

TAX TABLE MAINTENANCE

The payroll system allows you complete access to the tables used to calculate all payroll taxes. DATASMITH Tax Tables are in a simple, compact "wage bracket..rate" format. Only one set of ANNUAL tables is required: DATASMITH Payroll automatically pro-rates these tables to whatever pay period you actually use. Regulations and tax rates change frequently. It is your responsibility to learn of these changes when they occur and to modify the tax tables accordingly.

Almost all changes in withholding tax laws require tax table changes, which you can easily make yourself, using information from the tax guides you receive from your state and the federal government. However, in some instances a law will require a change in the method for computing tax. In this case, the program itself may have to be modified, and you should contact LPI Information Systems to obtain a program update. There is a fee for this service.

There are five Tax Authority Levels provided in standard DATASMITH Payroll systems:

- Federal (1)
- State (57)
- Local (12)
- FICA and Medicare (2)
- Other (12)

The numbers in parentheses above are the standard number of specific Tax Authorities provided for each Tax Authority Level in standard-configuration DATASMITH Payroll systems: a total of 84. The State level includes both legal "States" (like California or Kansas) and "State-Like" tax authorities (like Washington D.C. or Virgin Islands).

For Each Tax Authority, there are 5 types of Tax Tables maintained by the system. They are as follows:

Single	for Single filing status
Married	for Married filing status
Head of Household	for Head of Household filing status
Auxiliary Constants	for unique constants which don't fit the normal federal tax model
Tax Table Header	for miscellaneous information, including the State and Tax Type associated with Local and Other Tax Authorities.

If your needs are not covered by the standard 84 Tax Authorities, file and program capacity to accommodate Tax Tables for additional Local or Other Tax Authorities can be added to any DATASMITH Payroll in groups of 12 on special order. Configurations for selected foreign countries can also be obtained on special order.

For any particular taxing authority, fewer than half of the available tax tables are usually needed. For example, at the time this manual was prepared, Federal withholding regulations do not use a "Head of Household" for the purposes of withholding tax (but this status is used to complete form 1040). Several States, however, do have separate withholding schedules for "Head of Household".

Since you will encounter a wide variety of individual situations, even in a moderate-sized payroll, we recommend that you always maintain values in each Single, Married, and Head of Household table. This will avoid disruption of your payroll because of a tax table suddenly discovered "missing" when you hire a new employee with a "different" status. When no separate tables are given for "Head of Household", the "Single" tables usually apply. Most States publish a booklet, similar to Federal "Circular E", which will give you all of the necessary information necessary to complete the "Single", "Married", and "Head of Household" tables.

For assistance in determining how to enter your state's information into DATASMITH Payroll, see the State Tax Notes which were included in your manual. You can also view the State Tax Notes on-line as you work with payroll with DATASMITH Real Help™! To use Real Help™, select "Maintain State Tables" (ST), then highlight your state and press {F3}. The Real Help screens for a given state also will describe how to set up Local and Other taxes within that state.

NOTE: *If you have received your Custom Payroll system directly from LPI Information Systems, your tax tables will have been updated just before shipment. Even so, always examine them and check their accuracy for yourself. We try to help, but cannot guarantee they will be correct on the day you use the Payroll system. Use a test payroll to verify the system using any published examples you may have available from your Federal, State, and/or local authorities.*

TAX TABLE MAINTENANCE

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DATASMITH Custom Payroll 9.5
File Utilities What Next? Help
< TAX TABLE MAINTENANCE >
Default Test Data

MM MAIN MENU
FT Maintain FEDERAL Tables
ST Maintain STATE Tables
LT Maintain LOCAL Tables
FC Maintain FICA (Soc. Sec.) Tables
MC Maintain MEDICARE Tables
OT Maintain OTHER (Misc.) Tables
PT PRINT Tax Tables
RV View REVISION Dates, Compress

Your Selection, Please: [FT]

Today's date: 07-25-2001    Time: 10:52:11    Pay has been calculated.

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FT Federal

This selection sets tables for Federal Withholding and Earned Income Credit.

