GEMINI ACCOUNTING PAYROLL SETUP PROCEDURE

MARYLAND STATE TAX TABLES AND WITHHOLDING TAX DEDUCTION SETUP

The information which follows provides the minimum information required for setting up Maryland 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**. **NOTE:** Due to legislative changes in 2007, the Maryland state income tax withholding deduction formula is too large for versions 18 and earlier--you must be running Gemini version 19 or higher to use it. Version 19 will be released late summer/early fall 2008.

You may also need to create the MD state unemployment tax deduction (MD SUTA). The SUTA deduction document is titled Multi-State SUTA Deduction. All documents are available for download on the Prosoft website.

The Maryland State Income Tax Withholding Deduction was created from the following documents. You may need them in order to test and verify this deduction is working properly and to update/enter correct withholding information for your employees:

DOCUMENT	SOURCE
Pub, *Maryland Employer Withholding Guide (eff 01/01/08)*	Comptroller of Maryland
Info Sheet, 2008 *Percentage Method Withholding Calculation Tables*	Same as above
Form MW 507, Employee's Maryland Withholding Exemption Certificate	Same as above, <u>completed by employee</u>

Please review your existing Deduction Tables and/or Master Deductions to see if the table(s) 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.

<u>STEP 1 – PAYROLL TAX TABLE(S):</u> Add/Change Maryland State Income Tax Tables (**PR | Payroll Setup | Tax Tables**: If the tables shown, below, do not presently exist, select **Insert**. If a table does exist, select it and then select **Change**. Enter/update/verify the state tax table data as necessary. Select **OK | Close** to return to the main Gemini window.

MARYLAND WITHHOLDING TAX TABLES

Table Name: **MDTT1125**
Description: **MD 1.25% Tax Table – S/MFS/D**

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	6.0000
150,000.00	9,000.00	6.2500
300,000.00	18,375.00	6.5000
500,000.00	31,375.00	6.7500

Table Name: **MDTT2125**
Description: **MD 1.25% Tax Table – MFJ/HoH**

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	6.0000
200,000.00	12,000.00	6.2500
350,000.00	21,375.00	6.5000
500,000.00	31,125.00	6.7500

Table Name: **MDTT1225**
Description: **MD 2.25% Tax Table – S/MFS/D**

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.0000
150,000.00	10,500.00	7.2500

Table Name: **MDTT2225**
Description: **MD 2.25% Tax Table – MFJ/HoH**

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.0000
200,000.00	14,000.00	7.2500

Lower Limit	Fixed Amount	Variable Rate		Lower Limit	Fixed Amount	Variable Rate
300,000.00	21,375.00	7.5000		350,000.00	24,875.00	7.5000
500,000.00	36,375.00	7.7500		500,000.00	36,125.00	7.7500

Table Name: **MDTT1260**
Description: **MD 2.60% Tax Table – S/MFS/D**

Table Name: **MDTT2260**
Description: **MD 2.60% Tax Table – MFJ/HoH**

Lower Limit	Fixed Amount	Variable Rate		Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.3500		0.00	0.00	7.3500
150,000.00	11,025.00	7.6000		200,000.00	14,700.00	7.6000
300,000.00	22,425.00	7.8500		350,000.00	26,100.00	7.8500
500,000.00	38,125.00	8.1000		500,000.00	37,875.00	7.7500

Table Name: **MDTT1265**
Description: **MD 2.65% Tax Table – S/MFS/D**

Table Name: **MDTT2265**
Description: **MD 2.65% Tax Table – MFJ/HoH**

Lower Limit	Fixed Amount	Variable Rate		Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.4000		0.00	0.00	7.4000
150,000.00	11,000.00	7.6500		200,000.00	14,800.00	7.6500
300,000.00	22,575.00	7.9000		350,000.00	26,275.00	7.9000
500,000.00	38,375.00	8.1500		500,000.00	38,125.00	8.1500

Table Name: **MDTT1280**
Description: **MD 2.80% Tax Table – S/MFS/D**

Table Name: **MDTT2280**
Description: **MD 2.80% Tax Table – MFJ/HoH**

Lower Limit	Fixed Amount	Variable Rate		Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.5500		0.00	0.00	7.5500
150,000.00	11,325.00	7.8000		200,000.00	15,100.00	7.8000
300,000.00	23,025.00	8.0500		350,000.00	28,800.00	8.0500
500,000.00	39,125.00	8.3000		500,000.00	38,875.00	8.3000

