YEAR END & TAX PROCESSING

2009

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MERCURY YEAR END & TAX PROCESSING

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2009 MERCURY YEAR END & TAX PROCESSING

PREPARATION – PRE YEAR END

Year end typically takes only a few minutes longer to process than any other month or quarter end. There are a few processes that can easily be done before the end of the year to help make the closing procedure and tax reporting processes run smoothly. The information in this packet is intended to help you prepare and process the year end efficiently and accurately. *All* Mercury clients should use these instructions for year end processing and tax processing; however, the final sections on transmitting/submitting tax information to FIS apply only to clients who are using FIS to process their taxes.

NOTE: You must have Mercury Version 9.1.34 or higher installed prior to creating your tax processing files for 2009.
Please Do NOT wait until the last day to install the new version!

You must complete all member edits, member transactions, interest rebates, and dividend posting applicable to YTD information for 2009 before you create or print your tax information. The tax reports, forms, and files will produce the same information before and after year end close, so you can print reports and test print forms at any time to begin verifying information, and you can complete the final tax processing after year end close when all files are complete and no further changes will be made. **Remember that after the year is closed, you cannot make any changes to the members effective 12-31-09.** If FIS is providing tax processing services for you, you must submit your tax information by early January deadlines; see *DEADLINES FOR FIS* in the *TAX PROCESSING* section of this document.

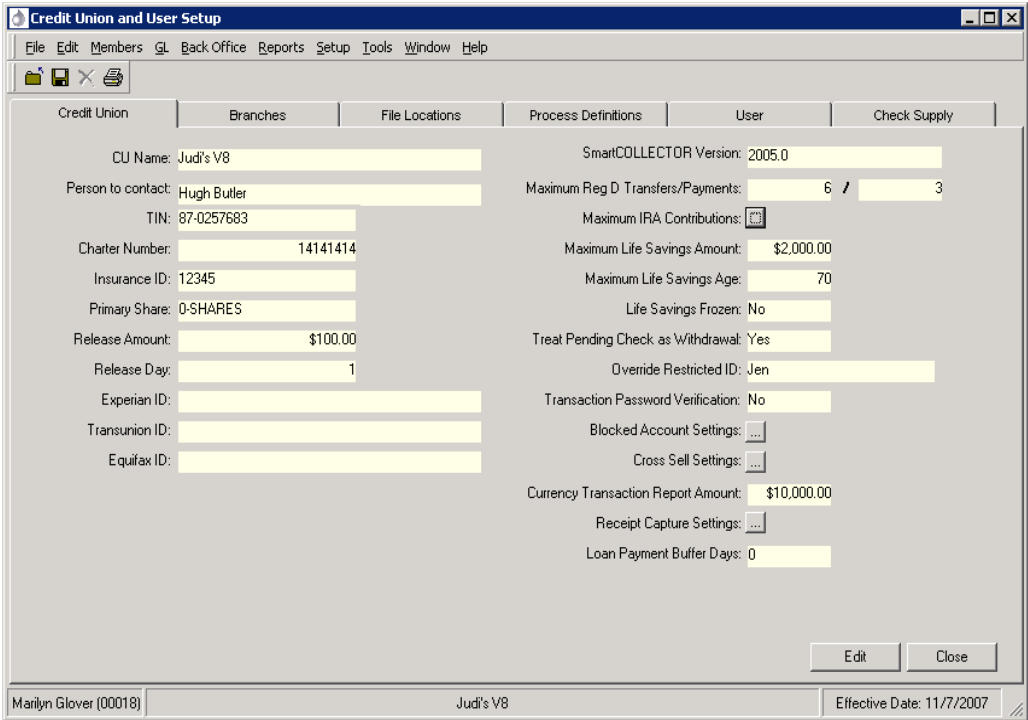
VERIFY TCC (TRANSMITTER ID) NUMBER AND TEST FILES

If you already have your own TCC (Transmitter ID) number, which is assigned by the Internal Revenue Service, and FIS is not providing tax transmission services for you, you will be able to send your information directly to the IRS after the tax file has been created. If you have an old TCC number that has not been used for several years, you may want to check with the IRS to make sure the number is still valid. The IRS started reusing TCC numbers that had not been used for several years and it's better to be safe than sorry when it comes to your IRS reporting.

If desired, you can follow the instructions in *TAX FILES – Creating the Export Files* to create a test tax file for CUNA Mutual or the IRS; this can be done at any time in the months before or after year end close.

