



Year-End 2010

Greetings! Another year is nearly over—time certainly seems to move fast! Although locally we have been deprived of snow, we must thank our stars for not having the inclement weather they are experiencing in the rest of the country and Europe!

Major changes for the upcoming year mostly relate to payroll. The “lame duck” Congress has been anything but “lame,” and has enacted legislation that will affect the payroll process for the year 2011. Below I have provided information and tips about modifying your payroll program to work properly next year.

SOCIAL SECURITY ADJUSTMENT

To stimulate the economy and put more take home pay in workers’ pockets, the **employee portion** of the social security rate has been reduced from 6.2% to 4.2%. The **employer portion** remains unchanged at 6.2% and so do the employee and employer shares of Medicare Tax (1.45%). Since the Dac system calculates employee and employee amounts the same, it is going to be a bit tricky to modify the rates. Here is a tip about accomplishing the needed result:

- Go to “Edit,” “Federal Tax.” Type in “01” in the Table box. Change Social Security % from 6.2 to 4.2. Click on “OK” or Press F10.
- Go to “Edit,” “Codes.” In the first tab (Liabilities), go to the bottom half and create a new code. It should start with 7. Call it ER FICA. Use the same expense and liability accounts as shown above under Code 55. In the type, select E. In the next screen, select G-%Gross. In the %gross settings amount/rate, type in 2.00. Press OK or F10. Make sure the All dept box is checked. Save the change.
- Go to “Edit,” “Employee Accumulations.” For each employee, enter the newly created code in the Liabilities tab, and ensure that Generate box is checked.

This is a work-around to properly withhold the SS tax for the employees and record the employer liability. While determining the 941 liability, you will need to add to the 941 amount shown on the last page the total amount for the new code shown in the company total. Whew!!! Cumbersome, but workable.

Alternately, you can purchase Dac’s payroll tax service that will do the heavy lifting for you.

Unfortunately, the new tax update will not be available until late January 2011. Since the new legislation was passed rather late, IRS has given us until January 31, 2011 to make the necessary changes. However, you can implement the new rates effective the 1st of the year by following the above procedure.

Here are the upgrade/update prices that will remain effective through January 31, 2011:

- Single User Upgrade **\$449.95**
- Network Upgrade **\$829.95**
- Single User Tax Service **\$299.95**

You can purchase only the version 2011 upgrades. Tax service updates are available only for versions 2010 and 2011. If you are using an earlier release of the program, you will need to purchase both the upgrade and update service. Please call us at **303.922.5522** to place your order. Alternately, you can fax your order to **303.922.3062**. Please call for pricing if you would like to purchase an accounting and payroll combo, or payroll upgrade and tax service combo at their special prices.

TAX FORMS

As in the past years, we can supply the common tax forms that you need. The cost of the W-2 and 1099 forms is **\$0.50** each and the envelopes are priced at **\$0.20** each. We have not changed these prices since 1988! We do add a handling charge of **\$5.00** for orders under **\$20.00**.

You can place your order by one of three means: by phoning us at **303.922.5522**; faxing your request to **303.922.3062**; or by sending your request by e-mail to **drdac@drdac.com**. On your order form, please note the quantity of forms and envelopes (W-2 or 1099). Please send in your orders at the earliest convenience. We will start shipping the orders in late December.

CLOSING PAYROLL YEAR

You have until March 31, 2011 before you will *need* to close the year 2010. However, most of you will be ready by Jan 31 since the tax forms have to be provided to employees and contractors by then. Here is the closing process:

- Post all payroll entries, and make/clear all tax deposits.
- Install any tax update you purchased.
- Print all forms and reports: W-2’s, W-3, 1099, 941, 940, SUI reports, custom reports, etc.

- Make a reliable backup of your data.
- Close the month and the year. Since you will be in the fourth quarter, closing the year also will close the quarter.
- Purge the cleared checks and detail for the previous year. Run the "File, Recover" operation on all files to repack the data files.
- If you did not purchase the tax table service, you can manually update the tables. Please fax your request to **303.922.3062** for us to send you the new tables.
- Update tax tables and SUI rate for 2011. Please remember to input the SUI rate as a percentage, as opposed to the absolute number shown on the State sheet. The social security wage base remains unchanged at **\$106,800** for 2011.

CLOSING ACCOUNTING YEAR

A company's accounting year does not necessarily coincide with the calendar year, nor do the books have to be closed immediately after the previous year has ended. In fact, we can keep two years open at a given time. Whenever you are ready, the following steps should help guide you through the closing process:

- Reconcile your bank account(s) and enter the year-end adjustments provided by your CPA.
- Print all the needed journals; do a final check to insure accuracy and completeness.
- Make a good, reliable backup. Use a medium of your choice. USB flash drives are quite inexpensive and a convenient medium for backups. A 4GB flash drive costs about \$10. Whatever medium you use, restore the backup right away to insure reliability. Save the backup with your 2010 accounting reports. Mark the version of your accounting program on the label.
- Post all modules you use and print the final reports. Compare the final financials with those provided by

your accountant.

- Close the last month of the year for AR, AP, and GL.
- Finally, close the year for AR, AP, Inventory and GL. The order in which you close the subsidiary modules does not matter. However, you should always close the GL the last. Use the account number for Retained Earnings if the program asks for a closing account number while closing the GL year.
- Purge old transactions using the **Periodic, Purge** routine. You will need to purge each transaction file separately. It does not matter if you use an early date (prior to 01/01/10) in the **From** field. But be careful that the **To** date does not exceed **12/31/10** (or the last date of your last fiscal year) . In fact, it might be prudent to change the program date to that last date (using the F4 key) before you embark on this project.
- Lastly, go to **File, Utilities** and run **Drop Indexes, Recover and Verify** on all files (choice **A**). This process will clean up and repack the data files. Upon performing these steps you will notice that your backup file size is smaller than before.

Remember, almost any problem can be solved—provided you have made *reliable backups!*

FINAL NOTE

Starting next year, Dac is changing its pricing model. They have instituted a new system—**Sage Business Care**. Three plans are available: Bronze, Silver, and Gold. Depending on the plan you select, for an annual membership fee, you will receive upgrades, updates, technical support, workshops, etc at no additional cost. Annual fees range from **\$629.95** to **\$3,599.99** per product. Tax service subscription will cost an extra **\$299.95**. Ouch!! A bit pricey for our Dac user community. But, that's the way things will be starting February 1, 2011.

**BEST WISHES FOR THE HOLIDAY SEASON
AND THE UPCOMING NEW YEAR!!**

DOCTOR DAC, INC.

6655 West Jewell Avenue, Ste 203
Lakewood, CO 80232-7108

ADDRESS CORRECTION REQUESTED