to make changes to our initial "guess" programming.

6. You are "covered" for this new tax.

SKILMATCH PROGRAM LOGIC

SkilMatch is utilizing a user-designated Deduction Code to withhold the additional Medicare tax... automatically adding the calculated "deduction" to a timesheet in the "one-time deduction" area during the "Calculations" process (tax calculation) that runs just prior to checking printing.

NOTE: The "Calculations" program looks at the check date keyed during the payroll "Begin Cycle" step (and changeable in the Payroll Constant File) to determine on/off activation of this process.

Check dates before 2013 will not activate processing.

WARNING: The Begin Cycle (Constant File) check date **always** determines on/off activation of this process. **If the check date is manually changed during the "Checks" process...** when taxes are automatically calculated again just **prior** to check writing... **AND the check year is changed... additional Medicare withholding will be INCORRECT if one of the dates is before 2013 and the other date is 2013 or after.**

Your options and choices to "prepare"...

1. **WAIT** until your first employee exceeds the \$200,000.00 Medicare gross threshold to do your setup.

OR

2. Be **PROACTIVE**... set up your designated Deduction Code **NOW** to be prepared for additional Medicare tax withholding whenever it is needed... even if it is never needed.

OUR RECOMMENDATION: If you anticipate having at least **one** temp payroll employee or at least **one** staff payroll employee exceeding \$200,000.00 in Medicare gross during 2013, **choose (2) to be prepared for withholding the additional Medicare tax...** when it is needed... rather than being "surprised" (and inconvenienced) in the midst of a payroll at an unknown time in the future... which would require stopping the entire payroll process, doing your setup, then returning to the payroll.

If you choose (1)... and do nothing further at this time...

SkilMatch programming installed for EOQ4 and EOY will **NEVERTHELESS** monitor employee YTD Medicare gross earnings and will notify you when an employee exceeds \$200,000.00 Medicare gross threshold.

During "tax calculations", if any employee exceeds the Medicare gross threshold, the system (1) will generate a notification message, (2) will cancel tax calculation processing and (3) will create an informational report (PB420 if you do not "summarize and re-allocate taxes" or PB420S if you do "summarize and re-allocate taxes"). The report provides a list of any individual(s) who require(s) additional Medicare tax withholding and summarizes instructions about what you may need to do. (4) The report must be reviewed. (5) Setup for additional Medicare tax withholding must occur.

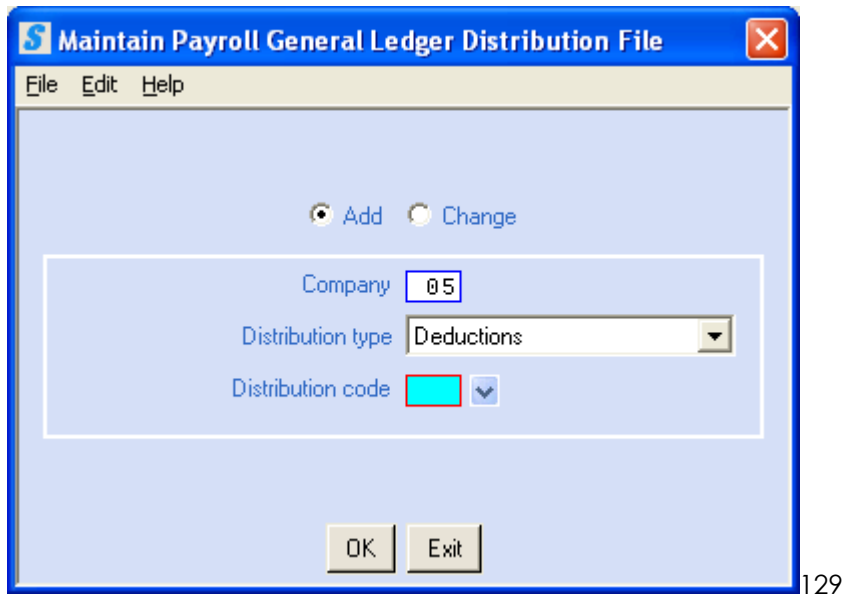
If you choose (2)... and want to do setup **NOW**, follow the additional Medicare tax setup steps on page 4.

ONE-TIME SETUP STEPS FOR WITHHOLDING ADDITIONAL MEDICARE TAX: 2 STEPS...

STEP 1. Setup Payroll G/L Distribution Deduction Code(s). The system requires a one-time setup of a Deduction Code to calculate, withhold and track the additional Medicare tax. **NOTE:** Setup per G/L company... one setup for temp and (signed on to Staff Payroll) a separate setup for staff.

Select item **Payroll GL Distributions** on the **PayBill File Maintenance** menu:

(Our online [documentation](#) provides detailed instructions for entering Payroll GL Distributions.**)



Add/Change: Select "Add".

Company: Key the appropriate company number.

Distribution type: Use the prompt and select button  to select "Deductions".

Distribution code: Choose your unique (not previously used) 2-character code.

Recommendation 1: If "M\$" is not currently used as a Deduction Code in any of your G/L companies, using "M\$" makes "sense"... (but any 2-characters not currently being used in any of your G/L companies is acceptable).

Recommendation 2: Use the same Deduction Code for temp and staff across all G/L companies.

To continue, click **[OK]**.

The screen will display:

Company 05 COMPANY USED FOR TESTING TEMPX
Distribution type Deductions (Code type "K")
Distribution code M\$

Distribution description Active Delete
G/L liability account
Use only for "EMPLOYER PAID": SS, Medicare, FUTA, SUTA, WC, Local tax and SDI
G/L expense account Use labor sub account (y/n)
State code for local tax code Use only with Local tax
Zero at end of year Yes No
Garnishment Yes No
Child support Yes No
Deduction is Pre-tax (check if yes)
Maximum deduction \$ allowed (N9.2) (Employee override is allowed)
Reimbursement (reverse sign) Yes No
Health insurance Yes No

W-2 box 14 description
W-2 box 12 code (Hover help)
W-2 box (10,12,14)

OK Close Exit SM :-)

Distribution description: A 20-character description.

Recommendation: "MEDICARE TAX .9%" (to print on check and voucher stubs).

Active/Delete: Should default to "Active" if this is for a new, never used code. Leave as "Active". (If the default is not "Active", the code has been setup for something previously, even if it is not in use now.)

