Elliott 2013 Payroll Update

Introduction

Under the Patient Protection and Affordable Care Act, workers earning more than $200,000 a year ($250,000 for joint filers) must pay higher Medicare taxes beginning in 2013. The new tax is 2.35% (an increase of 0.9%) of applicable wages above those thresholds, so a worker earning $300,000 a year will pay Medicare taxes of 1.45% on $200,000 plus 2.35% on $100,000. There is no change to the employer's share of the Medicare tax. In the previous example, the employer will match 1.45% on the employee's $300,000 earning.

Regardless of employee's filing status, the IRS requires an employer to withhold Additional Medicare Tax on wages it pays to an employee in excess of $200,000 in a calendar year, beginning January 1, 2013. An employer has this withholding obligation even though an employee may not be liable for Additional Medicare Tax because, for example, the employee's wages together with that of his or her spouse do not exceed the $250,000 threshold for joint return filers. Any withheld Additional Medicare Tax will be credited against the total tax liability shown on the individual's income tax return (Form 1040).

An employer is required to begin withholding Additional Medicare Tax in the pay period in which it pays wages in excess of $200,000 to an employee. So if an employee's annual salary is $400,000, Additional Medicare Tax will not be withheld until July of that year.

Elliott Payroll has been changed to support the calculation and withholding of 2013 Additional Medicare Care Tax. In this document, we will explain how you should update your Elliott and configure it properly.

Installing The Elliott Update

The Elliott 2013 Payroll Update is only for Elliott V7.5 and later release. It will not be available for Elliott 7.4 or earlier versions. If you are on Elliott 7.4 or earlier and use the Elliott Payroll module, you should plan for an Elliott 7.5 update as soon as you can.

The Elliott 2013 Payroll Update, that supports the Additional Medicare Tax, is released with Version 7.53.123 and is available to download from our website at www.elliott.com. Go to the Support and Download area to find the 7.5 update download. You will download the file Eli75up.exe. Running this file will start the Elliott update process. Make sure you know where your Elliott is installed (i.e. M:\Elliott7) since you will be prompted with the location during the update. Make sure all users exit Elliott so no Elliott files will be open, which can cause an update conflict.

If the update asks you to "Reboot" your machine, that is an indication your update was not successful due to open Elliott files. If you are unable to determine which users have an Elliott file open, a sure way to resolve this problem is to reboot your server.

Once you have successfully updated your Elliott to the 7.53.123 release, you should notice the new version number in your Elliott Windows title bar.

If you subscribed to the Elliott update notification, you should receive an email on what the changes are in the 7.53.123 release. If you are not and wish to receive information on what the changes are in the 7.53.123 release, send an email to support@netcellent.com.

Change Additional Medicare Tax Settings

Once Elliott is updated to the 7.53.123 release, go to Util-Setup -> Global Setup -> Acct -> P/R Global Control. Change the following two setup fields:

>   6. Additional Medicare Tax Pct %   0.90
>   7. For Wages in Excess of   200,000.00

The Additional Medicare Tax Pct % for 2013 is 0.90%. It should be withheld for wages in excess of $200,000. See the sample screen below. Save your changes and your Payroll is now ready to calculate and withhold 2013 Additional Medicare Tax correctly.