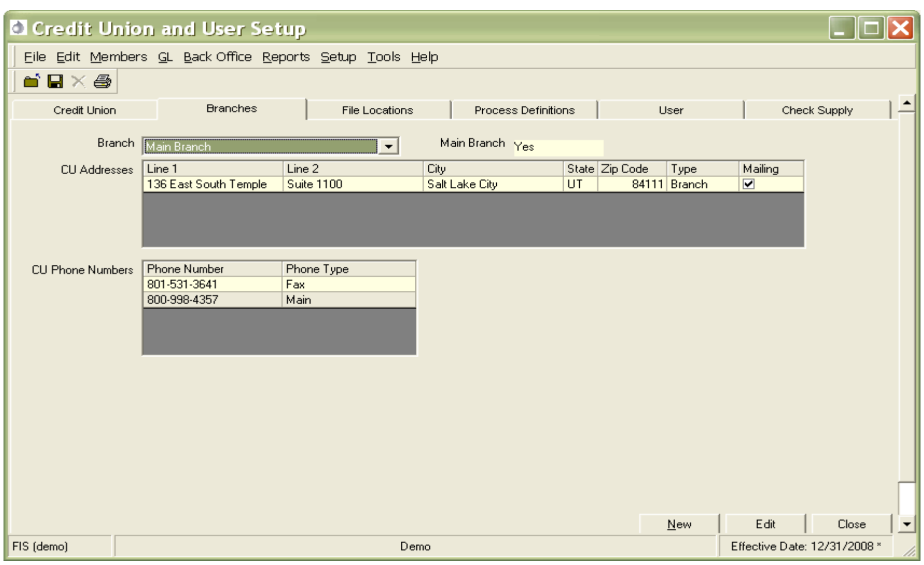
CREDIT UNION DATA REVIEW

Your credit union contact information is extremely important to your tax processing. Please take a few minutes to make sure your information will be printed correctly on your tax forms. Select Setup from the top tool bar and then select CU/Users. Your screen will look something like this:



Verify the information displayed is accurate paying special attention to your TIN:
Person to Contact: Should be the name of the person to contact for tax reporting questions
TIN: (Federal ID) should be entered with a dash after the first two numbers.

Select the Branches tab. Your screen will look something like this:



Verify the information displayed is accurate. The address marked as Mailing and the Phone Number listed as Main will be the address and phone number used on your tax forms.

- CU Address line 1: should be the physical address (or PO Box, if applicable) of the credit union
- CU Address line 2: is a continuation of address line 1
- City: enter the City
- State: enter the legal two digit abbreviation
- Zip Code: enter the correct Zip Code, including the extra four digits if you know them

CU Phone Numbers: Phone Number area code should be entered first and then the additional digits.

MEMBER DATA REVIEW

It is extremely important that the following reports are reviewed and any posting and/or data corrections are completed (if necessary) **by December 31**. The final tax reports can be printed after the year end closes, but you must perform any postings before closing the year

IRA Transaction List

- ☐ Print a current year IRA Transactions report: Reports/Report Viewer/System Reports/Transaction Lists/IRA Transaction List. Check the box next to the report; click Print on the Mercury Reports menu. Enter Parameter Values with the Effective Start Date as 1/1/2009, Effective Ending Date as 12/31/2009 or your current date.
- ☐ Review the list for accuracy - especially in the withdrawal categories. If you withheld Federal taxes for a member, make sure the Distribution Category is current and the amount is correct. Mercury **Does Not** support State tax withholding.

****IRA WARNING**** If you converted from Director to Mercury during 2009, pay special attention to FMV's and any contribution/distribution codes that you used throughout the year. FIS must make any corrections to your data if changes are necessary. You will not be able to manipulate your data to make these changes. If applicable, call Mercury Client Services at (800-998-4357) as soon as possible to set up an appointment for these corrections to be made.

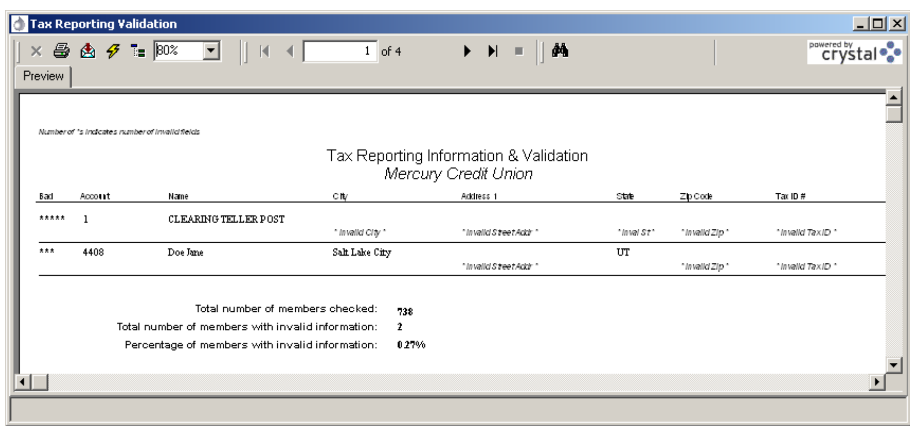
Tax Validation Report

This report identifies members who don't have the correct information for reporting their data to the IRS. The report can be run at any time, and as many times as necessary. Any members who are listed as INVALID should be corrected before you close the year. FIS cannot make corrections to your 1099-INT information; you must correct the information before you create the 1099-INT file.

This report also identifies accounts that are using duplicate social security numbers. If your members are used to receiving multiple 1099s, please make them aware that Mercury will only print one 1099 per social security number. We recommend you run the Tax Validation report and review it for accuracy. Remember, this information will be reported to the IRS, even if it's wrong.

1. If you have not already done so, run Reports>**Refresh Report Tables** from the main Mercury menu.
2. From the Mercury main menu, select Reports >Report Viewer>System Reports>Tax Reporting. The last item is the Tax Reporting Validation report:

3. Check the box next to **Tax Reporting Validation** and click the Print button. The report will generate to your screen without further prompts, similar to the following example.