Table Name: **MDTT1285**
Description: **MD 2.85% Tax Table – S/MFS/D**

Table Name: **MDTT2285**
Description: **MD 2.85% Tax Table – MFJ/HoH**

Lower Limit	Fixed Amount	Variable Rate		Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.6000		0.00	0.00	7.6000
150,000.00	11,400.00	7.8500		200,000.00	15,200.00	7.8500
300,000.00	23,175.00	8.1000		350,000.00	26,975.00	8.1000
500,000.00	39,375.00	8.3500		500,000.00	39,125.00	8.3500

Table Name: **MDTT1290**
Description: **MD 2.90% Tax Table – S/MFS/D**

Table Name: **MDTT2290**
Description: **MD 2.90% Tax Table – MFJ/HoH**

Lower Limit	Fixed Amount	Variable Rate		Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.6500		0.00	0.00	7.6500
150,000.00	11,475.00	7.9000		200,000.00	15,300.00	7.9000
300,000.00	23,325.00	8.1500		350,000.00	27,150.00	8.1500
500,000.00	39,625.00	8.4000		500,000.00	39,375.00	8.4000

Table Name: **MDTT1300**
Description: **MD 3.00% Tax Table – S/MFS/D**

Table Name: **MDTT2300**
Description: **MD 3.00% Tax Table – MFJ/HoH**

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.7500
150,000.00	11,625.00	8.0000
300,000.00	23,625.00	8.2500
500,000.00	40,125.00	8.5000

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.7500
200,000.00	15,500.00	8.0000
350,000.00	27,500.00	8.2500
500,000.00	39,875.00	8.5000

Table Name: **MDTT1305**
Description: **MD 3.05% Tax Table – S/MFS/D**

Table Name: **MDTT2305**
Description: **MD 3.05% Tax Table – MFJ/HoH**

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.8000
150,000.00	11,700.00	8.0500
300,000.00	23,775.00	8.3000
500,000.00	40,375.00	8.5500

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.8000
200,000.00	15,600.00	8.0500
350,000.00	27,675.00	8.3000
500,000.00	40,125.00	8.5500

Table Name: **MDTT1310**
Description: **MD 3.10% Tax Table – S/MFS/D**

Table Name: **MDTT2310**
Description: **MD 3.10% Tax Table – MFJ/HoH**

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.8500
150,000.00	11,775.00	8.1000
300,000.00	23,925.00	8.3500
500,000.00	40,625.00	8.6000

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.8500
200,000.00	15,700.00	8.1000
350,000.00	27,850.00	8.3500
500,000.00	40,375.00	8.6000

Table Name: **MDTT1315**
Description: **MD 3.15% Tax Table – S/MFS/D**

Table Name: **MDTT2315**
Description: **MD 3.15% Tax Table – MFJ/HoH**

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.9000
150,000.00	11,850.00	8.1500
300,000.00	24,075.00	8.4000
500,000.00	40,875.00	8.6500

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.9000
200,000.00	15,800.00	8.1500
350,000.00	28,025.00	8.4000
500,000.00	40,625.00	8.6500

Table Name: **MDTT1320**
Description: **MD 3.20% Tax Table – S/MFS/D**

Table Name: **MDTT2320**
Description: **MD 3.20% Tax Table – MFJ/HoH**

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.9500
150,000.00	15,925.00	8.2000
300,000.00	24,225.00	8.4500
500,000.00	41,125.00	8.7000

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	7.9500
200,000.00	15,900.00	8.2000
350,000.00	28,200.00	8.4500
500,000.00	40,875.00	8.7000

Table Name: **MDMAPTT**
Description: **MD Min Annual Pay – Students/Singles**

Table Name: **MDREDTT**
Description: **MD Res Work'g in Delaware – All**

Lower Limit	Fixed Amount	Variable Rate
8,750.00	1.00	0.0000

Lower Limit	Fixed Amount	Variable Rate
0.00	0.00	3.0000

Table Name: **MDWST**
Description: **AZ Withholding Selection Table**

Lower Limit	Fixed Amount	Variable Rate
0.00	1,000.00	0.0000
1.00	1,000.00	0.0000
2.00	2,000.00	0.0000
3.00	1,000.00	0.0000
4.00	2,000.00	0.0000

STEP 2 – UPDATE RELATED PAYROLL MASTER DEDUCTION:

Maryland 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 – CREATE PAYROLL MASTER DEDUCTION: Select **PR | Payroll Setup | Master Deductions**. If the deduction does not presently exist, select **Insert**. If it does exist and needs to be updated/changed, 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: MDSITW
Description: MD 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: MD
Load Sequence: 410
Default Deduction: We recommend this box be checked if all or most of your employees work in-state. 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 Amt5 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: **Exemptions**
Amt3: **Local Rate**
Amt4: **Addtnl Tax**
Amt5: **Tax Exempt**
Amt6: **0.00**

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.