ST State

One set of tax tables is provided for each of 57 States and 'state-like' entities (such as Virgin Islands). DATASMITH Payroll can withhold for any or all states.

LT Local

One set of tax tables is provided for each Locality you define. "Local" taxes are usually city or township taxes (as in OH and PA), but may also be county taxes (as in IN and MD). Local taxes are reported in the "Local Name", "Local Wages", and "Local Income Tax" boxes on the W-2. At this writing, standard-configuration DATASMITH Payroll allows you to define up to 12 Localities for each payroll. The program can be configured to accommodate additional Localities in groups of 12 on special order.

FC FICA/Social Security & Medicare

One set of FICA (Social Security) and one set of Medicare tables is provided.

OT Other

Tax Table Maintenance

One set of tax tables is provided for each Other Tax you define. "Other" taxes include county taxes which may be required in addition to city taxes (as in KY), SDI or SUI contributions (as in CA), and miscellaneous special taxes. Other taxes can (at operator's discretion) be reported in the "Other" box on the W-2. At this writing, standard-configuration DATASMITH Payroll allows you to define up to 12 Localities for each payroll. The program can be configured to accommodate additional Other taxes in groups of 12 on special order.

PT Print Tax Tables

This selection which allows the operator to obtain a paper or text file listing of all tax tables used by your system. When this selection is chosen, a submenu will appear which allows the operator to select the specific type of tax table to be listed (Federal, State, FICA/Medicare, Local, Other). If State, Local, or Other tables are selected, the program will ask the operator to identify the specific state, locality, or other tax authority desired, or to hit ENTER to print ALL of the tax tables of the selected type.

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  DATASMITH Custom Payroll 9.5
  File Utilities What Next? Help
  < PRINT TAX TABLES >
  Default Test Data

  MM MAIN MENU
  TM TAX TABLE MENU
  PF Print FEDERAL Tables
  PS Print STATE Tax Tables
  PL Print LOCAL Tax Tables
  PC Print FICA and Medicare Tables
  PO Print OTHER Tax Authority Tables

  Your Selection, Please: [PF]

  Today's date: 07-25-2001   Time: 10:52:54   Pay has been calculated.

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The general form of each tax table is as follows:

Row	More than,	but not more than	Tax Rate %	Revised
1.	0.00	[6450.00]	[0.0000]	07/25/2001
2.	6450.00	[49900.00]	[15.0000]	
3.	49900.00	[105200.00]	[28.0000]	
4.	105200.00	[171200.00]	[31.0000]	
5.	171200.00	[302050.00]	[36.0000]	
6.	302050.00	[(no limit)]	[39.6000]	

Enter Limit or '/' for 'no limit'.

16. Exemption Allowance is: [2900.00]

17. Standard Deduction rate: [0.00]

'Alt-D' to Update, 'Alt-C' to Exit with no changes.

Row: Each row in the tax table consists of three entries, following the format of Table 7 in Federal "Circular E". There are up to fifteen rows of entries provided in the wage bracket table. In the example above, only the first ten rows are displayed because the state has only ten tax brackets.

Exemption Allowance: Line 16 is normally used to enter the dollar amount to be multiplied by the number of State or Federal Exemptions (from the Employee Record) and deducted from Gross Pay before determining Taxable Pay. This amount may be referred to as "Exemption Allowance", "Personal Exemption", or "Dependency Deduction" by various taxing authorities.

Standard deduction rate: A few States use a percentage of Gross Pay as a Standard Deduction from Gross Pay before determining Taxable Pay. In other cases, this percentage is a limit on the allowed Standard Deduction. If the tax routine for your State requires use of this line, you will receive Tax Notes with your Payroll system describing the use of this item.

The state illustrated above has both a standard deduction percentage and a dollar amount as a minimum deduction. At this writing, a Federal table would not use the standard deduction percentage.

Note that **only annual values** are used in the Tax Tables. DATASMITH Custom Payroll automatically adjusts these annual values to the actual period in use. This

means that you can run Monthly, Weekly, Biweekly, or any other legal pay period from the same annual table entries.