G/L liability account: Key your **existing 8-digit G/L employee Medicare accrual account number...** i.e., use the **same G/L employee Medicare accrual account number** used for the standard employee Medicare tax withheld... to be sure the additional Medicare tax withheld is posted to the appropriate G/L account (along with other employee Medicare taxes withheld).

G/L expense account: Leave as 00000000.

Zero at end of year: Select "Yes".

Garnishment: Select "No".

Child support: Select "No".

Deduction is Pre-tax: Do **NOT** check.

Maximum deduction \$ allowed: Leave as blank.

NOTE: The Federal government may (likely) issue a changed Form 941 for 2013 and/or may change 2013 W-2 reporting... to reflect "rules" concerning the additional Medicare tax and/or threshold-excess wages. When SkilMatch becomes aware of these changes, we will provide additional information.

W-2 box 14 description: Leave Blank – SkilMatch program will correctly apply the withholding at EOY.

W-2 box 12 code: Leave Blank - SkilMatch program will correctly apply at EOY using code DD.

W-2 box (10,12,14): Leave Blank - SkilMatch program will correctly apply the withholding at EOY.

Reimbursement (reverse sign): Do **NOT** select "Yes" or "No".

Health insurance: Select "No".

Review to verify your keying.

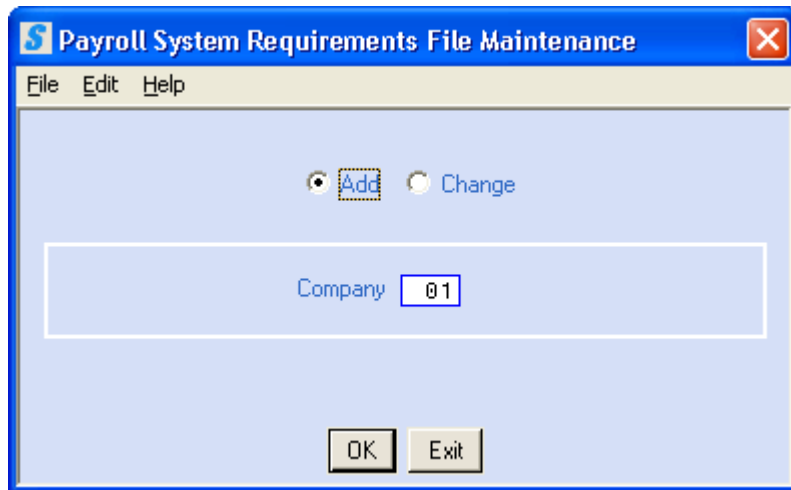
Click **[OK]** when verified.

REPEAT STEP 1... for every G/L temp company and (signed on to Staff Payroll) every G/L staff company.

STEP 2. Setup Payroll System Requirements File(s) with selected Deduction Code(s). The system needs to know the Deduction Code you have setup to be able to withhold and track the additional Medicare tax. **NOTE:** Setup per G/L company... one setup for temp and (signed on to Staff Payroll) a separate setup for staff.

Select item **Payroll System Requirements** on the **PayBill File Maintenance** menu:

(Our online [documentation](#) provides detailed instructions for entering Payroll GL Distributions.***)



Add/Change: Select "Change".

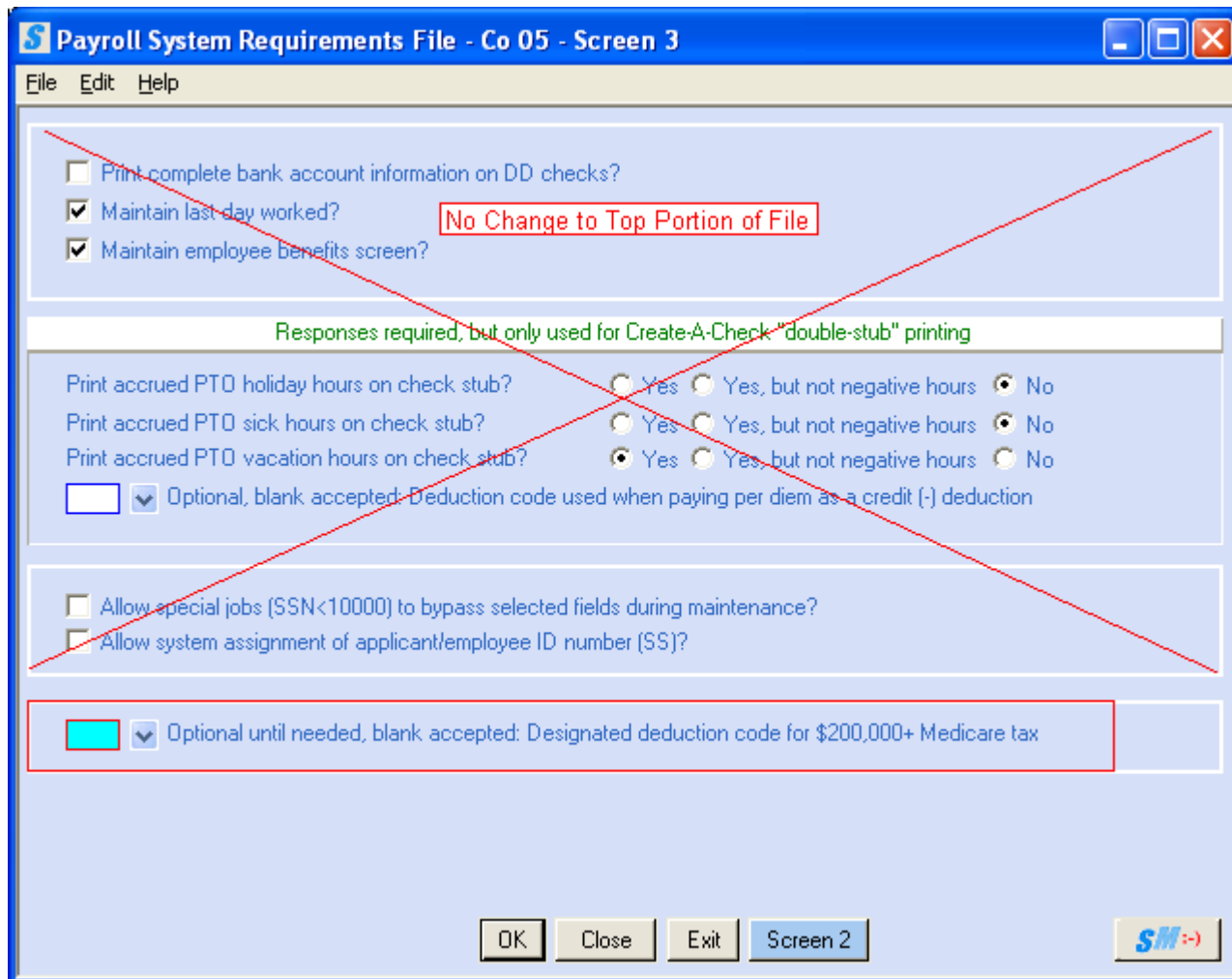
Company: Key the appropriate company number.

