



Sage 100

Payroll User Guide

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Introduction

This guide includes information to help you set up the Sage 100 Payroll module and complete common tasks. Topics include:

- Setting up payroll tax calculations
- Calculating employee earnings and deductions
- Setting up time off accruals
- Maintaining employee records
- Processing payroll
- Posting to the general ledger
- Printing and filing tax forms

You can find additional information in the Sage 100 help, including detailed information for each field. When working in a Sage 100 window, click in any field and then press F1 to view the help for that field.

For information on installing the Payroll module, refer to the *Sage 100 Installation and System Administrator's Guide*.

For information on upgrading your Payroll data, refer to the *Sage 100 Customer Upgrade Guide*. You can find the guides on the Sage 100 Product Documents page at: <http://cdn.na.sage.com/docs/en/customer/100erp/Documentation.htm>

The guides are in the Administrator and Technical Documentation section for your version of Sage 100.

Chapter 1: Setting Up the Payroll Module

The Payroll module includes a wizard to guide you through entering the basic information needed to set up the module. Running this wizard is the first step in getting started, and it must be completed before you can access any other Payroll tasks.

Before You Begin

You must set up the General Ledger and Common Information modules for the company before setting up Payroll.

Before starting the Payroll Setup Wizard, determine the following:

- Whether you will use department codes to process payroll and post to the general ledger by department
- What types of time off you want to set up for employees, for example, vacation and sick pay
- If you're going to pay employees using direct deposit using either the Sage 100 Direct Deposit service or by generating ACH files and sending them to your bank
- Whether you want to enable the batch feature for payroll processing

To set up the Payroll module for a new company

1. Select Payroll Setup menu > Payroll Options. A message asks if you want to set up the module. Click Yes to start the Payroll Setup Wizard.
2. Proceed through the screens in the wizard.

When you reach the Completing the Payroll Setup Wizard screen:

- Click Wizard Listing to print a listing of your selections and other default settings.
 - Select the "Access Payroll Options to change the default settings after clicking Finish" check box if you need to change any settings.
3. Click Finish.

The Payroll module is now set up. If you selected the check box to open Payroll Options, review and change the settings as needed.

Before setting up additional features, go to Service Notification Maintenance, located on the Payroll Setup menu, and set up one or more users to receive e-mail notifications for the Tax Calculation Engine. E-mails are sent to let you know about planned maintenance, unplanned outages, and other issues that may affect your ability to use the service.

You will also need to set up payroll tax calculations, earnings codes, deduction codes, and general ledger postings. You can set up departments to provide additional posting and security options. Other features include automatic time-off accruals and the use of labor codes to identify the types of work done by employees.

For more information, see:

- "Using Departments for Reporting and Security" (page 5)
- Setting Up Payroll Tax Calculations
- "Working with Earnings Codes" (page 14)
- "Working with Deduction Codes" (page 18)
- "Using Labor Codes" (page 23)
- "Setting Up Direct Deposit" (page 44)

Integrating Other Modules with Payroll

The Payroll module can operate on a stand-alone basis, or other modules can be integrated with Payroll to take full advantage of the information stored in Sage 100. When integrated, each accounting module shares common information with any related modules. Sharing eliminates double entry of information already stored within your system.

The following modules can be integrated with the Payroll module:

General Ledger

The General Ledger module is the key to integrating all financial information from the Payroll module, and from the other accounting modules. The General Ledger module provides complete financial reports that reflect current information. The (Integrate with) General Ledger check box in Payroll Options is selected by default, but you can clear it.

If the General Ledger module is integrated with Payroll, all journal entries generated from the Payroll module are posted to the general ledger when you update the Daily Transaction Register.

If you clear the (Integrate with) General Ledger check box in Payroll Options, the Payroll module makes no postings to the general ledger following Daily Transaction Register printing.

Job Cost

The Job Cost module enables contractors and project managers to track and control costs associated with jobs in progress. The module has an estimating function, and can capture cost information directly from the Payroll and Accounts Payable modules. To activate this feature, select the (Integrate with) Job Cost check box in Payroll Options.

When the Job Cost module is integrated with the Payroll module, payroll expense information related to specific jobs is automatically posted to the job files.

Bank Reconciliation

The Bank Reconciliation module records all check information from the Payroll module, as well as checks entered in Accounts Payable and deposits entered in Accounts Receivable. You can use Bank Reconciliation to verify that the transactions recorded agree with your bank statement. Any discrepancies or missing information can be easily identified.

Integrating Other Modules with Payroll

To integrate the Bank Reconciliation module with Payroll, select the (Integrate with) Bank Reconciliation check box in the Payroll Option.

Check information is transferred from Payroll to the Bank Reconciliation module each time the Check Register is printed and the associated update is performed. This detail is retained in the Bank Reconciliation system until the month-end bank reconciliation is performed.

Direct deposit information is transferred from Payroll to the Bank Reconciliation module as an adjustment for the total direct deposit amount for each payroll cycle. This information is posted each time the Direct Deposit Register is printed and the Check Register update is performed.

Chapter 2: Using Departments for Reporting and Security

Use Department Maintenance to organize your Payroll system by department. Each department can represent a branch, division, store location, or profit center within your company. Up to 1,296 departments can be created. Each department can maintain its own payroll account numbers for reporting and posting to the general ledger.

Posting by Department

Department Maintenance allows you to assign a unique alphanumeric number and name to each department and to specify the general ledger accounts to be posted to when checks are processed for an employee within a department. You can also specify the associated general ledger account numbers for Standard Salary Expense, Employer's Tax Expense, and Salary Expense accounts.

Departments affect the numbering of your employees. The department number precedes the employee number entered in Employee Maintenance. Also, all reports containing employee information provide subtotals by department.

By assigning unique Salary Expense and Employer's Tax Expense accounts to each department, amounts posted to each account reflect the activities for that department only. If you are integrating the General Ledger module with Payroll, the payroll expense amounts for each department are reflected on your financial statements and other General Ledger reports.

You can maintain departments other than 00 if the Require Departments in Payroll check box is selected in Payroll Options. If the Require Departments in Payroll check box is cleared, you can enter information for department 00 only. Prior to processing payroll for the first time, you must enter general ledger account numbers for department 00.

You can enter deduction codes for each department. If a deduction code accrual account is defined for the employee's home department, that accrual account is used during the Daily Transaction Register update process instead of the accrual account defined in Deduction Code Maintenance. If a deduction code accrual account is not defined for the department in Department Maintenance, the accrual account defined in Deduction Code Maintenance is used during the Daily Transaction Register update process.

You can enter alternate general ledger expense accounts for earnings codes if you do not want to post to the standard payroll expense account for this department. An unlimited number of earnings codes can be entered.

Department Security

You can also use Department Maintenance to set up security so that users can access employee information only if they have rights to the employees' assigned department.

If you set up security by department, the following tasks require access to all departments:

- Periodic Time Off Accrual
- Federal and State Tax Reporting
- Period End Processing

Distribute Employee Earnings by Department

- Tax Profile Maintenance
- ACA Applicable Large Employer Report

For individual records and report data, authorization is determined as follows.

- For tasks in which you can view or edit a single employee record, such as Employee Maintenance, you can retrieve a record only if you have access to the employee's department. If you do not have access to a record, it does not appear in lookup views or when using the First, Last, Prior, and Next buttons to browse through records.
- For report tasks in which you can select a range of employee numbers, if the selection criteria includes records for departments that you do **and** do not have authorization, the report is generated with the records for the authorized departments.

If the selected data includes no records for authorized departments, you'll be asked to change your selection criteria. If the report contains summary or recap sections, those sections contain information only for the authorized departments.

The Check Register and the Employer Expense Summary are exceptions. You must have access to all departments for the employees included in the current pay cycle in order to print those documents.

Distribute Employee Earnings by Department

If you are using departments, the department number determines the appropriate expense account to which to post. Using Payroll Data Entry, you can distribute an employee's earnings to departments other than the standard department number assigned by the employee number. This feature allows you to expense an employee's wages to all departments in which the employee worked during the pay cycle.

To distribute employee salary expenses to multiple departments

1. Select Payroll Setup menu > Payroll Options.
2. On the Main tab, select the Payroll Departments check box.
3. Click Accept and exit Payroll Options.
4. Select Payroll Setup menu > Earnings Code Maintenance.
5. Select the Post Expense by Dept. check box for each earnings code to be expensed by department. For example, you can select the Post Expense by Dept. check box for regular earnings and overtime earnings but not for commissions or meals.
6. Click Accept and exit Earnings Code Maintenance.
7. Select Payroll Setup menu > Department Maintenance.
8. On the Main tab, enter the following expense account numbers for each department:
 - Standard Payroll
 - Employer Disability

Distribute Employee Earnings by Department

- Employer Social Security
- Employer Medicare
- Employer Other
- Federal Unemployment Insurance
- State Unemployment Insurance
- Workers' Compensation

You can also set up a specific expense account for earnings codes. If an earnings code expense account is not specified, the standard payroll account is used.

9. Click Accept and exit Department Maintenance.

If an employee's earnings are distributed to multiple departments, the associated employer's taxes are applied against those departments.

Example - Departmental Postings

The following table represents general ledger postings for an employee working in two departments. The employee earned \$150.00 working for department 01 (East Office) and \$50.00 working for department 02 (West Office). The posting examples do not reflect actual calculations.

	G/L Account	Debit	Credit
Check Distribution			
Regular Earnings Amt.	Salary Exp. (Dept 01)	150.00	
Regular Earnings Amt.	Salary Exp. (Dept 02)	50.00	
Check Amount	Cash		100.00
Federal W/H Amount	Accrued Fed W/H		55.00
State W/H Amount	Accrued State W/H		15.00
Social Security Amount	Accrued Social Security Tax		25.00
Disability Ins Amount	Disability Ins Tax		<u>5.00</u>
		<u>200.00</u>	<u>200.00</u>
Employer Tax Distribution			
Employer's Tax Exp.	Employer Tax Exp. (Dept 01)	22.50	
Employer's Tax Exp.	Employer Tax Exp. (Dept 02)	7.50	
Employer Social Security Amt.	Accrued Social Security Tax		20.00
Employer Medicare Amt.	Accrued Medicare Tax		5.00
Employer Unemploy. Amt.	Accrued Unemployment Tax		3.50
Workers' Comp. (W/C)	Accrued W/C Tax		<u>1.50</u>
		<u>30.00</u>	<u>30.00</u>

Set Up Security by Department

You can add an additional level of security in the Payroll module by specifying who can access each department.

To set up security by department

1. Select Payroll Setup menu > Department Maintenance.
2. Select a department.
3. Go to the Security tab.

NOTE You must have the appropriate security setup in Role Maintenance to access the Security tab.

4. In the User Logon column, select the users who will be able to access the selected department.

NOTE If no users are selected for a department, all users with Payroll access can access the department.

5. Click Accept.

Only the selected users can access information related to the department.

Additional Security for Personally Identifiable Information

Even if you don't set up department security, the Payroll module offers protection for personally identifiable information (PII). PII is any information that could be used to identify a particular person. Below is a list of the data stored in the Payroll module that is considered PII.

- Name
- Mailing address
- Email address
- Phone number
- Social Security Number
- Bank account numbers
- Bank routing numbers
- Date of birth

Viewing and Editing PII

PII is encrypted within Sage 100. Social Security, bank account, and bank routing numbers are considered highly sensitive, so extra security precautions are in place to protect that data.

