

# Payroll Processing Tips

## New Deduction Calculation Methods

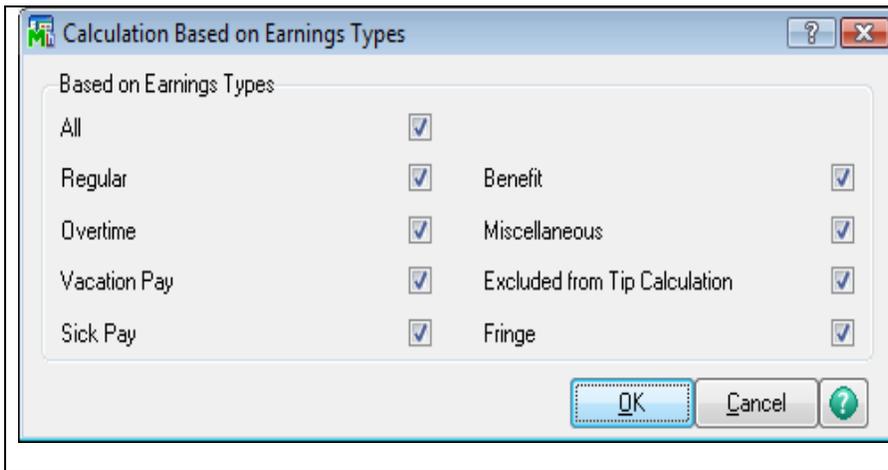
The screenshot shows the 'Deduction Code Maintenance' window. The 'Deduction Code' is 07. The 'Description' field is empty. The 'Deduction Type' is set to 'Employer Contribution'. The 'Calculation Method' dropdown menu is open, showing options: 'Fixed Amount', 'Percentage of Gross', 'Based on Reg Hrs Worked', 'Based on Total Hrs Worked', 'Percentage of Net Wages', 'Equal to Earnings Code(s)', 'Based on Reg + OT Hrs', 'Based on Paid Hrs', 'Percentage of Total Hrs', 'Based on Pay Rate', and 'Percentage of Deduction'. The 'Fixed Amount' option is highlighted. The 'Standard Amount/Rate' is set to 'Fixed Amount'. The 'Standard Limit' is empty. The 'W2 - Box 12 Code' is empty. The 'Frequency of Deduction' section has 'Every Pay Period' checked, and 'Pay Period 1', 'Pay Period 2', and 'Pay Period 3' are also checked. The 'Deduction Accrual Account' and 'Contribution Expense Account' fields are empty. The 'Accept', 'Cancel', and 'Delete' buttons are visible at the bottom. The status bar shows 'ALJ ABC 11/03/11'.

5 new deduction calculation methods have been added. Depending on which of the calculations is selected, you will enter the appropriate multiplier or % at the Standard Amount/Rate field.

The Percentage of Deduction method is only available for Employer Contribution Deduction Types. For this you will enter the % and Deduction code to use for the calculation.