To continue, click **[OK]**.

"Screen 1" of the Payroll System Requirements File will display. Click **[OK]** on Screen 1, then click **[OK]** on Screen 2.


The screen will display Screen 3. (next page)

"Screen 3" of the Payroll System Requirements File:



Note the **NEW last field** on the screen...

Optional until needed, blank accepted: Designated deduction code for \$200,000+ Medicare tax:

Key the Deduction Code you created (in Step 1) for additional Medicare tax for this payroll (temp or staff) in this G/L company... or use the prompt and select button  to locate and select the Deduction Code.

When the Deduction Code has been entered, click **[OK]** to save your changes and return to the menu.

REPEAT STEP 2... for every G/L temp company and (signed on to Staff Payroll) every G/L staff company.

When you have completed Steps 1 and 2 for **ALL** temp and staff payrolls in **ALL** G/L companies, your system **has been setup** to withhold the additional Medicare tax, when required, during each payroll process (when check date used is 1-1-13 or after).

WHAT HAPPENS DURING PAYROLL PROCESSING? - IT DEPENDS... FIVE POSSIBLE SCENARIOS

NOTE: Documentation, by necessity, covers scenarios you may not encounter or have to "worry about".

IF OUR RECOMMENDED SETUP IS FOLLOWED (option 2, page 3)... the "standard" scenario, "Scenario D" (page 11), will become your "usual"... and you can **IGNORE understanding the details of Scenarios A and B and C**. Just become familiar with Scenario D... and **REVIEW** Scenario E to prevent that situation.

Scenario A: If you **HAVE NOT** setup an additional Medicare tax Deduction Code **AND HAVE NOT** setup the System Requirements File for the payroll being processed (temp or staff) in this G/L company... i.e., you chose "1. You can WAIT until your first employee exceeds the \$200,000.00 threshold to do your setup" on page 3...

The system is always monitoring for Medicare gross over \$200,000.00. **If none of your employees ever reach the \$200,000.00 threshold, NOTHING at all will change in your current payroll processing and you will never be required to setup the Deduction Code(s) or System Requirements File(s)** described in "ONE-TIME SETUP STEPS FOR WITHHOLDING ADDITIONAL MEDICARE TAX" on page 4.

Scenario B: If you **HAVE NOT** setup an additional Medicare tax Deduction Code **AND HAVE NOT** setup the System Requirements File for the payroll being processed (temp or staff) in this G/L company... i.e., you chose "1. You can WAIT until your first employee exceeds the \$200,000.00 threshold to do your setup" on page 3...

The system is always monitoring for Medicare gross over \$200,000.00. **When the first employee reaches the \$200,000.00 threshold during tax calculation, your payroll system...**

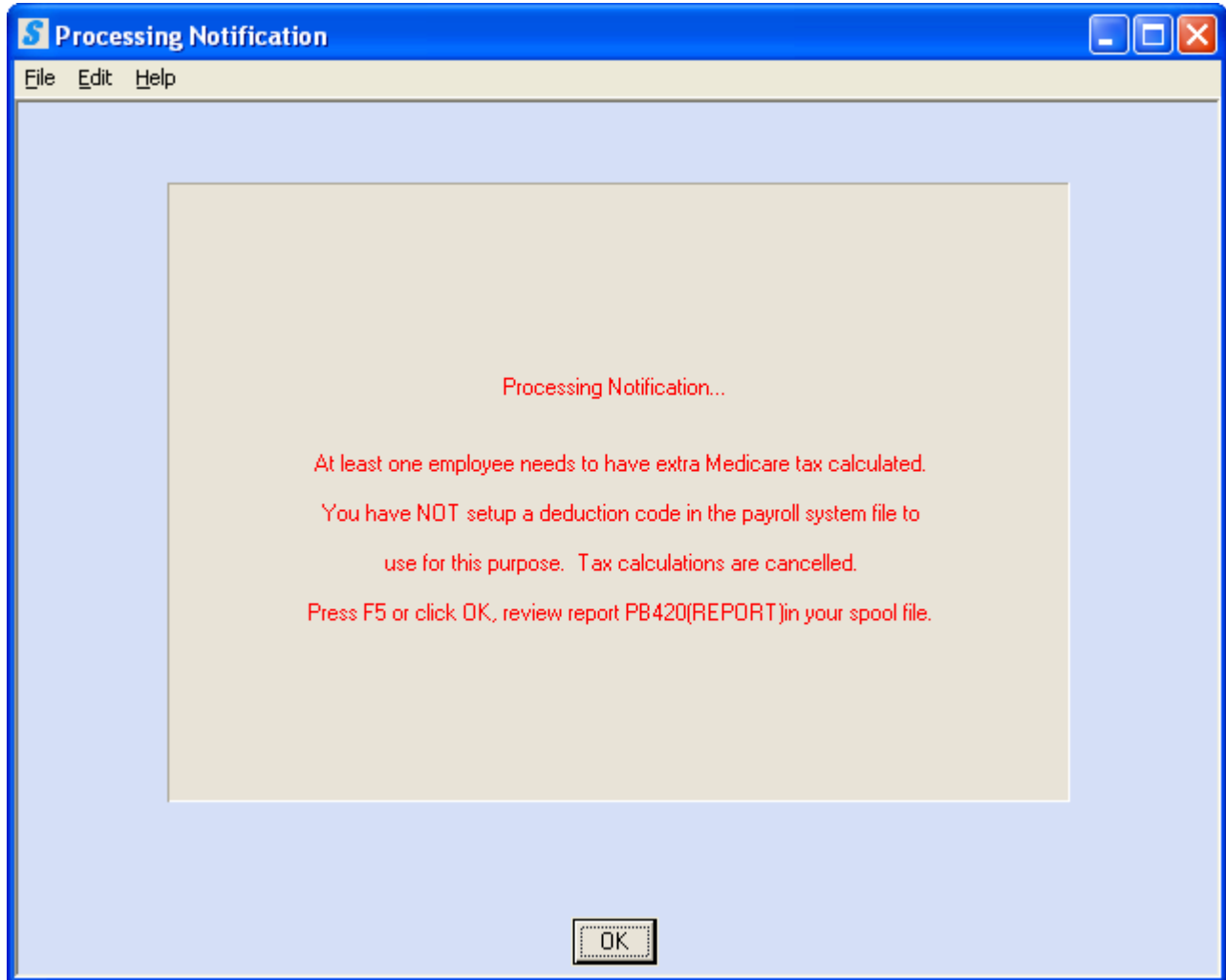
- (1) will generate an error screen** [see sample "Scenario B" screen display on the next page] and
- (2) will cancel tax calculation processing and**
- (3) will create an informational report:** PB420 (if you do not "summarize and re-allocate taxes") or PB420S (if you do "summarize and re-allocate taxes"). The report will provide a list of any individual(s) who require(s) additional Medicare tax withholding and will provide summarized instructions. See sample PB420(S) report on page 18.