You can view and edit the encrypted information when you're doing the following:

- Printing reports and forms
- Viewing and exporting data from lookup windows
- Working in maintenance and data entry tasks

Your access to the encrypted data is based on your ability to access those features according to the security setup for your assigned role.

Viewing and Editing Highly Sensitive PII

The ability to view and edit Social Security, bank account, and bank routing numbers is based on the "Allow Viewing, Printing and Editing of Highly Sensitive Personally Identifiable Information" security event in Role Maintenance.

If the security event check box is not selected, Social Security, bank account, and bank routing numbers are masked in Sage 100 windows and on reports and forms.

Visual Integrator

The Visual Integrator module also uses the "Allow Viewing, Printing and Editing of Highly Sensitive Personally Identifiable Information" security event to determine how PII is handled when importing and exporting employee data.

If the security event check box is **not** selected, you can import data into highly sensitive PII fields (those for Social Security Numbers, bank account numbers, and bank routing numbers) for new employee records only. You cannot update those fields for existing records. When exporting, you can export encrypted employee data, but Social Security, bank account, and bank routing numbers will be masked.

If the security event check box is selected, you can import data into the highly sensitive fields for both new and existing records. All encrypted data, including Social Security, bank account, and bank routing numbers, is unmasked when it's exported.

Data File Display and Maintenance

Personally identifiable employee information is not visible in Data File Display and Maintenance.

Report Manager

When you run the Report Manager Menu Wizard to add a report, if you select Payroll from the Module list, you'll have the option to include a PII worktable in the report. If you include the worktable, it will be populated with unencrypted data when the report is run from the report menu. The "Allow Viewing, Printing and Editing of Highly Sensitive Personally Identifiable Information" security event in Role Maintenance determines whether Social Security numbers, bank account numbers, and bank routing numbers are masked.

Additional Security for Personally Identifiable Information

If you include the PII worktable, you must link the work table to the existing report tables and insert the PII data into the report.

Anyone who has rights to run the report will see the PII data. As with the standard reports, the ability to view Social Security numbers, bank account numbers, and bank routing numbers is based on the "Allow Viewing, Printing and Editing of Highly Sensitive Personally Identifiable Information" security event in Role Maintenance.

External Reporting through ODBC

Personally identifiable employee information cannot be accessed via external reporting using an ODBC data source. The encrypted fields will be blank.

Chapter 3: Setting Up Payroll Tax Calculations

Sage 100 offers flexibility in setting up employees' payroll taxes. The following sections describe the main components of the tax calculation feature.

Tax Calculation Engine

Tax rules and tax rates that are **not** company-specific are maintained in the online tax calculation engine. When you run Payroll Tax Calculation, the information from the tax calculation engine, along with the check date, tax profiles, filing statuses, tax rules, and other settings, are used to calculate payroll taxes. Therefore, you must have an internet connection when you run Payroll Tax Calculation.

The tax calculation engine contains a list of tax location codes, and each location is associated with a tax group. In addition to the Federal tax group, there are tax groups for each state – one state-wide tax group and tax groups for individual municipalities within the state. Tax groups for Puerto Rico and Guam are also included.

Tax Profile Maintenance

In Tax Profile Maintenance, located on the Payroll Setup menu, you can create tax profiles that consist of one or more tax locations and their associated tax groups. You can view a list of taxes included for each tax group and specify whether each tax should be calculated for employees to whom the tax profile is assigned. For employees who need taxes calculated for more than one tax jurisdiction, you can create a tax profile that consists of as many tax locations as needed.

Tax profiles are system-wide, so it's not necessary to set them up more than once for multiple companies.

To use Tax Profile Maintenance, you must have access to all of the companies set up in your Sage 100 system. If you are using payroll departments, you must have access to all departments to access Tax Profile Maintenance. For more information, see:

- "Creating Tax Profiles" (page 12)
- "Assigning Tax Profiles to Employees" (page 13)

Company Tax Group Setup

Use Company Tax Group Setup to maintain the following information for the tax groups included in the tax database.

- General ledger account numbers for tax groups
- Tax ID numbers for state and local tax groups
- Employer-specific tax rates and their effective dates

Tax rates are maintained in this task only if they are employer-specific; therefore, they are not maintained in the tax database. The Tax Rates tab is available only if the selected tax group includes a tax with an employer-specific rate.

Tax Rules

In Earnings Code Maintenance and Deduction Code Maintenance you must select a tax rule for all earnings codes and for pension and cafeteria plan deduction codes to determine how the earnings and deductions affect tax calculations.

Creating Tax Profiles

Follow this procedure to create tax profiles for your employees.

To create a tax profile

1. Select Payroll Setup menu > Tax Profile Maintenance.
2. In the Profile field, enter a code for this profile.
3. Enter a description to identify this profile. For example, "Works in OH, lives in KY."
4. Enter a tax location code. If a default tax location is entered in Payroll Options, it appears in the first row, but you can delete the row and enter a different tax location if needed.
5. Select a location type for the tax location.
6. In the Tax Group Details area, review the taxes included for each tax group. If a check box is selected for a tax, the tax will be included in the tax calculation. Select or clear the tax check boxes as needed.
NOTE If you don't see the tax groups after selecting the location type, press the Tab key or click in the next row.
7. Add as many additional tax locations as needed. For example, if you have employees who work in Ohio and live in Kentucky, and you need to calculate taxes for both states, select a tax location for each.
NOTE You can designate only one Work location and one Residence location for each tax profile. If you select Both as the location type, you cannot select Work or Residence for another tax location within the profile.
As you add tax locations, the associated tax groups are added to the Tax Group Details area.
8. Click Accept.

The tax profile is available to select in Employee Maintenance. Continue adding as many tax profiles as needed.

Assigning Tax Profiles to Employees

Use Apply Tax Profile Information to:

- Assign a default tax profile to all employees
- Assign a default tax profile to employees who do not already have one
- Apply changes made to a tax profile to employees who have that tax profile assigned to them

You can select which employees will be affected by the change based on their status, department, sort field value, and what company they are in.

Unless you select a company in the Selection grid or enter a range of employees, the tax profile change will be applied in all companies.

You can also assign a tax profile to an individual employee in Employee Maintenance. For more information, see "Set Up Employees' Payroll Tax Calculation" (page 40).

Configure Multistate Payroll

To calculate payroll taxes for multiple state and local tax jurisdictions on the same pay check, create tax profiles that include the required jurisdictions in Tax Profile Maintenance.

One tax profile can handle multiple jurisdictions, but you also have the option to enter more than one tax profile for the same pay check. To allow a different tax profile for each earnings line in Payroll Data Entry, select the Allow Multiple Tax Profiles in Data Entry check box in Payroll Options.

Also in Payroll Options, select the Require Local Tax Reporting check box if you need to enable tax calculations for local tax jurisdictions.

To set up payroll tax options

1. Select Payroll Setup menu > Payroll Options.
2. Go to the Additional tab.
 - To allow the use of more than one tax profile per pay check in Payroll Data Entry, select the Allow Multiple Tax Profiles in Data Entry check box.
 - To calculate payroll taxes for local tax jurisdictions, such as cities and counties, select the Require Local Tax Reporting check box.
 - In the Default Tax State Code field, enter the state in which your company primarily operates. This field is used to filter the options in the Default Tax Location Code field.
 - In the Default Tax Location Code field, enter the tax location to use as the default option when creating new tax profiles in Tax Profile Maintenance
 - In the Default Tax Profile field, enter the tax profile to use as the default option when creating new employee records in Employee Maintenance.
3. Click Accept.

Chapter 4: Working with Earnings Codes

Use Earnings Code Maintenance to create separate codes for each earnings type used in Payroll Data Entry. For example, create an earnings code for regular earnings, overtime, sick pay, etc. You can specify calculation methods, general ledger expense account numbers, and tax rules for each earnings code. This data, combined with specific employee earnings information, is used to calculate the employee's wages.

Earnings Code Maintenance is located on the Payroll Setup menu.

Automatic Earnings Codes

Use Employee Auto Earnings Maintenance to set up earnings codes for each employee. These earnings codes can then be used to automatically create earnings lines in Payroll Data Entry.

You can select the pay periods in which the earnings codes are used. If a pay period is selected in this window, the earnings code is included in payroll entries when that period is selected in the Deduction/Earnings field in the Pay Cycle window.

If you're using departments to organize your payroll, you can distribute employees' pay to multiple departments by entering the same earnings code multiple times with a different department number and allocation percentage or fixed amount for each instance.

Setting Up Automatic Earnings Codes

Automatic earnings codes can be assigned to each employee; the earnings codes can then be used to automatically create Payroll Data Entry line entries.

To set up automatic earnings codes

1. Select Payroll Main menu > Employee Maintenance.
2. Select an employee and click the Pay Defaults tab.
3. Select the Multiple Automatic Earnings Codes check box.
4. Click the Auto Earnings button.
5. In the Employee Auto Earnings Maintenance window, select and modify earnings codes as needed.
6. Click Accept to save the changes to the earnings codes records. You are returned to the Employee Maintenance window.
7. Click Accept to save the employee record.
8. Select additional employees and follow steps 3 through 7 to set up earnings codes as needed.

The earnings codes are now set up for the employees.

Pay Employees Using Automatic Earnings Codes

Use this procedure to automatically create Payroll Data Entry lines for employees based on earnings codes set up in Automatic Earnings Code Maintenance.

Before You Begin

Determine whether to select the Remove Earnings Lines with Zero Amount check box in Payroll Options.

To pay employees using automatic earnings codes and the Auto Pay feature

1. Select Payroll Main menu > Payroll Data Entry.
2. In the Pay Cycle window, in the Deduction/Earnings Period field, select a period.
3. Select the Automatic Earnings check box, and make other selections as needed, including the pay cycle, period starting and ending date, and check date.
4. Click Auto Pay.
5. In the Auto Pay window, make any necessary selections.
6. Click OK. You'll be asked if you want to automatically pay more employees.
 - Click Yes to pay more employees, repeat the steps in the Auto Pay window, and then click No in the message window when you are finished paying employees.
 - Click No if you are finished paying employees.

The Payroll Data Entry window opens, and records have been created using the automatic earnings codes. Click the Data Entry List button to select a record.

To pay employees using automatic earnings codes when manually creating payroll entries

1. Select Payroll Main menu > Payroll Data Entry.
2. In the Pay Cycle window, in the Deduction/Earnings Period field, select a period.
3. Select the Automatic Earnings check box, and make other selections as needed, including the pay cycle, period starting and ending date, and check date.
4. Click OK and then, when asked if you want to automatically pay employees, click No.
5. In Payroll Data Entry, select an employee and go to the Lines tab.

Earnings lines have been created using the automatic earnings codes set up for the employee.
6. Complete the entry, and then click Accept.

The entry is saved with the automatically applied earnings.

Calculate Hourly Employee Overtime Rates

Use the pay rate multiplier in Earnings Code Maintenance to calculate time-and-a-half and double-time pay. In the following procedure, it is assumed that regular pay will be entered with only standard hours. Any overtime hours will be entered separately using the overtime earnings code.