Revised: To assist you in keeping your tables up to date, the date each table was last changed appears in the upper right portion of each Tax Table screen and printed Tax Table copy. Custom Payroll keeps and displays separate Revision dates for each Tax Table and filing status.

The Tax Table Revision Date is automatically set from your system's clock, so **be sure that your clock is set properly before using Payroll.**

More than...but not more than: The "more than" column is generated by the program: the row 1 entry is always zero, and each subsequent row contains the value of the previous "but not more than" column. The "but more than" column is entered by the operator to designate the **upper limit** of each wage bracket.

Tax Rate: This column is used to identify the tax rate applicable to the **wage bracket in the subject row**.

Notice that the payroll system does not need all of the information supplied in the tax rate schedule. The dollar amount shown just to the right of the "not more than" column is included in the Employer's Tax Guide for your convenience, but is simply the sum of all the taxes in the previous brackets. Since your computer can quickly calculate this value, DATASMITH Payroll does not require that you enter it. The important columns are the upper limits of the tax brackets and the percentages which apply to each bracket. With this information alone, all the other income tax withholding tables in the Employer's Tax Guide can be derived.

REMEMBER: The payroll system expects an annual tax table and calculates other periods from it. Regardless of the pay period you use, you must enter the annual wage bracket and tax rate figures in the tax table. Make sure you use the most current revision of your Federal, State, and Local Tax Guides.

Modifying a Tax Table

Choose the table you wish to modify from the menus provided. Once you have completely identified the taxing authority, you will see the specific Table Selection screen:

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DATASMITH Custom Payroll 9.5
File Utilities What Next? Help
===== FEDERAL TAX TABLE =====
Default Test Data

MM TAX TABLE MENU
SI SINGLE person
MA MARRIED persons
HH HEAD OF HOUSEHOLD
AC AUXILIARY CONSTANTS
TH TAXTABLE HEADER parameters
FL FLAT RATE regardless of filing status.
CS COPY SINGLE tables to Married, Head of Household

Your Selection, Please: [SI]

Today's date: 07-25-2001 Time: 10:53:50 Pay has been calculated.

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- SI SINGLE person taxable for the selected taxing authority.
- MA MARRIED persons taxable for the selected taxing authority.
- HH HEAD OF HOUSEHOLD taxable for the selected taxing authority.
- AC AUXILIARY CONSTANTS for {selected taxing authority}: These are entries used to provide any information peculiar to the taxing authority which does not fit in the wage bracket tables. Examples of items kept in Auxiliary Constants are Limitations on FICA deductions, withholding exemption allowance values (when there is more than one per filing status), tax credit values, and Earned Income Credit Tables.

The FICA, as well as most State, Local, and Other tax routines do not use the Auxiliary Constants: it is not necessary to enter zeros (or any other value) into unused Auxiliary Constants. If taxing authorities used by your payroll require Auxiliary Constants, you will be provided with Tax Notes describing the information required.

- TH TAXTABLE HEADER parameters are used to contain a standardized list of items for all taxing authorities. Many of these items are not presently used and need not be entered for most taxing authorities. At this time, the standard parameters are:

1. Minimum Wage: This entry is currently not required for any standard payroll feature, but may be required for certain options and custom features.

Tax Table Maintenance

2. 'Weeks Worked' threshold: This entry is needed only for States or Localities which require employers to report 'Weeks Worked' on the Quarterly Wage Report. The number entered may be Hours/week or Dollars/week: the program will prompt the operator to enter either H or \$ to identify the units of the threshold. A 'Weeks Worked' accumulator in each Employee Record will be incremented an appropriate value in any pay period when the threshold is equaled or exceeded. The program automatically converts the weekly value to the actual pay period in use, and pro-rates the increment accordingly.
3. Unemployment Wage Base: In Federal or State tables, this dollar figure should be set to the maximum annual FUTA or SUTA tax base. This item is currently not used in other tables.
4. Unemployment Contribution Rate: In Federal or State tables, this dollar figure should be set to the FUTA or SUTA tax rate applicable to the payroll. Both the Unemployment Wage Base and the Unemployment Contribution Rate must be set correctly in order to enable unemployment liability reporting on the Current Report (in systems containing this option). This item is currently not used in other tables.
- 5-10. are Reserved for future Custom Payroll features.

