

Periodic Procedure: Report Fringe Benefits

Use these instructions to enter fringe benefits, third-party sick pay, or group-term life insurance coverage over \$50,000 paid by the employer.

If you have employees with third-party sick pay, you should have received a report from the insurance carrier with the taxable amounts and sick pay. A prewritten should be entered. The net amount should be zero, so only the non-taxable sick pay is reported in box 12, code J.

1. Set up fringe benefits for applicable employees.

If you have not yet set up the Fringe Benefits Pay Type and Deduction, you must first set them up in the Control File.

- a. Select **Control File > Pay Types**.
- b. Select **Add**.
- c. Enter information to create the Fringe Benefit pay type. See the image below for an example.
- d. In the Pay Type Information section, select **Active**.
- e. In the Pay Type Details section:
 - For Type of Pay, select **Fringe**.
 - Select **Salary Pay**.

The screenshot shows a software window titled "Add / Update Pay Types". It is divided into several sections:

- Pay Types**: A header section with a "Lookup / Add / Update Pay Types" button and a help icon.
- Pay Type Lookup**: A section with a "Pay Type Number" dropdown menu set to "0019" and an "Add" button with a green plus sign.
- Pay Type Information**: A section titled "* Adding New Pay Type Record" containing:
 - "Type Code" dropdown set to "FRING"
 - "Description" text field containing "FRING PAY"
 - "Active" checkbox checked
 - "Leave Type" checkbox unchecked
 - "Restricted" checkbox unchecked
 - "Reason" dropdown set to "[None]"
- Pay Type Details**: A section containing:
 - "Type of Pay" dropdown set to "FRINGE" (highlighted with a red box)
 - "Salary Pay" checkbox checked (highlighted with a red box)
 - "Pay Exact" checkbox unchecked
 - "COVID Relief" dropdown menu

- f. When creating a fringe benefit deduction on the Deduction Table, the following guidelines should be followed:
 - If the fringe benefit will only be used once a year for prewrittens, select **Special Payroll** as the Pay Period. Clear the boxes for all other pay periods.
 - In the Deduction Information section, enter the **W2 Box**, **W2 Prefix**, and select the **Type of Fringe Benefit Deduction**.
 - The **Effective Date** needs to be a date PRIOR to the date you will use for the prewritten entries. The Effective Date field defaults to the current system date.

Note: The effective date appears in both the Deduction Detail Lookup section and the G/L Deduction Lookup section.

- Make sure the G/L Deduction Information section is completed if you want the prewritten to be posted to your general ledger.

2. Check employee profile(s):

- a. Select the **Employees** icon.
- b. Locate the affected employee.
- c. Select the **Employee Pay Types** icon.
- d. Add the fringe benefit pay type to the employee's profile. Select **Help** on the toolbar if you need detailed instructions.
- e. Select the **Deductions** icon.
- f. Add the fringe deduction to the employee's profile. Select **Help** on the toolbar if you need detailed instructions.

3. Adjust FICA deduction.

If the employer is going to pay the employee's portion of FICA tax on these fringe benefits, a FICA adjust deduction is normally set up so the net of the fringe prewritten is 0.00. Contact PUBLIQ Client Services for further instructions.

4. Enter year-end prewrittens.

Important: The year in the check date entered on this screen determines the year to which the system applies the update. Changes can be made only to the year for which you are creating the W2s and only prior to running W2s.

To enter prewrittens:

1. Clear the Time Entry file as normal for any payroll.
2. Select **Employee Time Entry > Earnings Adjustments-Prewrittens > Post Direct**.

Important: The year in the check date entered on this screen determines the year to which the system applies the update. Changes can be made only to the year for which you are creating the W2s and only prior to running W2s.

Note: If you wish to calculate the group-term life insurance over \$50,000, navigate to **Special Reports > Wage Adjustment**. Complete the fields as necessary. This program automatically calculates the adjustment to be added to the employees' gross pay for the group-term life insurance over \$50,000. It then gives you the option to create the prewritten records that are used when processing payroll to adjust the employee earnings.

3. Complete the required fields on the Employee Adjustments Prewrittens screen.
4. Select **Update**.
5. Select **Save**. A new view displays, showing the details of this prewritten.
6. Complete the amounts according to the instructions below.

Note: If the employee has fringe benefits, plus group-term life insurance and/or third-party sick pay, all entries can be made on a single prewritten.