To calculate hourly employee overtime

1. Select Payroll Setup menu > Earnings Code Maintenance.
2. In the Earnings Code field, enter a code to be used for overtime.
3. In the Earnings Type field, select Overtime.
4. In the Pay Rate Multiplier field, type 1.500 to calculate overtime at a rate of time and a half, or type 2.00 to calculate overtime as double time.
5. Enter information in the remaining fields in the window.
6. Click Accept and exit Earnings Code Maintenance.
7. Select Payroll Main menu > Employee Maintenance.
8. On the Pay Defaults tab, enter the employee's standard hourly rate in the Pay Rate field.
9. Enter other information as needed.
10. Click Accept and exit Employee Maintenance.

The amount entered in the Pay Rate field is multiplied by the entry in the Pay Rate Multiplier field when the overtime earnings code is used in Payroll Data Entry.

Examples - Hourly Employees

Example 1: If an employee with a standard hourly rate of \$8.00 per hour worked 45 hours in a week, his regular pay is calculated as \$8.00 multiplied by 40 hours (\$320.00). His overtime rate is \$8.00 multiplied by 1.50 (\$12.00 per hour). His overtime pay is 5 hours multiplied by \$12.00 (\$60.00).

Example 2: An alternative method for recording overtime hours is to record all hours worked as regular pay and to enter the overtime portion of the hours worked as overtime pay. In this case, the pay rate multiplier for the overtime pay must be defined as 0.50 for time and a half, 1.00 for double time, etc.

If an employee with a standard hourly rate of \$8.00 per hour worked 45 hours in a week, his regular pay is calculated as \$8.00 multiplied by 45 hours (\$360.00). His overtime rate is \$8.00 multiplied by 0.50 (\$4.00 per hour). His overtime pay is 5 hours (the portion of total hours worked that is overtime) multiplied by \$4.00 (\$20.00).

NOTE Regardless of the method used to enter the overtime hours, the employee's total wages add up to \$380.00 for both examples. The method you use should be based on the method best suited to your normal payroll practices.

Example - Exempt Salaried Employees

The base hourly rate for an exempt salaried employee with a biweekly salary of \$2,000.00 is determined by dividing \$2,000.00 by 80 hours (the number of hours in the pay cycle). The resulting hourly rate of \$25.00 is used to determine the amount of pay. If the employee is paid for 72 hours instead of the normal 80, his regular earnings are calculated by multiplying 72 by \$25.00 per hour (\$1,800.00). If the same employee is paid 5 hours of overtime, his overtime rate is determined by multiplying \$25.00 by 1.5 (\$37.50 per hour). His total overtime pay is calculated by multiplying 5 by \$37.50 (\$187.50).

Example - Nonexempt Salaried Employees

The employee is nonexempt and salaried at \$400.00 per week and overtime pay is defined with the pay rate multiplier of 1.5. If the employee has worked 60 hours for the current week (40 hours regular, 20 hours overtime), his base rate of pay is determined by dividing \$400.00 by 40 (\$10.00 per hour). The overtime rate is calculated by multiplying \$10.00 by 1.5 (\$15.00 per hour). The overtime pay calculated by multiplying \$15.00 by 20 hours (\$300.00).

Create an Earnings Code for Employee Reimbursements

To reimburse employees for expenses, such as a rental car or meals, set up an earnings code using the Expense Reimbursement tax rule.

To set up an earnings code for reimbursing employees

1. Select Payroll Setup menu > Earnings Code Maintenance.
2. Enter a new earnings code and description.
3. In the Earnings Type field, select Miscellaneous.
4. If the reimbursement amount will always be the same, enter the amount in the Fixed Amount field. Otherwise you can manually enter the amount in Payroll Data Entry.
5. In the Tax Rule field, enter the code for the Expense Reimbursement tax rule.
6. Make other selections as needed, and then click Accept.

When you use this earnings code in Payroll Data Entry, the reimbursement amount will not be included in employees' total wages or affect taxable wages for state and federal withholding purposes.

Chapter 5: Working with Deduction Codes

Use Deduction Code Maintenance to create codes for voluntary payroll deductions (credit union deposits, insurance, etc.), and to establish calculation methods for each deduction. Voluntary deductions can be permanent and ongoing, or temporary and discontinued after the maximum amount of the deduction specified in the employee record has been reached (for example, repayment of a salary advance).

Do not use Deduction Code Maintenance for nonvoluntary deductions (federal and state withholding tax, Social Security, etc.). Nonvoluntary deductions are maintained in the tax calculation engine.

You can calculate deductions based on specified earnings types by clicking the Earnings button and selecting the earnings types to use in the calculation.

NOTE When a deduction using the Percentage of Net Wages calculation method causes the check amount to be negative, the deduction amount is adjusted so that the check amount is equal to zero.

Deduction Code Maintenance is located on the Payroll Setup menu.

Apply Deduction Codes to Employees

You can save time by assigning a deduction code to all employees or a specified range of employees at the same time. You can also update a deduction code record, and then apply the change to the employees who are already assigned that deduction.

To apply deduction codes to employees

1. Select Payroll Setup menu > Deduction Code Maintenance.
2. Select a deduction code.
3. Make changes to the deduction record as needed, and then click Apply.
4. In the Apply Deduction to Employees window, select an option in the Adjust Employees with Existing Deduction field.
 - Select Already Applied to update any employees (within the selected range) to whom this deduction code has already been applied.
 - Select Never Applied to update only those employees (within the selected range) to whom this deduction code has not been applied.
 - Select All Employees to apply the deduction code to all employees.
5. In the Adjust Standard Amount/Rate, Limit or Both field, select whether to update the standard amount or rate, the standard limit, or both.
6. If you want to update only employees with a specific original deduction amount/rate or limit, select the Adjust Employees with a Specific Rate or Limit check box.

If you select this check box, complete step 7; otherwise, proceed to step 8.
7. In the Original Deduction Amount/Rate and Original Deduction Limit fields, enter the original deduction amount or rate and limit. Only employee records with an exact match to these fields

Automatically Apply Deductions

(and who are selected using the Selections grid) will be updated.

8. In the Selections grid, enter your selection criteria.
9. Click Proceed.

The record is validated and written to the Employee file for the selected employees. Clicking Cancel in the Deduction Code Maintenance window does not cancel the changes made.

Example 1

If you change the union dues deduction amount to \$12.00, you can apply this new rate to all employees currently incurring this deduction. Under these circumstances, in the Apply Deduction to Employees window:

- Select Already Applied in the Adjust Employees with Existing Deduction field.
- Clear the Adjust Employees with a Specific Rate or Limit check box.

Example 2

If the union dues deduction rates vary between employees, you could apply the new rate to only those employees incurring the original \$10.00 deduction rate. Under these circumstances, in the Apply Deduction to Employees window:

- Select Already Applied in the Adjust Employees with Existing Deduction field.
- Select the Adjust Employees with a Specific Rate or Limit check box.
- Type 10.00 in the Original Deduction Amount/Rate field.

Automatically Apply Deductions

Use this procedure to automatically apply deductions when processing payroll.

Before You Begin

Set up deductions in Employee Maintenance. To add a deduction for an Employee, go to the Deductions tab and click the Add Deduction button. In the Add Deduction window, select the Automatic check box.

To automatically apply deductions using the Auto Pay feature

1. Select Payroll Main menu > Payroll Data Entry.
2. In the Pay Cycle window, select the Automatic Deductions check box.
3. In the Deduction/Earnings Period field, select the applicable period.
4. Click Auto Pay.
5. In the Auto Pay window, make any necessary selections.
6. Click OK. You'll be asked if you want to automatically pay more employees.

- Click Yes to pay more employees, repeat the steps in the Auto Pay window, and then click No in the message window when you are finished.
- Click No if you are finished paying employees.

The Payroll Data Entry window opens, and records have been created with the deductions applied.

To automatically apply deductions when manually creating payroll entries

1. Select Payroll Main menu > Payroll Data Entry.
2. In the Pay Cycle window, select the Automatic Deductions check box.
NOTE The Automatic Deductions check box also appears on the Payroll Data Entry Header tab, and it can be selected or cleared for individual employees.
3. Enter the remaining pay cycle information and click OK to proceed to Payroll Data Entry.
4. Select an employee. If you selected the Automatic Deductions check box on the Pay Cycle window, it is selected by default. If not, select it now.
5. On the Lines tab, click Deductions to display and automatically apply all deductions.
NOTE If this is a new entry, and you click Accept to complete the entry without clicking Deductions, a message appears asking if you want to take automatic deductions. Click No if you manually entered deductions as line entries.
6. Click Accept.

The entry is saved with the automatically applied deductions.

Process Pension Plan and Cafeteria Plan Deductions

Two types of deduction plans can be tax exempt: pension plans and cafeteria plans.

To set up pension plan and cafeteria plan deductions

1. Select Payroll Setup menu > Deduction Code Maintenance.
2. Enter a deduction code and description.
3. In the Deduction Type field, select either Pension Plan or Cafeteria Plan, and select a standard calculation method (percentage of gross, hours worked, or fixed amount) to calculate the deduction amount.
4. If you're setting up a pension plan that is **not** a 401(k) plan:
 - In the Apply to W-2 Box field, select 12.
 - In the Box 12 Code field, select the applicable code.
5. In the Tax Rule field, enter a tax rule to determine how taxes are calculated.
6. Click Accept.

Repeat these steps to define as many deduction codes as necessary for the pension plan.

To set up deductions for employees

1. Select Payroll Main menu > Employee Maintenance.
2. Select an employee .
3. Follow these steps to print an X in the Pension Plan box on the W-2 Form.
 - a. Click the arrow in the top-right corner of the screen, and then click Tax Summary.
 - b. In the Employee Tax Summary window, click Benefits.
 - c. In the Benefits window, select the Pension / Profit Sharing check box
 - d. Click OK in the Benefits window and again in the Employee Tax Summary window.
4. On the Deductions tab, click Add Deduction.
5. In the Add Deduction window, enter the deduction code for the pension or cafeteria plan. The amount or rate and the goal entered in Deduction Code Maintenance are the default values in this window, but you can change them as needed.
6. If you want to automatically apply this deduction in Payroll Data Entry, select the Automatic check box.
7. Click OK, and then in Employee Maintenance, click Accept.

To process the deduction

1. Select Payroll Main menu > Payroll Data Entry.
2. Enter pension plan deductions using the same procedure followed for other voluntary deduction.
If you're manually entering the deductions, on the Lines tab, select Deduction as the line type and enter the deduction code.
Alternately, see "Automatically Apply Deductions" (page 19).
3. Complete payroll data entry and run Payroll Tax Calculation. For more information, see "Processing Payroll" (page 53).
4. Select Payroll Main menu > Pension and Cafeteria Plan Register. Click Print.
The gross wages, deduction amount, and deduction percentage appear on this report.

Fringe Benefits

The Payroll module can perform the necessary tax calculations and provide reporting for processing taxable, noncash fringe benefits. When the Payroll module is properly set up, taxes are deducted automatically for all fringe benefits reported, and the net pay amount is adjusted. The fringe benefit amounts are properly recorded and reported on employee W-2 Forms. Multiple earnings codes can be set

up as fringe benefits, and an automatic deduction will be established for the gross amount of the fringe benefits.

Defining Fringe Benefit Earnings and Deduction Codes

Earnings codes that are used to record fringe benefits must first be established in Earnings Code Maintenance with the fringe earnings type. The fringe earnings type is used to specify noncash fringe benefits (for example, life insurance or use of company automobile).

When an earnings code with the fringe earnings type is entered in Payroll Data Entry, an offsetting line with deduction code FB is created automatically to deduct the Fringe Earnings line amount from the net check amount. Deduction code FB is a permanent record and cannot be deleted. The fringe benefit earnings are added to the gross wages. The fringe benefit information is included in the gross amount and is printed in the box labeled Benefits included in Box 1 on your W-2 Forms.