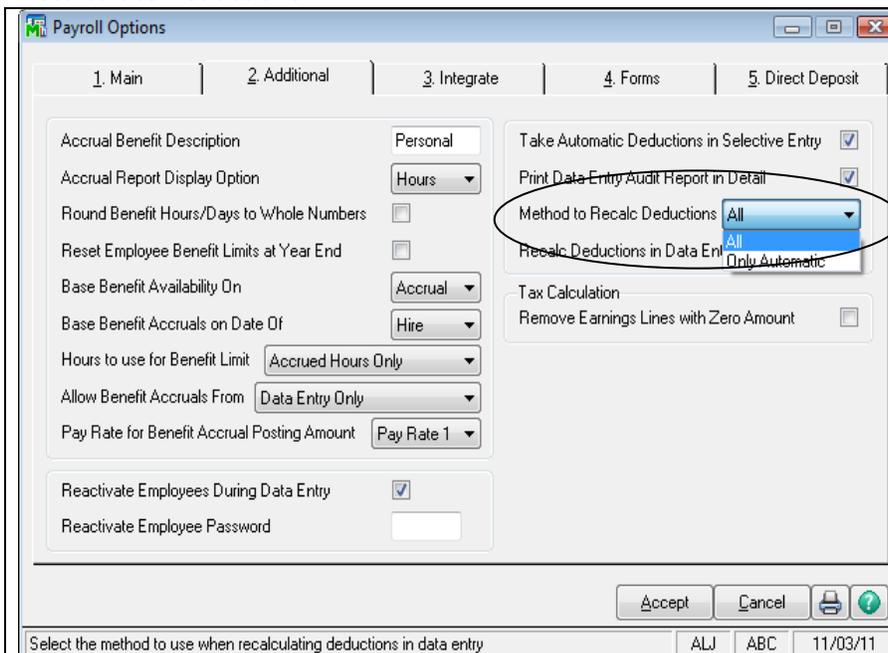
The screenshot shows the 'Deduction Code Maintenance' window. The 'Deduction Code' is 06. The 'Description' is '401k Plan'. A red warning message 'Warning - Data Entry in Progress!' is displayed. The 'Deduction Type' is 'Pension Plan'. The 'Calculation Method' is 'Percentage of Gross'. The 'Standard Amount/Rate' is '5.000%'. The 'Standard Limit' is '10,000.00'. The 'W2 - Box 12 Code' is 'D'. The 'Reset Balance at Year End' checkbox is checked. The 'Frequency of Deduction' section has 'Every Pay Period' checked, and 'Pay Period 1', 'Pay Period 2', 'Pay Period 3', and 'Pay Period 4' are also checked. The 'Deduction Accrual Account' is '665-01-00' and the 'Contribution Expense Account' is 'Miscellaneous expense'. A new 'Earnings...' button is highlighted with a red circle. The 'Accept', 'Cancel', and 'Delete' buttons are visible at the bottom. The status bar shows 'Enter Description for this Deduction Code ALJ ABC 11/04/11'.

A new button has been added to the setup screen for Pension Plan Deduction types called Earnings.



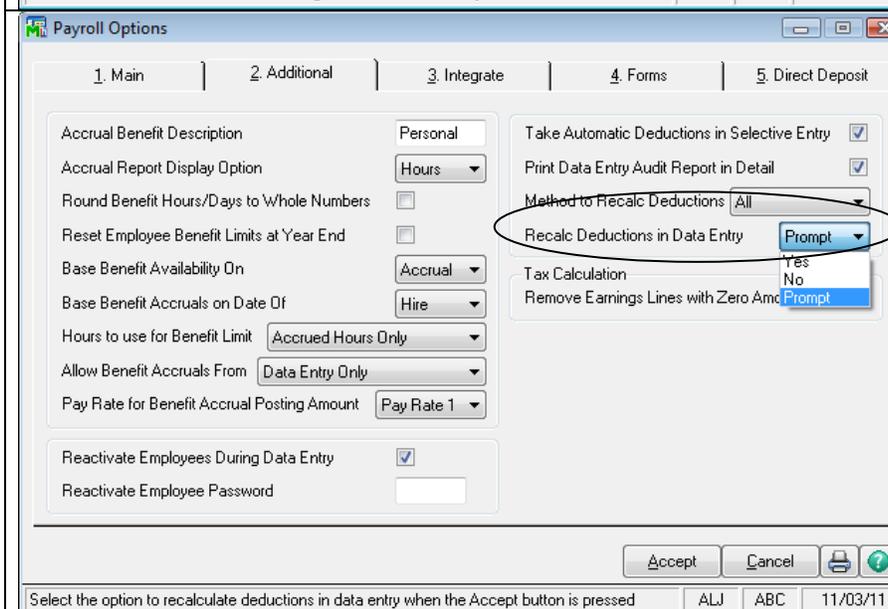
This allows you to specify which earnings should be included when calculating the 401 deduction for employees.

### Recalculate Deductions



New settings have been added in Payroll Options/Additional screen to allow for the recalculation of deductions amounts when a change to a payroll entry has been made.

“All” will recalculate all deductions except those which are a fixed amount. “Only Automatic” will recalculate only those deductions check as Automatic in Employee Voluntary Deduction Maintenance.