What you must do to proceed: One-time setup for additional Medicare tax withholding needs to be completed... using the 2-step process described in "ONE-TIME SETUP STEPS FOR WITHHOLDING ADDITIONAL MEDICARE TAX" on page 4.

After you setup the Deduction Code and add the code to the System Requirements File...

You can return to payroll processing to re-calculate taxes. **NOTE:** Your processing situation now **CHANGES** to "Scenario D"... the "standard" procedure.

"Scenario B" screen sample: To continue, click **[OK]** and follow the instructions on the previous page.



Scenario C: If you **HAVE** setup an additional Medicare tax Deduction Code **AND HAVE** setup the System Requirements File for the payroll being processed (temp or staff) in this G/L company... i.e., you chose "2. You can choose to be PROACTIVE... setting up your designated Deduction Code NOW to prepare for additional Medicare tax withholding when it is needed... even if it is never needed" on page 3...

The system is monitoring for Medicare gross over \$200,000.00. **If none of your employees ever reach the \$200,000.00 threshold, NOTHING at all will change in your current payroll processing even though you setup the Deduction Code(s) or System Requirements File(s) described in "ONE-TIME SETUP STEPS FOR WITHHOLDING ADDITIONAL MEDICARE TAX" on page 4.**

Scenario D (the "standard" scenario): If you HAVE setup an additional Medicare tax Deduction Code AND HAVE setup the System Requirements File for the payroll being processed (temp or staff) in this G/L company... i.e., you chose "2. You can choose to be PROACTIVE... setting up your designated Deduction Code NOW to prepare for additional Medicare tax withholding when it is needed... even if it is never needed " on page 3... **or** you did your setup because "Scenario B" occurred...

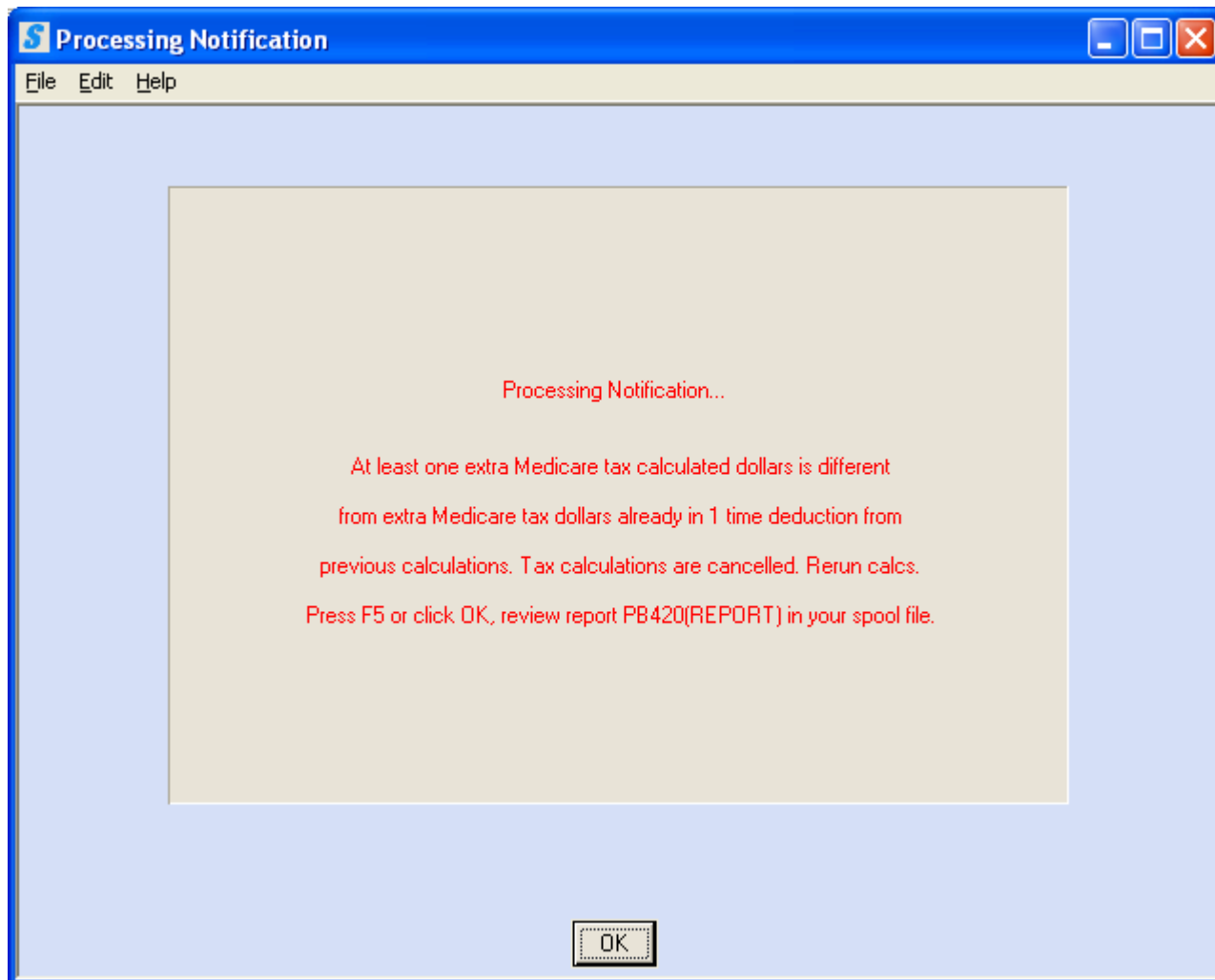
The system is monitoring for Medicare gross over \$200,000.00. **When the first employee reaches the \$200,000.00 threshold during tax calculation, your payroll system...**

