



on Client Ledger System™ Software

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CLS II 2.41 Update is Scheduled for Release December 8th

CLS II 2.41 contains a number of payroll forms that have been updated for year-end and fourth quarter filing. CLS will now allow optional masking of employee Social Security Numbers on W-2 Copies B, C and 2.

A new CLS add-on is now available! **Bank Account Transfer (BA)** allows you to import transactions which have been exported from your clients' online bank accounts. This add-on is available for all CLS products except *General Ledger™*. **BA** can import transaction files which use either the QBO (QuickBooks 2005 & newer) or QFX (Quicken 2005 & newer) file format. Transactions may be imported from debit accounts (checking, savings, money market and other investment accounts) and credit accounts (credit cards and line of credit). See page 3 for more on how **BA** can save you time!

The *Worksheet Interface (WI)* program returns to CLS beginning with version 2.41. Using *Worksheet Interface*, you may export account balances to an Excel™ spreadsheet using a template which you define and create. The template indicates which columns should appear in the spreadsheet, the accounts to be included and how you want the accounts grouped. **WI** uses instructions in the template to extract the required account balances from a CLS ledger, combine account totals, and create the resulting output spreadsheet. **WI** can extract current year, last year and budgeted amounts. If you don't remember **WI** from CLS-DOS, then check out the article on page 4.

Don't forget that CLS offers an add-on for interfacing with 1120, 1120S and 1065 returns from six of the most popular tax packages. The *Tax Package Interface (TX)* add-on supports *Drake Tax®*, *Intuit ProSeries® Tax*, *Intuit Lacerte®*, *Thomson Reuters GoSystem Tax RS*, *Thomson Reuters UltraTax CS*, and *Wolters Kluwer CCH® ProSystem fx® Tax*. Some tax packages require that you pre-code each ledger before you export it to the tax package. Others will accept a trial balance with just account numbers and, once you've assigned the balances to lines on the tax return, CLS will remember those assignments. **TX** gives you the option of using intermediate "templates" or coding the ledgers directly.

Version 2.41 has been updated to accommodate new state filing requirements. Make sure that you order the add-ons needed to get the job done! Here are a few of this year's state specific additions:

- **Arizona:** Electronic filing will be required for all W-2 and 1099/1098 filings. *Tax Media & eFile for W-2s/1099s (TM)* will support electronic filing for Arizona.
- **California:** State reporting of ACA information will be required for all employers who must file with the IRS. While the filing responsibility belongs to the employer, the filing may be received from the insurer or employer. In most cases, the state only expects to receive submissions from employers if they are self-insured. *Affordable Care Act Reporting (AC)* will support filing via paper forms for California.
- **Illinois:** Electronic filing of form IL-941-X will be required for all employers submitting corrected returns. In addition to the IL-941, *State Withholding Forms & eFile (SW)* will now also support electronic filing of IL-941-X.
- **New Jersey:** Electronic filing will be required for all W-2, 1099/1098 and ACA filings. *Tax Media & eFile for W-2s/1099s (TM)* and *Affordable Care Act Reporting (AC)* will support electronic filing for New Jersey.
- **Utah:** Electronic filing will be required for all W-2 and 1099/1098 filings. *Tax Media & eFile for W-2s/1099s (TM)* continues to support electronic filing for Utah.

Not sure which add-ons you might be interested in? You can find documentation on ALL CLS add-ons, whether you own them or not, by accessing **DOC** (or **F1**) **5**. You can check out any requirements and get a general idea of what is involved for using any particular add-on.

COVID-19 Affects on Payroll Reporting

2020 and the federal response to COVID-19 brought about several payroll reporting changes during the year! Here's a recap of the new tax credits and tax deferral options and how they are reported in CLS...

Sick Leave Credit, Family Leave Credit, Employee Retention Credit and Hiring Veterans Credit

The employee retention credit is available for wages beginning on March 13, 2020. All other credits may be applied for wages beginning on April 1, 2020. Each of these credits are valid for eligible wages paid through December 31, 2020. For employees eligible for these credits, use **EF 6**, *2020 COVID-19 Credit Wages*, to enter the wages qualified for each tax credit and the employer's health plan expenses associated with the covered time-frame.

