



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: AM6.5 for SQL and MSDE, AM6.5 for LAN, VAM/LAN version 5

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. The W-2/1099 Year-End Closing process updates your Payroll tax year while the Period-End Closing function updates the fiscal year. Listed below are the effects of performing W-2/1099 Year-End Closing:

- 1.) It advances your tax year to the next tax year.
- 2.) It resets earnings, deductions and withholding amounts in the employee file to zero so that data can be accumulated for the new tax year.
- 3.) The current W-2/1099 year will become the prior W-2/1099 year and you will no longer be able to print W-2 and 1099 forms or generate W-2 and 1099 reports for what had previously been the prior 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 Technical Support\Year-End Closing Procedures section of the AccountMate website.

Given the above circumstances, 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 treat any Payroll transactions you posted for periods that do not belong to your current tax year as part of the current tax year's transactions. This will cause your accumulated tax information for the current tax year to be misstated. For example, if your fiscal year ends in March any Payroll checks posted for January to March of 2008 will be treated as part of your 2007 payroll unless you have performed W-2/1099 Year-End Closing before posting the said transactions. As such, your 2007 earnings and withholding tax data will be erroneous.

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.
- 2.) Print the necessary reports, especially those that you cannot print after you perform Period-End Closing and W-2/1099 Year-End Closing.
- 3.) Back up your system for the current tax year before you perform Period-End Closing.
- 4.) Perform Period-End Closing in the Payroll module through November.
- 5.) Perform the W-2/1099 Year-End Closing.
- 6.) Perform December Period-End Closing.

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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