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## GEMINI ACCOUNTING PAYROLL SETUP PROCEDURE

### EMPLOYEE MEDICARE DEDUCTION FORMULA FOR EMPLOYEES EARNING \$200K OR MORE

#### **NOTE REGARDING THE SOURCE OF PAYROLL TAX INFORMATION**

Builder Incubator will make every effort to insure the information we provide is current and accurate. The source of information (the website and the document name) is included for your convenience. The governing body (both State and Federal) will occasionally relocate a source document; therefore the website link may no longer work. It is generally best to look up via document name.

#### **CAUTION NOTICES**

In the course of developing these support documents, if we conclude the details provided by the governmental body may be in error, we will include a CAUTION NOTICE in RED text to bring it to your attention.

If you have questions about any other special payroll issues, please refer to the documents available under **Support | Fed-State Tax Tables** on our website, <http://builderincubator.com/support/fed-state-tax-tables.html>

The information which follows provides the minimum information required to set up the federal Medicare tax withholding deduction for employees earning \$200,000.00 or more per year beginning Calendar Year 2013. It has been tested and appears to be substantially correct as of the date of this document. **The user is responsible for verifying that calculation results are correct and for updating associated tax tables and other tax related information as changes occur.**

**Please note the payroll formula described in this document will REPLACE the existing EmployEE Medicare deduction formula. Do not replace the EmployER Medicare deduction formula.**

The Federal Medicare Tax Withholding Deduction was created from the following documents. You may need some or all of them in order to test and verify this deduction is working properly and to update/enter correct deduction/tax rate information:

#### **DOCUMENT**

***IRS Pub 15, Circular E, Employer's Tax Guide, (Current Year)  
Important (Current Year) Payroll Tax Table Changes for Gemini Accounting Program***

#### **SOURCE**

Internal Revenue Service

<http://builderincubator.com/support/fed-state-tax-tables.html>

You may also need to review/update other federal tax deductions such as FIT, FUTA, and employee and employer FICA..

This deduction should already exist in your company. If it does, you may need to simply update existing information. If it does not, you will need create a new deduction. Please proceed to Step 1, below, to begin.

## STEP 1: Run/Launch the Gemini Accounting program:

**STEP 2: EMPLOYEE Medicare Deduction Table Update/Correction:** Required for the Employee Medicare Deduction formula to operate correctly.

1. Select **PR | Payroll Setup | Deduction Tables**. If the Deduction Table **MEDICAREE** does not exist, select **Insert**, if it does exist select **Change**.
2. If you selected **Change**, review the information in the Deduction Table. If the information is the same as the information in STEP 2-3, below, exit back to the main Gemini menu and proceed to STEP 3.
3. If you selected **Insert**:
  - a. Enter the following table header information:

Table Name: **MEDICAREE**

Description: **Employee Medicare Surtax Table** (or something similar – not critical)

- b. Select **Insert** as necessary and enter the following table information:

<u>Lower Limit</u>	<u>Fixed Amount</u>	<u>Variable Rate</u>
<b>200,000.00</b>	<b>2.35</b>	<b>0.0000</b>
<b>99,999,999.99</b>	<b>200,000.00</b>	<b>0.0000</b>

- c. When finished, exit back to the main Gemini menu and proceed to STEP 3.

## **STEP 3: EMPLOYEE Medicare Deduction Formula Update/Correction:**

1. Select **PR | Payroll Setup | Master Deductions** to display the *Master Payroll Deductions* window.
  - a. Locate the Employee Medicare master deduction (the ID is, usually, **MEDEER**) and either double click on it or highlight it and select **Change** to display the *Deduction will be Changed* screen.
  - b. Verify you have selected the Employee Medicare deduction and click on the *Formula* tab to display the formula.
  - c. Review the existing formula. If you see the following statements within the existing formula, proceed to the next step (Step 3.1.d), below, and continue. Other than spaces, if either of your formula statements are different, do not proceed any further; contact Prosoft Support for assistance:

**Gross = Taxablepay - CAF125;**  
**Basis = Taxablepay - CAF125;**

- d. Add, delete, or otherwise change lines as necessary to make sure your Employee Medicare formula reads exactly the same as the one shown, below:

**"EMPLOYEE MEDICARE SURTAX DEDUCTION"**

**"VARIABLES"**

**PRETAX = CAF125;**

**"FORMULA"**

**GROSS = TAXABLEPAY - PRETAX;**

**BASIS = GROSS;**

**MEDICUT = TABLE(MEDICAREE,MEDEEC);**

**MEDINUM = BASISYTD + BASIS;**

**MEDIHIGH = MEDICUT + BASIS;**

**MEDITEST = RANGE(MEDINUM, MEDICUT, MEDIHIGH);**

**IF MEDITEST = MEDICUT;**

**MEDIAMT = (BASIS \* MEDEER) / 100;**

**ENDIF;**

**IF MEDITEST = MEDINUM;**

**MEDIAMT = (((MEDICUT - BASISYTD) \* MEDEER) + ((MEDINUM - MEDICUT) \*  
TABLE(MEDICAREE, MEDICUT))) / 100;**

**ENDIF;**

**IF MEDITEST = MEDIHIGH;**

**MEDIAMT = (BASIS \* TABLE(MEDICAREE, MEDICUT)) / 100;**

**ENDIF;**

**RESULT = MEDIAMT;**

- e. When finished updating the formula, do not exit/close the *Formula* tab. Go to **STEP 4** and perform the **FORMULA TEST**.

#### **STEP 4: FORMULA TEST**

1. Click on the 'Test Formula' button.

a. WARNING: If you get a formula definition error of any type as soon as you click on the *Test Formula* button, you must find and correct the formula entry error before proceeding further (the error message window will display the offending text area to help you locate and correct the error). If you do not receive a formula error, a window titled '**Formula Test:**' will appear with the data fields shown, below, for you to enter information required to test the formula.

b. WARNING: If you have any data fields other than the ones shown in the DATA FIELD column, below, you must find and correct the formula data entry error before proceeding further.

c. Enter the information required for each of the following tests and then click on the '**Calculate**' button. If the formula is correct, you will obtain the correct **Result**, **Basis**, and **Gross** shown for each test. Test answers assume you have updated your current year employee MEDICARE rates and/or cutoffs. You may also try your own test scenarios.

d. ASSUMPTIONS: Tests 1 and 2 assume the employee medicare percentage rate is 1.45 percent. Tests 3 and 4 assume an additional tax of 0.9% is deducted for any amounts which exceed a year-to-date earnings total of \$200,000.

<u>DATA FIELD</u>	<u>TEST 1</u>	<u>TEST 2</u>	<u>TEST 3</u>	<u>TEST 4</u>
<b>BASISYTD</b>	<b>0.00</b>	<b>185,000.00</b>	<b>195,000.00</b>	<b>210,000.00</b>
<b>CAF125</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>TAXABLEPAY</b>	<b>1100.00</b>	<b>10,100.00</b>	<b>10,100.00</b>	<b>10,100.00</b>
<b>Results</b>				
	<b>14.50</b>	<b>145.00</b>	<b>190.00</b>	<b>235.00</b>
	<b>1,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
	<b>1,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>

2. Click on **Done** after completing the above tests to return to the *Formula* tab and, if you are finished with the formula, click on **OK** to save your data. Gemini will return you to the *Master Payroll Deductions* window. If you are finished in this company, exit back to the main Gemini menu. If you need to update another Payroll company, log into it and repeat the above steps as necessary.

This concludes the setup of the Employee-200K-MediDED Withholding deduction.