Fringe Benefits and Employee Maintenance

The Fringe Benefit field on the Benefits tab in Employee Maintenance is used to display year-to-date fringe benefit amounts (all earnings entered with the fringe earnings type) received by the current employee and reported as taxable income.

The field on the Benefits tab can only be viewed. If you need to manually enter the year-to-date amount, click the arrow in the top-right corner of the window and select Tax Summary. On the Employee Tax Summary window, click Benefits. You can then edit the Fringe Benefits field in the Benefits window.

Example

Assume that earnings code MI (Mileage) was created with the fringe earnings type. If you use earnings code MI in Payroll Data Entry to record employee mileage for personal use of a company car, you do not want to include this cents-per-mile amount in the net check amount. In Payroll Data Entry, the entire amount of earnings code MI has an offsetting line with deduction code FB created automatically. This prevents the mileage line amount from being included in the net check amount.

The benefits of using this method of reporting fringe benefit allowances are that the fringe amounts are reported as gross earnings; the proper taxes are deducted from the regular pay; and the fringe deductions are printed in the box labeled Benefits included in Box 1 on your W-2 Forms.

Chapter 6: Using Labor Codes

Use Labor Code Maintenance to create and maintain labor codes identifying the type of work performed by each employee. These codes are used to produce the Labor Distribution Report, which recaps labor costs by labor code.

You can enter an override wage expense account number to use in place of the wage expense account number defined in Department Maintenance or Earnings Code Maintenance. If the Job Cost module is integrated with Payroll, you can also use Labor Code Maintenance to enter an override burden rate to use in place of the standard burden rate defined in the Job Cost module.

Labor codes can represent a type of work performed, a union affiliation, or a special code to speed data entry of a frequently used job number and cost code combination. Labor codes can be assigned to employees in Employee Maintenance. The labor code and associated information is applied automatically for each employee in Payroll Data Entry. Labor codes are also used to sort employee earnings information on the Labor Distribution Report.

Labor Code Maintenance is located on the Payroll Setup menu.

Chapter 7: Allocating Tips

If payroll is processed for an establishment with employees who customarily receive tip income, you are required to allocate a calculated tip amount to employees if the tips reported by those employees are less than the specified percentage of the establishment's gross receipts for a given period. Consult your accountant to determine if tip allocation requirements apply to your business.

The default rate for tip allocation is 8 percent. A different rate can be applied if the employer's petition for a different allocation amount has been accepted by the Internal Revenue Service. To use a different calculation percentage, change the value in the Tip Allocation Rate field in Payroll Options.

The allocated tip amount for each employee is calculated based on the gross receipt amount reported for the employee. Earnings code TA must be used to enter the gross receipt amount in Payroll Data Entry.

The allocated tip amount is calculated automatically by multiplying the gross receipt amount by the tip allocation rate. If the calculated amount is greater than the tips reported, the difference is accumulated as allocated tips for the employee. The allocated tip amount is printed on the check stub, along with other earnings information and is for information purposes only. This amount is not included in the check amount, and no tax withholding is based on this amount.

When the Check Register is updated, the allocated tips amount is accumulated for each employee. The year-to-date allocated tips amount is shown on the Benefits tab in Employee Maintenance.

The quarter-to-date and year-to-date taxable tip amounts for earnings code TA can be viewed by clicking the arrow in the top-right corner of the Employee Maintenance window and clicking Tax Summary.

The cumulative year-to-date allocated tip amount is printed in the box labeled Allocated tips on the W-2 Form. The allocated tip amount is printed for information purposes only, and is not included in the wages, tips, and other compensation amount. The allocated tip amount is printed only on the federal copy of the W-2 Form.

Tip Reporting Codes

The following earnings and deduction codes are established automatically within the Payroll module to accommodate the processing of tip earnings.

NOTE These codes are permanent and cannot be deleted or changed.

Earnings Codes

05 - Tips Reported

This earnings code is used to enter all reported cash tips. The amount of the reported tips is added to the gross pay, so that the appropriate taxes are calculated. The amount entered for this earnings code is deducted automatically as deduction code 01 (Tips Reported); therefore, it does not actually increase the check amount.

06 - Tips Differential

This earnings code is calculated automatically to apply the difference between the minimum wage and taxable wages (including tips reported) if the employee's total wages fall below the minimum wage specified in Payroll Options. When the tip differential is calculated, all earnings codes, except those for

Tip Reporting Codes

which Exempt Tips is selected in the Earnings Type field in Earnings Code Maintenance are included when comparing earnings to the minimum wage. Tip differential is calculated only if earnings code 05 (Tips Reported) has been entered.

TA - Tip Allocated

This earnings code is used to enter the gross receipt amount associated with each employee. The rate entered in the Tip Allocation Rate field in Payroll Options is used to calculate the amount of tips allocated to the employee. The amount entered for this earnings code does not increase the check amount.

TE - Tips Earned

This earnings code is used to enter the amount of tips to be paid to the employee, and should be used to pay employee tips collected by the company for banquets, credit card sales, etc. Because the employee has not already collected the tips, the tips earned amount is not deducted automatically from the employee check.

Deduction Code

01 - Tips Reported

The tips reported amount (earnings code 05) is added to the gross pay for tax calculation purposes. After taxes have been calculated and subtracted, deduction code 01 is used to deduct the tips reported from the pay amount.

Chapter 8: Posting to General Ledger

The following General Ledger accounts are used by the Payroll module.

Withholding Tax Accrual Accounts

These liability accounts are credited with the amount of withholding taxes withheld from each employee check. Separate accounts can be specified for federal, state, and local withholding taxes.

Withholding tax accrual accounts can be specified for each tax jurisdiction using Company Tax Group Setup.

Employee Social Security, Medicare, Unemployment and Other Tax Accrual Accounts

These liability accounts are credited with the amount of withholding, Social Security, Medicare, unemployment, and other taxes withheld from each employee check.

The taxes included in the "other" category vary by jurisdiction. Separate accounts can be specified for federal, state, and local taxes.

Employee tax accrual accounts can be specified for each tax jurisdiction using Company Tax Group Setup.

Employer's Social Security, Medicare, Unemployment, and Other Tax Accrual Accounts

These liability accounts are credited with the amount of employer Social Security Medicare, unemployment insurance and other taxes. These taxes are calculated based on employee wages, but are paid by the employer.

The taxes included in the "other" category vary by jurisdiction. Separate accounts can be specified for federal, state, and local taxes.

Employer tax accrual accounts can be specified for each tax jurisdiction using Company Tax Group Setup.

Workers' Compensation Insurance Accrual Account

This liability account is credited with the amount of employer Workers' Compensation insurance. This amount is calculated based on a fixed amount, employee wages, hours, or days worked. Each state can be assigned a separate accrual account.

The Workers' Compensation Insurance Accrual account can be specified for each state using Company Tax Group Setup.

Salary and Wage Expense Accounts

These expense accounts are debited with the amount of employee wages paid. You can specify the expense account to be used for each earnings code using Earnings Code Maintenance or Department Maintenance.

Determining which option to use depends on your selection at the Post Expense by Dept. check box in Earnings Code Maintenance for each earnings code. If you have departments set up, a separate salary and wage expense account should be established for each department.

You can also specify expense accounts for labor codes in Labor Code Maintenance. When the labor code is used for a payroll earnings line, the earnings expense is posted to the account associated with the labor code instead of the account in Earnings Code Maintenance or Department Maintenance.

Employer's Tax Expense Accounts

These expense accounts are debited with the amount of employer taxes calculated for each employee. Separate expense accounts can be specified for employer Social Security, unemployment insurance, and Workers' Compensation insurance.

You can specify a separate expense account for each department using Department Maintenance. If you aren't using departments to organize your payroll, enter the expense accounts using the default "00" department number.

Payroll Accrual Account

If the Allow G/L Accrual Postings check box in Payroll Options is selected, you can specify whether to post wage expenses, tax expenses, and/or tax accruals to an accrual account using a calculated percentage. The accrual account is specified in Department Maintenance.

Time Off Accrual Accounts

Use Department Maintenance to enter liability and expense accounts for the three time-off types defined in Payroll Options. If you aren't using departments to organize your payroll, enter the accounts using the default "00" department number.

Employer Contribution Expense Accounts

These expense accounts are debited with the amount of employer contributions calculated for each employee. Employer contribution expense accounts are assigned to appropriate deduction codes using Deduction Code Maintenance.

Employer contributions are made using deduction codes when Employer Contribution is selected in the Deduction Type field in Deduction Code Maintenance.

Voluntary Deduction Accrual Accounts

These liability accounts are credited with the amount of employee voluntary deductions withheld from each employee check. These voluntary deductions can include insurance premiums, pension plans, union dues, loan payments, meal deductions, etc.

Expense accounts can be used to reimburse expenses previously recorded. Voluntary deduction accrual accounts can be specified for each deduction code using Deduction Code Maintenance.

Payroll Cash Account

This current asset account is credited with the total amount of all checks processed during the payroll

cycle. A separate cash account can be assigned to each bank account using Bank Code Maintenance.

Posting Without Using Departments

If you are not using departments, salary and wage expenses are posted to the General Ledger accounts assigned to each earnings code in Earnings Code Maintenance. Employer's tax expense accounts are assigned using Department Maintenance under department "00."

NOTE If you are using departments, see "Distribute Employee Earnings by Department" (page 6).

A typical General Ledger posting for a net \$100.00 Payroll check follows. The posting examples do not reflect actual calculations.

	G/L Account	Debit	Credit
Check Distribution			
Regular Earnings Amount	Salary Expense	165.00	
Overtime Earnings Amount	Salary Expense	15.00	
Commission Amount	Commission Paid	30.00	
Check Amount	Cash		100.00
Dental Ins. Premium	Accrued Dental Prem.		10.00
Federal W/H Amount	Accrued Fed W/H		55.00
State W/H Amount	Accrued State W/H		15.00
Social Security Amount	Accrued Social Security Tax		25.00
Disability Insurance Amount	Accrued Disability Insurance Tax	_____	<u>5.00</u>
		210.00	210.00
Employer Tax Distribution			
Social Security + Medicare + Unemployment + W/C Exp.	Employer's Tax Exp.*	30.00	
Employer Social Security Amount	Accrued Social Security Tax		20.00
Employer Medicare Amount	Accrued Medicare Tax		5.00
Employer Unemployment Amt.	Accrued Unemployment Tax		3.50
Workers' Comp. (W/C)	Accrued W/C Tax	_____	<u>1.50</u>
		30.00	30.00

*In this example, all employer taxes were expensed to the same general ledger account. You can also post each tax expense to a separate account.

Consolidate Payroll Expense Postings

General ledger postings made for cash, employee tax accrual, employer tax accrual, and voluntary deductions can be consolidated by account number for each Check Register. Expense postings

Consolidate Payroll Expense Postings

associated with wages and employer taxes can be posted in summary by account number, or they can be posted in detail by account number as well as employee number.

To consolidate all payroll expense postings.

1. Select Payroll Setup menu > Payroll Options.
2. On the Main tab, select the Consolidate Payroll Expense Postings check box.
3. Click Accept and exit Payroll Options.

Using this procedure, all payroll expense postings are summarized by account number. Each expense posting contains the pay period ending date as the posting reference. Using this option reduces the number of payroll expense postings made to the general ledger.