The Recalc Deduction in Data Entry option allows you to select if you do or do not want to automatically recalculate or if you want to receive a prompt.



## I. How Dates Are Used

- A. Period Ending Date
  - The Period Ending Date is entered on the Pay Cycle screen of Payroll Data Entry.
  - It should represent the last day of the pay period.
  - This information can be printed on checks stubs, but is not retained in the Employee Check History File (however, it is retained in the Perpetual History File).
  - This date is for the entire payroll run.
  
- B. Check Date
  - The check date is entered on the Payroll Check Printing screen.
  - The check date will default to the System Date unless it is changed.
  - It should represent the date the checks will be distributed.
    - The check date can be printed on the checks.
    - The check date is the date used to determine the tax liability date for 941 deposits & for the 941 Schedule B.
  - \* NOTE: If you reprint payroll checks, be sure to re-enter the correct check date.
  
- C. Effective Date (w/Direct Deposit)
  - The effective date is also entered on the Payroll Check Printing screen.
  - The effective date will default to the System Date unless it is changed.
  - The effective date for a direct deposit transaction is treated by the system just as the check date for a payroll check, i.e. the effective date is the date printed on the direct deposit stub and is the date used to determine the tax liability date for 941 deposits & for the 941 Schedule B.
  
- D. Payroll Posting Date
  - The payroll posting date defaults to the System Date or can be changed during Check Register Printing and Updating.
  - This is the date used for posting the payroll transactions to the General Ledger.

## II. The Updating Process

- A. Payroll Data Entry
  - When Payroll Data Entry is completed, the entries are then available for Payroll Tax Calculation.
  - No records are updated at this point.
  - The Payroll Data Entry could still be "Cleared" with no affect to PR masterfiles or to General Ledger files.
  
- B. Payroll Tax Calculations/Payroll Data Entry Audit Report
  - The next step after entering payroll data is to run Payroll Tax Calculation and print the Payroll Data Entry Audit Report.
  - At this point, all taxes and deductions, plus net check amount have been calculated & can be printed for review.
  - How to check for out-of balance checks.
  - Payroll Data Entry could still be "Cleared" with no affect to the PR masterfiles or General Ledger.

- C. Check Printing/Check Register/Update
- If the Payroll Data Entry Audit report looks OK, and you have printed all the registers you want, you can print the payroll checks (and Direct Deposit stubs if applicable).
  - After the payroll checks have been printed, you will receive a prompt on your screen asking if you want to print a Check Register.
  - After you print a Check Register, you will then be prompted with a screen asking if you want to UPDATE the Check Register.

At this Point You Have Two Choices:

1. You DO NOT choose to update the Check Register
    - At this point you still would be able to go back and modify or delete payroll entries or you could “Clear” data entry and begin over again.
    - You could reprint checks or Direct Deposit Stubs.
  2. You DO choose to update the Check Register
    - When you choose YES to update the Check Register:
      - a. The Employee Masterfiles are updated.
      - b. Payroll Data Entry is cleared.
      - c. You cannot reprint checks or Direct Deposit Stubs unless you use Paperless Office.
- D. Daily Transaction Register/Update
- If you chose YES to update the Check Register, you will be prompted with a screen asking if you want to print and then update the Daily Transaction Register.
  - You have 2 options when you are prompted to update the Daily Transaction Register
    - a. Yes will update the Payroll transactions to the General Ledger.
    - b. No will Not update the Payroll transactions to the General Ledger and you will have to reselect the Daily Transaction Register from the Payroll Main Menu to reprint and update later.

### III. Pension Plans & Cafeteria Plans

A. Two types of deduction plans can be tax exempt: Pension Plans and Cafeteria Plans. These are employee contributions that can be deducted from wages before taxes are calculated.

1. Pension Plans are retirement plans that the employee contributes to (can be matched in some form by the employer) which reduces the amount of wages to be taxed.
  - The Federal government (Federal Withholding Wages) and most state jurisdictions allow a reduction of taxable wages by pension plan deductions.
  - A Pension Plan contribution by the employee is a deduction, and is set up in Payroll Deduction Code Maintenance.