Employers may optionally request expected tax credits in advance of 941 filing, using Form 7200, *Advance Payment of Employer Credits Due to COVID-19*, which was added as **TW 1 (5)**.

Creating the *941 Preliminary Report* using **TW 1 (1,1)** accumulates the credit eligible wage and expense amounts for an employer and calculates the 941 credit amounts. You may edit the series *941 COVID-19 Credit Wages* using **TW 1 (1,2)**, but permanent corrections should be made using **EF 6**. Credit amounts may be edited using **TW 1 (6)**, *Edit 941 Tax Credits*.

Credits are applied to the payroll series' daily tax liability for the quarter when the 941 is prepared; these credit amounts may be viewed using **PF 6 (1)** where you may view *Liability including COVID-19 Adjustments, Liability Amounts Only, or COVID-19 Adjustments Only*. As with prior versions of CLS, liability amounts are posted for the current period when the period is closed.

In **SI 1 (3,5)**, you may indicate whether to *Create COVID-19 Adjustments*. If selected, CLS will prompt whether to create the employer ledger transactions (using Source Code **T1**) when the 941s are printed.

Wages subject to the sick leave and family leave credits are reported on a newly added W-2 employee statement. This statement will be available in CLS as W-2 Copy **F** and should be provided to employees along with their W-2s.

Employer Deferred Social Security

Beginning April 1, 2020, employers have the option of deferring payment of the employer's portion of the Social Security tax. The liability reported on 941 Schedule B remains the same but the amount being deferred is entered on 941 *Line 13b*. Notices will be mailed by the IRS when repayment is due next year.

Employee Deferred Social Security

Beginning September 1, 2020, employers have the option of allowing employees to defer payment of the employee's portion of the Social Security tax. For employers allowing the employee deferral of Social Security taxes, add column type **A9** in **PF 3**. When entering paychecks, enter the full Social Security amount as normal and an offset for the portion being deferred using the newly added column. Amounts entered in the **A9** column are included with any deferral of the employer's portion of the Social Security tax in 941 *Line 13b* and reported separately on *Line 24*. Employee W-2s will report the amount of Social Security tax withheld in 2020, excluding the amount deferred until 2021. After deferral repayments are withheld next year, W-2Cs for 2020 should be issued to report the total amount withheld in 2020 and 2021 for 2020 Social Security taxes. More information on W-2 reporting of the employee deferred Social Security is available at <https://www.irs.gov/forms-pubs/form-w-2-reporting-of-employee-social-security-tax-deferred-under-notice-2020-65>.

1099-NEC replaces 1099-MISC for reporting Nonemployee Compensation

Because the due date for 1099-MISC forms containing Nonemployee Compensation (**NEC**) was earlier (January 31st) than that of other 1099-MISC forms, the IRS has re-introduced a previously discontinued form to simplify reporting.

The *1099-NEC* will now be used for reporting NEC, and the *1099-MISC* will continue to be used for all other amounts. CLS will support both *1099-MISC* and *1099-NEC* forms. In **PF 1**, a new series type "**N**" has been created to support the form *1099-NEC*.

Remember that CLS uses the box numbers on each 1099 form as "column types" in **PF 3**. The new *1099-NEC* has its own set of box numbers. On the 2020 *1099-MISC*, boxes have been renumbered beginning with Box 7.

CLS will convert *1099-MISC* series types whenever possible, but you will need to separate those *1099-MISC* series that include both NEC *and* other other compensation types. For instructions and examples, please refer to the current version of the *CLS Release Notes*.

Introducing a new CLS add-on: Bank Account Transfer

The *CLS II ~ Bank Account Transfer™* program (**BA**) allows you to import transactions which have been exported from your clients' online bank accounts. **BA** can import transaction files which use either the *QBO* (QuickBooks 2005 & newer) or *QFX* (Quicken 2005 & newer) file format. **BA** cannot import ".csv" files; these file formats contain too little information to be useful (e.g., no payee), and the actual formats vary widely from bank to bank.

Transactions may be imported from debit accounts (checking, savings, money market and other investment), and credit accounts (credit cards and line of credit).