- (1) will automatically calculate additional Medicare tax and**
- (2) will withhold it by adding a "deduction" to the "one-time" deduction area of the employee's timesheet using the Deduction Code you have setup in the System Requirements File and**
- (3) will cancel tax calculation processing and**
- (4) will generate a notification screen** [see sample " **Scenario D** " screen displayed... **with notes...** on following page 12... **and**
- (5) will create an informational report:** PB420 (if you do not "summarize and re-allocate taxes") or PB420S (if you do "summarize and re-allocate taxes"). The report will provide a list of any individual(s) who needed additional Medicare tax withholding. See sample PB420(S) report on page 18.

This "Scenario D" is the "standard" scenario: Once an employee has reached the Medicare gross threshold in a year and has had additional Medicare tax withheld, all additional Medicare gross wages earned by that employee in the year will be required to have additional Medicare tax withheld...

SO... once any employee (or employees) have had additional Medicare tax withheld... as long as the employee (or employees) continue to be paid during the year... for **EVERY** following payroll in the year you will go through "Scenario D" and will be required to run tax calculations twice to process additional Medicare tax.

"Scenario D" screen sample:



Notes: The wording on this screen may be a little confusing. There are various reasons why the system displays this screen and terminates tax calculation... **but USUALLY...**

During initial ("first pass") tax calculation the system found at least one employee who needed to have additional Medicare tax withheld. During the "first pass" of tax calculation, a deduction in the "one-time" deduction area of the timesheet was, of course, "blank and 0". **The proper deduction has now been added** and you can look at your report to see what will be withheld for any employee who exceeded the Medicare gross threshold during the "first pass" of tax calculation. **Simply run your tax calculation again and you will not get this screen.**

HOWEVER, after this screen displayed... **IF** you add or delete a timesheet in the merged batch for any employee who, during the "first pass" tax calculation, had exceeded the Medicare gross threshold... and any timesheet changes affect the Medicare gross... when you calculate taxes again, you will receive this screen **again**... because the additional Medicare tax has to be re-calculated due to the Medicare gross change.

Scenario E: If you HAVE setup an additional Medicare tax Deduction Code AND HAVE setup the System Requirements File for the payroll being processed (temp or staff) in this G/L company... i.e., you chose "2. You can choose to be PROACTIVE... setting up your designated Deduction Code NOW to prepare for additional Medicare tax withholding when it is needed... even if it is never needed " on page 3... or you did your setup because "Scenario B" occurred...

The system is monitoring for Medicare gross over \$200,000.00. **When the first employee reaches the \$200,000.00 threshold during tax calculation, your payroll system...**

- (1) will automatically calculate additional Medicare tax and
- (2) will TRY to withhold it by adding a "deduction" to the "one-time" deduction area of the employee's timesheet... **but cannot add the one-time Medicare tax deduction because ANOTHER kind of one-time deduction is ALREADY on the time sheet... and**
- (3) will cancel tax calculation processing and
- (4) will generate a notification screen [see sample screen displayed... with notes... and steps to correct the problem... on following page 14... and
- (5) will create an informational report: PB420 (if you do not "summarize and re-allocate taxes") or PB420S (if you do "summarize and re-allocate taxes"). The report will provide a list of any individual(s) who needed additional Medicare tax withholding See sample PB420(S) report on page 18.

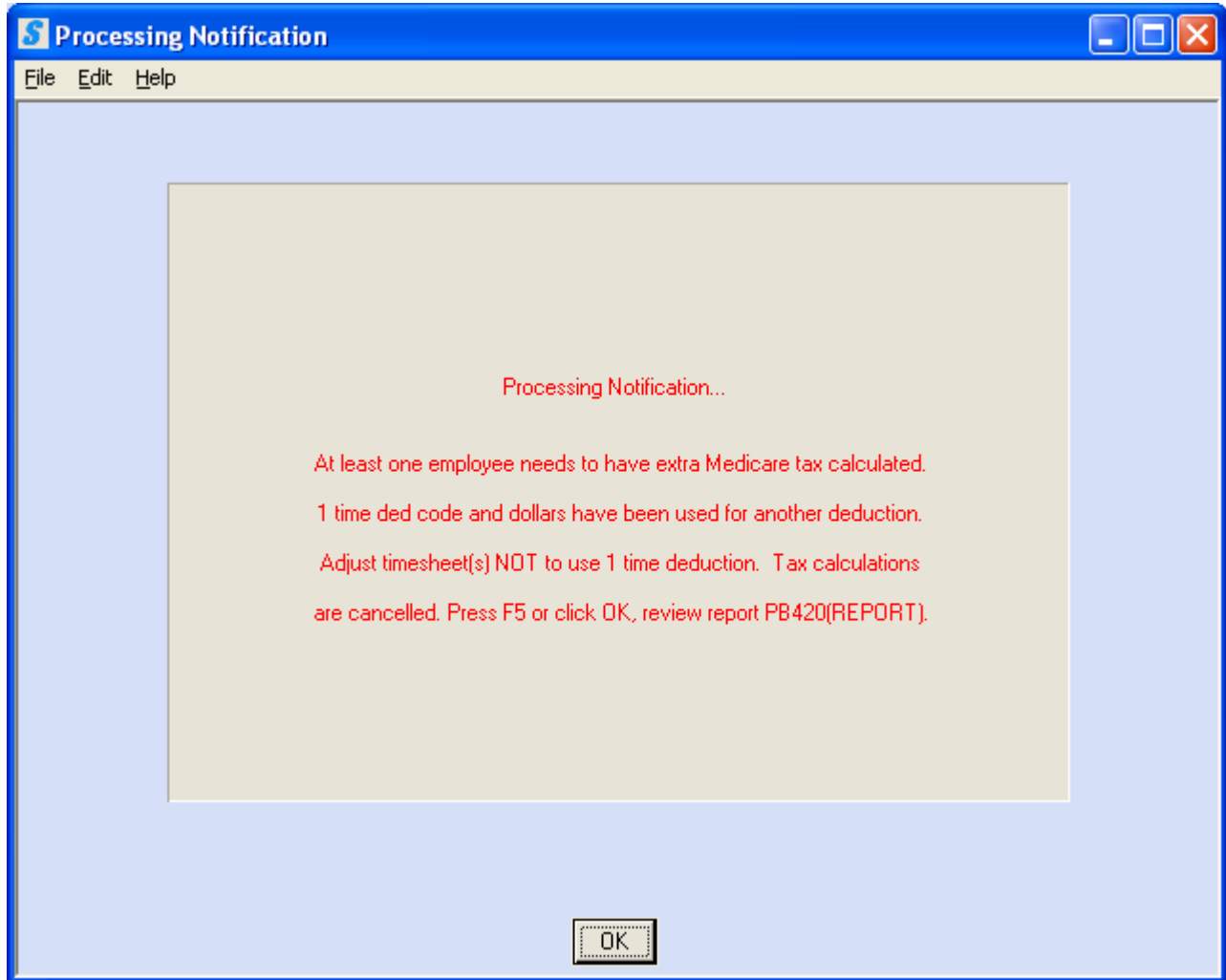
This is an inconvenient situation in the midst of payroll. To prevent this situation from ever occurring:

We recommend the "one-time deduction" area of the timesheet NOT be used for HIGHLY paid employees who are likely to reach the additional Medicare threshold... and especially NOT when the employee is approaching the threshold.

After you have processed the steps to correct the "Scenario E" problem...

You can return to payroll processing to re-calculate taxes. NOTE: Your processing situation now CHANGES to "Scenario D"... the "standard" procedure.

"Scenario E" screen sample:



Notes and steps to correct the problem:

The PB420(S) report produced shows you the employee(s) for which this message was issued.

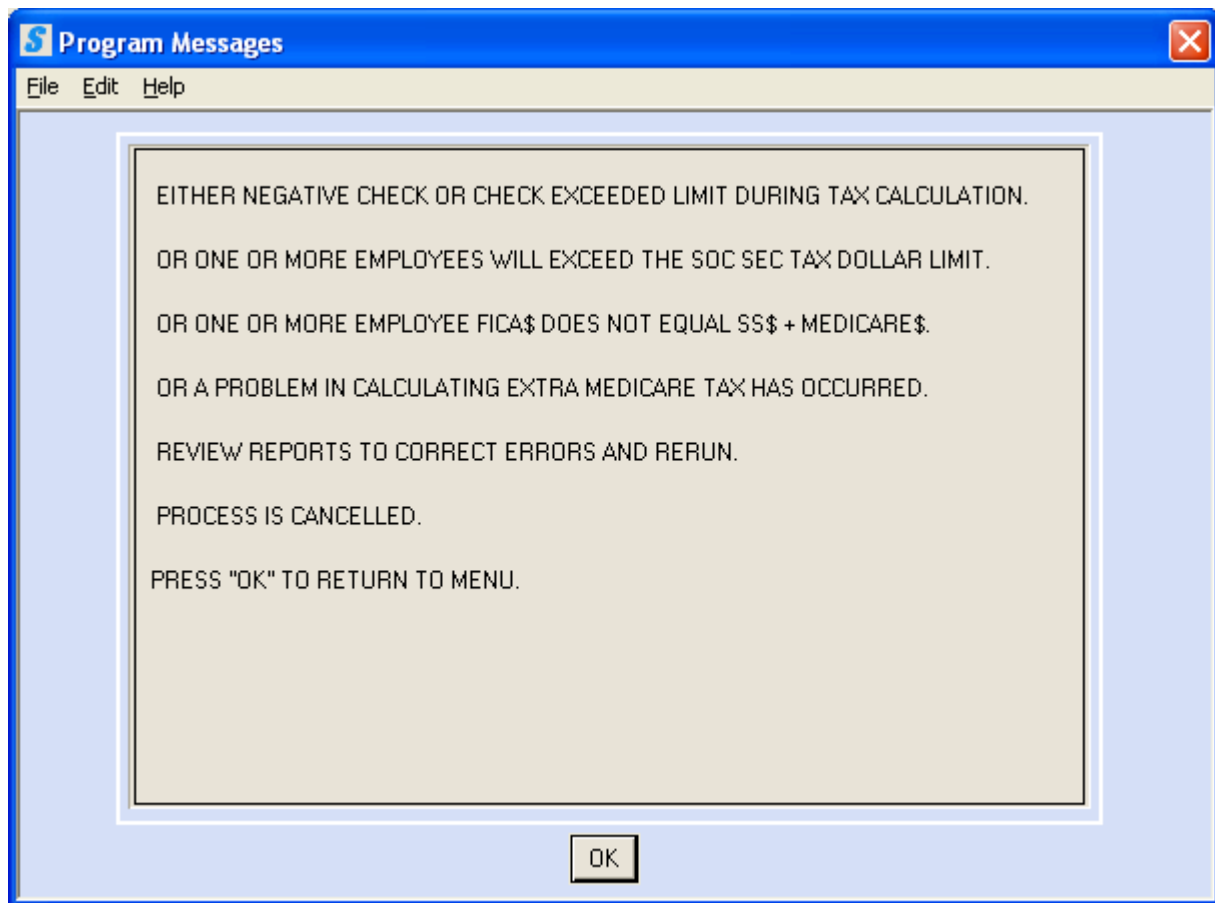
The programming for additional Medicare tax requires use of the "one-time deduction" area (Check Adjustment section, Deduction \$ and Type) on the timesheet.

This screen notification was issued because at least one timesheet has been entered using a user-keyed deduction in this area for a non-Medicare deduction. **The user-keyed deduction cannot remain.** See sample PB420(S) report on page 18: Bob Chester, ***** shows the timesheet and indicates a deduction of "\$150.00", deduction code "PD", timesheet key# 40.)