Alternately, clear the Consolidate Payroll Expense Postings check box in Payroll Options for detailed expense posting. Payroll expense postings such as the deduction accrual expense, contribution expense, and salary expense are detailed by account number and employee. Each expense posting contains the check number, employee number, and pay period ending date as the posting reference. Payroll expense postings, such as the workers' compensation expense and payroll tax expense, are summarized by department.

Using the detailed posting option increases the number of payroll expense postings made to the general ledger. This option should only be used if you require a detailed audit trail of payroll expenses by individual employee.

Chapter 9: Time Off Accruals

The Payroll module calculates and reports accruals for three types of time off. You can enter a name for the three types in Payroll Options. The default name for the first two types are vacation and sick. There is no default name for the third type.

Multiple time off schedules can be created and maintained to accommodate different accrual rates, methods, and carry-over allowances for each of the three time off types. The availability of time off for employees can be determined based on either the annual limit or the amount accrued to date. This availability is set up in Payroll Options.

Posting time off accruals to the general ledger

Time off accruals are posted to the general ledger when you update the Daily Transaction Register. There are two ways time off can be accrued:

- Accrue time off accrual hours using the Periodic Time Off Accrual Utility or Payroll Data Entry. A Time Off Accrual Report can be printed, which provides the detailed information necessary to create journal entries to update the time off accrual general ledger accounts.
- Post time off accrual amounts to time off accrual liability accounts defined in Department Maintenance. The amounts are calculated using the pay rate selected in Payroll Options and are posted to the employee's home department. Time off amounts accrued to more than one department are combined and posted in summary format to the employee's home department. Time off amounts are posted to the time off accrual liability accounts only when using Payroll Data Entry; the Periodic Time Off Accrual Utility accrues only time off hours and does not post to the general ledger.

Calculating carry-over allowances

The carry-over hours for an employee's time off type are updated during year-end processing if Calendar Year is selected in the Reset Hours Based On field in Payroll Options. If Anniversary Date is selected, the carry-over hours are updated on the anniversary of the time off eligibility date entered in Employee Maintenance.

The new carry-over hours are set to the hours accrued plus the carry-over hours minus the hours used, with a maximum of the carry-over allowance from the time off schedule specified for that employee.

Example: Carry-Over (1998) = Accrued + Carry-Over (1997) - Used

Basics of Time Off Accruals

The rate at which employees accrue time off and when that time off is available to them is based on settings and information entered in the following locations:

- The Time Off tab in Payroll Options
- Time Off Maintenance
- The Benefits tab in Employee Maintenance

In Payroll Options

- The selection in the Base Time Off Availability On field determines when time off is available to be used by employees.
 - If Limit is selected, the employee's time off hours are available all at once unless a wait period is established.
 - If Accrual is selected, the time off hours become available as they are accrued based on the time off code set up in Time Off Maintenance. An additional delay period can be established.

In either case, hours should be accrued at a rate that will bring the accrued hours to the annual limit by year end. This is needed to properly compute carry-over hours at the end of the year.

- You can specify whether hours carried over from the prior year count toward the annual limit and, if so, whether the hours used should be subtracted.

In Time Off Maintenance

- The accrual method determines at what interval accruals are to be made.
- The rate method can be based on a fixed multiplier (accrual rate) or a table of accruals, allowing up to 20 steps based on dates from the employee's eligibility or anniversary date.
- The delay period can delay the start of accrual of time off hours by 1 to 999 days after the eligibility date. Carry-over hours and hours based on an annual limit are not subject to this condition.
- The eligibility waiting period provides an additional delay after time off hours have accrued. A waiting period of 1 to 12 months before the accrued hours become available for use can be entered. Carry-over hours and hours based on an annual limit are not subject to this condition.
- Use the Eligibility Hours field to enter a delay in months past the eligibility date. All hours (carry-over hours and hours based on a limit or accrual) are subject to this condition.

The basic rules of time off accrual are as follows:

- $\text{Accrued hours} = \text{Hours accrued up to the present time (Calculated when Accrual is selected in the Base Time Off Availability On field in Payroll Options.)}$
- $\text{Limit hours} = \text{The maximum number of time off hours that an employee can accrue in a year. (Calculated when Limit is selected in the Base Time Off Availability On field in Payroll Options.)}$
- $\text{Carry-over hours} = \text{Unused hours carried over from the prior year}$
- $\text{Total hours} = \text{accrued or limit hours} + \text{carry-over hours}$
- $\text{Available hours} = \text{total hours} - \text{hours used}$
- Time off hours, regardless of whether they are based on accrual or an annual limit, are not eligible until any delays have expired.

Time Off Accrual Rates and Methods

The calculation of time off accruals depends on the accrual method and accrual rate defined in Time Off Maintenance.

- The rate at which time off hours accrue using the Hourly method equals the number of hours worked multiplied by the accrual rate.
- The rate at which time off hours accrue using the Dollars Paid method equals the wages paid multiplied by the accrual rate.
- The rate at which time off hours accrue using the Daily method equals the number of days worked multiplied by the accrual rate.
- The rate at which time off hours accrue using the Weekly method equals the number of weeks worked multiplied by the accrual rate.
- The rate at which time off hours accrue using the Check method equals the number of employee checks issued multiplied by the accrual rate.
- The rate at which time off hours accrue using the Fixed method is equal to the number of hours per year. This amount is accrued automatically as a part of year-end processing.

Example - Accrual rates and methods

A salaried employee earns \$24,000.00 annually, accrues 80 vacation hours per year, and is paid semi-monthly. The work year is defined as follows: 2080 hours, 260 work days, or 52 work weeks.

- The Hourly accrual method rate would be calculated as:
Vacation hours per year divided by number of hours in a work year, or
 $80 / 2080 = .0384615$
- The Dollars Paid accrual method rate would be calculated as:
Vacation hours per year divided by annual salary, or
 $80 / 24000 = .00333333$
- The Daily accrual method rate would be calculated as:
Vacation hours per year divided by days worked, or
 $80 / 260 = .3076923$
- The Weekly accrual method rate would be calculated as:
Vacation hours per year divided by weeks worked per year, or
 $80 / 52 = 1.5384615$
- The Checks accrual method rate would be calculated as:
Vacation hours per year divided by number of checks issued per year, or
 $80 / 24 = 3.33333333$

Determining Time Off Availability

The number of time off hours available to an employee is based on the selection in the Base Time Off Availability On field in Payroll Options.

If Limit is selected in the Base Time Off Availability On field, the availability of employee time off is based on the annual limit for the time off entered in Employee Maintenance plus the carry-over allowance minus the amount used for the time off entered in Payroll Data Entry.

Example 1

	Hrs. Accrued	Hrs. Used	Annual Limit	Carry-Over	Available
Vacation	10	4	80	10	86

If Accrual is selected in the Base Time Off Availability On field, the availability of employee time off is based on the accrual amount accumulated during normal Payroll processing plus the carry-over allowance minus the amount used for the time off entered in Payroll Data Entry.

Example 2

	Hrs. Accrued	Hrs. Used	Annual Limit	Carry-Over	Available
Vacation	10	4	80	10	16

Set Up Time Off Schedules

Time off schedules are set up to define different time off accrual policies. In the following procedure, assume the following:

- Your company time off policy provides 2 weeks of vacation pay, 5 days of sick pay accrued on regular hours worked, an additional 4 personal days.
- The above time off hours are accrued starting at the beginning of the year for all employees who have 0 to 5 years with the company.
- The time off hours become available after completion of a 90-day waiting period.

To set up time off schedules

1. Select Payroll Setup menu > Payroll Options.
2. On the Main tab, in the Hours in a Work Year field, type 2080.
3. Go to the Time Off tab.
4. In the Time Off 3 Description field, type Personal.
5. In the Accrual Report Display Option field, select Hours to display the accrual in hours on checks and on the Time Off Accrual Report.

Setting Time Off Accrual Limits

6. Select the Round Time Off Hours/Days to Whole Numbers check box to round the display of accrued hours/days to whole numbers on checks and on the Time Off Accrual Report.
7. Select the Reset Employee Time Off Limits at Year End check box to automatically reset all employees hired at mid-year to the normal time off limit for their applicable time off schedules.
8. In the Base Time Off Availability On field, select Accrual so that reports and forms show only the Time Off hours that have been "earned."
9. In the Hours to use for Time Off Limit field, select Accrued+Carry Over-Used so that carry-over and used hours have an effect on the time off hours that can be accrued based on the employee's limit.
10. Click Accept.
11. Select Payroll Setup menu > Earnings Code Maintenance.
12. Create earnings codes for regular, vacation, sick, and personal hours.
13. Select the All Time Off Types check box for each of these earnings codes.

In this example, company policy states that time off cannot be accrued on overtime hours. When an employee uses any time off, the hours used must be entered in Payroll Data Entry with the appropriate earnings codes, and these time off earnings codes should accrue time off in the same way as regular hours.

14. Select Payroll Setup menu > Time Off Maintenance.
15. Create a time off code to set up the accrual methods, hours per year (used to calculate the accrual rate and default employee accrual limits), and carry-over allowances for all three time off types.
Company policy allows employees to carry over a maximum of one week of vacation, and no carry-over is allowed for either sick or personal time.

The time off schedules are set up.

Setting Time Off Accrual Limits

The number of time off hours to be accrued for an employee can be limited based on the entry in the Hours to use for Time Off Limit field in Payroll Options.

- If Accrued+Carry Over is selected in the Hours to use for Time Off Limit field, the accrual of employee time off stops when the hours accrued plus the carry-over hours equal or exceed the annual limit for the time off schedule.

Example 1 - Time off accrual limits

	Hrs. Accrued	Hrs. Used	Annual Limit	Carry-Over	Available
Vacation	60	0	80	10	70

- If Accrued+Carry Over-Used is selected in the Hours to use for Time Off Limit field, the accrual of employee time off stops when the hours accrued plus the carry-over hours minus the hours used exceed the annual limit for the time off schedule.

Example 2 - Time off accrual limits

	Hrs. Accrued	Hrs. Used	Annual Limit	Carry-Over	Available
Vacation	70	10	80	10	70

- If Accrued Hours Only is selected in the Hours to use for Time Off Limit field, carry-over hours and hours used have no effect on the number of hours that can be accrued.

Process Time Off Accruals

Use this procedure to process and maintain time off accrual information.

To set up time off accruals

1. Select Payroll Setup menu > Payroll Options.
2. Click the Time Off tab and complete the fields related to time off accruals.
3. If you want to post time off accrual amounts to the general ledger by department, complete steps a and b. If you want to recognize time off expenses at the time the hours are used by employees, and not post amounts to the general ledger by department, proceed to step 4.
 - a. Select Payroll Setup menu > Department Maintenance.
 - b. On the Main tab, enter the general ledger liability and expense account numbers to which you want to post the time off accruals for each department.

The accruals are not posted to the general ledger unless both liability and expense account numbers are entered.
4. Select Payroll Setup menu > Earnings Code Maintenance.
5. Create earnings codes to use for the time off types that you are using. In the Type of Earnings field, select time off type to identify each earnings code.
6. For each earnings code, in the Time Off Types to Accrue area, select the types to accrue. You can select any combination of time off types. If an earning should not accrue any time off, clear these check boxes.

