



AccountMate Year-End Preparations

Technical Note: Performing W-2/1099 Year-End Closing When the Company's Fiscal Year is Not the Calendar Year

Difficulty Level: Advanced Level AccountMate User

Version(s) Affected: AccountMate 7 for SQL and Express

Module(s) Affected: PR

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DESCRIPTION

The 12-month accounting period used by an entity is called its fiscal year. The fiscal year used by most companies coincides with the calendar year and ends on December 31. Some businesses, however, elect to use a fiscal year which ends on some other date. This is because it is convenient for a business to end its fiscal year during a slack season rather than during a time of peak activity, and the slack season might not fall in December.

The complexities involved in having a fiscal year that does not coincide with the calendar year are most evident if you are using the Payroll module. This document will address the issues related to such a setup.

SOLUTION

First, consider the effect of performing W-2/1099 Year-End Closing. This process updates the current Payroll tax year while the Period-End Closing moves the current Payroll period to the next and the Fiscal Year-End Closing function updates the current GL fiscal year.

Listed below are the effects of performing W-2/1099 Year-End Closing:

1. It creates new records in the employee earnings, deductions, benefits and tax withholding files so that data can be accumulated for the new tax year.
2. When you perform this function, the system updates the employee leave benefits based on the settings defined for each Paid Leave Code record. For paid leave codes set up to accrue at the beginning of the year, the system applies a full year's worth of leave benefits for qualified employees. It also updates all the benefits carried over from the recently closed tax year based on each employee's unused leave balance and the maximum carry over setting defined for each paid leave code.
3. It advances your tax year to the next tax year.
4. Certain Payroll reports can no longer be generated for the tax years that

have been closed. For a complete list of these reports, refer to the document "Reports Affected by the W2/1099 Year-End Closing and Period-End Closing for the Last Period of the Current Fiscal Year" in the Maintenance and Technical Support\Year-End Closing Procedures section of the AccountMate website.

5. The prior W-2/1099 year will become a historical year and you will not be able to print W-2 and 1099 forms or generate W-2 and 1099 reports for any historical year.

Given the information above, you may wonder why you need to perform this process. Is it possible to wait until your fiscal year ends to close your tax year? The following will explain why you need to perform the W-2/1099 Year-End Closing by December:

- 1.) You need to process your W-2 in compliance with the federal and state tax laws.
- 2.) For as long as the current tax year is open, the system will not allow you to print payroll checks dated in a future tax year. For example, if your fiscal year ends in March you cannot print Payroll checks dated January to March of 2008 until you have closed the tax year 2007 by performing W-2/1099 Year-End Closing. As such, you won't be able to process payroll checks for the last quarter of your fiscal year unless you've closed the 2007 tax year.

You should close your tax year in December even though your fiscal year has not yet ended. When closing your tax year, be sure to do the following:

1. Make sure that all transactions that must be recorded for the current tax year have been entered in the system. This includes any payroll tax deposit checks for the current tax year.
2. Print the necessary reports, especially those that you cannot print after you perform W-2/1099 Year-End Closing and December Period-End Closing.
3. If there is no change in the W-2 and/or 1099 Forms between the prior and current tax years, print them using the Print W-2 Form and the Print 1099 Form functions. Be sure to use the "Current Year" report option.
4. Back up your data before you perform Period-End Closing and/or W-2/1099 Year-End Closing. **This is a must!**
5. Perform Period-End Closing through November for the Payroll module.
6. Perform the W-2/1099 Year-End Closing.
7. Perform December Period-End Closing.
8. Download and install the PR Tax Subscription Update for the new tax year.
9. In the Administrator program, input the PR Tax Subscription Key for the new tax year.
10. If there are changes in the W-2 and/or 1099 Forms between the prior and current tax years, wait until after the PR Tax Subscription Update for the new tax year is installed. Then, print the two reports using the Print W-2 Form and Print 1099 Form functions. Be sure to use the "Previous Year" report option.

After performing the W-2/1099 Year-End Closing and December Period-End Closing, you can safely enter Payroll transactions that belong to the new tax year. If you have

the General Ledger module, there is no need to worry about your financial statements. The system will still generate the Income Statement and Balance Sheet correctly, using the fiscal year you have defined for the company.

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