FL FLAT RATE is a "short cut" selection which fills out Single, Married, and Head of Household tables from one operator entry.

CS COPY SINGLE is a "short cut" selection which fills out Married, and Head of Household tables from the SINGLE table. This is useful when the tax brackets are the same regardless of filing status, but the tax is not a flat rate.

When the operator has completely identified the subject tax table, the Review Options screen will appear:



- RV REVIEW or EDIT is used to view the tax table or to change only a few entries.
- EN ENTER is used if you are entering a tax table for the first time or if the entire table has to be re-entered. This choice will automatically prompt you for all the required information.

When the selected tax table appears...

Enter the values in the two columns as shown in your Employer's Tax Guide issued by the Federal, State, or Local authority. The top or "No Upper Limit" wage bracket is signified by entering a slash (/) instead of a number, and will be displayed on the screen as "[no limit]".

After you have entered, checked, and modified the tax table if necessary, simply press ENTER in response to the prompt, and the table will be stored on your disk in the file named "TAXTABLE.PAY" located in the payroll data directory. If this file does not already exist, it will be created.

WARNING: There must be a tax table for each filing status and taxing authority you use or the program will not calculate taxes correctly. There must be a correct TAXTBL.PAY file in each Payroll Data directory.

You are allowed to make each TAXTBL.PAY file different so that you can (for instance) phase in a tax rate change on different days for a weekly and a monthly payroll, or continue to make adjustments on the

*last payroll of one year while simultaneously running payroll using different rates for the next year. **It is your responsibility to assure that the correct TAXTBL.PAY is in use for each payroll.***

Things to remember during Tax Table Maintenance:

Federal tax withholding does not have a "Head of Household" filing status, but some states, such as California, do. If you enter an employee's filing status as "Head of Household", you must also have Federal (and Local, and Other) "Head of Household" tables as well.

In most cases where no explicit "Head of Household" tables are given, they should be made identical to the "Single" filing status tables (but check your State regulations).

Most local taxes are flat percentages with only a single "filing status", but you must always enter the correct values in each table to assure proper operation. A flat percentage table is made just like any other table, but it has only a single entry. For example, to enter a city's flat 1% tax the "but more than" entry for Line 1 is "No Limit", and the percentage is 1. This will cause 1% of gross pay to be withheld.

Be sure to enter percentages as whole numbers.

Example: You enter 6.75% as 6.75, not .0675!

The "Other" tax table is not always used, but is available for expansion. Some states require withholding of supplemental (employee-paid) disability (SDI) or unemployment taxes (SUI), and some areas have a special surcharge withheld from employee wages: these are cases in which the "Other" tax table would be used.

FICA and MEDICARE tables:

The FICA and MEDICARE tables work a little differently. They are also flat percentage tables, but each has two entries. The first "but more than" entry is the maximum taxable wage base, and the first "tax rate" entry is the applicable FICA or MEDICARE tax rate. The second "but more than" entry is "no limit", and the rate is zero. This indicates that a flat rate is to be withheld until income reaches a certain point, and zero percent is to be withheld after. This entry would produce the same withholding in any tax table: however the FICA and MEDICARE tax bases also stop increasing when the income limit is reached, making these tables unique cases. Unlike other taxes, FICA and Medicare withholding is based on YTD wages: thus, small errors in withholding during any pay period will automatically be corrected in later paychecks.

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File Utilities What Next? Help

FICA - Single

Row	More than,	but not more than	Tax Rate %	Revised
1.	0.00	[80400.00]	[6.2000]	01/26/2001
2.	80400.00	[(no limit)]	[0.0000]	

Enter Limit
or '/' for
'no limit'.

