Creative Microsystems, Inc.
52 Hillside Court
Englewood OH 45322
Tel: (800) 686-9313
Fax: (937) 836-1036
Email: sales@civicacmi.com

YEAR-END PROCEDURES

FOR PAYX CLIENT SERVER

WARNING!!! *CAREFULLY READ THESE INSTRUCTIONS IN THEIR ENTIRETY BEFORE BEGINNING PROCEDURES.*

Year-end procedures must be completed ***after*** the last payroll of the calendar year has been balanced and processed and ***before*** the first payroll processing of the new calendar year.

Closing the year in Payroll involves printing or saving reports to retain copies of employee data for the present year, an archive-save, the preparation and printing of W2 forms, and end-of-year reset. Suggested procedures are outlined below. More detailed instructions for each menu selection are included in the PAYX Client Server Reference Manual.

NOTE: *Contact **CMI** immediately if you are printing W2s using a laser printer and you have not contracted with **CMI** to purchase* **MAG-FILER®.**

NOTE: *If you have **CMI's** Finance application and need to update a new year payroll **before** you complete the Finance end of year, use Voucher Interface with a January Batch Date. If you are not on a calendar year, the January date should reflect the appropriate fiscal month.*

PROCESSING FRINGE BENEFITS

If your fringe benefits should affect an employee's Medicare gross, use the procedures entitled "Entering and Withholding for Non-Monetary Compensation" attached to this document. This should be done **before** your last payroll of the year.

PRELIMINARY PROCEDURES

RUN EXCEPTION REPORTS: Run the W2 EXCEPTION REPORT to check for W2 errors. These errors will also show up on the W2 BACKUP REPORT that you will run in Step 3. If the report shows no exceptions, continue through the rest of these instructions. If there are exceptions, run W2 EXCEPTION BY EMP BY PAY. This will show the pay(s) that caused the error(s) indicated on the W2 EXCEPTION REPORT. Use this report as a guide to what needs to be corrected in any Employee Record. If necessary, call **CMI** for assistance.

NOTE: *This report should be printed quarterly throughout the year to help you find potential problems.*

NOTE: *If an employee had a partial-year deduction for FICA or Medicare, you will get an error message on this report. In general, you can ignore the exception if you verify that the YTD withholdings for that employee are correct. Examples include a part-time employee who had FICA withheld who went to full time and was then covered under PERS or another Pension Plan; or an employee who was exempt from Medicare, who is rehired and now has Medicare withheld.*

REVIEW EMPLOYEE RECORDS: Verify that each employee's Master File is set up correctly. Make sure the name, address, and Social Security Numbers are correct.
Names should be entered in the format <**LAST SUFFIX, FIRST MI**>; i.e., John Q. Smith, Jr., should be entered as <**SMITH JR, JOHN Q**>. Also make sure that the City, State, and Zip Code are entered in the format <**CITY, OH 99999**>; this is especially important if you are printing laser W2s using **MAG-FILER®.**

QUICK TIP: *Create a USER-DEFINED REPORT from the Employee file that prints all pertinent data, such as the SSAN and mailing address for all active employees, rather than reviewing the Employee Maintenance File for each individual.*

RETAINING RECORDS: To *RETAIN as Active a terminated* employee's records after the YEAR END OVERLAP RESET, enter <**Y**> for Yes in the **Retain** field in EMPLOYEE MAINTENANCE. Otherwise, terminated Employee Records will be archived in the History file with YEAR END

OVERLAP RESET. It is not necessary to retain a terminated employee's record, unless you anticipate that he or she being rehired in the coming year. ***DO NOT DELETE EMPLOYEE FILES!***

NOTE: *Make sure to remove the "Y" from the* ***Retain*** *field if you entered it in previous years and now only want the employee's record available in the History file. Remember, an inactive employee can be reinstated if necessary.*

REVIEW DEDUCTION CODES: Verify the accuracy of Deduction Code setup.

FICA: Check the setup of your FICA Code in DEDUCTION MAINTENANCE to ensure that the **Maximum Amount** and **Maximum Gross** are correct. The program tests against these two fields before printing FICA amounts withheld on W2s.

DEFERRED COMPENSATION: If you have employees with Deferred Compensation that qualifies as a 401(k), 403(b), or other plan, verify that the Deduction Code(s) for Deferred Compensation (as established in DEDUCTION MAINTENANCE) contain a **'D'** in the **W2** field and contain the appropriate IRS Letter Code in the **Plan** field for the correct processing of W2s. If you do not know the Plan Code, contact your plan administrator.

PENSION PLANS: If you have employees with eligible Pension Plans (PERS, Police Pension, etc.), verify that the Deduction Code(s) (as established in DEDUCTION MAINTENANCE) contains either a **'P'** or **'PD'** in the **W2** field and contains the appropriate IRS Letter Code in the **Plan** field, if applicable. If you do not know the Plan Code, contact your plan administrator.