4. Research and make any corrections needed to accounts. If you make any changes to accounts,
   a. Run **Refresh Report Tables** from the main Mercury>Reports menu.
   b. Re-run the **Tax Reporting Validation** report to verify that your corrections are reflected and you have resolved all possible invalid data issues.

<u>YEAR END SUPPLIES</u>

Make sure you have sufficient statements and envelopes for your year end processing.

Note: **<u>MERCURY DOES NOT</u>** support pre-printed forms. All tax forms are printed on plain paper on your laser printer.

YEAR END CHECKLIST

There are only two differences between a normal quarter end and year end:

- Making sure all YTD financial and member non-financial data have been corrected for accurate tax reporting
- Clearing your net gain/loss in the GL

You will perform all of these steps, along with your regular month end steps, *before closing the month*. If you do not have your month end checklist, contact Mercury Client Services. As always, you can change the date to the last day of the year and post your pre-paid, accrual items and any other standard month end entries prior to the last day, as needed. (Remember to change your date back if you are going to process any member transactions.)

DAY END

You may choose to start some of your general ledger processing any time during the day. Balance and Close out your day as usual, post GL, User/Drawer Balancing (ctrl-B), etc., then make a backup before you start your month end/quarter end/year end processing.

MONTH END CLOSE

Be sure you have completed all normal month end/quarter end/year end processes before closing the month. All general ledger and year end clearing steps can be completed after closing the month in prior period as long as you have not closed the general ledger yet. Close the month. The date will automatically change to January 1, 2010.

YEAR END – CLEAR GL NET GAIN/LOSS

Mercury will **NOT** automatically clear out your NET GAIN/LOSS account (usually 960.000 or 961.000). When it's time to clear this out you will need to complete all member transactions and postings, and auto-post to the general ledger. Run a Financial Statement to see the current balances in your NET Gain/Loss, Regular Reserves and Undivided Earnings. Each credit union has specific requirements that they must follow for this transfer.

TAX PROCESSING STEPS AND PROCEDURES

As stated at the beginning of this document, the tax reports, forms, and files will produce the same information before and after year end close, as long as all YTD transactions and member edits are finalized. You can begin verifying tax information before year end close, and can then create or reprint your 2008 tax reports, forms, and files at any time in the days (and months) after year end close, if needed.

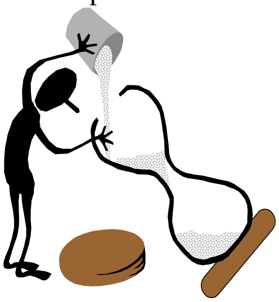
This section will guide you step-by-step through the tax processing of your 1099-INT, 1099-R, 1099-Q, 1099-SA, 5498, 5498-ESA, 5498-SA and/or 1098 filing forms. The process includes

- TAX REPORTS – Verifying what will be reported
- TAX FORMS – Printing the forms (if applicable to your procedures)
- TAX FILES – Creating the tax export files for transmission or submission
- TAX FILES – Copying tax file(s) to physical media
- TAX FILES – Transmission/Submission to FIS (recommended)

Please read through this section carefully and follow all of the recommendations. Your tax information is very important. In order to ensure the resulting forms are correct, please follow the instructions completely.

DEADLINES FOR FIDELITY NATIONAL INFORMATION SERVICES FIS

If FIS is providing tax processing services for you, your information must be submitted and/or transmitted to FIS in a particular format and timeline. Full instructions for creating and submitting/transmitting your tax information to FIS are provided later in this document. The following deadlines apply to the 1098 and 1099 series forms; the 5498 files are not processed until April.



- **Full Service**: Data must be transmitted to FIS or postmarked by Thursday January 7, 2010.
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- **Shared Service**: Data must be transmitted to FIS or postmarked by Thursday January 7, 2010.
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- **Data Transmission**: Data must be transmitted to FIS or postmarked by Thursday January 7, 2010.

- Your files will be transmitted to the IRS before the IRS due date if received by the specified dates. FIS is not responsible for timely submission of files to the IRS for data received after the deadlines.

Late fees: In order to submit tax information by the IRS deadlines, it is important your tax materials are transmitted or postmarked by the specified dates. Materials transmitted or postmarked after the above dates will be assessed a $15.00 per business day late fee. If we do not have your faxed, signed **IRS Form 6847** by **Tuesday December 1, 2009**, a $50.00 late fee will also be assessed.

If FIS is processing your tax information, you can electronically transmit your tax files to us using the instructions later in this document, or you can copy them to removable media and send them via a track able method (USPS with tracking, FedEx, etc.). Mercury on Demand clients can just save your files in your client folder on your Mercury on Demand server and we will retrieve the files from there. **Please do NOT send us a check for your tax processing at this time**. You will be billed for the total costs, including any late fees, etc. Please note that any physical media sent to us will not be returned and will be destroyed after use.

NOTE: If you are producing your own forms, you may print the forms at any time before or after creating the tax file for transmission. These instructions take you through verifying the data on the reports, printing the forms, and creating the tax file(s), but you may perform any of the steps in any order you wish.