Example: A 401K Pension Plan would be set up with a Pension Plan Deduction Type, a W-2 Box 12 Label of D, and the taxes would be checked to reduce only Federal and State Withholding.

- Pension Plan deductions do not reduce FICA, Medicare or Unemployment Wages.

#### 401K Taxability

Reduce Federal Tax		Reduce State Tax	
Withholding	<input checked="" type="checkbox"/>	Withholding	<input checked="" type="checkbox"/>
Employee FICA	<input type="checkbox"/>	Employee SDI	<input type="checkbox"/>
Employer FICA	<input type="checkbox"/>	Employee SUI	<input type="checkbox"/>
Employee Medicare	<input type="checkbox"/>	Unemployment Tax	<input type="checkbox"/>
Employer Medicare	<input type="checkbox"/>		
Unemployment Tax	<input type="checkbox"/>		

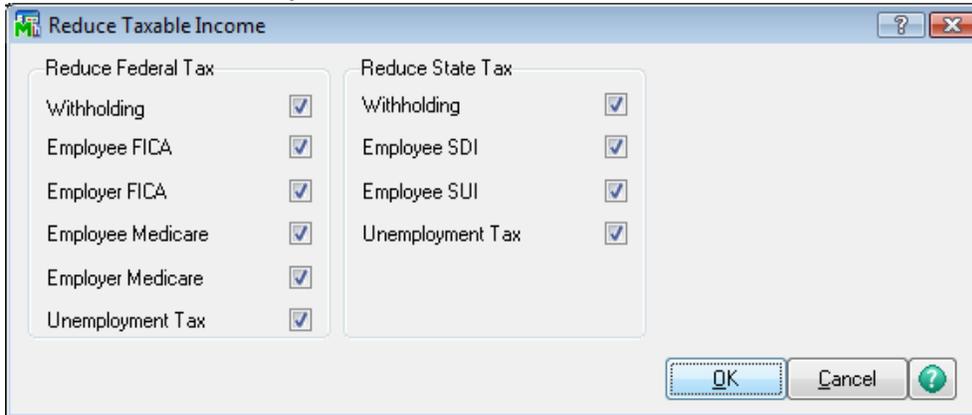
Buttons: OK, Cancel, Help

2. Cafeteria Plans are pre-tax contributions made by an employee to a section 125 flexible spending (dependent care, medical expenses) account are commonly known as Cafeteria Plans.

- Cafeteria Plan contributions reduce the withholding taxes for ALL wages (Federal, State, FICA, Medicare & Unemployment).
- A Cafeteria Plan contribution by the employee is a deduction, and is set up in Payroll/Setup/ Deduction Code Maintenance.

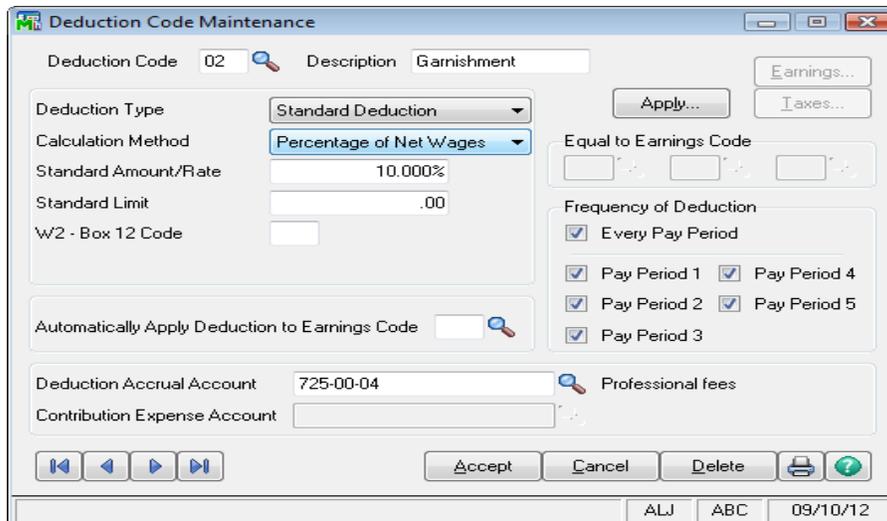
Example: A Flexible Spending contribution for day care expenses would be set up with a Cafeteria Plan Deduction Type, NO label for W-2 Box 12, and the taxes would be checked to reduce all taxable incomes.