SCHOOL TAX: Review the setup of any school tax deductions in DEDUCTION MAINTENANCE and TAX TABLE MAINTENANCE. You should have two Deduction Codes, one with an asterisk (*****) and one without an asterisk (*). Enter the School District Number in the format <**SD1111**> in the **Description** field of DEDUCTION MAINTENANCE and TAX TABLE MAINTENANCE. For instance, **'SD1111'** would represent School District 1111.

125 PLANS: Review the setup of any Flexible Spending Plans in DEDUCTION MAINTENANCE. Make sure the codes **'M'** for Medical or **'C'** for Child Care are displayed in the **Plan** field.

HSA PLANS: Review the setup of any Health Savings Accounts in DEDUCTION MAINTENANCE. Make sure that the appropriate IRS Letter Code **W** is entered in the **Plan** field.

NON-MONETARY COMPENSATION

If you must report on W2s non-monetary compensation (automobile allowance, meals, uniform allowance, cell phones, life insurance in excess of $50,000, etc.) that should be subject to taxes **and** Medicare or FICA, use procedures "Entering and Withholding for Non-Monetary Compensation" that are attached as the last page to this document.

STEP 1 – RUN REPORTS

Please refer to the PAYX Client Server reference documentation for descriptions and instructions for each report listed below. Unless otherwise noted, these reports should be run with no date restrictions, so that all year-to-date information is included.

MANDATORY REPORTS

DEDUCTION CARRYOVER REPORT
MULTI-CITY TAX REPORT *(if applicable)*
PAYROLL ACCRUE REPORT
COMPLETE CHECK REPORT *(restricted to current year)*

OPTIONAL REPORTS

QUARTERLY PAYROLL RETURN
SUMMARY FUND REPORT BY DATE *(and/or BY ACCOUNT)*
YTD MISCELLANEOUS DEDUCTION REPORT
YTD WITHHOLDING REPORT
PAY CATEGORY REPORT *(if applicable)*
QUARTERLY PENSION ACCRUE REPORT
FRINGE BENEFITS REPORT
USER-DEFINED REPORTS *(if applicable)*

STEP 2 – ARCHIVE

Perform a FILE-SAVE on a tape/disk that will not be reused. It should be archived as a ***permanent record*** for this year and labeled accordingly.

NOTE: *Clients using third-party backup software should consult the documentation for that application for questions pertaining to any functions not related to* **CMI** *applications.*

STEP 3 – W2s (may be printed after the Payx EOY process is completed)

Do not proceed unless you have installed the current version update *(if applicable),* as there may be programming included pertinent to end-of-year processing. Go to **CMI's** Web site www.civicacmi.com to download the most current software update or to enter a software request if you have any questions.

Use ANNUAL/W2 PROCESSING to create data for **MAG-FILER®** or to print your W2s. Each menu selection is explained below in the order in which it should be completed. Please note that some menu items may not be applicable to your installation.

W2 EXCEPTION REPORT

You may want to print the W2 Exception Report again before continuing. Please refer to the PRELIMINARY PROCEDURES section previously covered in this document for details.

W2 ADD-ON MAINTENANCE *(if applicable)*

Certain non-cash fringe benefits and other items must now be added to the Federal and State taxable wages on the W2. Please refer to the **"Instructions for Form W2"** from the IRS for specific information. This menu selection allows you to add the necessary amounts to the W2 of any employee affected by these requirements.

W2 Box 12 Import *(if applicable)*

Use this menu to import add-on data from a .csv file into W2 processing for Box 12. This menu is intended for the mass entry of add-ons in Box 12 (the employer share of health insurance, group term life insurance in excess of $50,000, etc.) as opposed to entering each add-on one-by-one in Addon Maintenance.

QUICK TIP: *Instructions entitled "Importing Add-on Amounts for W2 Box 12 into PAYX from Excel" are attached to this document.*

W2 ADD-ON REPORT *(if applicable)*

This report is a proof listing of entries made in W2 ADD-ON MAINTENANCE and/or W2 BOX 12 IMPORT and can be used to provide documentation of changes made to employee data. The report may be restricted by department and/or employee. There is an option to print one employee's data per page to allow you to distribute reports of fringe benefits added to affected employees.

W2 BACKUP REPORT *(all users)*

This report is a back-up listing of the W2 information as entered through regular payroll processing and through any Add-On Maintenance you entered in W2 ADD-ON MAINTENANCE and/or W2 BOX 12 IMPORT.

All deferred compensation is listed for each employee who is properly set up for this type of deduction; verify the total at the end of the report. Also listed are City Taxes, School Taxes, and Add-On Amounts. Use this report for State and City total tax amounts and gross wages.