16. Exemption Allowance is: [0.00]

17. Standard Deduction rate: [0.00]

'Alt-O' to Update, 'Alt-C' to Exit with no changes.

To enable the split FICA and MEDICARE reporting, the "Withhold FICA?" and "Withhold MEDICARE?" questions must be marked "YES" in all affected Employee Records. Nonzero values for FICA and/or MEDICARE will be reported on pay stubs and other payroll reports.

EARNED INCOME CREDIT

DATASMITH Payroll has the capability to pay Earned Income Credit to eligible employees with a minimum amount of extra effort by payroll personnel. Eligible employees are simply marked as "eligible" or "eligible - spouse also eligible" in the Employee Record, and DATASMITH Payroll will automatically calculate and include EIC in paychecks, and deduct it from Federal Tax Deposits. The numbers which affect the Automatic Earned Income Credit are contained in the Auxiliary Constants of the Federal Tax Tables as follows (values correct as of January 1, 2000):

Auxiliary Constant #1:	1	Set to 1 to enable Earned Income Credit Auxiliary Constants in the Federal Tax Table.
Auxiliary Constant #2:	6920	Earnings Bracket #1 Annual Wage Limit in dollars for SINGLE or MARRIED WITHOUT SPOUSE FILING CERTIFICATE
Auxiliary Constant #3:	3460	Earnings Bracket #1 Annual Wage Limit in dollars for MARRIED WITH BOTH SPOUSES FILING CERTIFICATE
Auxiliary Constant #4:	12690	Earnings Bracket #2 Annual Wage Limit in dollars for SINGLE or MARRIED WITHOUT SPOUSE FILING CERTIFICATE

Tax Table Maintenance

Auxiliary Constant #5:	6345	Earnings Bracket #2 Annual Wage Limit in dollars for MARRIED WITH BOTH SPOUSES FILING CERTIFICATE
Auxiliary Constant #6:	1412	Annual Amount of Earned Income Credit in dollars for SINGLE or MARRIED WITHOUT SPOUSE FILING CERTIFICATE when gross wages are within Bracket #2
Auxiliary Constant #7:	706	Annual Amount of Earned Income Credit in dollars for MARRIED WITH BOTH SPOUSES FILING CERTIFICATE when gross wages are within Bracket #2
Auxiliary Constant #8:	20.4	Percentage of wages allowed as Earned Income Credit when wages fall within Bracket #1
Auxiliary Constant #9:	9.588	Percentage of wages to be deducted from Annual Earned Income Credit Amount specified by Auxiliary Constant #4 or #5 if wages exceed the Bracket #2 limit

LOCAL/OTHER TAX MODEL LIBRARY

The Local/Other Tax Model Library feature gives the operator additional flexibility in defining the Local and Other Taxes to be handled by Payroll. In addition to defining the names of the Local and Other Tax authority names, the user can select the Tax Model used for each authority from the list below. The list is based on state legislation in effect on the date of publication which enables local and other authorities to levy payroll-based taxes.

The Tax Model chosen controls such things as the items included in the tax basis, and the calculation methodology. For instance, most "SDI" models calculate tax at a flat rate up to a dollar limit: but the NY-SDI Tax Model limits the flat tax to a certain amount per week. If (for example) you encounter a brand new local tax named "NEWTAX" in Alabama which "works like" the NY-SDI tax, you would simply set the "NEWTAX" tax table header entry to read:

"NEWTAX is calculated like a Type 0 OTHER tax in State = NY".

This setting would cause NEWTAX to be calculated as a flat tax up to a certain amount per week: just like a NY-SDI tax.

Although each Tax Model is patterned after state-specific laws, use of the model is not restricted to the listed state: you may use any Tax Model selection to obtain withholding for any location in any state where the withholding regulations fit the model. This feature is particularly useful for accommodating peculiar local situations which may arise.

PREPARING TO USE THE TAX MODEL LIBRARY

This new feature requires that the user specify the Tax Model used for each LOCAL or OTHER tax in the Tax Table Header applicable to the tax. The Tax Table Header information is completed after the Local or Other tax authority is given a Name in the

Company Record. This allows the program to choose the correct tax basis and tax withholding calculations from its extensive built-in tax program library. At the same time, the tax table should be checked to make sure it shows the correct values for the tax in use.

