General Tax Guidelines for Year End

Note: These are general guidelines only. Further information can be obtained from your insurance carrier, as well as the following documents located at the website, www.irs.gov:
*Publication 15 – Circular E
*Publication 15-A – Employer Supplemental Tax Guide
*Publication 15-B – Employer Tax Guide to Fringe Benefits

Third Party Sick

The purpose of entering the third party sick pay is to report on the employee's W-2 what the third party insurance company paid and withheld on the employee's behalf. If your insurance carrier issues W-2s for the third party sick pay, you can disregard this process.

Under 6 months

- If the third party sick premium is **employer-paid**, then the wages are FICA, MCT, SST, FIT and MIT taxable. Enter the information received from the third party insurance carrier on the Register Record Preparation Screen:
    - Click "Home" on the keyboard and enter the employee name
    - Payroll Date – Enter a date
    - Register Type – A (Adjustment)
    - Check/Deposit No. – Use initials
    - Description – Third Party Sick Pay
    - Click F9 or "New" for a new record – The # field will display a "1"
    - Type – P (Gross Pay)
    - Item Code – AG (Adjustment to Gross)
    - Earn Code - XMPS
    - Wage Code – Blank (If the earnings code is not reportable to MPSERS, then the wage code should be blank)
    - Pay Rate – Enter the wages paid by the insurance carrier
    - Pay Units – 1.00
    - Service Units – 0.00
    - Class or Organ – Enter the appropriate code
    - Wage Base/Contract Ded – 0.00
    - ASN – Enter the salary account number
    - Enter through the ASN field and the grid will auto-fill with all related wages, benefits and deductions
    - Fix amounts on the register record. All wages, benefits and deductions should be changed to reflect a zero dollar amount, with the exception of the P:AG, B:FICA, D:MCT, D:SST, D:FIT and D:MIT. These amounts should match exactly what the insurance carrier issued on their sick pay report. If a tax was taken, enter the amount the insurance company withheld on the employee's behalf. If no tax was taken, enter a zero and the employee will square up with their taxes when their tax return is filed. The purpose of this register record is to report on the employee's W-2 what the insurance company paid and withheld.
    - Operation: Add Register Record to System – The register record will now show up in the Employee Register Record Screen. Additionally, the operation will create an accounts payable batch in the FA system. The accounts payable batch can be

deleted as you do not want the third party sick pay to show in the general ledger. This entry is being made for HR reporting for W-2s and 941s only.

- The Employee Tax Control Screen should have the following:
  - W-2 Form Box 13 Items: Third Party Sick Pay - Put a check mark in the box for anyone with third party sick pay by the end of the year for W-2s
  - Other W-2 Form and File Items: FIT w/h by 3rd Prty Payer – Enter the amount of Federal Income Tax withheld by the third party insurance company. This figure does not appear on the employee's W-2 form; however, it is included in the file of W-2 records submitted electronically.
- For 941 reporting purposes, the wages will go in Box 2 (Wages, Tips and Other Compensation), in Box 5 (A & C, for SST & MCT) and also in 7b (Current Quarter Adjustment for Sick Pay)

- If the third party sick premium is **employee-paid**, with post-tax dollars, then the wages are not taxable. Enter the information received from the third party insurance company as follows:
  - The Employee Tax Control Screen should have the following:
    - W-2 Form Box 13 Items: Third Party Sick Pay - Put a check mark in the box for anyone with third party sick pay by the end of the year for W-2s.
    - W-2 Form Box 12 Items: Nontaxable Sick Pay – Enter the amount that will be included on the employee's W-2 form in Box 12 with the code "J". This amount is not included in the file of W-2 records reported electronically.
  - For 941 reporting purposes, the wages will go in Box 2 (Wages, Tips and Other Compensation)