You should accrue time off for all regular earnings codes, as well as the earnings codes created for the time off types.
7. Select Payroll Setup menu > Time Off Maintenance.
8. Create a separate time off code for each type of accrual method. For example, a first-year employee might accrue only 40 hours of vacation time, compared to a second-year employee who

Set Up Time Off Liability Postings

accrues 80 hours of vacation.

NOTE Time off hours do not accrue if the Hours/Year field is set to zero.

9. Select Payroll Main menu > Employee Maintenance.
10. On the Benefits tab, assign the appropriate time off code to each employee.
11. In the Time Off Hours grid, adjust the annual limit as needed. If zero is entered in the Annual Limit field, no time off will be accrued.

Your system is not set up to process time off accruals.

To process time off accruals

1. Select Payroll Main menu > Payroll Data Entry.
2. Use the appropriate time off earnings codes to record the hours used for time off.
3. Select Payroll Main menu > Time Off Register. Print the Time Off Register to provide an audit trail of time off accrued.

If you post time off accruals to the general ledger by department, use the Time Off Register to verify the accrual posting amounts.
4. Complete payroll processing and print, verify, and update the Check Register and Daily Transaction Register. The time off accrual amounts are posted when the Daily Transaction Register is updated.

Print the Time Off Accrual Report at least once every quarter to provide a recap of time off hours accrued for each employee.

Set Up Time Off Liability Postings

Use the following procedure to set up postings for the time off liability. To make sure liability amounts are reversed when time off benefits are paid, you must create an earnings code for each liability account.

To set up liability postings

1. Select Payroll Setup menu > Earnings Code Maintenance.
2. Create earnings codes for each of the time off types defined in Payroll Options.
 - a. In the Earnings Code field, enter an earnings code.
 - b. In the Description field, type a description for the earnings code.
 - c. In the Type of Earnings field, select the type of earnings for this earnings code, such as Vacation Pay.

NOTE The descriptions for the time off types are based on what is entered in Payroll Options.
 - d. Select the Post Expense by Dept check box, and click Accept.

Perform Periodic Time Off Accrual

3. Select Payroll Setup menu > Department Maintenance.
4. Enter the Department.
5. In the Time Off Accrual Accounts area, enter the appropriate general ledger liability and expense accounts.
6. Click the Earnings tab and, in the Earnings Code field, enter a time off earnings code.
7. In the Expense Account field, enter the liability account that you are using for the time off type that corresponds to the earnings code that you entered.

For example, if you entered the vacation earnings code, enter the vacation liability general ledger account.
8. Add additional earnings codes and liability accounts for the remaining time off types.
9. Click Accept.

The time off liability accounts are set up for posting.

Perform Periodic Time Off Accrual

The Periodic Time Off Accrual utility allows you to calculate time off accruals on a user-defined schedule. Time off schedules are set up to define different time off accrual policies.

In the following procedure, assume that your company time off policy provides the following:

- 2 weeks of vacation pay
- 5 days of sick pay accrued on regular hours worked
- 4 personal days

Furthermore:

- All time off is accrued at the beginning of the year for all *salaried* employees who have 0 to 5 years with the company.
- Time off becomes available after completion of a 90-day waiting period.
- All salaried employees are paid bimonthly.
- In Payroll Options, the Reset Time Off Hours Based On field is set to Calendar Year.

To accrue periodic time off accruals following the above example

1. Select Payroll Setup menu > Payroll Options.
2. On the Time Off tab, in the Allow Time Off Accruals From field, select Periodic Accrual Only.
3. Select Payroll Period End menu > Periodic Time Off Accrual.
4. In the Pay Cycles field, select Biweekly. Pay cycles are defined in Employee Maintenance.

Perform Periodic Time Off Accrual

5. In the Pay Method to Include field, select Salaried Employees Only.
6. In the Deduction Period field, select 1. The deduction period is assigned to the time off code in Time Off Maintenance.
7. In the Time Off Types To Accrue field, select All Time Off Types.
8. In the Starting Eligibility Date and ending Eligibility Date fields, accept the default range of January 01 to December 31.
9. In the Number of Hours field, type 173.33. The monthly hours worked is calculated as the sum of the number of work hours in a work year divided by 12.
10. Accept the default value of 1 in the following fields. These fields refer to accrual methods other than the Hourly method used in this example.
 - Number of Dollars 1.00
 - Number of Days 1
 - Number of Weeks 1
 - Number of Checks 1
11. Click Proceed to print the Periodic Time Off Accrual Register. After verifying the time off accrual hours for each employee in the selection, update the register.

The Periodic Time Off Accrual utility does not post time off accruals to the general ledger. Time off accruals are posted to the general ledger when you update the Daily Transaction Register if you have:

- Selected either Periodic Accrual + Data Entry or Data Entry Only in the Allow Time Off Accruals From field in Payroll Options

And...

- Defined both a liability account and an expense account for the time off type in Department Maintenance.

Chapter 10: Maintaining Employee Records

Use Employee Maintenance to create and maintain employee records including information related to:

- Direct deposit
- Benefits
- Taxes
- Payroll defaults
- Earnings
- Deductions
- Pay history

WARNING Because of the complexity of the payroll calculations and their dependence on information in the employee records, it is important that all employee records are complete before processing payroll.

Employee Maintenance is located on the Payroll Main menu.

Employee Numbering Methods

You can assign up to seven characters to identify each employee. You can use numbers, letters, special characters, or a combination of the three. If you are using the Department feature, the two-character department number must precede the employee number. For example, an entry of 0212345 displays as 02-0012345, and an entry of 02JOHNSON displays as 02-JOHNSON.

If you use only numbers for the employee number, leading zeros are inserted automatically. For example, an entry of 150 displays as 0000150. If letters are used, no leading zeros are inserted.

Because employee numbers are used to identify all payroll transactions, it is important that your employee numbering method meets your requirements. When selecting your numbering method, remember that most payroll reports can be sorted by the employee number in addition to the sort field or name.

Regardless of the numbering method selected, you can use the Lookup button to view a list of employees in employee name or employee number order when you need to enter an employee number in a field.

NOTE Avoid using employees' Social Security Numbers as part of your numbering system. Using all or part of the Social Security Number creates a security risk.

You can use the following numbering methods:

Numbers Only

This numbering method has the advantage of speedy entry when using a numeric key pad. Because leading zeros are inserted automatically, you only need to type the significant digits of the employee number. The Numbers Only method is especially suitable for businesses with a large number of employees where it may not be practical to assign a descriptive code to each employee.

Set Up Employees' Payroll Tax Calculation

To assign numbers to each employee, it is suggested that you increment by 10s or 20s between employees. You might also use a unique number already assigned to the employee, such as a phone number.

Combination of Numbers and Letters

This numbering method allows simple assignment of codes using common employee information, such as the first two or three characters of the employee name followed by a four-digit number. This number could be the last four digits of the employee's phone number or another unique number.

Abbreviation of the Employee Name

This numbering method allows you to identify the employee by looking at the abbreviated name. Additionally, all payroll reports will list employees in alphabetical sequence. Although this method is the simplest to use, it is practical only if you have a relatively small number of employees whose names you can easily recognize.

Set Up Employees' Payroll Tax Calculation

Use the Taxes tab in Employee Maintenance to select one or more tax profiles and the tax locations for the employees' state of residence and the state in which they work. These selections determine which taxes in the associated tax groups are calculated when running Payroll Tax Calculation.

IMPORTANT Before setting up employees, you must set up tax profiles in Tax Profile Maintenance. For more information, see "Creating Tax Profiles" (page 12).

To set up an employee's payroll tax calculation

1. Select Payroll Main menu > Employee Maintenance.
2. Select an employee and go to the Taxes tab.
3. Select the default tax profile for the employee. The tax groups for that tax profile appear in the grid below. The Default check box for each tax group is automatically selected and the descriptions appear.
4. In the grid, make selections for the remaining fields. Fields such as Filing Status and Workers Comp are available if an entry is required for the tax group.
For more information on filing statuses, see "Filing Status Codes" (page 41).
5. If more than one tax profile is applicable for the employee, click the Add Tax Profiles button to the right of the grid, and select one or more additional tax profiles. When you click OK, the tax groups for the selected profiles are added to the grid on the Taxes tab.
6. In the Tax Locations area, the Residence and Work state codes are automatically entered based on the default tax profile. Verify that the default entries are correct, and change them if necessary.
7. Click Accept.

The employee's tax profile(s) are now set up and can be selected in Payroll Data Entry.

Filing Status Codes

When you enter a tax profile for an employee in Employee Maintenance, you'll be required to enter a filing status for some tax groups. Below are examples of commonly used filing status codes.

Code	Description	Comment
H	Head of Household	
M	Married	
MJ	Married Filing Joint	Some states use MJ1 and MJ2 to distinguish between employees claiming 0 or 1 exemptions and those claiming two or more.
MS	Married Filing Separate	
S	Single	Some states use S1 and S2 to distinguish between employees claiming 0 or 1 exemptions and those claiming two or more.

Manually Adjust Employee Tax Information

If an employee's wage or tax information is inaccurate, you can manually correct the information. You may need to do this before printing or electronically filing W-2 forms.

You must have the appropriate security setup to manually edit tax information.

Before You Begin

Print an employee tax summary detail listing to retain as an audit trail before making any modifications. You must have the appropriate security set up to fix employee tax information.

WARNING Make a back-up of the Payroll file before editing employee tax information. Edits made using this procedure overwrite the employee's file.

To fix employee tax information

1. Select Payroll Main menu > Employee Maintenance.
2. Enter the employee number.
3. Click the arrow in the top-right corner of the screen, and select Tax Summary.
4. In the Employee Tax Summary window, select the tax group for which you need to make corrections.
5. Click Detail.
6. In the Employee Tax History Detail window, click the Tax History Detail drill down button.
7. In the Employee Tax History Detail Drill Down window, do one of the following

Change an Employee from One Department to Another

- Click the Fix button to edit any of the amount fields other than the Other Tax fields.
- To edit a tax amount that is reflected in an Other Tax column, click the drill down button next to the other tax amount. Then, in the Employee Other Tax History Detail Drill Down window, click the Fix button.

8. Edit the amount(s) as needed and then click OK.

The employee's tax information is fixed.

Change an Employee from One Department to Another

You can organize employees by department in order to post expenses and for departmental reports. Use this procedure if you need to change an employee's department.

To change an employee's department

1. Select Payroll Main menu > Employee Maintenance.
2. Select the employee.
3. Click the arrow button in the top-right corner and select Renumber.
4. In the Employee Renumber window, enter the employee's new department number followed by the employee number.
5. Click OK.

The employee is now in a different department.

Reactivate an Employee

Use this procedure to reactive an employee with a terminated or inactive status.

NOTE You must have the appropriate security set up to reactivate an employee.

To reactivate an employee

1. Select Payroll Main menu > Employee Maintenance.
2. In the Employee No. field, select the employee you want to reactivate.
3. In the Employee Status field, select Active.
4. Click Accept.

The employee has been reactivated.

Track Employee Pay Rate Changes

You can retain an audit trail of changes made to an employee's pay rate.

Track Employee Pay Rate Changes

To track pay rate changes

1. Select Payroll Setup menu > Payroll Options.
2. On the History tab, select the Track Changes to Employee Pay Rates check box.

Rate changes are now being tracked.

To view changes to employee pay rates

1. Select Payroll Reports menu > Pay Rate Change Report.
2. Enter the selection criteria, and then print the report.
3. You can purge this information after the report is printed.

