

GEMINI ACCOUNTING PAYROLL SETUP PROCEDURE

CALIFORNIA STATE TAX WITHHOLDING DEDUCTION SETUP

The information which follows provides the minimum information required for setting up California state tax withholding. It has been tested and appears to be substantially correct. **The user is responsible for obtaining updated state tax changes, updating state tax tables and rates information, and verifying that deduction calculation results are correct as necessary.**

You may also need to create other CA state tax deductions such as UI, SDI, and/or ETT. These deduction documents are available for download on the Prosoft website.

The California State Income 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 withholding information for your employees:

DOCUMENT

California Withholding Schedule for (current tax year) ¹
Form DE-4, Employee's Withholding Allowance Certificate ²
California State Tax Changes Update (for current year)

SOURCE

California Employment Development Department
Same as above, *completed by employee*
Prosoft document, download from Prosoft website

¹ Referred to within this document as the **CAWS**

² May also use IRS Form W-4, *Employee's Withholding Allowance Certificate*

Please review your existing Deduction Tables and/or Master Deductions to see if the tables and/or the deduction which follows already exists in your system. If they do, you may need to simply update existing information. If they do not, you will need create new tables and/or a new deduction. Please proceed to Step 1, below, to begin.

STEP 1 – PAYROLL TAX TABLE(S): Refer to paragraph 1 of Prosoft's **California State Tax Changes Update** (available on our website) for the current-year tax table information.

STEP 2 – RELATED PAYROLL MASTER DEDUCTION(S):

California follows federal tax guidelines concerning "pre-tax" deductions which reduce the annual income amount on which taxes are paid on a dollar-for-dollar basis. Certain approved savings and health care insurance plan deductions fall into this category (for example, 401K, SIMPLE, SEP, and Cafeteria 125-type plans are the most common). If you have any of these deductions, please check with your Plan Administrator to determine which plans are tax exempt.

If you have approved pre-tax deductions, please review the **PRETAX** line in the formula shown in Step 3d. Each of the indicated deductions relies on calculations in deductions specifically for them and which may already exist in your system. If so, you may need to verify/change the pre-tax deduction variable names shown in the PRETAX line to match variable names presently in use for those deductions. If you are uncertain about what needs to be done, please contact Prosoft Support.

STEP 3 – PAYROLL MASTER DEDUCTION: Select **PR | Payroll Setup | Master Deductions**. If the deduction does not presently exist, select **Insert**. If it does exist, select **Change**. Enter/update/verify the state withholding tax deduction shown, below, and then select **OK | Close** to return to the main Gemini window. You may change the Deduction Code and Description if desired:

a. **General tab:**

Deduction Code: **CASITW**

Description: **CA St Tax W/H**

Deduction Group: Select a deduction group if desired (and if defined). See **NOTE**, below.
Withholding GL Acct: Enter a liability account number. This is the liability account to which SIT will accrue and from which it will be paid out through Accounts Payable. Select the search button to the right of the field if you need to search for/Insert/Change the appropriate account number.
Variable Name: Not applicable.
Union ID: Not applicable.
Deduction Type: **SIT**
Deduction Type ID: Not applicable.
Employee/Employer: Select **Employee Deduction**
Expense Acct: Inactive field (not applicable for employee deduction)
In State ID: **CA**
Load Sequence: **240**
Default Deduction: We recommend this box be checked if all your employees work in-state. If some employees work out-of-state, select and check if desired. When this box is checked, Gemini automatically adds this deduction to all new employees and, if it is a new deduction, allows you to automatically add the deduction to all existing employee's list of deductions when you click on **OK** to accept it.
Reset at End-of-Year: Select and check.

NOTE: The maximum number of deductions that can be shown on a check stub/voucher is nine. When the number of deductions exceeds the maximum, **Deduction Groups** allows multiple similar deductions to be consolidated and totaled under a single group heading (for example, Union Dedns). Select the "search button" to the right of the Deduction Groups field to select a deduction group from an existing list of groups. The list can be updated "on-the-fly" if/as necessary and can also be updated by selecting **PR | Payroll Setup | Deduction Groups**.

b. **Labels tab:**

Labels for User Amounts: Enter the following definitions in the appropriate fields provided to the right of Amt1 through Amt3 labels (**WARNING:** At this point you are simply **defining** the variable user amount fields, **DO NOT ENTER EMPLOYEE DATA INTO THEM**):

Amt1: **Mar Status**
Amt2: **Low Inc Ex**
Amt3: **Est Dedn**
Amt4: **Std Dedn**
Amt5: **Pers Ex Cr**
Amt6: **Addtnl Tax**

Labels for Tables: Not applicable/leave blank

Help Text: Either type or copy and paste the following information into the Help Text Box. Help information to be typed/copied is shown in 12 pitch **Times New Roman Bold blue** font.

This deduction will withhold California State Income Tax based on the information entered in the Optional User Amount fields. The user is responsible to insure this and any other deductions which may either affect it or be affected by it are operating correctly and to verify and/or update all SIT variables, tax tables and/or rates annually or whenever changes are received from the state.

To discontinue or remove this deduction, check the "Deduction is Inactive" box. WARNING: If an active employee is simply exempt from paying state income tax, DO NOT check the "Deduction is Inactive" box (use Mar Status 4.00 in Optional User Amt 1, below, instead).

Please update **Optional User Amount** information as necessary from the employee's Form DE4/W4 and the current tax year California Withholding Schedule (CAWS):

1) **Mar Status:** Enter the employee's Marital Status from his/her DE4/W4. You must use the numbers 1, 2, 3, or 4 as indicated below; any other number will always return a tax amount of zero.