MARYLAND STATE INCOME TAX WITHHOLDING DEDUCTION

The user is responsible for updating and verifying user-defined variables, if any, and the calculations made by the formula for this deduction are correct and for updating internal and external variable references which the formula may access in the employee's data file, other formulas, tables, and so on.

If the employee works outside Maryland, please contact Prosoft to add the other state's deduction.

We recommend this deduction be physically located in the employee's list of deductions AFTER any employee benefit, pre-tax, and federal deductions.

MW 507: When requested, enter information from Maryland Form MW 507, Employee's Maryland Withholding Exemption Certificate in the Optional User Amount fields:

Amt 1 (Mar Status): Enter the employee's marital status from one of the boxes checked at the top of the MW 507. Student options 1 and 2 are not listed on the MW 507 but do allow students to be properly categorized for eligibility for the annual student exemption if they elect to not claim exemption from SIT withholding in Option User Amount 5:

   0.00 - Single
   1.00 - Student, Single (or Married Student, but withhold at Single Rate)
   2.00 - Student, Married, Surviving Spouse or unmarried Head of Household
   3.00 - Married, but withhold at Single Rate
   4.00 - Married, Surviving Spouse or unmarried Head of Household

Amt 2 (Exemptions): Enter the total number of exemptions claimed on MW 507, line 1.

Amt 3 (Local Rate): MW 507, County of Residence box at top of form: Enter the local percentage amount for the jurisduction/county where the employee lives. It must be entered as a percent (%%%) amount only. For example, a percentage RATE of 0.0125 for non-residents is 1.25 percent and is obtained by moving the decimal point two places to the right of the RATE decimal

point. If any jurisdiction's percentage amount doesn't EXACTLY MATCH one of the percentage amounts shown below, you should automatically round UP to and use the next higher amount to prevent under-withholding.

%%% JURISDICTION/COUNTY**
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0.00 Resident employee's working in Delaware (or other non-reciprocal state)
1.25 Resident employees living in Worcester and all NON-RESIDENT employees
2.25 Talbot
2.60 Anne Arundel
2.65 Caroline, Dorchester, and Garrett
2.80 Calvert, Cecil, and Washington
2.85 Baltimore County, Kent, and Queen Anne
2.90 Charles
3.00 Frederick and St. Mary
3.05 Allegany, Baltimore City, and Carroll
3.10 Harford, Prince George, and Wicomico
3.15 Somerset
3.20 Howard and Montgomery

** Current as of May 2008.

Amt 4 (Addtnl Tax): Enter additional state tax amount to withhold per MW 507, line 2.

Amt 5 (Tax Exempt): Enter 1.00 if MW 507 box A or B on Line 3 or any box on Line 4 is checked. Otherwise, leave at 0.00.

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.

"MARYLAND STATE INCOME TAX WITHHOLDING DEDUCTION"

"VARIABLES"
BENEFITS = VEHBEN;
MDAEA = 3200.00; "Annual Amount for each Exemption"
MDAMIN = 5000.00; "Min Annual Gross Pay Exempt from SIT"
MDAMSS = 8750.00; "Min Annual Gross Pay Exempt from SIT for Singles and Students"
MDASDL = 1500.00; "Min Annual Fixed Std Dedn Amt"
MDASDH = 2000.00; "Max Annual Fixed Std Dedn Amt"
MDRED = 3.00; "Percent tax for Res Employees working, specifically, in Delaware"
MDSDM = 15.00; "Std Dedn Multiplier"
PRETAX = AFLACA + CAF125 + K401 + MEDSAV + SEP + SIMPLE + SIRA;