Comments entered at the time the change is made to the pay rate appear on the report.

Chapter 11: Setting Up Direct Deposit

The Payroll module includes two options for paying employees using direct deposit. If you subscribe to the Sage 100 Direct Deposit service, you don't need to send anything to your bank for each payroll run. Instead, you sync your payroll data using the service.

If you plan to use the method in which you generate an ACH file and manually send it to your bank for each payroll run, contact your bank for details about its direct deposit transmission requirements. You'll need this information when you enter settings in Direct Deposit Maintenance, which determines how the ACH file is formatted.

Depending on your bank's requirements, it may be possible to submit the direct deposit transactions by using a printed copy of the Direct Deposit Register rather than creating an ACH File.

For setup instructions, refer to the section applicable to the direct deposit method you are using.

- "Set Up the Sage 100 Direct Deposit Service" (page 44)
- "Set Up Direct Deposit to Generate ACH Files" (page 48)

You can also integrate third-party direct deposit features with Sage 100. See your Sage business partner for more information.

Set Up the Sage 100 Direct Deposit Service

Use this procedure to set up the Sage 100 Direct Deposit service. In addition to enrolling in the service, you must set up direct deposit in Payroll Options and enter your bank account information in Direct Deposit Interface Setup. You must use the same bank account that was provided on the application form when enrolling in Sage 100 Direct Deposit Service. To use a different bank, you must contact Sage Direct Deposit Support.

Before You Begin

You must enroll in the service for each Sage 100 company in which you'll process direct deposits. To enroll, select Payroll Setup menu > Payroll Options. On the Direct Deposit tab, click Apply for Sage 100 Direct Deposit Service.

Please keep in mind the following:

- The pre-note approval takes 5 banking days, so please schedule accordingly.
- Direct deposits must be sent by 5:00 p.m. Eastern Time 2 banking days before the effective (check) date.
- The payroll check date must be dated at least 2 banking days after the payroll processing date. For example, if your payroll check date is Friday, September 24, you must submit your direct deposits by 5 p.m. ET on Wednesday, September, 22.

Wait until you've been notified that your company's application is approved before setting up the service.

To set up direct deposit in Payroll Options

1. Select Payroll Setup menu > Payroll Options.
2. On the Direct Deposit tab, select the Require Direct Deposit check box.
3. In the Direct Deposit Interface field, select Sage 100 Direct Deposit Service.
4. To allow employees to receive a portion of their net pay by direct deposit and have the remainder paid by check, select the Allow Partial Allocation of Check Amount check box. If you clear this check box, any undistributed net pay will be deposited into the last approved bank account listed in the Direct Deposits window for the employee.
5. To print direct deposit stubs for participants who have 100 percent of their net pay allocated to direct deposit, select the Print Direct Deposit Stubs check box. Clear the check box to print voided checks instead.
6. If you will print direct deposit stubs, enter a number in the Next Direct Deposit Stub Number field.
7. Select the Do Not Send a Pre-Note When Employee Number Changes check box if needed. If this check box is cleared and an employee's employee number is changed, the Pre-Note Sent field in the Direct Deposits window will be set to No, and a new prenote must be approved.
8. Click Accept.

To set up your bank

Only one bank can be set up for direct deposit when using the Sage 100 Direct Deposit service.

1. Select Payroll Setup menu > Bank Code Maintenance.
2. Enter the bank code that you will use for direct deposit payments.

IMPORTANT! If you want to change the bank account used for direct deposit, you must contact iSolved Customer Support at 833-203-7226. Changing the bank code in this task will not affect which account is used when direct deposit payments are processed.
3. Click Direct Dep. The Direct Deposit Interface Setup window opens.
4. Select the Direct Deposit check box.
5. In the Account Type field, select Checking or Savings.
6. Enter the routing transit numbers for the bank.
7. Enter your alternate employer ID number or alternate company name if applicable.
8. In the Fee Expense Account Number field, enter the account number that you want to debit for any ancillary fees that you may incur, such as an insufficient funds charge.

If you are charged a fee, the next time that you synchronize data with Sage 100 Direct Deposit, transaction journal entries will be created for these accounts. Review the entries and update the Transaction Journal on the General Ledger Main menu.

9. Click Accept. If your current company is not already linked with a Sage 100 Direct Deposit company, the Sage ID sign-in window opens.
10. Sign in using your Sage ID (your email address). The Link to Sage 100 Direct Deposit Service Company window opens.
11. In the Sage 100 Direct Deposit Service Company field, select the direct deposit company to link it to your current Sage 100 company.
12. Click OK.

The next step is to enter direct deposit information for your employees in Employee Maintenance. See Set Up Employees for Direct Deposit to learn more.

Set Up Employees for the Sage 100 Direct Deposit Service

Use the following procedure to enter direct deposit information for employees, including their bank account information, distribution method, and prenote status.

Before You Begin

- Make sure that direct deposit is set up.
- Gather your employees' banking information, including:
 - The bank account numbers and routing numbers for the accounts to be used for direct deposit. Each employee can specify up to 8 separate accounts.
 - How they want to distribute their pay if they designate multiple accounts. The available options are a percent of net pay, a percent of gross pay, and a fixed amount.
 - If they designate multiple accounts, which is the primary account, which is the secondary account, and so forth so that pay is correctly distributed.

To set up employees in Employee Maintenance

1. Select Payroll Main menu > Employee Maintenance.
2. Enter the employee number and select the Direct Deposit check box. For more information, see Employee Maintenance - Fields.
3. Click the arrow in the top-right corner of the screen, and select Direct Deposit.
4. In the Employee Direct Deposit window, enter each of the accounts that the employee wants to use for direct deposit.

If you are entering more than one account, see "Distributing Pay to Multiple Accounts" (page 47).

5. Click Accept.

The next step is to send pre-notes to the employees' banks. Each employee must have an approved prenote before he or she can be paid by direct deposit. See "Send Pre-Notes for Approval Using the Sage 100 Direct Deposit Service" (page 47).

Distributing Pay to Multiple Accounts

The last account entered is a catchall for leftover funds. If the Allow Partial Allocation of Check Amount check box is selected in the Payroll Options window, any remainder of the net pay not distributed to these accounts is printed on a check. If none of the accounts are approved for direct deposit, the entire net pay amount is printed on a check.

If the Allow Partial Allocation of Check Amount check box is cleared, (all funds must be deposited somewhere, and no check is printed for an employee who is using direct deposit), the last approved account entered will be the destination of any funds not already distributed to the previous accounts.

For example, an employee may want to deposit \$50.00 of each paycheck to a Christmas club account, \$200.00 of each paycheck to a savings account, and 100 percent of the remaining net pay to a checking account. Set up the accounts in this order:

Account	Distribution Method	Amount or Percent
Christmas club	Fixed Amount	50.00
Savings	Fixed Amount	200.00
Checking	Percent of Net Wages	100%

Generally speaking, any funds left over after the distribution to the Christmas Club and savings accounts will be distributed to the checking account (assuming the prenote has been approved) because it is the last account set up.

An employee is never paid more than 100 percent of the net pay.

Send Pre-Notes for Approval Using the Sage 100 Direct Deposit Service

Before direct deposits can be made into an employee's account, a pre-note must be approved for the account. A pre-note is a zero-dollar amount credit that is sent to the employee's bank account before a direct deposit can be made to this account. This Pre-Note process ensures that the routing/transit numbers and bank account numbers are correct, so that the bank can successfully receive a credit to the account.

The approval process for pre-notes takes 5 business days, excluding bank holidays.

Before You Begin

Employees must be set up for direct deposit before pre-notes are sent.

To send pre-notes for approval

1. Select Payroll Direct Deposit menu > Pre-Note Selection Register.
2. In the Pre-Notes To Be Sent On field, change the date if needed. The date should reflect the day that you send the pre-note batch.
3. Click Print.
4. Review and update the register.

NOTE The Pre-Note Sent field in the Direct Deposits window is automatically set to Yes when you update the Pre-Note Selection Register, but pre-notes are not sent until you complete the remaining steps to synchronize data with the Sage 100 Direct Deposit service.

5. Select Payroll Direct Deposit menu > Direct Deposit Processing.
6. In the Process Employee Pre-Note and Direct Deposit Transactions window, select all applicable pre-note batches.
7. Click Synchronize and then sign in with your Sage ID (your email address). The Synchronizing Direct Deposit Data window displays the status of the synchronization.
8. Wait 5 banking days for the pre-notes to be approved. Then in the Process Employee Pre-Note and Direct Deposit Transactions window, click Synchronize.

For all employees with an approved prenote, the Pre-Note Sent field in the Employee Maintenance Direct Deposits window will be set to Approved.

The accounts are now ready for direct deposit. If a pre-note is not approved, verify that the correct account information is entered and resend the pre-note.

After an employee bank account is approved, you cannot change the employee's first or last name, bank account number, account type, or the routing/transit number of an account without again going through the Pre-Note process for that account. You can, however, change the amount to be deposited, the distribution method, the order of the accounts in the employee's record, and the description.

Set Up Direct Deposit to Generate ACH Files

Use this procedure if you are going to process direct deposit by generating an ACH file and manually uploading the file to your bank(s). You must set up direct deposit options in Payroll Options and enter information for the bank account(s) that will be used.

Before You Begin

Work with your financial institution to determine its particular requirements. This would include a discussion of any fees, specifications, and paperwork required.

To set up direct deposit in Payroll Options

1. Select Payroll Setup menu > Payroll Options.
2. Select the Require Direct Deposit check box.
3. In the Direct Deposit Interface field, select Manually Send ACH File.
4. Select the Allow Partial Allocation of Check Amount check box to allow your employees to receive a portion of their net pay by direct deposit and have the remainder printed on a check. If you clear this check box, no partial checks will print, and any undistributed net pay will be deposited into the last approved bank account listed in the Direct Deposits window for the employee.
5. Select the Print Direct Deposit Stubs check box to print direct deposit stubs for participants who

Set Up Direct Deposit ACH Files

have 100 percent of their net pay allocated to direct deposit. Clear the check box to print voided checks instead. These information-only vouchers notify employees of the amounts being deposited.

6. If you will print direct deposit stubs, type a number in the Next Direct Deposit Stub Number field.
7. Select the Do Not Send a Pre-Note When Employee Number Changes check box if a pre-note is not needed when an employee number is changed.
8. In the Path for Direct Deposit File field, enter the path to the folder where you want the ACH files to be saved. If this field is empty, the ACH files will be saved in the ..\MAS90\MAS_XXX\PRxxx\ folder (xxx represents the company code).
9. Click Accept.

You can now set up your banks and make sure the ACH files are formatted correctly.

Set Up Direct Deposit ACH Files

Use the following procedure to set up the format and layout of the direct deposit ACH files for a specific bank.

NOTE Use this procedure if Manually Send ACH File is selected in the Direct Deposit Method field in Payroll Options. These steps are not necessary if you're enrolled in the Sage 100 Direct Deposit service.

Before You Begin

Consult with your bank for specific instructions regarding direct deposit file formats and layouts.

To set up the ACH format and layout

1. Select Payroll Setup menu > Direct Deposit Maintenance.
2. Enter the bank code for the bank that you will use to process direct deposits.
3. Select the Direct Deposit check box.
4. Enter the routing transit numbers and all other ACH file specifications required by your bank.
5. Click Accept.

The direct deposit file specifications and layout are set up for your bank.