### Cafeteria Plan Taxability



### IV. Garnishment Deductions

These are standard after tax deductions.



### V. Worker's Compensation

- How to setup codes and calculations.
- Where to setup employee codes.
- When to print Worker's Comp. Report.
- Perpetual History Report.

**VI. 941 Quarterly Federal Tax Form**

- A. What is the 941 Quarterly Form?
  - 1. It is a form used to report Federal Withholding, FICA and Medicare income & the taxes withheld from those wages.
- B. Who Must File a 941 Quarterly Form?
  - 1. Any Employer who withholds income tax on wages or who must pay social security or Medicare tax, must file Form 941 quarterly.

Quarter	Ending	Due Date
Jan., Feb., Mar.	March 31	April 30
Apr., May, June	June 30	July 31
July, Aug., Sept.	Sept. 30	Oct. 31
Oct., Nov., Dec.	Dec. 31	Jan. 31

- C. What amounts should be on the 941 & how do I know if they're correct?
  - 1. Line 2 – should be the total of all wages paid, and taxable fringe benefits provided even if you do not have to withhold income or social security and Medicare taxes on it. Do not include contributions to employee plans that are excluded from the employee's wages (e.g. section 401(K) and 125 plans).
  - 2. Line 6a – should be the total wages subject to social security taxes that you paid your employees during the quarter. Stop reporting an employee's wages when they reach the \$110,100 for 2012. (this will be done automatically by Sage 100 ERP).
  - 3. Line 7a – should be the total wages and tips subject to Medicare tax. There is no limit on the amount of wages subject to Medicare tax.
- D. Comparing the 941 to the Quarterly Tax Report (Federal Taxes)
  - 1. Line 2 should tie to Employee Tax Wages, W/H, QTD totals.
  - 2. Line 6a should tie to Employee Tax Wages, FICA, QTD totals.
  - 3. Line 7a should tie to Employee Tax Wages, MEDICARE, QTD totals.
- E. Computing the amounts on the 941 Quarterly Tax Return

- 1. Line 2                    GROSS WAGES
  - Pension Plan Deductions (401K, 403b, etc.)
  - Cafeteria Plan (Flex. Spending, Sec. 125, etc.)

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Total Wages & Tips, plus other compensation
  
- 2. Line 6a                GROSS WAGES
  - Cafeteria Plan Deduction

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Taxable Social Security wages (up to \$110,100)
  
- 3. Line 7a                GROSS WAGES
  - Cafeteria Plan Deductions

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## Taxable Medicare wages & tips (no wage limit)

### F. Form 941 – Schedule B

1. The Schedule B for Form 941 must be completed if you are required to deposit (your 941 Payroll Deposits) on a semi-weekly basis, OR if your tax liability on any day is \$100,000 or more.
2. The Schedule B is used to show Tax Liability, NOT Deposits made.
3. MAS90 will automatically fill in the Tax Liability on the Schedule B based on check date or for direct deposits, on the effective date.

### G. Fractions of Cents

1. How does MAS90 calculate the Fraction of Cents on the 941?
  - The calculated amount represents the difference between reported collected taxes and the amount that should have been collected.
  - Collected taxes are the withheld Federal, FICA, & Medicare taxes.

### H. Sick Pay – Third Party

1. This must be manually entered on the sick pay field on the 941 Form printing screen.
2. This will adjust for the employee portion of the taxes that were paid by the third party payer.