QUICK TIP: *W2 errors indicated on the W2 BACKUP REPORT are also on the W2 EXCEPTION REPORT. See PRELIMINARY PROCEDURES near the beginning of this document for information pertaining to the W2 EXCEPTION REPORT.*

NOTE: *You may want to process an additional backup at this point to retain any work done in W2 Add-On Maintenance.*

STEP 4 - W2 FORM PRINT *(all users)*

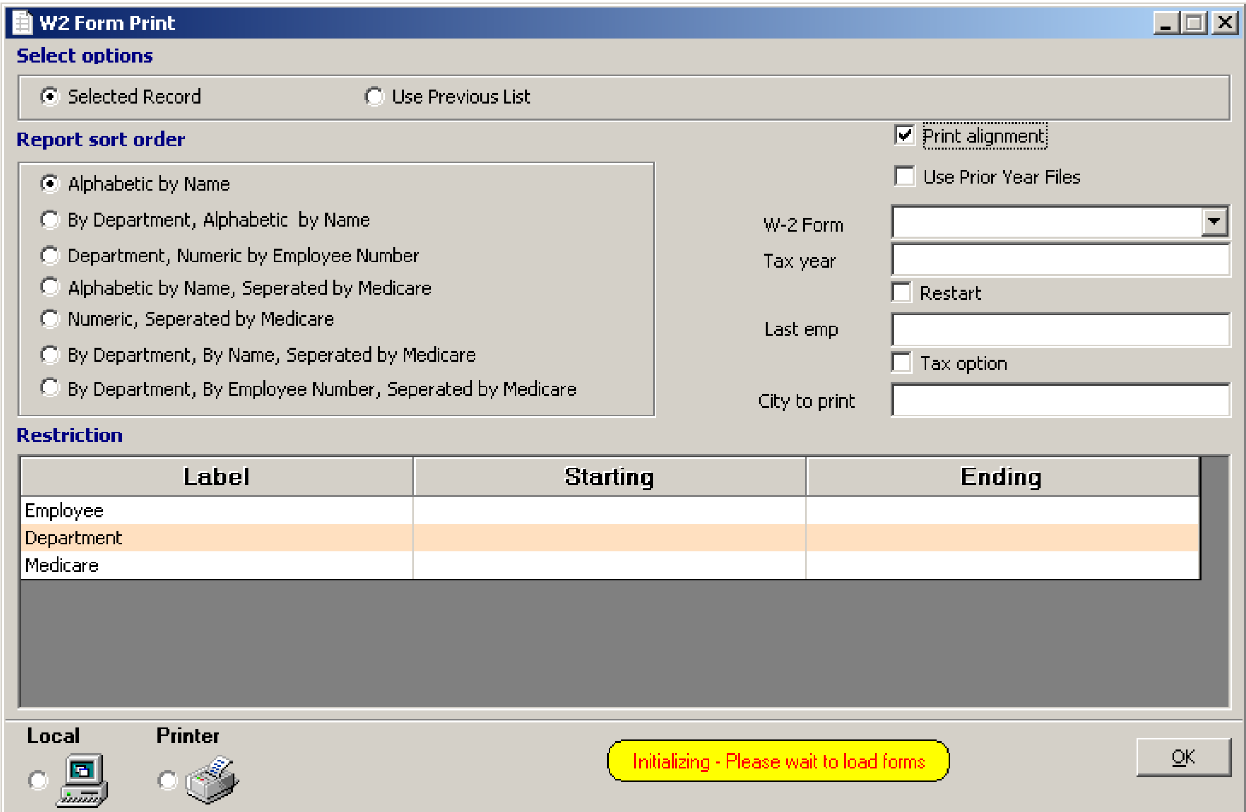
NOTE: *If you purchased the **MAG-FILER®** software through **CMI,** please refer to the documentation for that application. **MAG-FILER®** allows you to print your W2s on a laser printer.*

NOTE: *If you choose to print W2s in the new year, proceed to Step 5, Annual File Reset. **You must close your year before processing the first payroll of the new year!***

Use this menu to print W2 forms or to create data to export in the W2 MAGNETIC MEDIA menu. Refer to the PAYX Client Server Reference Manual for a step-by-step description of menu prompts and screens. You can restrict the form print by Employee, Department, and whether to include or exclude Medicare-eligible employees' W2s. A sort order selection is also available.

Before you create the electronic data or print the actual W2 forms on a line printer, it is recommended that you print W2s on paper as a trial run and as an additional proofing step.

Upon entry into this menu, the application will display the following **W2 Form Print** screen:



The **Print Alignment** check box is automatically selected by default. Remove the checkmark from this check box when the W2 forms are properly aligned.