AMOUNT:

If the employee has:	In the Amount field in the same row as the Pay Type:
Fringe benefits only, NO group-term life insurance over \$50,000	Enter the dollar value of the fringe benefit. EXAMPLE: If the value of an employee's use of a company car is \$1000, type 1000 in the Amount field.
Group-term life insurance over \$50,000, NO fringe benefits	Enter the cost of group-term life insurance calculated according to the instructions in IRS Publication 15-A.
Third-party sick pay	Enter the dollar value of the third-party sick pay.

- FEDERAL TAX, STATE TAX, CITY TAX, OASDI FICA, and HI FICA:

Enter the tax that should be withheld according to the value of the fringe benefits and/or the cost of group-term life insurance over \$50,000. These taxes should be paid by the employer even if they are reimbursed by the employee.

Note: OASDI FICA is the current Social Security rate times the OASDI Earning amount. HI FICA is the current Medicare rate times the HI Earning amount.

- OASDI EARNING – Follow the steps below to determine OASDI EARNING:
 1. Determine employee's current FICA Earnings.
 - a. Run the Wage Summary report. Select **Standard Reports > Wage Reporting > Wage Summary**.
 - b. On the Select Options screen, enter **Check Date 010123-123123**.
 - c. Select **Next** to display the Sort Options screen, and then select **Finish** to print the report.
 - d. Locate the employee on the report. The current OASDI earnings will be labeled OASDI EARN. The current HI earnings will be labeled HI EARN.
 - e. For each affected employee, make note of these earnings.
 2. Calculate OASDI Earnings/Excess for Fringe.
 - a. Compare employee's current OASDI earnings (figure from Step 1) to the OASDI LIMIT (\$160,200).
 - **If it is more than \$160,200**, enter the value of the fringe benefit in OASDI Excess.
 - **If the employee's current OASDI earnings are less than \$160,200**, add OASDI earnings to the fringe benefit value.
 - b. Compare calculated value in Step b to the OASDI LIMIT \$160,200.
 - **If less than \$160,200**, enter the value of the fringe benefit in the OASDI Earning field.
 - **If more than \$160,200**, you **MUST** determine what portion is excess.

- i. Subtract the OASDI Limit from the value calculate in Step b. This result is the portion of fringe that is excess. Enter this value in OASDI Excess.
- ii. To determine the taxable portion of the fringe benefit, subtract the OASDI excess determined in **Step i** from the value of the fringe benefit. This result is the taxable OASDI EARNINGS.

- HI EARNING (HI earnings)

Enter the total amount of all Pay Types here. Since HI earnings have no limit, there are no calculations or comparisons.

3. Select **Save**.
4. Complete the next prewritten screen:

- **If the employee has fringe benefits**, type the value of the fringe benefit on the row for the fringe benefit.
- **If the employee has group-life term insurance over \$50,000**, enter the value of the insurance next to the deduction.
- **If the employee has third-party sick pay**, enter the value of the sick pay next to the deduction.

5. Verify the amount shown in **Net Pay** is zero.
6. Select **Save**.
7. Select **Ok**.

Run Calculate Pay (Simulation), Print Payroll Register, and Post

Do a Calculate Pay (Simulation) and verify the figures.

- a. Select **Employee Time Entry > Employee Pay Calculations**.

Note: Run the Simulation and Post with the **Pay Period** of **Special**. Also, if you use the Wage Adjustment process to automatically create prewrittens, **Special** should be marked as the **Pay Period** for both deductions.

- b. Print a payroll register to check the amounts.
- c. If the amounts are accurate, select **Employee Time Entry > Employee Pay Calculations**. **Important:** If amounts are inaccurate, correct the amounts and run **Calculate Pay (Simulation)** again before proceeding.
- d. Run the calculation with **POST** checked.
- e. Select **Yes** to verify the files have been backed up.
- f. Select **OK** when the Report Completed message displays.
- g. Run all normal payroll reports.
- h. Run all monthly and quarterly payroll reports.

The earnings of applicable employees have been increased by the value of the fringe benefits, third-party sick pay and/or group- term life insurance cost. The system prints the fringe benefit deduction, third party sick pay and the group-term life insurance cost in the appropriate blocks on the W-2 forms.

5. **Once all fringe benefits are posted, return to the Payroll Year-End Instructions, and continue with Step 7.**