TAX REPORTS – Verifying What Will Be Reported

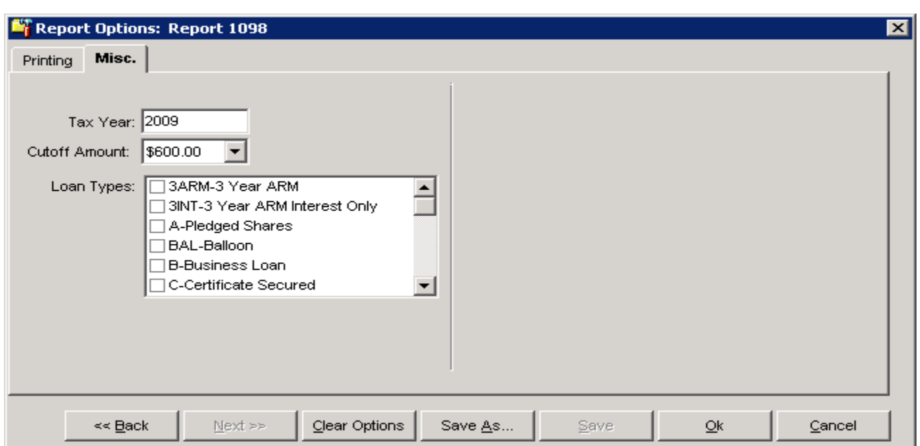
NOTE: The Tax Reporting Validation report should already have been used to find and correct any invalid, incomplete, or missing account data.

Use the following steps to review the tax reporting contents before the actual creation of files and/or printing of tax forms is started.

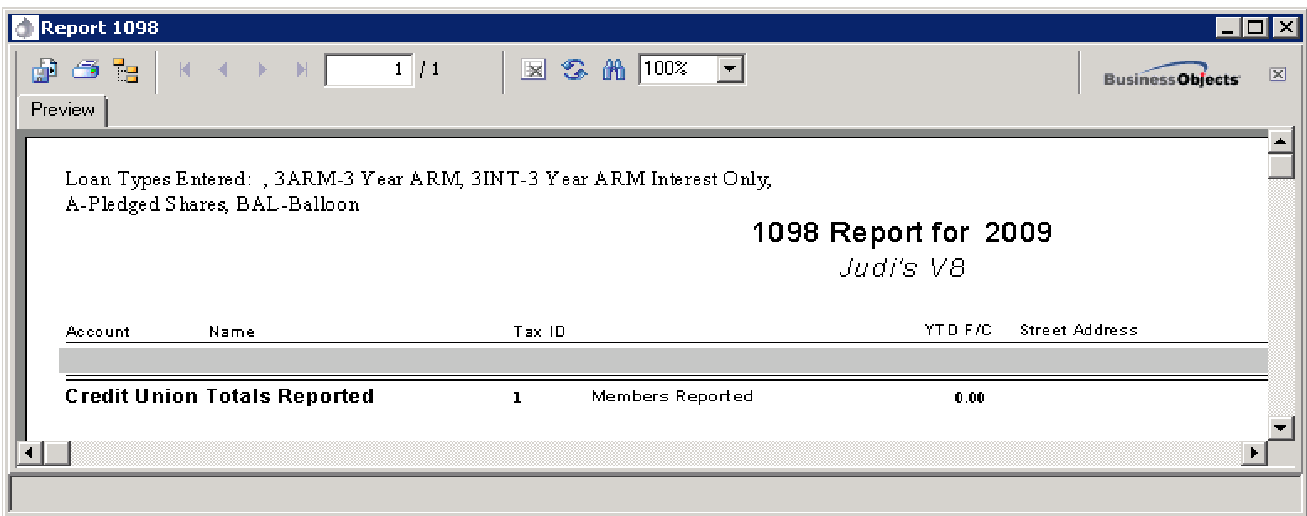
If you have not already done so, run Reports>**Refresh Report Tables** from the main Mercury menu.

1. From the Mercury main menu, navigate to Reports>Report Viewer>System Reports >**Tax Reporting**. There is one report available for each tax form number:

2. You must click the **Options** button next to the Report item for the form number you wish to verify or else your parameters will **NOT** be correct.
   NOTE: In previous versions of Mercury, you could bypass Options and Crystal would generate a Parameter Values box. Now that Mercury Options are available, the Crystal Parameter Values will no longer display.
3. On the Report Options dialog, click the **Misc.** tab to view the tax reporting options for this report; on most tax reports, there will be only two options, Tax Year and Cutoff Amount, but some reports have additional criteria:



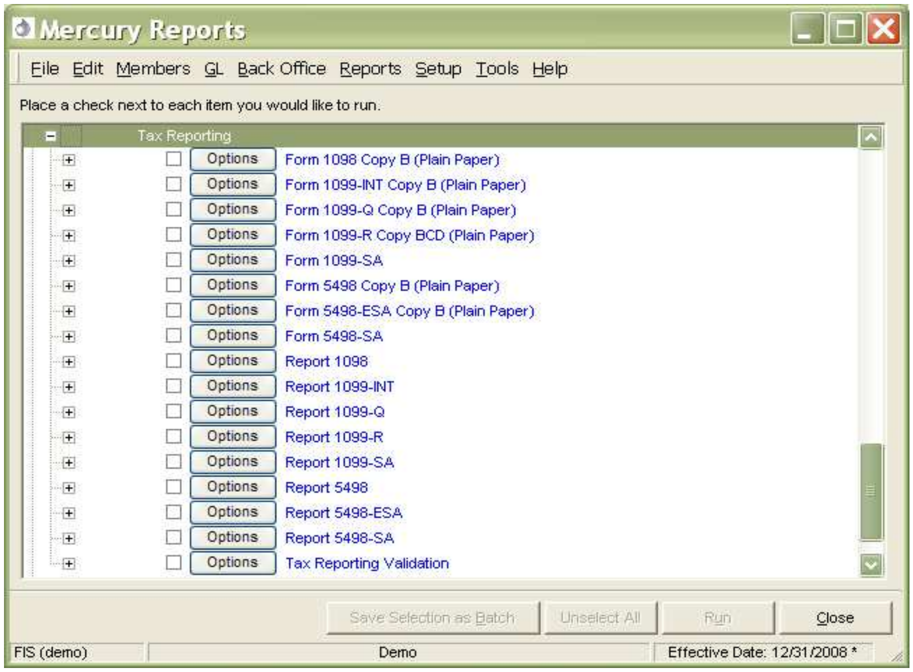
4. Complete the options the same way you will complete the form and file options
    - **Tax Year:** should default to **2009** but if it does not, enter **2009 in the Tax Year field.**
    - **Cutoff Amount:** This field is the cutoff for the minimum interest to report, and only appears if applicable to the form number. Select the same value you will use for printing the forms and creating the tax file for this form type. The 1099-INT and 1099-R files allow a value of zero or $10 as the minimum dividends to report. The 1098 file allows a value of zero or $600 as the minimum for finance charges to report.
    Loan Types: The 1098 Report offers the ability to narrow the report to only applicable loan type(s) **Important!** *No* loan types are selected by default. To select each loan type you will be reporting on:
        - Click on the loan type(s) in the Loan Types… window
        - Click **OK** to retain these values for printing and return to the Mercury Reports menu.
5. On the Mercury Reports menu, the report item is checked. Click the **Run** button.
6. The report will process and display to your screen. If you wish to print it, use the Print icon in the toolbar.
   NOTE: Do not use this report viewer to export the report; it will not export in a usable format for tax reporting. You must use the File Exports menu items to export the tax reporting data – (see *TAX FILES - Creating the Export Files*).
7. Repeat steps 3 through 8 for each report you need to verify for forms or files you plan to process.



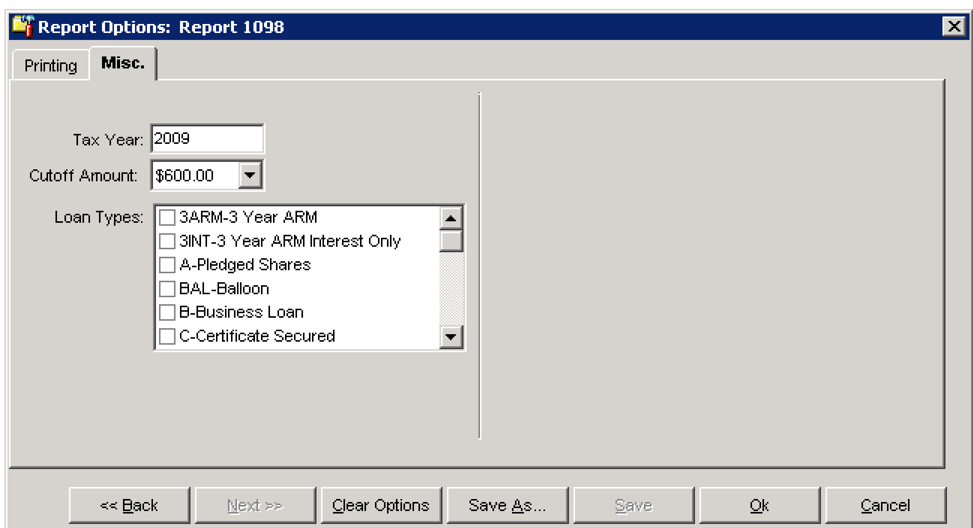
TAX FORMS – Verifying and Printing Forms

All tax forms are printed from the same reports menu as the verification reports for the forms. You can process the forms to the screen to verify the forms before requesting to print them. You may print the tax forms before or after creating tax file(s), before or after your year end close, but you must ensure that all data is complete and correct, and you have run Refresh Report Tables, prior to printing forms.

1. If you have not already done so, run Reports>**Refresh Report Tables** from the main Mercury menu.
2. Navigate to Reports >Report Viewer>System Reports >**Tax Reporting**. There is one item available for each tax form number for use with plain paper, and one item available for most tax forms.



3. Click the **Options** button next to the form number you need.
4. On the Report Options dialog, click the **Misc.** tab to view the tax reporting options for this form; on most tax forms, there will be only two options, Tax Year and Cutoff Amount, but some forms have additional criteria:

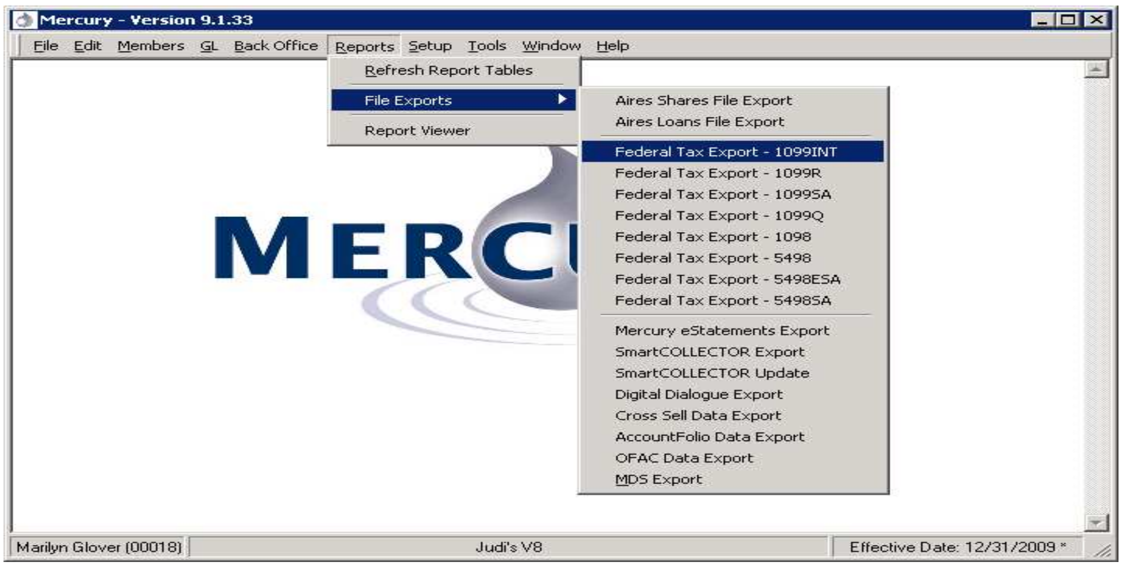


5. Complete the options the same way you will complete them when you create the IRS file(s), as described under *TAX REPORTS – Verifying What Will Be Reported*, above.
6. Click **OK** to retain these values for printing and return to the Mercury Reports menu.
7. On the Mercury Reports menu, the form item is checked. Click the **Print** button.
8. The report will process and display to your screen. Page through the forms, if desired, to see that they are formatted correctly.
9. To print the forms, use the Print icon in the toolbar. NOTE: Do not use this report viewer to export the forms; it will not export in a usable format for tax reporting. You must use the File Exports menu items to export the tax reporting data (see *TAX FILES - Creating the Export Files*).
10. Repeat steps 3 through 8 for each form you plan to process.

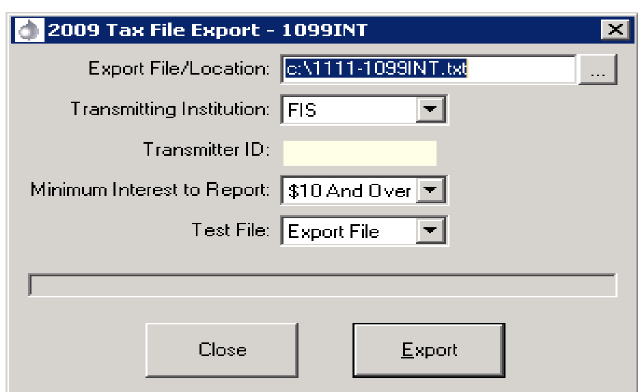
TAX FILES - Creating the Export Files

All Tax files for transmission or submission to the IRS are created from the File Exports submenu on the Reports drop-down menu. You may create the tax file(s) before or after printing forms, before or after your year end close, but you must ensure that all data is complete and correct, and you have run Refresh Report Tables, prior to creating the file(s). IMPORTANT! **FIS cannot make corrections to your data!** Please verify your data's accuracy before creating your tax files. If you find that a correction is required, **you** will need to call the IRS at **1-800-TAX-FORMS** and request the proper forms and the publications to help you fill them out. After filling out the member's new corrected form (be sure to check the CORRECTED BOX on the form) complete any additional correcting forms required by the IRS and send them to the nearest IRS office indicated in the IRS publication(s).

1. If you have not already done so, run Reports>Report Viewer>System Reports>Tax Reporting>**Tax Reporting Validation** and verify that your invalid percentage is 0 or very low.
2. If you have not already done so, run Reports>**Refresh Report Tables**.
3. Navigate to Reports >File Exports. There is one export item available for each tax form number:



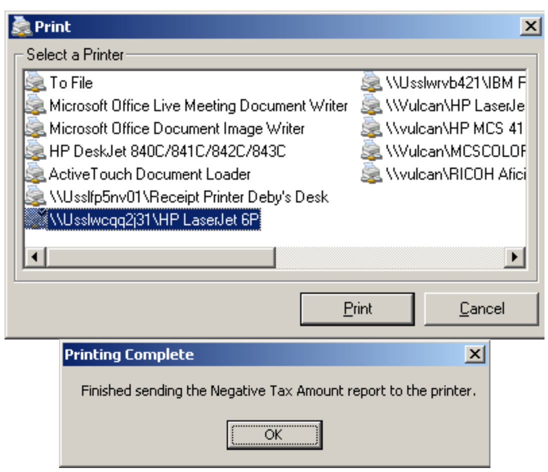
4. Select the applicable Federal Tax Export form number for the file you need to create. The 2009 Tax File Export screen will display with options applicable to the form number you requested:



- **Export File/Location:** Complete the file path and filename required for the export file, or use the browse button to find the correct location. **IMPORTANT!** If FIS will be processing your taxes, the filename in this path *must* be changed to include your Client number as well as the form number, e.g., **c:*nnnn*-1099INT.txt**, where *nnnn* is your client number. For example: if your Client number is 9999, the file name box should look like c:\9999-1099INT.TXT

For Mercury On Demand Clients, please save the files in your client folder on your Mercury on Demand server and we will retrieve the files from there.