1.00 -- Married persons (only one spouse working)

2.00 – Single, dual-income married, or married person with multiple employers

3.00 – Unmarried Head of Household

4.00 -- Resident or non-resident exempt from CA SIT withholding. **WARNING:** If an active employee is exempt from paying state income tax, **DO NOT** check the "Deduction is Inactive" box—payroll information must still be accumulated for both the employer and employee's annual tax returns. In fact, when this option is used, set up the remainder of the Optional User Amount fields which follow as though SIT were going to be deducted.

2) **Low Inc Ex:** Use the employee's payroll period frequency and marital status to select and enter the appropriate Low Income Amount from CAWS Table 1 - Low Income Exemption Table.

3) **Est Dedn:** Use the employee's additional withholding allowances and payroll frequency to enter the Additional Withholding Allowance Amount from CAWS Table 2 - Estimated Deduction Table.

4) **Std Dedn:** Use the employee's payroll frequency and marital status to select and enter the Standard Deduction Amount from CAWS Table 3 - Standard Deduction Table.

5) **Pers Ex Cr:** Use the employee's allowances and payroll frequency to select and enter the Standard Withholding Allowance Amount from CAWS Table 4 - Exemption Allowance Table.

6) **Addtnl Tax:** Enter any additional state taxes to be withheld.

c. **Vendor Link tab:** If desired, enter the vendor to whom this accrued payroll deduction element will be paid. If you use a vendor link at this level, a single Accounts Payable batch entry will be created to be posted into AP. The batch invoice amount will be equal to the total deducted from all employees with this deduction.

d. **Formula tab:** Either type or copy and paste the following information into the Deduction Formula text box over any existing formula text. Formula information to be typed/copied is shown in 12 pitch **Times New Roman Bold blue** font.

"CALIFORNIA STATE INCOME TAX WITHHOLDING DEDUCTION"

"VARIABLES"

PRETAX = CAF125 + K401;

"FORMULA"

BASIS = TAXABLEPAYS - PRETAX;

GROSS = BASIS;

IF GROSS <= AMT2;

CALIT = 0.00;

ELSEIF;

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CALIT = BASIS;
ENDIF;
GROSS = BASIS;
CATP = CALIT - (AMT3 + AMT4);
IF CATP <= 0.00;
CATP = 0.00;
ENDIF;
CAATP = CATP * PAYFREQ;
IF AMT1 = 1.00;
CAAT = TABLE(CASITTM,CAATP);
ENDIF;
IF AMT1 = 2.00;
CAAT = TABLE(CASITTS,CAATP);
ENDIF;
IF AMT1 = 3.00;
CAAT = TABLE(CASITTH,CAATP);
ENDIF;
CAT = CAAT / PAYFREQ;
CAT = CAT - AMT5;
IF CAT <= 0.00;
CAT = 0.00;
ENDIF;
RESULT = CAT + AMT6;

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e. Testing the formula:

(1) Verify the formula, above, is typed/copied in correctly by clicking on the **Test Formula** button. 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 empty data fields for testing.

(2) Although we have thoroughly tested the deduction formula for correct operation, you may wish to verify it yourself. You can manually create a scenario whereby you test the formula by filling in the various formula data fields. Alternatively, you may wish to use the example deduction scenario outlined in your state tax publication(s) and/or forms noted at the beginning of this document. After test data has been entered in the various formula data fields, click on the **'Calculate'** button to obtain the **Result**, **Basis**, and **Gross** amounts. The **Result** you obtain should be very close to your manual calculations, example deduction scenario amount, or the standard table amount if your state uses periodic tax tables (weekly, monthly, etc). Please note that periodic tax table amounts are for an income "range" and may be off by a few dollars whereas, unless your state requires rounding, Gemini calculates to the penny.

(3) Click on **Done** to return to the *Formula* tab and, if you are finished with the formula, click on **OK** to save your deduction; the system will return you to the Master Payroll Deductions window. Click on **Close**.

STEP 4 – UPDATE EMPLOYEE DATA FILE(S):

- a. Select **PR | Employee Maintenance**:
- b. Select an employee and click on **Change**; the *Update Records* window should appear for the selected employee. At the bottom of the window, select **Deductions** to display the "Deductions for..." window.
- c. If you did not check the **Default Deduction** box in Step 3a, above, either click on the **Insert** button or press the **Insert** key on your keyboard to display the Deduction will be Added window. Either type in **CASITW** in the **Deduction**

field or click on the search button to the right of it to display and select the **CASITW** deduction from the Master Payroll Deductions window.

d. You should now be on the window titled either **Deduction will be Changed** or **Deduction will be Added** – it makes no difference which.

(1) Enter an AP vendor number in the **Vendor Link** field if desired. If there is a vendor number in this field, it takes precedence over a vendor number entered in the PR Master Deduction (Vendor Link tab). Please note that any Vendor Link activated at this level produces a single AP batch invoice entry for each employee with this deduction.

(2) Verify the **Show on Check Stub** box is checked.

(3) Update the **Optional User Amts** fields on the right-hand side of the window as necessary. If you don't know what information to enter, either refer to the **Help Text** in Step 3, above, or simply click on the **Deduction Help** button.

e. When finished, click on **OK** at the bottom of the screen to save the information and return to the "Deductions for..." window. If this is a new deduction, it should appear at the bottom of the employee's list of deductions and should be highlighted. It may be left where it is or, if desired, click on the "Up Arrow" box below the deductions list to move the deduction up in the employee's list of deductions.

f. Click on **Close** to get back to the "Update records..." screen and then select **OK** to update employee data; the system should return you to the window titled **Employee List**. Select and update the next employee's deductions list as necessary.

This concludes the setup of the California State Tax Withholding formula.