Before you click on the **OK** button, complete the following fields:

Use Prior Year Files

-If you have NOT CLOSED the year with STEP 5 - ANNUAL FILE RESET, leave this check box unchecked to run W2s in the current year.

- If you have CLOSED the year with STEP 5 - ANNUAL FILE RESET and still need to print W2s for the prior year, checkmark this check box before continuing.

W2 Form
Select the correct format to print from the drop-down Help field list. The choices are:

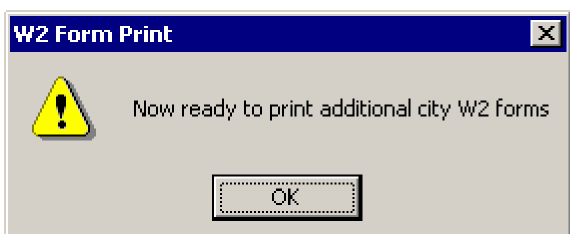
1. Regular W2 (Red on Right)
2. W2 Mailer
3. Mag Media W2
4. 1099-R Print

Tax Year
Enter the Tax Year that you are reporting, for example, <**2012**>.

Restriction
If you file W2 data using magnetic media or use **MAG-FILER®** to print your laser W2s, combine all employees into one W2 print run. Do **NOT** use the Medicare restriction. After printing W2s, go to Step 4 - W2 Magnetic Media, on the next page.

NOTE: *If you file paper copies of W2s with the IRS, call* **CMI** *for assistance in using the Medicare restriction.*

Additional W2 Forms
If applicable, a second W2 will print, after the first set of W2s, when there are more than two local taxes to report or when entries in Boxes 12 and/or 14 exceed the number of spaces available on the W2. The following prompt will display:



Select the OK button, and the second W2 will print.

NOTE: *If you are printing W2s using* ***MAG-FILER®****, go to W2 Magnetic Media to process the file.*

The following instructions may apply if you are printing paper copies of W2s on a line printer or pin-fed printer and you need to restart your W2s or to print additional W2s.

TO RESTART YOUR W2s

If you need to restart your W2s, enter W2 FORM PRINT again. After printing another alignment (if necessary), select the Restart check box. (The Use Previous List radio button will automatically be selected.) Next, enter the four-digit Employee Number of the last employee whose W2 printed correctly in the **Last emp** field. Click on the OK button, and the W2s will begin printing.

NOTE: *Don't forget to select the Use Prior Year Files check box if it was set previously.*

QUICK TIP: *Extra W2s (for local taxes) should not be mailed to the SSA if you are submitting paper copies of W2s.*

PRINTING ADDITIONAL W2s *(optional)*

To print a set of W2s for a specific City or School District for your City Tax Administrator, after you have printed W2s for your employees, enter W2 FORM PRINT again. In addition to printing another alignment (if necessary), selecting a W2 Form, and entering the Tax Year, you must also checkmark the **Tax Option** box and enter the Deduction Code for the City or School Tax in the **City to print** field for the additional set of W2s.

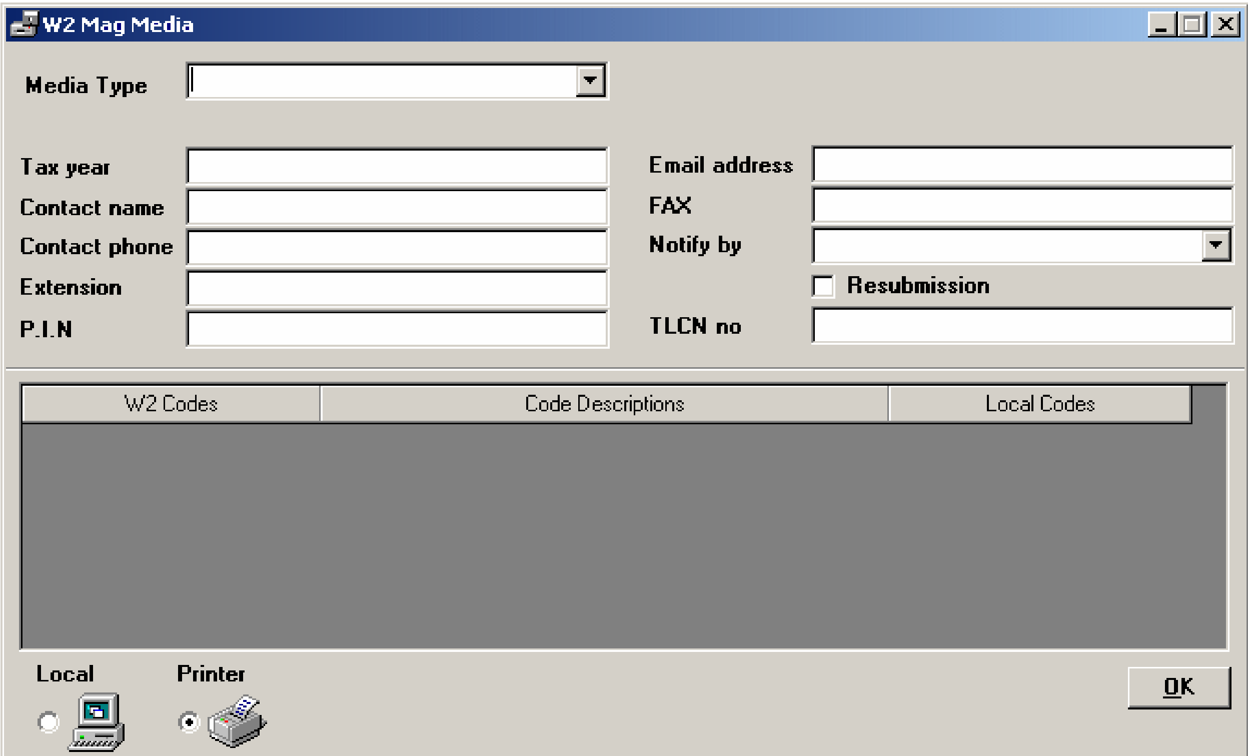
NOTE: *Don't forget to select the Use Prior Year Files check box if it was set previously.*

