

As many of you know as of January 1, 2011, the 'employee' taxation rate for FICA SS will be 4.2 percent (previously 6.2%). The 'employer' rate is still 6.2 percent. Unfortunately, all versions of Microsoft Dynamics GP can currently store only one rate for both employees and employers... Thus, the calculated 941 deposit and GL entry will be wrong.

After you have installed the 2011 tax tables the FICA SS rate will be 4.2% and the system will DOUBLE this to cover the employer portion. During the payroll process, the employee and employer FICA will calculate at 4.2 percent. You will need to adjust your GL to reflect the full 6.2 percent employer rate as well as recalculate the 941 deposit for the payroll. 2% of SS wages will need to be added to your 941 deposit and a general journal entry should be created to ensure your withholding accounts and FICA expense accounts have the correct balances.

It is expected that Microsoft will release the Round 2 tax update in mid-to-late January. This will include a code update that will correct the Employer FICA on reports and inquiry windows, until then payrolls posted need to be adjusted for employer liability in the general ledger