Over 6 months

- If the third party sick premium is **employer-paid**, then the wages are FIT and MIT taxable. Enter the information received from the third party insurance carrier on the Register Record Preparation Screen, the same as above, with the following exceptions:
  - Earn Code – STDNT
  - Wage Code – Blank (If the earnings code is not reportable to MPSERS, then the wage code should be blank)
  - Fix amounts on the register record. All wages, benefits and deductions should be changed to reflect a zero dollar amount, with the exception of the P:AG, D:FIT and D:MIT. These amounts should match exactly what the insurance carrier issued on their sick pay report. If a tax was taken, enter the amount the insurance company withheld on the employee's behalf. If no tax was taken, enter a zero and the employee will square up with their taxes when their tax return is filed. The purpose of this register record is to report on the employee's W-2 what the insurance company paid and withheld.
  - The Employee Tax Control Screen should have the following:
    - W-2 Form Box 13 Items: Third Party Sick Pay - Put a check mark in the box for anyone with third party sick pay by the end of the year for W-2s
    - Other W-2 Form and File Items: FIT w/h by 3rd Prty Payer – Enter the amount of Federal Income Tax withheld by the third party insurance company. This figure does not appear on the employee's W-2 form; however, it is included in the file of W-2 records submitted electronically.
  - For 941 reporting purposes, the wages will go in Box 2 (Wages, Tips and Other Compensation)

- If the third party sick premium is **employee-paid**, with post-tax dollars, then the wages are not taxable. Enter the information received from the third party insurance company as follows:
    - The Employee Tax Control Screen should have the following:
        - W-2 Form Box 13 Items: Third Party Sick Pay - Put a check mark in the box for anyone with third party sick pay by the end of the year for W-2s.
        - W-2 Form Box 12 Items: Nontaxable Sick Pay – Enter the amount that will be included on the employee's W-2 form in Box 12 with the code "J". This amount is not included in the file of W-2 records reported electronically.
    - For 941 reporting purposes, the wages will go in Box 2 (Wages, Tips and Other Compensation)

Life Insurance Over 50K

The Life Over 50 amount is FICA, MCT and SST taxable. Note: When processing payroll, the FIT and MIT taxes will be taken. You can override these taxes on the Employee Tax Control screen in the "Pre-Calculated Amount" field prior to running the payroll, or you can let it go if it's a small amount. Please consult Publication 15-B and/or your accountant for amounts.

- Enter the following on the Employee One-Time Postings Screen:
    - Click "Home" on the keyboard and enter the employee name
    - Click F9 or "New" for a new record – The # field will display a "1"
    - Earnings Code - XMPS
    - Wage Code – Blank (If the earnings code is not reportable to MPSERS, then the wage code should be blank)
    - Item Code – AG (Adjustment to Gross)
    - Class or Organ – Enter the appropriate code
    - Pay Rate – Enter the amount
    - O/D – Leave blank
    - Pay Units – 1.00
    - Pay Amount – this will auto-fill
    - ASN – Enter the salary account number
    - Service Units – 0.00 (Enter through this field and the grid will auto-fill)
    - Enter through the Service Units field and the grid will auto-fill
- Enter the following on the Employee Elective Deductions Screen:
    - Click "Home" on the keyboard and enter the employee name
    - Click F9 or "New" for a new record
    - Code – TXBEN (Taxable Benefits) If this code does not yet exist in your software, you will need to enter it on the Deduction Definition Screen as follows:
        - Code – TXBEN
        - Description – Taxable Benefits
        - Abbreviation – Tax Ben
        - Deduction Priority – 940 (if not already in use, otherwise choose another priority number in the 940-950 range)
        - Default Frequency – 6 (All pays except Non-Scheduled pay runs)
        - Balance Report – Enter a check mark in this field
        - Click F4 or "Save" to save the record
    - Organization – MISC (Miscellaneous) If this code does not yet exist in your software, you will need to enter it on the Financial Organization Screen as follows:
        - Code – MISC
        - Name – Miscellaneous
        - Abbreviation – MISC

        - Print check – N
        - Click F4 or "Save" to save the record
    - 1-Time Amount – Enter the same gross amount previously entered on the Employee One-Time Postings Screen.
    - Ded. Frequency – 6 (All pays except Non-Scheduled pay runs)
    - Click F4 or "Save" to save the record
    - After the payroll has been processed, in the Financial Accounting system, the deduction will need to be posted back to the salary account it came out of to cancel out the gross amount processed by the one-time posting.
- Enter the following on the Employee Tax Control Screen:
    - W-2 Form Box 12 Items
        - Group Term Insurance – Enter the gross amount
    - Click F4 or "Save" to save the record