W2 Magnetic Media

Use this menu to download the W2 data file for **MAG-FILER®** for electronic reporting to the Social Security Administration (SSA), to the State, or to a specified City. If appropriate, this routine can be run after STEP 5 - ANNUAL FILE RESET.

NOTE: *If you purchased the **MAG-FILER®** software to print laser W2s, use this menu selection to download W2 data to the software. Use the instructions included in your **MAG-FILER®** mailing to print W2s.*

Upon entry into this selection, the following **W2 Mag Media** window will display:



First, select the media type in the **Media Type** field from these choices:

MAGFILER: Use this selection to download a data file for the **MAG-FILER®** software. This creates a file named CMIW2.DAT; however, several files may also be created with this selection.

FEDERAL REPORTING: Use this selection to create an SSA W2 file for magnetic media reporting to the SSA. This creates a file named W2REPORT.

STATE REPORTING: Select the appropriate State for W2 reporting. The file for Ohio is named 2013W2REPORT (in 2013).

CITY REPORTING: Select the appropriate City for W2 reporting.

After making your selection, complete the rest of the screen and click OK. A report of downloaded W2 data will spool automatically to your printer for reviewing purposes. Next, a window will display a confirmation similar to the following:

ONLINE REPORTING: If you submit W2 information to the SSA online, use the W2REPORT file created with the above process for your electronic submission, using instructions from SSA.

 **QUICK TIP:** *Please review the "Electronic W-2 Filing Handbook" online by following this link:* http://www.ssa.gov/employer/bsohbnew.htm

Detailed reporting instructions are attached to this document. These include "How to Create the Electronic W2 File for the SSA" and "How to Create the Electronic W2 File for Ohio." Or access them by following this link to our supplemental documentation Web site: Http://finance.civicacmi.com/supplemental_docs.htm

STEP 5 – ANNUAL FILE RESET

 **WARNING!!!** ***All PAYX and PAYQ users should be logged off of PAYX before continuing with this step.***

Depending on how your overlap flag is set, this menu retains the files that you need to process your Pension and ODJFS Reports for the last reporting period of the year. After processing your final Pension and ODJFS Report for the old year, you will also need to run the YEAR END OVERLAP RESET as described in Step 6.

After you have completed Steps 1 through 4, select this menu to process the ANNUAL FILE RESET. (**Omit Step 4** if you are closing the year before printing W2s.) After completing this menu, check the year-to-date option in EMPLOYEE INQUIRY for a few employees paid in the old year to verify that all files have cleared correctly. The YTD option for these employees should show zero dollars ($0.00). If it does not, process the ANNUAL FILE RESET again. Check an employee's YTD option again; it should show zero dollars. If it does not, then please call **CMI**.

STEP 6 – YEAR END OVERLAP RESET
(Run in the new year)

Do **NOT** ***use this routine*** until you have run reports for the fourth quarter of the old year. Add this to your calendar or To-Do List for April of the new year. This selection removes the prior-year files that were not cleared in the ANNUAL FILE RESET (PERS, Police Pension, ODJFS, etc.). After processing these reports for the fourth quarter for the prior year, you must use this selection to clear the files. It must be run before June 1st.

Until this step is done, ACCRUE/PICKUP PROCESSING has prior-year and current-year data. Make sure to use “date restrictions” instead of “pay period restrictions” to limit processing to the data that you want.