"FORMULA"
BASIS = TAXABLEPAYS + BENEFITS - PRETAX;
GROSS = BASIS;

```
MDAGP = BASIS * PAYFREQ;
IF MDAGP <= MDAMIN;
MDAGP = 0.00;
ELSEIF;
MDAGP = MDAGP;
ENDIF;
MDASDA = MDAGP * (MDSDM / 100);
MDASDA = RANGE(MDASDA,MDASDL,MDASDH);
IF MDASDA = MDASDL;
MDASD = MDASDL;
ENDIF;
IF MDASDA = MDASDH;
MDASD = MDASDH;
ENDIF;
IF MDASDA = MDASDA;
MDASD = MDASDA;
ENDIF;
MDAE = AMT2 * MDAEA;
IF AMT1 <= 2.40;
MDAP = TABLE(MDMAPTT,MDAGP);
ENDIF;
MDAAGP = (MDAGP * MDAP) - MDASD - MDAE;
IF MDAAGP <= 0.00;
MDAAGP = 0.00;
ENDIF;
IF AMT1 >= 2.60;
MDAAGP = MDAGP - MDASD - MDAE;
ENDIF;
RATECONV = AMT3 * 100;
MDTTT = TABLE(MDWST,AMT1);
MDAT = RATECONV + MDTTT;
IF AMT3 = 0.00;
MDAT = MDAAGP * MDRED / 100;
ENDIF;
IF MDAT = 1125.00;
MDAT = TABLE(MDTT1125,MDAAGP);
ENDIF;
IF MDAT = 2125.00;
MDAT = TABLE(MDTT2125,MDAAGP);
ENDIF;
IF MDAT = 1225.00;
MDAT = TABLE(MDTT1225,MDAAGP);
ENDIF;
IF MDAT = 2225.00;
MDAT = TABLE(MDTT2225,MDAAGP);
ENDIF;
IF MDAT = 1260;
MDAT = TABLE(MDTT1260,MDAAGP);
ENDIF;
IF MDAT = 2260;
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MDAT = TABLE(MDTT2260,MDAAGP);
ENDIF;
IF MDAT = 1265;
MDAT = TABLE(MDTT1265,MDAAGP);
ENDIF;
IF MDAT = 2265;
MDAT = TABLE(MDTT2265,MDAAGP);
ENDIF;
IF MDAT = 1280;
MDAT = TABLE(MDTT1280,MDAAGP);
ENDIF;
IF MDAT = 2280;
MDAT = TABLE(MDTT2280,MDAAGP);
ENDIF;
IF MDAT = 1285;
MDAT = TABLE(MDTT1285,MDAAGP);
ENDIF;
IF MDAT = 2285;
MDAT = TABLE(MDTT2285,MDAAGP);
ENDIF;
IF MDAT = 1290;
MDAT = TABLE(MDTT1290,MDAAGP);
ENDIF;
IF MDAT = 2290;
MDAT = TABLE(MDTT2290,MDAAGP);
ENDIF;
IF MDAT = 1300;
MDAT = TABLE(MDTT1300,MDAAGP);
ENDIF;
IF MDAT = 2300;
MDAT = TABLE(MDTT2300,MDAAGP);
ENDIF;
IF MDAT = 1305;
MDAT = TABLE(MDTT1305,MDAAGP);
ENDIF;
IF MDAT = 2305;
MDAT = TABLE(MDTT2305,MDAAGP);
ENDIF;
IF MDAT = 1310;
MDAT = TABLE(MDTT1310,MDAAGP);
ENDIF;
IF MDAT = 2310;
MDAT = TABLE(MDTT2310,MDAAGP);
ENDIF;
IF MDAT = 1315;
MDAT = TABLE(MDTT1315,MDAAGP);
ENDIF;
IF MDAT = 2315;
MDAT = TABLE(MDTT2315,MDAAGP);
ENDIF;
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IF MDAT = 1320;
MDAT = TABLE(MDTT1320,MDAAGP);
ENDIF;
IF MDAT = 2320;
MDAT = TABLE(MDTT2320,MDAAGP);
ENDIF;
MDT = MDAT / PayFreq;
IF AMT5 = 1.00;
MDT = 0.00;
ELSEIF;
MDT = MDT;
ENDIF;
IF MDT <= 0.00;
MDT = 0.00;
ENDIF;
RESULT = MDT + AMT4;
```

   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 FILES:

   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. If you checked the **Default Deduction** box in Step 3a, above, the **MDSITW** deduction should be at the bottom of the employee's list of deductions and should already be highlighted. If it is, go to Step 4d. If it isn't, go to Step 4c.

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

   d. You should now be on a 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 Maryland State Tax Withholding formula.