Steps to correct the "Scenario E" problem:

1. An automatic deduction for the user-keyed deduction must, instead, be setup as an automatic deduction using item **Employee Deduction** on the **PayBill File Maintenance** menu. If this is to be a one-time deduction, SkilMatch recommends, when possible, that the Employee Deduction be setup with the full amount of the deduction keyed in both the "Deduction \$ amount" and the "Maximum deduction \$ override" fields. Certain deductions may not be able to use this logic and will require "creativity" (with help from SkilMatch support).
2. The timesheet(s) that have the user-keyed deduction **must be deleted** from the merged timesheet file and a new timesheet **must be entered**, then merged, to replace the original timesheet... but **without** the user-keyed deduction. (See sample PB420(S) report on page 18, Key# 00040.)
3. Later, after you have successfully calculated taxes, review your "preliminary" payroll journal to verify that a deduction handled using the steps above, was withheld as you expected.

In addition to any of the other "Scenario" notification screens which may have been displayed for the different Medicare tax "scenario" reasons... as soon as you have clicked OK on any of those screens... you will also ALWAYS have the following screen displayed:



This screen is a general screen that displays whenever tax calculation is terminated. It lists ALL of the various reasons why tax calculation has been terminated. You should, typically, be able to "not worry about" this screen since you are already aware of the Medicare tax issue that caused tax calculation to be terminated.

NOTE: HOWEVER, the "other" reasons listed (non-Medicare problems) may also co-exist with the Medicare tax issue... and, if not corrected, will continue to exist even after you have corrected the additional Medicare tax issue.

WEEKLY (OR PERIODIC) TAX DEPOSITS

THIS IS EXTREMELY IMPORTANT.

The employee additional .9% Medicare tax which is being processed and withheld as a special "deduction" **WILL NOT BE INCLUDED** in the "TOTAL MEDICARE W/HELD" figure at the bottom of the "PAYROLL JOURNAL" produced at the end of your payroll.

If you are accustomed to "gleaning" your weekly (periodic) Federal tax deposit amount from the figures at the bottom of the PAYROLL JOURNAL... you **NOW** will also need to look at your **deduction register** to find the total additional Medicare tax deduction amount to be added to the "TOTAL MEDICARE W/HELD" amount at the bottom of the "PAYROLL JOURNAL".

OUR RECOMMENDATION: Just as you may have been looking at your "PAYROLL JOURNAL TRANSACTION REGISTER" (produced when you post the payroll to the general ledger) to find other amounts you may need, **YOU SHOULD BEGIN USING THE FIGURES** on the "PAYROLL JOURNAL TRANSACTION REGISTER" to determine your weekly (periodic) Federal deposit amount. The additional .9% Medicare tax **IS INCLUDED** in the total amount posted to your "G/L employee Medicare accrual account" because you used the same account number when you setup your Deduction Code distribution record (page 5 of this document).

SAMPLE PB420(S) REPORT

COMPANY NUMBER: 05 RUN DATE: 12/11/12 RUN TIME: 15:02:23 PB420

FIT, SS & MEDICARE TAXES CALCULATED

SOC SEC NUM	MEDICARE EXTRA TAX\$		EMPLOYEE NAME	MEDICARE YTD GRS DLRS	MEDICARE PAYROLL DLRS
444-44-4444	3.53	EXTRA MEDICARE TAX\$	CHESTER, BOB	206,500.00	391.93
***** 444-44-4444	150.00	PD 1 TM DED \$\$/CODE	CHESTER, BOB	KEY# 00040 1 TM DED CODE & \$ MUST BE REMOVED.	
444-44-4444	5.30	EXTRA MEDICARE TAX\$	CHESTER, BOB	206,500.00	588.47
111-11-1130	3.92	EXTRA MEDICARE TAX\$	DEBENDER, SUE QUINCY	188,425.22	12,010.11
	12.75	**** DED CODE TO USE FOR EXTRA MEDICARE TAX DOLLARS IS NOT SETUP IN YOUR P/R SYSTEM FILE ****			
		**** 1 TIME DED CODE IS USED WHERE EXTRA MEDICARE TAX DOLLARS IS REQUIRED ****			
		**** 1 TIME DED CODE AND DOLLARS MUST BE REMOVED FROM INDICATED TIMESHEET(S) ****			

EXTRA MEDICARE TAX OF .9% IS REQUIRED ON MEDICARE WAGES EXCEEDING \$200,000.00 FOR AN EMPLOYEE.

EXTRA MEDICARE TAX WILL BE WITHHELD THROUGH USE OF A USER SELECTED DEDUCTION CODE.

SELECT A DEDUCTION CODE TO USE FOR THIS PURPOSE. SETUP AS YOU WOULD ANY MISCELLANEOUS DEDUCTION CODE.

USE THE EMPLOYEE MEDICARE ACCRUAL ACCOUNT FOR THIS SETUP. SETUP THIS DED CODE IN YOUR PAYROLL SYSTEM FILE.

THE SYSTEM WILL CALCULATE THE EXTRA MEDICARE TAX DOLLARS AND WRITE DOLLARS AND DED CODE INTO THE

TIMESHEET(S) USING THE ONE TIME DEDUCTION CODE AND DOLLARS.

THE SYSTEM WILL USE THE DEDUCTION CODE IN THE PAYROLL SYSTEM FILE THAT YOU SETUP FOR EXTRA MEDICARE TAX DOLLARS.

FOR 3 SITUATIONS YOU WILL SEE A TERMINAL ERROR SCREEN REQUIRING ACTION.

1. YOU HAVE NOT SETUP A DEDUCTION CODE FOR THIS USE IN THE PAYROLL SYSTEM FILE.
2. A TIMESHEET REQUIRING EXTRA MEDICARE TAX DOES NOT HAVE THE ONE TIME DEDUCTION CODE & DOLLARS AVAILABLE FOR USE.
3. CALCULATION OF EXTRA MEDICARE TAX FOR AT LEAST ONE EMPLOYEE IS DIFFERENT FROM PREVIOUS TAX CALCULATION.

NO CHANGES ARE REQUIRED. RERUN TAX CALCULATIONS.