NOTE: *This routine also removes terminated employees from EMPLOYEE MAINTENANCE, who were not retained, and moves their records to prior-year history. It also clears W2 Add-On Maintenance for the new year.*

Helpful Web Sites

Department of the Treasury: www.irs.gov
Department of the Treasury,
Forms and Publications: www.irs.gov/formspubs/

www.**irs**.gov/pub/**irs**-drop/n-12-09.pdf

American Payroll Association: http://www.americanpayroll.org

Social Security Administration, Employer Reporting Instructions:
http://www.ssa.gov/bso/bsowelcome.htm

State of Ohio Dept. of Taxation: http://www.tax.ohio.gov

Creative Microsystems, Inc.: www.civicacmi.com

Supplemental **CMI** Documentation:
http://finance.civicacmi.com/supplemental_docs.htm

To learn more about **MAG-FILER®**: http://www.spokanecomputer.com

PAYROLL EOY CHECKLIST

Preliminary:

- ✓ Run the W2 Exception Report.
- ✓ Order forms and envelopes.
- ✓ Load the current **CMI** software update *(If applicable).*
- ✓ If you do not already have the number of your Pension Plans, call OPERS and/or Police and Fire Pension agencies and obtain it in writing.
- ✓ Review the attachments to this document describing four procedures to see if any are applicable to you.

Prepare for Any New W2 Requirements:

- ✓ Obtain and read a copy of IRS Circular E and/or "Instructions for Form W2."
- ✓ List fringe benefits earned by your employees. Remember to load the **CMI** software update (if applicable) before entering fringes in W2 ADD-ON MAINTENANCE or W2 BOX 12 IMPORT. *
- ✓ Verify codes as entered on the computer for FICA, Deferred Compensation, School Tax, 125 Plans, HSA Plans, and Pension Plans. *

END-OF-YEAR PROCEDURES

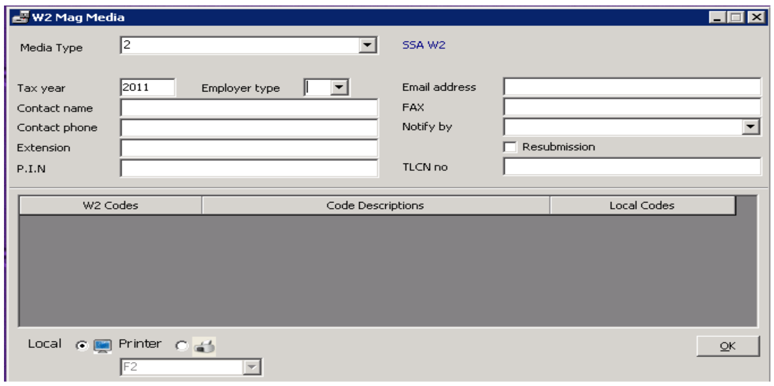
Step 1: Run Reports. *
Step 2: Archive Save. *
Step 3: Process W2s. *
Step 4: Print W2s.*
Step 5: Annual File Reset. *
Step 6: Year-End Overlap Reset. *
(Mark your calendar today to do this procedure **after** you run your 4th quarter reports.)
** See the preceding pages of this handout for detailed instructions.*

How to Create the Electronic W2 File for the SSA

Use W2 Magnetic Media (Reports, State Federal Reports, W2 Processing, W2 Magnetic Media)

Select line 2 (SSA file) from the drop-down menu.

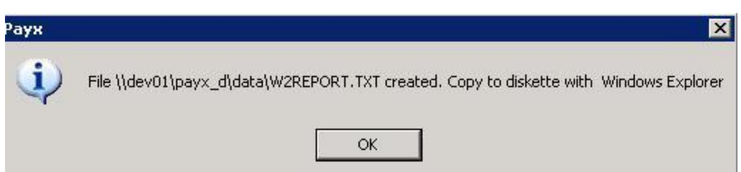
Enter the correct tax year, your Employer Type, your contact information, your PIN#, and your Notify by choice. Select printer or local. Do not click the resubmission box or enter a TLCN, unless your original file has been rejected and you were given a TLCN Code by the SSA. Click OK.



***Note**: Definitions of Employer Types can be found at http://www.irs.gov/pub/irs-pdf/iw2w3.pdf under "What's New" on page 1 (under "Kind of Employer") and continuing on page 18. If you have further questions about what Employer Type to select for your entity, contact the IRS.* **CMI** *does not have this information.*

***Note**: If you do not have a PIN #, contact the SSA to get one.* **CMI** *does not have this information.*

After clicking OK, you will receive a message similar to the following:



Submit this file to the SSA via their Web site. The file can be found in your PAYX\data folder. It is named W2REPORT.TXT.

A report of the information contained in the file will print to your selected printer or local screen, depending upon the radio button you selected. Check these totals before uploading your file to the SSA.