BA is useful for small clients where the financial statements are created by entering transactions from your clients' bank statements. *It can also be used to import credit card transactions if you (manually) enter transactions for the rest of the bank accounts.*

Each bank must be imported and processed separately. After defining the import settings for each bank account, you can:

- Preview the bank transactions before importing them.
- Import the transactions into a "holding pen", where you can then edit those transactions – add account numbers, change the transaction description, 'split' checks, etc.
- Delete any imported bank transactions that should not be used to create CLS transactions.
- List and review the transactions before creating unposted CLS transactions.
- Create memorized transaction descriptions to be used when importing, editing and adding transactions in **BA**.

For debit accounts, check numbers will be imported from the bank's transaction file; transactions without check numbers will be auto-assigned reference numbers. For checking and other "debit" accounts, an offset will be posted to the designated *G/L Cash Account*.

For credit card accounts, you have the option of allowing **BA** to auto-assign reference numbers to the transactions, or you may assign all of the credit transactions for an account *the same reference number* – this reference is entered during the import process.

An offset for credit card charges will be posted to the designated *A/P Account*. Any payments will be posted to the *A/P Account*, with an offset to the *G/L Cash Account*. Payment transactions may (optionally) be suppressed to prevent duplicate transactions.

Any imported paychecks can be posted to a 'suspense' account so the actual paychecks can be entered later.

The end result will be just as if you had entered these transactions in **ET**. Account numbers and any memorized descriptions will be automatically applied the next time you import transactions for the same bank account.

CLS Updates by Mail to be Discontinued

For many years we have offered the option of receiving CLS update CDs by mail. Unfortunately, we've found that we can no longer provide "timely" updates to you in this way. This year has provided a prime example: there have been changes (some of them drastic) to the federal 941 form every quarter. In all cases, the IRS has released the new forms very late, delaying the release of the quarterly CLS updates.

From now on, CLS updates will only be available online. We'll send emails to the email address associated with your account in our files and to *any email addresses* you have registered on the FMSI website. To ensure that you receive notice of each update, make sure that the main email address we printed on your order form is correct.

Where to Find the CLS Documentation

Complete CLS II documentation (in the form of PDF files) is included with CLS – even for add-ons that you may not own. Be sure that Adobe Reader (or a similar program) is installed, and then press **F1** or **DOC** at the main CLS menu. There are installation instructions (including specific steps for installing CLS in Windows 10), Release Notes for the current year, year-end payroll processing tips, reporting font samples, complete program documentation, and copies of CLS Focus newsletters. If you aren't currently running CLS, you can find the PDF files in the folder "\CLSII\CLS Manuals".

Worksheet Interface returns to CLS

The *Worksheet Interface* (**WI**) program is now included in CLS II. With *Worksheet Interface* you can export CLS account balances to Excel™ spreadsheets (using either the XLS or XLSX format). Documentation for *Worksheet Interface* can be found in the *CLS Reference Guide*, under *CLS Main Menu Programs*.

CLS already includes a *Special Format P&L* and the ability to export Balance Sheets and P&Ls to Excel™, so what makes *Worksheet Interface* different?

- **WI** is a full-fledged report-generator. You can easily create reports for all accounts or for just a subset.
- While CLS itself requires that accounts be reported in numerical sequence, *Worksheet Interface* lets you report (and group) accounts in any order.
- When you export a Balance Sheet or P&L directly from the BS or PL programs, CLS writes all account balances and totals as numbers. Using the standard BS or P&L templates, *Worksheet Interface* writes the account balances as numbers, but all totals are created as formulas.
- It provides quick and easy transfer of account data from CLS to a spreadsheet.

You begin by using Excel™ to define a *report template*. A set of simple commands makes report design easy; commands are inserted in a template as *labels* and define the contents of each column and row in the spreadsheet. Multiple *sample* templates are included; they may be used as-is, or as a starting point for your own templates.

WI follows instructions in the template to extract account balances from your CLS ledger, combine them in the appropriate manner and then transfer them to a new *output* spreadsheet. The ability to control the format of the transferred data significantly reduces any work you need to perform once the balances have been written to the new spreadsheet.

Excel™ does not have to be installed on a workstation if you are exporting to Excel™ using an existing template.