## VII. Voiding a Payroll Check

A Payroll Check is voided through Payroll Data Entry

1. In the Payroll Data Entry Pay Cycle Screen, uncheck Auto Deductions and Print Checks, and check Manual Taxes and use the same pay cycle and period ending date as on the original check.
2. On the Payroll Data Entry Header Screen, enter the Payroll Bank Code, the check number, the check date, and the NET amount of the check as a negative amount.
3. On the 2. Lines screen, all Earnings and Deduction line entries must be entered, including Employer 401K Match contributions EXACTLY as they were entered in the original check, with ALL Hour and Dollar amounts being entered as NEGATIVE numbers.
4. Accept the Earnings/Deduction screen – you will get a Manual Payroll Tax Entry Screen – Enter the taxes as NEGATIVE amounts.
5. Click OK. If everything balances, the entry will be accepted.
6. Finish voiding the check by completing the normal steps to process a Payroll (i.e. Payroll Tax Calculation, Data Entry Audit Report, Registers, Employee's Expense Summary, No checks to Print, Check Register, Update, DTR, Update).

\* NOTE: If it is a Direct Deposit entry that needs to be voided, give me a call.

## VIII. Period End Processing

- A. When Must Period End Processing be Performed in Payroll?
  - Period End Processing for Payroll should be performed after running the last payroll for the quarter.
  - Payroll is always on a calendar year
- B. What reports should be printed before doing Period End Processing in Payroll?

From Reports Menu in Payroll

- Quarterly Tax Report \*

From the Period End Menu in Payroll

- Quarterly Governmental Report \*
- Quarterly 941 Form Printing \*

\* These reports are ESSENTIAL. The Quarterly Pay Period Recap, Payroll Check History Report, Earnings, Deduction & the Benefit Accrual Reports can also be useful.

C. What are the steps for performing Period End Processing?

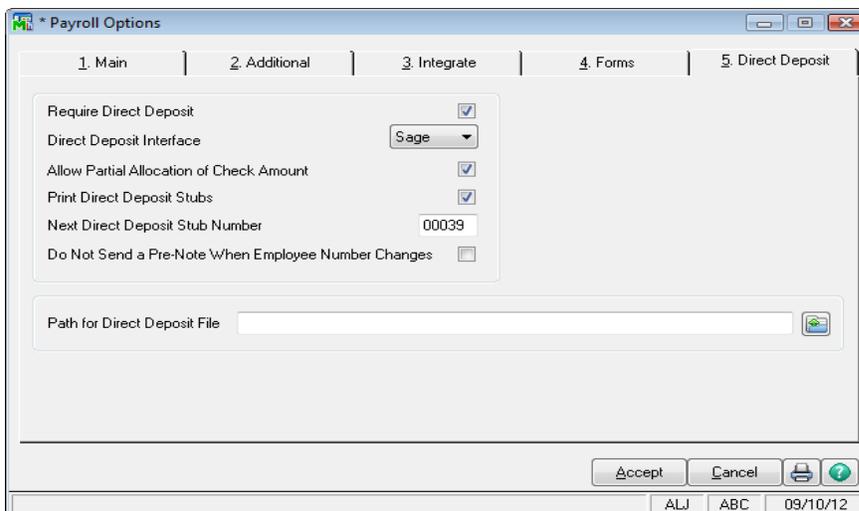
- After running the necessary reports, go to the Period End Menu in Payroll.
- Quarter End Processing should be chosen.
- Click Proceed, then Proceed again.
- Leave reports unchecked, as they should have been printed earlier.
- Click Print, even though no reports are checked to be printed.
- Answer YES to “Do you want to complete period end processing?”

D. What if you forget to perform Period End Processing before entering Payroll Data Entry in the next quarter?

- The user may enter and print checks for ONE payroll before performing period end processing, but cannot update the check register until after period end processing has been performed.
- In other words, you could do payroll in a new quarter through the Check Register printing, but the system will not let you update that payroll until you perform the steps for Period End Processing for the prior quarter.
- You would not be able to process Direct Deposit since you cannot update the Check Register until you closed the prior quarter.
- Your payroll data entry will not be lost during the period end processing. You will get a warning that payroll data entry is in process.
- Remember to print quarterly payroll reports BEFORE closing the quarter. Once the Payroll quarter is closed, the quarterly data on these reports is zeroed out.

## IX. Direct Deposit Setup

The default path to save your direct deposit file is to the PRXXX folder. You can create a folder and change the path if you want this file saved in a different secured place. If you are using the Sage Direct Deposit option, you must select that at the Interface setting.