If the Tax Model information is missing from the Tax Table Header for a Local or Other Tax in use, the Calculation program will stop and issue an error message identifying the type of Tax Authority (Local or Other) and the employee using the incorrectly defined Tax Authority. Tax Authority Type codes used to set up the Table Header for various kinds of state and local taxes now in use are shown in the chart below.

SELECTION CODES FOR THE LOCAL/OTHER TAX MODEL LIBRARY

== TAX AUTHORITY ==		===== PAYROLL SETUP =====			
STATE	NAME	SET UP AS..	TYPE	STATE	NOTES
ALABAMA	AL LOCAL	Locality	0	AL	
ALABAMA	AL SUI	Other	0	AL	
ARKANSAS	AR LOCAL	Locality	0	AR	
CALIFORNIA	CA SDI	Other	0	CA	
COLORADO	Occupation	Other	0	CO	
DELAWARE	DE E-TAX	Locality	0	DE	
GEORGIA	GA LOCAL	Locality	0	GA	
HAWAII	HI-SDI	Other	0	HI	
INDIANA	IN COUNTY	Locality	0	IN	
INDIANA	Occupation	Other	0	IN	
IOWA	IA LOCAL	Locality	0	IA	
KENTUCKY	KY CITY	Locality	0	KY	
KENTUCKY	KY COUNTY	Other	0	KY	
MARYLAND	MD COUNTY	Locality	0	MD	
MICHIGAN	MI CITY	Locality	0	MI	
MISSOURI	MO CITY	Locality	0	MO	
MONTANA	OFLT	Other	0	MT	(WC Withholding)
NEW JERSEY	NJ TRANS	Locality	0	NJ	
NEW JERSEY	NJ SDI	Other	0	NJ	
NEW MEXICO	NM WC	Other	0	NM	
NEW YORK	NYC RES	Locality	1	NY	
NEW YORK	NYC NR	Locality	2	NY	
NEW YORK	YONKERS R	Locality	3	NY	

Tax Table Maintenance

== TAX AUTHORITY ==		===== PAYROLL SETUP =====			
STATE	NAME	SET UP AS..	TYPE	STATE	NOTES
NEW YORK	YONKERS NR	Locality	4	NY	
NEW YORK	NY SDI	Other	0	NY	
OHIO	OH CITY	Locality	0	OH	All income taxable
OHIO	OH CITY	Locality	1	OH	Code B items exempt
OHIO	OH S.D.	Other	0	OH	All income taxable
OHIO	OH S.D.	Other	1	OH	Code B items exempt
OREGON	OR TRANS	Locality	0	OR	
OREGON	OR WC	Other	0	OR	Hrly basis
PENNA	PA LOCAL	Locality	0	PA	
PENNA	PA S.D.	Other	0	PA	
P RICO	PR SDI	Other	1	PR	
RHODE ILND	RI SDI	Other	0	RI	
WASHINGTON	WA IND INS	Other	0	WA	Hrly basis
Non-U.S. Codes (not part of Standard Payroll: Special license required):					
BARBADOS	Income Tax	Local	3	CN	
BARBADOS	Nat. Ins.	Other	4	CN	
BRITISH V.I.	Income Tax	Local	2	CN	
BRITISH V.I.	Soc. Sec.	Other	5	CN	
DOMINICA	Soc. Sec.	Other	3	CN	
HAITI	Income Tax	Local	1	CN	
HAITI	HAITI TX CR	Other	1	CN	
St. LUCIA	NAT INS	Other	2	CN	Monthly Limit

NOTES: S.D. = School District
 IND INS = Industrial Insurance
 NAT INS = National Insurance
 SDI = Supplemental Disability Insurance
 R or RES = Resident
 NR = Non-Resident

For new taxes not listed above, use Type Code 0 and the appropriate State Code to obtain "generic" tax calculation.

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