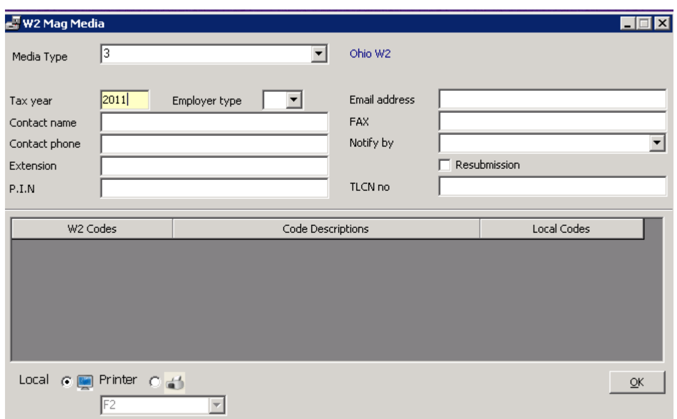
Make sure to file on time. Filing deadlines for on-line filing of W2s are determined by the SSA and can be found at the following link: http://www.ssa.gov/employer/filingDeadlines.htm

How to Create the Electronic W2 File for Ohio

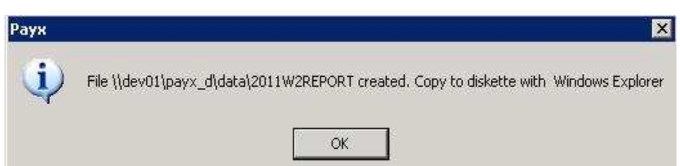
Use W2 Magnetic Media (Reports, State Federal Reports, W2 Processing, W2 Magnetic Media).

Select Line 3 (Ohio file) from the drop-down menu.

Enter the correct Tax Year, your contact information, and your Notify by choice. Ohio does not use the Employer Type or PIN fields. Do not click the Resubmission box or enter a TLCN Number. Select printer or Local.



Click OK. You will receive a message similar to the following:



Copy this file onto a CD and mail to Ohio. You can find the file in your PAYX\data folder. It is named 2012W2REPORT.TXT (NOTE: The year will change each year.).

A report of the information contained in the file will print to your selected printer or local screen, depending upon the radio button you selected. Check these totals before mailing your CD to Ohio.

Make sure to file on time. Filing deadlines for Ohio can be found by starting at the following link: http://tax.ohio.gov/Home/DueDates.aspx

Search the Frequently Asked Questions for W2 Magnetic Media to find the current information. Ohio releases a new booklet of requirements each year.

Importing Add-On Amounts for W2 Box 12 into PAYX from Excel

Use these procedures to import add-on data from a .csv file into W2 processing for Box 12. This menu is intended for the mass entry of add-ons in Box 12 (for example, the employer share of health insurance, group term life insurance in excess of $50,000, etc.), as opposed to entering each add-on one by one in the W2 Add-On Maintenance menu.

Each user who is permitted to perform this function must be given access to this menu on Line 151 in Access Maintenance. Set the value to “0”. Make sure to have the user log off and back on to the application. The user will be prompted to change his/her Password upon logging back in.

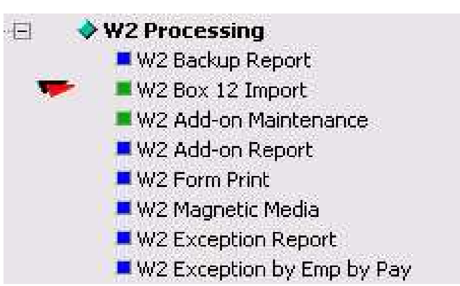
__Step 1__: Create an Excel spreadsheet in the following format:

	A	B	C	D
1	1	C	65.32	
2	2	C	48.99	
3	3	C	26.59	
4	4	C	29.56	
5	5	C	16.88	
6	6	C	32.56	
7	7	C	55.23	
8	8	C	16.32	
9	9	C	23.45	
10	10	C	45.54	
11	11	C	17.89	
12	12	C	49.66	
13	13	C	16.88	
14	14	C	32.56	
15	15	C	19.66	
16				