- (If you are submitting the file to another tax processor or the IRS directly, you will need to use their naming convention for the copy you send them.)
  NOTE: You can change the drive letter to export the file directly to a removable device (e.g., **a:*nnnn*-1099R.txt** or **d:*nnnn*-1098.txt)**, however, since you must keep a copy of your tax reporting file(s) for your records, it may be simpler to allow the export to default to a hard drive location and then rename and copy the resulting file(s) to a CD or other acceptable media device. (see *TAX FILES - Creating the Diskette or Removable Media Copy*).
- **Transmitting Institution:** If you or another vendor are processing/submitting your tax files, select **CU**, otherwise, if FIS is providing transmission services for you, leave the default **FIS** in the drop-down.
- **Transmitter ID:** If you or another vendor is processing/submitting your own files, enter your TCC# here. *Leave blank* if FIS will be providing transmission services for you.
- **Minimum Interest to Report:** This is the same as the Cutoff Amount on the verification reports and form printing prompts, and only appears if applicable to the form number. If applicable, select the same value you are using for printing the forms for this form type. The 1099-INT and 1099-R files allow a value of zero or $10 as the minimum dividends to report. The 1098 file allows a value of zero or $600 as the minimum for finance charges to report.
- **Test File:** If you are sending a test file to CUNA Mutual Group or another vendor or to the IRS for testing, select **Test File** from the drop-down; this will place a “T” in the appropriate position of your transmitter record. Verify with CMG or your other vendor when they will accept test files (note: you must be on Version 9.1.33 to create the proper files). To create a final file for transmission or for FIS, select **Export File**.
- **Negative YTD dividends:** The IRS does not allow for negative dividends to be reported. If any member has an overall total YTD dividend of a negative dollar amount in any category you will see the following screen when processing your tax exports. Select **Print** after choosing the appropriate printer and any member with negative dollar amounts will be listed. Each member that is on the report may require some manual reporting or corrections due to the negative amounts.

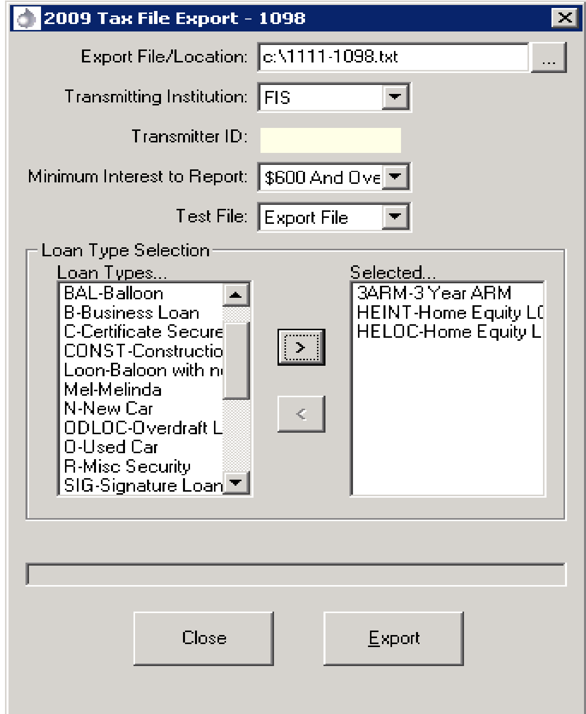


Please review any accounts listed and make appropriate tax reporting changes if necessary.

Loan Type Selection: The 1098 file allows you to select only certain types of loans to report. IMPORTANT! *No* loan types are selected by default. To select each loan type you will be reporting on:

a. Click on the loan type in the Loan Types… window

b. Click the right arrow button [>] to move the loan type to the **Selected…** window.



c. Repeat until all desired loan types have been moved to the Selected… window.

5. Click the **Export** button to initiate the data export to the location identified when all fields are completed to your satisfaction. If the file location is a removable device, be sure the device is ready before clicking Export.
6. You will see a blue progress bar, and when the file is complete you should receive a completion message:
7. Repeat steps 3 through 5 for each tax file you need to create.
8. If you sent the export file to a disk location and now need to copy the file to a removable device to mail it to your tax processor, see *TAX FILES – Creating Diskette or Removable Media Copy*.
9. If you are transmitting your tax files to FIS, see *TAX FILES – Transmitting to FIS*.

TAX FILES - Transmitting to FIS (Recommended Process)

FIS will accept Mercury files transmitted via our website. As discussed above, the file *must* be named so that it shows your client number. (Other tax processors or the IRS may have different requirements.)