The actual Direct Deposit Interface setup is now on the Payroll Bank Code Maintenance option on the Payroll Setup Menu as of version 4.3. Each bank has their own Direct Deposit filing requirements. Your bank must assist you with the setup options. In order to process Direct Deposit for a specific bank code, both the Direct Deposit and the Pre-Note Approved boxes must be checked.

**Direct Deposit Interface Setup**

Bank Code  Description

1. Main | 2. Primary | 3. Advanced

Cash Account Number  Cash in bank - Reg. checking

Bank Account Number

Account Type

Next Check Number

Direct Deposit  Pre-Note Approved

Routing Transit Numbers

Immediate Destination

Immediate Origin

Originating DFI

Navigation: [Home] [Back] [Forward] [End]

Buttons: Accept Cancel Delete [Print] [Help]

Status: ALJ ABC 09/10/12

**Direct Deposit Interface Setup**

Bank Code  Description

1. Main | 2. Primary | 3. Advanced

Leading Character for Immediate Origin

Put CR/LF After Each Record

Put Ctrl+Z at End of File

Date for File Creation

Service Class Code

Space Rather Than Dash in the Word 'Pre-Note'

Include Only Employee Records

Pad File to Block Size of 10

Valid File ID Modifiers  To

Date for Descriptive Date

Zero Fill Settlement Date

Navigation: [Home] [Back] [Forward] [End]

Buttons: Accept Cancel Delete [Print] [Help]

Status: Enter date to use for Descriptive Date ALJ ABC 09/10/12

**Direct Deposit Interface Setup**

Bank Code: A Description: Security Pacific Checking

1. Main | 2. Primary | 3. Advanced

Include Internal Bank ID

Use 80 Byte Text as 1st Record

Include Debit Record

Transaction Code

Receiving DFI Identification

DFI Account Number

Individual ID Number

First Hawaiian Bank

Character to Precede Company ID: 1

Alternate Employer ID Number

Alternate Company Name

Company Discretionary Data

Company Entry Description

Accept Cancel Delete

ALJ ABC 09/10/12

### Employee Direct Deposit Setup in Employee Maintenance

**Direct Deposits**

Bank Account No. 150007895 Acct Type Checking Description Checking Routing/Transit No. 101100029

Distribution Method Percent Pre-Note Sent Date Deposited YTD

Percent of Net Wages 100.00% Approved 12/01/11 10,112.28

Line	Bank Account No.	Acct Type	Description	Routing/Transit No	Dist Meth	Percent/Amount
1	150007895	Check	Checking	101100029	Net	100.00%

Ins Del Move Up Move Down Reset

Paperless... Accept

## Paperless Office Employee Setup

**Paperless Office Delivery Options**

Employee No. 11-0000100    Last Name THOMAS    First Name JERRY A.  
 Document Direct Deposit Stub

PDF Delivery Options  
 Print     E-mail

PDF Document  
 Password \$\$\$\$

E-mail Options  
 E-mail Address ajenkins@pskansas.com    E-mail Password

Accept    Cancel    ?

## X. Federal and State eFiling

**Federal eFiling and Reporting**

Form Selection  
 Federal  
 State KS  
 Existing Reports

Reporting  
 Period Quarterly  
 Year 2012  
 Quarter 3

Form ID	Form Description
KS_K-CNS_1001_EFILE_FD...	KS K-CNS 1001/101 efile Reports
KS_K-CNS_1001_FORM	KS K-CNS 1001/101 Reports
KS_Kw-3E_FORM	KS Annual Summary
KS_Kw-5_FORM	KS KW-5 Report
KS_NEW_HIRE_FORM	KS New Hire Report

Company  
 Name ABC Distribution and Service Corp.    Federal ID No. 48-1090000  
 Address    State ID No.  
 City    Telephone  
 State    ZIP Code    Trade Name

Selections    All    Starting    Ending

Date 07/01/12    09/30/12  
 Employee No.  00-    ZZ-ZZZZZZ

W2 and Box 14 Selections  
 Kind of Employer N = None Apply  
 Misc Earnings Code 1    Misc Deduction Code 1  
 Misc Earnings Code 2    Misc Deduction Code 2

Activate    Accept    Cancel    ?