REPEAT THE TAX CALCULATIONS UNTILL NONE OF THESE ERROR MESSAGES ARE DISPLAYED.

THE EXTRA MEDICARE TAXES ON THIS REPORT WILL BE REPORTED AS MEDICARE TAX ON YOUR PAYROLL REPORTS AND TAX PAYMENTS.

THE EXTRA MEDICARE TAX ON THIS REPORT AFFECTS ONLY EMPLOYEE WITHHELD MEDICARE. EMPLOYER PAID MEDICARE IS NOT AFFECTED.

AT EOQ(MAKE THIS A STEP IN YOUR EOQ CLOSING.....)

GO TO MENU PBLIST, RUN PAYROLL DEDUCTION CODE EMPLOYEE DETAIL FOR YOUR SELECTED DED CODE.

ENTER THE BEGINNING AND ENDING WEEK ENDING PAID DATES FOR THE QUARTER YOU ARE CLOSING.

KEY NO TO REQUEST FOR EXTRA QUERY REPORTS.

KEEP THIS REPORT TO REPORT QTR EXTRA WITHHELD EMPLOYEE MEDICARE DOLLARS.

USE ALL QTR REPORTS FOR THE YEAR TO CALCULATE YTD EXTRA WITHHELD EMPLOYEE MEDICARE DOLLARS.

THESE DOLLARS MAY BE ADDED TO THE EMPLOYEE MEDICARE DOLLARS ON THE QTR FEDERAL REPORT.

OR THESE DOLLARS MAY BE REPORTED ON A SEPARATE LINE ON THE QTR FEDERAL REPORT.

AT EOY(MAKE THIS A STEP IN YOUR EOY CLOSING.....)

GO TO MENU PBLIST, RUN PAYROLL DEDUCTION CODE EMPLOYEE DETAIL FOR YOUR SELECTED DED CODE.

ENTER THE BEGINNING AND ENDING WEEK ENDING PAID DATES FOR THE YEAR YOU ARE CLOSING.

KEY NO TO REQUEST FOR EXTRA QUERY REPORTS.

IF EXTRA MEDICARE TAX DOLLARS ARE TO BE COMBINED WITH OTHER MEDICARE TAX DOLLARS ON W-2s,

USE THIS REPORT TO CHANGE YTD MEDICARE DOLLARS TO BE PRINTED ON W-2s.

CALL SKILMATCH SUPPORT FOR ASSISTANCE IN ADJUSTING MEDICARE TAX DOLLARS YTD FOR LISTED EMPLOYEES.

IF MEDICARE TAXES ARE NOT ADJUSTED, YOUR W-2s WILL NOT REPORT THE CORRECT MEDICARE TAX.

EXTRA MEDICARE TAX DOLLARS MAY BE REPORTED ON W-2s IN A UNIQUE BOX INSTEAD OF COMBINING MEDICARE TAX DOLLARS.

SKILMATCH IS ACCUMULATING EXTRA MEDICARE TAX DOLLARS SEPARATELY TO ALLOW FLEXIBILITY FOR EOQ & EOY REPORTING.

This report provides a list of the employees that have exceeded the Medicare gross threshold... and a summary of various correction steps... which are covered in more detail and more ACCURATELY in this document.

NOTE: EOQ and EOY information is preliminary and will be provided in more detail when Federal rules and forms are "revealed".

New January 2013 - Form 941 from the IRS: <http://www.irs.gov/pub/irs-pdf/f941.pdf>

Determine if you have withheld Additional Medicare tax and need to report on form 941...

Important: Review for each payroll company, both temp and staff.

STEP 1. Identify your **Additional Medicare deduction code**. This is located on the **Payroll System Requirements** file in **PayBill, File Maintenance**. The code will be listed on the **3rd page, last field**. If **NO** code is listed, this particular payroll company has not begun processing/withholding the Additional Medicare Tax and NO further research is needed. Check each company number, both temp and staff.

Proceed to "Step 2" if an Additional Medicare deduction code IS displayed.

STEP 2. If "Step 1" shows a code setup, process the **Payroll Deduction Code Employee Detail** report from the **PayBill, File Printing** menu to determine the deduction amount withheld. Key the Company #, Additional Medicare deduction code (found in Step 1), and accurate Week Ending dates for the quarter. Key "**NO**" for additional queries. As needed, repeat for each payroll company, both temp and staff.

Refer to online documentation for complete instruction on PR Deduction Code Employee Detail report.

"NO" Additional Medicare withholdings:

If you receive a system message, "**NO PBMDDED records met the parameters....**" for this payroll company number, you have no withholdings for this Additional Medicare tax code and nothing to report on federal form 941. No further steps needed for this payroll company number.

"YES" Additional Medicare withholdings: Needs to be reported on Line 5d of Form 941

If you receive a system message, "**The report DEDUCTION REGISTER has been completed...**" the report PB872 will be in your spool file. You will see the **Deduction Amount** (by employee) and **Deduction Total** (for the company) listed. The company total for Additional Medicare tax will need to be reported on federal form 941, line 5d.

CALCULATION NOTE: The amount listed as "**Deduction Total**" is the amount of Addition Medicare tax withheld. You will need to calculate Additional Medicare wage dollars. This can be done by dividing the "Deduction Total" by .009 (i.e. report indicates, \$45 in Deduction Total, this total divided by .009... $\$45/.009 = \$5,000$ Additional Medicare wages).

END OF YEAR REPORTING - ADDITIONAL MEDICARE TAX

NO Setup or Special Processing needed. The Additional Medicare tax reporting for End of Year will be an AUTOMATIC process. If you have setup your SkilMatch system as instructed (when an employee reaches the \$200,000 Medicare wage limit) the reporting to the federal government will be completed with internal calculations that require NO assistance from users.

W2's and Electronic File: The employee's **TOTAL Medicare tax** (Additional Medicare tax **combined** with the standard Medicare tax) is reported on the W2 forms and electronic file.

W2 Report: If an employee has additional Medicare withheld, the W-2 register will first show the **TOTAL Medicare tax** figure and then to the right, the Additional Medicare tax amount will be listed separately (for your information only).

*<http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax>

**<http://www.skilmatch.com/documentation/SM2/PBLIBR/PBMANT08.htm>

***<http://www.skilmatch.com/documentation/SM2/PBLIBR/PBMANT14.htm>

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