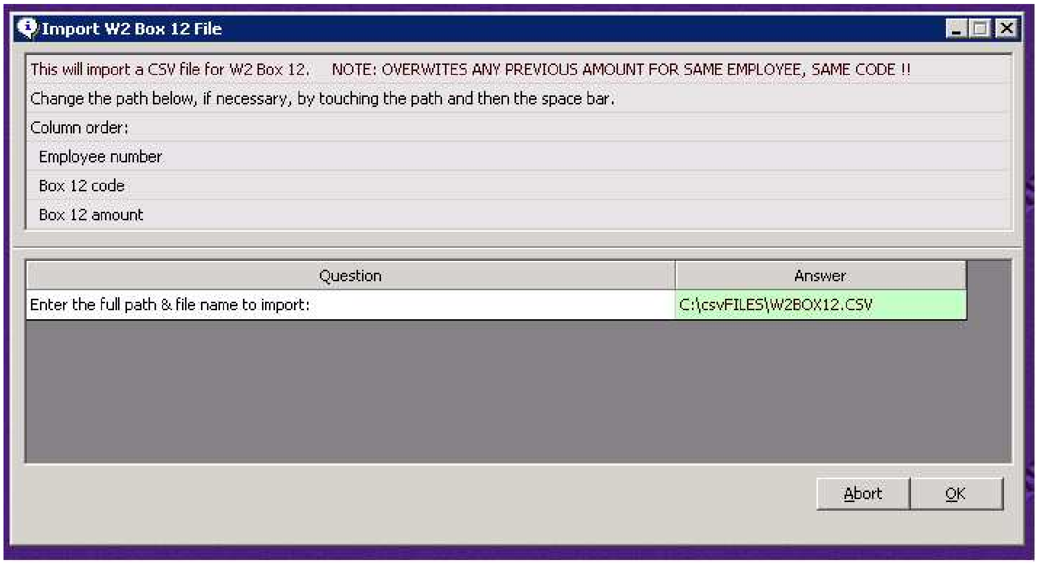
In your spreadsheet, enter the Employee Number in Column A, the Box 12 Add-On Code in Column B (the code must be capitalized), and the Dollar Amount of the add-on in Column C.

Save the spreadsheet as a .csv file.

__Step 2__: Open the “W2 Box 12 Import” menu. This menu is located under the Reports icon/State-Federal Reports/W2 Processing/W2 Box 12 Import.



The following screen will display:



At the prompt, "Enter the full path & file name to import", change the "Answer" to be the location of your .csv file. For example, if you called your file GROUPTERMLIFE.csv and saved it on your C: drive, you would enter the following:

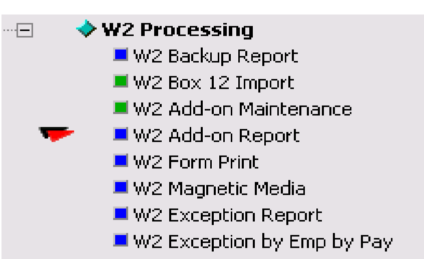
C:\GROUPTERMLIFE.csv

Click OK. The amounts from the spreadsheet will be uploaded to the specified employee, using the specified code for Box 12.

IMPORTANT NOTE: Each time you upload a new file, if the same employee and Add-On Code are used, the amount in the new file will **OVERWRITE** the previous amount for that Add-On Code for that employee.

Files may be uploaded multiple times. For example, you may have one .csv file of your add-ons for Code C (group-term life in excess of 50,000) and another .csv file of your add-ons for Code DD (employer healthcare premiums) and so on.

<u>Step 3</u>: Print the W2 Add-On Report in order to verify your data before printing W2s.



ENTERING AND WITHHOLDING FOR NON-MONETARY COMPENSATION

If you have an employee who receives non-monetary compensation (automobile allowance, life insurance in excess of $50,000, etc.) that you want to withhold taxes for, use the following procedures:

1) Determine which grosses the compensation should impact (i.e.: is it subject to federal/state/city/Medicare/ODJFS reporting?).

2) Create an income code in Special Menu, File Maintenance, Income Code Maintenance. Fill in the description and check description. Enter **A** in the field **Taxable Stat.**

3) Create a second income code in in Special Menu, File Maintenance, Income Code Maintenance. Fill in the description and check description. At the field **Taxable Stat,** enter ? to see a list of acceptable entries. Enter the code that corresponds to the grosses the non-monetary compensation should impact as explained in number 1 above.

4) On the timesheet(s), where you want to add the non-monetary compensation amount to the applicable gross, complete the following actions:

    1. Create a payment line for the amount of the compensation using the income code created in Step 2 above (the one with the **Taxable Stat <A>).**

    2. Create amptjer [au,emt ;ome fpr the ***negative*** amount of the compensation using the income code created in Step 3 (the one with **Taxable Stat** that is ***not*** **<A>).**

EXAMPLE: Joe Smith regularly uses the city's vehicle. The city considers this a taxable fringe benefit of $2000, with taxes payable on $500 quarterly.

Once per quarter, the timesheet is changed to add +$500 on income code "CT" **(Taxable Stat <A>)** and -$500 on income code "CN" **(Taxable Sat <FSCM>).**

The $500 is not paid to the employee, yet the taxable grosses for federal, state, city and Medicare are increased to include the $500, and the applicable taxes are withheld.