Nelco Web Reporting Center

By using the CLS add-on *Nelco Web Reporting Center* (**NW**), you can transfer the burdens of printing, mailing and filing W-2s and 1099s to Nelco, FMSI's preferred forms provider for many years. NW supports W-2, 1099-MISC, 1099-NEC, 1099-INT, 1099-DIV and 1099-R reporting while providing a simple interface for transferring your data between CLS and the Web Reporting Center.

NW and the *CLS ~ Tax Media & eFile for W-2s/1099s* (**TM**) add-on both help with W-2 and 1099 filing and cost the same amount to purchase. So, which one is the better option for you? That depends on how much of the year-end filing process you would like to be handled by someone else.

For those familiar with the **TM** add-on, using **NW** is similar. In **NW**, as with **TM**, you create an intermediate file, select the ledgers and payroll series to be included, and build a file containing the W-2 or 1099 data to be submitted. From within CLS, **NW** connects to Nelco's website and transfers your data file where you select services to be performed. Available services include recipient processing (which includes printing, mailing and providing immediate online retrieval of W-2 and 1099 forms) and federal and state electronic filing.

In both cases, the same amount of effort goes into getting the forms ready for submission, but here are the main differences between the two approaches:

- **NW**: You select the filing services you want. Services offered include federal and state filing and the printing, mailing and immediate online retrieval of recipient copies. Once you've transmitted the files and submitted the batch, your work is done and there is no additional cost for forms, envelopes and postage or the labor involved in the printing and mailing process.
- **TM**: You do it all. For files you've created, you'll submit federal and state filings using the allowable filing method (via website upload or mailed magnetic media) for each agency and you'll print and mail the recipient copies of forms. Electronic filing is free, but you will buy the forms and envelopes, print the forms, pay the postage, stuff the envelopes and mail them.

The fees for Web Reporting Center are based on the volume of forms processed. Information about Nelco's pricing can be found at https://clientledgersystem.nelcoportal.com/Content/Filing_Information.

2020 Year-end Payroll Tax Form Reminders

New formats for the 2020 W-2 and 1099/1098 laser-printed plain-paper and preprinted forms are included in CLS II 2.41. **Remember, you must update CLS II if you plan to print federal or state payroll tax forms on plain paper.**

For W-2/W-3 forms, and for 1099-NEC forms, the federal filing deadline is now 1/31/21.

All W-2 and W-3 forms (including Copy A) may be printed on plain-paper. For 1099, 1098 and 1096 forms, all copies (except Copy A) may be printed on plain paper. When filing using paper forms, Copy A must be filed using "official" scannable forms – the IRS may impose a penalty if black & white forms are used. Submittable 940, 941, 943, 944 and 945 forms may also be printed on plain paper.

The IRS has clarified that employers are still required to file and provide employee copies of ACA forms. Electronic submissions and forms may be prepared using the *Affordable Care Act Reporting (AC)* add-on.

The *W-2 and 1099 Worksheets (TF 6)* should be used before ordering and printing W-2s and 1099/1098s. Worksheets provide counts of the W-2 and 1099 forms required, lists of employees and vendors with incomplete name or SSN information, and an audit report of the first, middle and last names of each employee.

You may directly access the Nelco website for ordering CLS-compatible W-2, 1099/1098 and ACA forms from CLS using **TF 8, Order Forms from Nelco.**

The 941 form for **2021** will be part of the March 2021 update. For more specific information about the changes affecting federal and state forms, please refer to the current version of the *CLS Release Notes*.

Updates for CLS II Payroll Add-on Packages

If you are using any of these add-on payroll packages, they must be kept "current". All add-ons have been updated to reflect current forms and file formats.

The **Affordable Care Act Reporting (AC)** program allows printing and electronic filing of the ACA forms required to be filed by employers. *Forms 1094/1095-B* must be issued by all self-insured employers with fewer than 50 full-time employees. *Forms 1094/1095-C* must be issued by all large employers with 50 or more full-time employees.

The **Nelco Web Reporting Center (NW)** program simplifies W-2 and 1099 filing and the distribution of employer and recipient copies. Supported forms include *W-2, 1099-MISC, -NEC, -INT, -DIV* and *-R*. This add-on allows a third-party to handle electronic filing of federal and state returns, creation of employer "file copy" forms, and recipient form distribution, which includes online form retrieval and a print and mail service. Current pricing for Nelco's services can be found at https://clientledgersystem.nelcoportal.com/Content/Filing_Information.