1. If you neglected to include your client number in the tax file name when you first exported the tax file(s), use Windows Explorer or a comparable tool to browse to the file, and rename it according to FIS's requirement, e.g., ***nnnn*-1099INT.txt** where *nnnn* is your client number. NOTE: If your workstation does not display file extensions (such as .txt, .doc, .xls, etc.), you don't need to add it; simply add the client number and a dash (-) at the beginning of the file name itself, e.g., ***nnnn*-1099INT**
2. **If you are a Mercury on Demand Client, skip to step 5**
3. Using your standard web browser tool such as Internet Explorer, go to http://www.mercurydelivers.com/taxprocessing enter your Client number and click continue. You will be re-directed to Web Vault https://webvault.vaultguard.com
4. Upload your individual files into your Web Vault area. (Instruction for Web Vault is attached to the email with this document.
5. Send an email to SERVICES@FNIS.COM to let us know your files have been uploaded (MOD clients, send us an email to let us know your files have been saved on your server). If you do not have email, please call and ask for someone in Professional Services at 800-998-4357.

TAX FILES – Creating Removable Media Copy

If you will be mailing the tax file(s) to FIS for processing, you must provide *each tax file on separate physical media*. (If your files will be processed by another service or the IRS, they may have different requirements.) Please note that any physical media sent to us will NOT be returned and will be destroyed after use.

Reminder: You should always keep a copy of all tax files for future reference.

1. If you neglected to include your client number in the tax file name when you first exported the tax file(s), use Windows Explorer or a comparable tool to browse to the file, and rename it according to FIS's requirement, e.g., ***nnnn*-1099INT.txt** where *nnnn* is your client number. NOTE: If your workstation does not display file extensions (such as .txt, .doc, .xls, etc.), you don't need to add it; simply add the client number and a dash (-) at the beginning of the file name itself, e.g., ***nnnn*-1099INT**
2. Copy the correctly named file to the appropriate physical media, using Windows Explorer or a comparable tool.
3. Repeat steps 1 and 2 for each file you are submitting to FIS on a separate diskette.
4. After creating the physical media, place a label with your credit union name, client number, and the number of members processed on the media.
5. Follow the instructions in *Submit Tax Processing Request To FIS* to mail the media to FIS with all appropriate documentation,
   OR
   Follow the instructions from your processor or the IRS to mail them the media.

SUBMIT TAX PROCESSING REQUEST TO FIS

If you are sending physical media to FIS please make sure that you send the media in a proper mailer to prevent damage in transport. *Do not* include other media or data with your tax file(s)!

All services, including tax processing, may be delayed if non-tax files are included.

WHAT TO SUBMIT

Send the following items to FIS only if you did not transmit your file(s) electronically

PLEASE ONLY SEND YOUR TAX FILE. DO NOT INCLUDE OTHER DATA IN THE ENVELOPE.

☐ 1099-INT, 1099R, 1099Q, 1099-SA, 5498, 5498-ESA, 5498-SA and/or 1098 file(s)

The **original or faxed,** signed IRS Form 6847 (Release Tax Information) if not already provided to FIS by fax. We only need the faxed version OR the original. You can check this status of your tax processing on http://www.mercurydelivers.com/taxprocessing

Note: We **MUST** have your original or faxed signed, **IRS Form 6847** on file before we can transmit your files to the IRS.

Late fees: In order to submit tax information by the IRS deadlines, it is important your tax materials are transmitted or postmarked by the specified dates. Materials transmitted or postmarked after the above dates will be assessed a $15.00 per business day late fee. If we do not have your original, signed IRS Form 6847 by **Tuesday December 1, 2009**, a $50.00 late fee will also be assessed. Remember that we cannot transmit your files without the **IRS Form 6847** on file.

AFTER FIS RECEIVES YOUR TAX MATERIALS

You will NOT be notified or otherwise receive confirmation that we have received your tax data or tax diskettes or what services you have signed up for. However, you can login at any time to our 2008 Tax Processing web site and view the progress of your tax processing. Go to http://www.mercurydelivers.com/taxprocessing/ and enter your client number and click the "Continue" button. **You can view the progress of your tax processing at any time using the tax processing web site. Rather than calling Client Services with questions about the progress of your tax processing, please use this convenient service first.** If you still have questions or are experiencing difficulties, please email us at services@fnis.com.

NOTE - We will make every effort to process your tax files as quickly as possible however, we can only promise that your members forms will be postmarked and mailed by the IRS deadline of January 31, 2010.

FIS TAX SERVICE LEVELS

Full Service (Your Download or Postmark Deadline Thursday January 7, 2010):

- FIS will print and mail forms to your members by or before January 31, 2010 (price includes postage).
- Duplicates in PDF format will be uploaded to your Web Vault account for your records.
- Data transmission to the IRS by or before the IRS due date.

Shared Service (Your Download or Postmark Deadline Thursday January 7, 2010):

- Forms are printed, stuffed and sealed in tax envelopes and shipped in bulk to your credit union for distribution to your members prior to the IRS due date. There will be an additional $60.00 shipping and handling fee.
- Duplicates in PDF format will be uploaded to your Web Vault account for your records.
- Data transmission to the IRS by or before the IRS due date.

Data Transmission Service (Your Download or Postmark Deadline Thursday January 7, 2010):

- Member information is processed and submitted to the IRS electronically by or before the IRS due date.

REMINDER: Due to the importance of processing your tax files by the specified IRS deadlines, a $15.00 per business day late fee will be applied for tax-processing information transmitted or postmarked after the dates listed above for each service level. FIS cannot guarantee your tax forms will be completed by the IRS due dates if your tax information is not transmitted or postmarked as of the above deadlines; this includes the signed IRS Form 6847.