The **Tax Media & eFile for W-2s/1099s (TM)** program creates W-2 files that can be transmitted to the SSA and 1099/1098 files that can be transmitted to the IRS. Additionally, files may be created for state submissions, for states which accept the federal format.

The **XML Filing of 94x Forms (XM)** program lets you create 940, 941, 943, 944 and 945 XML files to be submitted to the IRS electronically. **Note:** New **XM** users must complete the online IRS application 45 days prior to filing returns electronically.

The **State Unemployment Media & eFile (SM)** program allows you to submit wage continuation sheet information electronically to selected states. A few states also require a printed tax return, which may be printed using **UP**. State filing requirements are listed at https://www.clientledgersystem.com/PDFs/clsIIinstructions/SM_and_UP_Supported_States.pdf.

The **State Withholding Forms & eFile (SW)** program supports filing of state withholding information to **Illinois** and **South Carolina**. **SW** supports electronic filing of Illinois *IL-941* and *IL-941-X* and paper filing of South Carolina *WH-1601*, *WH-1604* and *WH-1605*.

The **Unemployment Plus (UP)** program provides the ability to print submittable unemployment tax cover pages for certain states. Supported states are listed at https://www.clientledgersystem.com/PDFs/clsIIinstructions/SM_and_UP_Supported_States.pdf.

For more information on these add-on packages, product manuals are available by entering **DOC** or pressing **F1** from the CLS menu, then selecting **5**.

Assorted Notes

Reminder for NW users

If you process W-2 or 1099s using *Nelco Web Reporting Center (NW)*, remember to delete or process any pending submissions before December 1st. Nelco will delete any forms that haven't been completely processed when it performs year-end maintenance in early December.

Did you know there's an easier way to print your 94x forms?

If you occasionally forget to print all of the required 94x forms, like the 941 Schedule B or payment vouchers, simply select "*" as the form type to print all applicable forms for the selected ledger.

SM and UP Supported States

Past newsletters have included a chart listing the states supported by the *SUTA Magnetic Media (SM)* and *Unemployment Plus (UP)* add-on packages. In order to keep this SM/UP chart updated with the most current requirements, we are now supplying it as an electronic version that can be accessed anytime at <https://www.clientledgersystem.com/PDFs/clsIIinstructions/SM and UP Supported States.pdf>.

Don't forget to order your add-on programs!

CLS II add-on programs are compatible only with the CLS II version for which they are released. If you use the *Affordable Care Act Reporting, Nelco Web Reporting Center, Tax Package Interface, Tax Media & eFile for W-2s/1099s, Unemployment Plus, State Withholding Forms & eFile, State Unemployment Media & eFile* or *XML Filing of 94x Forms* add-on products, remember to update them also. Update prices for add-on products apply only if you own licensed versions of those products.

Download your CLS II update

Before paying to have your CLS year-end update shipped, consider the benefits of downloading CLS from the Internet. You'll save money by not paying for shipping and handling, you'll get quicker access to your update by not waiting on mail delivery - and if you've already been downloading intermittent updates, you'll use a similar easy process for installing the year-end update. For our customers in Georgia, there is an added benefit: *no sales tax is charged on downloaded software*.

CLS~CheckWriter Payroll Tax Updates

CW 3.91 includes new federal and state payroll tax tables for 2021. The new version will be released just before Christmas.

FMSI Holidays

Financial MicroSystems will be closed on November 26th - 27th for Thanksgiving, and December 24th - 25th and December 31st - January 1st for the holidays.

Need Forms or Check Stock?

We wanted to remind you of a valuable resource available to you as a user of CLS. Nelco is our AUTHORIZED SOURCE for CLS-compatible W-2 & 1099/1098 forms, ACA forms, checks and envelopes. You may directly access the Nelco website from CLS using **TF 8, Order Forms from Nelco**. Or, to order CLS-compatible forms and supplies:

Online<http://ClientLedgerSystem.NelcoSolutions.com>
Email.....Nelco@NelcoSolutions.com
Call800.266.4669



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