Set Up Employees for Direct Deposit when Generating ACH Files

Use the following procedure to enter direct deposit information for employees, including their bank account information, distribution method, and pre-note status.

Before You Begin

- Make sure that direct deposit is set up.
- Gather your employees' banking information, including:
 - The bank account numbers and routing numbers for the accounts to be used for direct deposit. Each employee can specify up to 8 separate accounts.
 - How they want to distribute their pay if they designate multiple accounts. The available options are a percent of net pay, a percent of gross pay, and a fixed amount.
 - If they designate multiple accounts, which is the primary account, which is the secondary account, and so forth so that pay is correctly distributed.

To set up employees for direct deposit

1. Select Payroll Main menu > Employee Maintenance.
2. Enter the employee number and select the Direct Deposit check box. For more information, see Employee Maintenance - Fields.
3. Click the arrow in the top-right corner of the screen, and select Direct Deposit.
4. In the Employee Direct Deposit window, enter each of the accounts that the employee wants to use for direct deposit. As amounts are deposited to accounts, the Deposited YTD field is updated automatically. For more information, see Employee Direct Deposit - Fields.

If you are entering more than one account, see "Set Up Employees for Direct Deposit when Generating ACH Files" (page 49).
5. In the Pre-Note Sent field, select Yes if a pre-note has been sent or approved for an account. Select No if a pre-note has not been sent for the account. Direct deposits cannot be made into an employee's account until a pre-note is approved for that account. This field defaults to No to allow this bank account to be included in the next batch of accounts transmitted for pre-note approval.
6. Click Accept.

If you send the pre-note using the Pre-Note Selection Register, the selection in the Pre-Note Sent field is automatically changed to Yes. When the pre-note is approved, you can print and update the Pre-Note Approval Register to automatically change the selection at this field to Approved. For more information, see Send Pre-Notes for Approval.

Distributing Pay to Multiple Accounts

In the Employee Direct Deposit window accessed through Employee Maintenance, you can enter information for multiple bank accounts and select a distribution method to specify how much of the employee's pay is allocated to each account.

If the employee wants to distribute a fixed amount to one or more accounts, make sure the fixed amount accounts are listed first. For example, if an employee wants to distribute \$50 to a Christmas club

Send Pre-Notes for Approval When Manually Sending Direct Deposit (ACH) Files to Your Bank

account, \$200 to a savings account, and the remaining wages to a checking account, set up the accounts as shown in the following table:

Account	Distribution Method	Amount or Percent
Christmas club	Fixed Amount	50.00
Savings	Fixed Amount	200.00
Checking	Percent of Net Wages	100%

The last account with an approved pre-note is the catchall for any funds not distributed to another account if the Allow Partial Allocation of Check Amount check box in Payroll Options is cleared. In the example, any funds left over after the distribution to the Christmas Club and savings accounts will be distributed to the checking account (assuming the prenote has been approved) because it is the last account set up.

If the Allow Partial Allocation of Check Amount check box is selected, any portion of the net pay not distributed to the accounts is printed on a check.

If no accounts have an approved pre-note, the entire net pay amount is provided as a check.

Send Pre-Notes for Approval When Manually Sending Direct Deposit (ACH) Files to Your Bank

Every employee bank account involved in direct deposit must go through the Pre-Note process to determine that a deposit can be successfully transmitted. A pre-note is a zero-dollar amount credit that is sent to the employee's bank account before a direct deposit can be made to this account. This Pre-Note process ensures that the routing/transit numbers and bank account numbers are correct, so that the bank can successfully receive a credit to that account.

The approval process for pre-notes takes 10 business days, excluding bank holidays. You will normally receive no confirmation of accounts that had successful pre-note transmissions; you are notified only of those pre-note transmissions that were rejected. After 10 days, you can consider all pre-notes for which you received no rejection to be approved, and those accounts can be considered ready to process direct deposit transactions.

When you begin a new payroll cycle, you are reminded if there are any pre-notes that have been sent but not yet approved. You are also given the option to approve pre-notes at that time, so that newly approved accounts can begin direct deposit processing in the current payroll cycle.

Before You Begin

Employees must be set up for direct deposit before pre-notes are sent.

To send pre-notes for approval

1. Select Payroll Direct Deposit menu > Pre-Note Selection Register.
2. All employee bank accounts that have No selected in the Pre-Note Sent field in the Employee Maintenance Direct Deposits window are selected automatically for pre-note processing and are printed on the Pre-Note Selection Register.
3. Verify that the correct date is entered in the Pre-Notes to Be Sent One field, and then click Print.

Send Pre-Notes for Approval When Manually Sending Direct Deposit (ACH) Files to Your Bank

After the Pre-Note Selection Register is printed and updated, the Pre-Note Sent field is set to Yes and the pre-note sent date is updated.

4. Select Payroll Direct Deposit menu > Generate Pre-Note ACH File.
5. Make any needed selections and then click Proceed to generate the pre-note ACH file.
The ACH file is saved in the location specified in Payroll Options.
6. Follow your bank's instructions for sending the ACH file to them.
7. After 10 days, select Payroll Direct Deposit menu > Pre-Note Approval Register.
8. Enter the pre-note information and click Print. This sets the Pre-Note Sent field from Yes to Approved in the Employee Maintenance Direct Deposits window for all accounts that are approved.
9. For accounts that were rejected, select Payroll Main menu > Employee Maintenance.
10. Select the employee number and click Direct Deposit.
11. In the Direct Deposits window, double-check your entries and make any necessary corrections. If any changes are made, the Pre-Note Sent field is set to No to force a pre-note to be sent again for the account during the pre-note selection approval process. Click OK, and then Accept.

After an employee bank account is approved, you should not change the employee first or last name, bank account number, account type, or routing/transit number of an account without again going through the Pre-Note process for that account. You can, however, change the amount to be deposited, the distribution method, the order of the accounts in the employee's record, and the description. If an employee's employee number is changed, you must resend a pre-note unless the "Do Not Send a Pre-Note When Employee Number Changes" check box in Payroll Options is selected.

Any new account to which an employee wants to make deposits must go through the Pre-Note process before direct deposits can be processed for the account. You can delete an approved account if an employee wants to remove an account from the list. Consult with your bank for complete details on the Pre-Note approval process.

Chapter 12: Processing Payroll

Use Payroll Data Entry to enter all earnings and deduction information needed to calculate payroll, including regular and overtime hours, time off, bonuses, and voluntary deductions. You can automatically apply standard earnings and deductions for salaried and hourly employees working regular hours, or you can enter this information for each employee. Information for manually prepared payroll checks can also be entered.

You can adjust the header and check line detail for any check that has been entered but not printed and updated.

If you are not installing your Payroll module at the beginning of a calendar year, use Payroll Data Entry to enter year-to-date earnings, deductions, and taxes. This information brings your payroll totals up to date, and must be entered before processing any new payroll runs to ensure that taxes and deductions are calculated correctly. Clear the "Integrate with..." check boxes in Payroll Options to turn off integration with other modules before entering the year-to-date amounts. And then be sure to turn on the integration back on after you update the Check Register.

NOTE If you are prepaying employees subject to overtime and bonus pay, you must make sure that their overtime rate is in compliance with Section 7 (e) of the Fair Labor Standards Act. Certain types of bonus pay may require you to manually compute an adjusted overtime rate of pay for your employees.

WARNING All payroll activity updates to the current quarter. To process activity for a future quarter, do not input that information until quarter-end processing has been performed.

You must calculate payroll taxes before the checks and direct deposits can be printed and updated for the current pay cycle. You'll be asked to calculate taxes when you click the Print button, or you can run Payroll Tax Calculation from the Payroll Main menu.

You can use the Auto Pay feature to automatically pay employees. For more information, see "Pay Employees Using Automatic Earnings Codes" (page 15)

You can use the Automatic Deduction function, to automatically apply all deductions. For more information, see "Automatically Apply Deductions" (page 19).

Job Cost Integration

If the Payroll module is integrated with Job Cost, automatic payments do not automatically distribute labor for Job Cost. All Job Cost distribution must be entered manually. The workers' compensation code assigned to the job number and cost code in Job Cost, if any, overrides the standard workers' compensation code assigned to the employee in Employee Maintenance.

NOTE The workers' compensation code entered in Job Cost is not used if it is not on file in the Payroll Workers' Compensation file.

Payroll Dates

The Payroll module uses the following dates for updating payroll information to specific data files and reports:

Accounting Date

The accounting date is set by clicking Change Date on the File menu. This date prints in the lower-left corner of all reports and also displays in the lower-right corner of the Status Bar. The Payroll accounting

date is used as the default date during the Check Register update to post information to the Daily Transaction Register and to update the General Ledger and Workers' Compensation files.

Pay Period Starting Date

The pay period starting date is entered on the Pay Cycle window. If the field is empty when you enter the period ending date, the starting date is automatically calculated based on the ending date and the pay cycle, but it can be changed.

Pay-Period-Ending Date

The pay-period-ending date is entered on the Pay Cycle window. If the field is empty when you enter the period starting date, the ending date is automatically calculated based on the starting date and the pay cycle, but it can be changed.

Check Date

The check date is entered on the Pay Cycle window. This date prints on paychecks and is used in the payroll tax calculation to obtain tax rates and limits. If you change this date after calculating taxes, you must run Payroll Tax Calculation again. It is also used for tax reporting purposes. To ensure the accuracy of your reports, it is critical that you keep the check date in the current processing quarter.

Quarter-Ending Date

The quarter-ending date is based on the calendar year and is the last day of every third month (March 31, June 30, September 30, and December 31).

Employee Pay Cycles

The following is a list of employee pay cycles.

Pay Cycle	No. of Pay Periods Per Year	Standard No. of Hours Per Pay Cycle
Daily	260	8.00
Weekly	52	40.00
Biweekly	26	80.00
Semi-Monthly	24	86.67
Monthly	12	173.33
Quarterly	4	520.00
Annually	1	2080.00

Process Payroll when Paying by Check

Use this procedure to enter payroll data and pay employees by check. If you are paying some or all employees using direct deposit, refer to one of the following articles depending on which direct deposit method you are using.

- "Process Payroll with the Sage 100 Direct Deposit Service" (page 57)
- "Process Payroll when Manually Sending Direct Deposit (ACH) Files to Bank" (page 60)

IMPORTANT Do not attempt to process payroll for any employee whose record is incorrect or incomplete. Use Employee Maintenance to correct or complete all employee records before processing payroll. You cannot select an employee in Payroll Data Entry if you have not entered all information on the Taxes tab in Employee Maintenance.

To enter payroll data

1. Select Payroll Main menu > Payroll Data Entry.
If batching is enabled, the Payroll Data Entry Batch window opens. Enter a batch number and optionally a comment. Select the Private Batch check box if applicable. For more information, see Batch Entry - Fields.
2. In the Pay Cycle window, enter payroll cycle data, such as the period starting and ending date, check date, voluntary deductions to be applied, standard days and weeks worked, and the standard earnings code.
3. To automatically create data entry records for groups of employees with standard earnings and deductions:
 - a. Click Auto Pay.
 - b. In the Auto Pay window, select the employees that you want to pay. You can select employees by department, employee number, labor distribution code, and based on whether they are hourly or salaried.
NOTE Employees will be included only if their pay cycle entered in Employee Maintenance matches the current pay cycle.
 - c. Enter the hours for the payroll cycle.
 - d. The earnings code entered in the Pay Cycle window appears in the Earnings Code 1 field and can only be viewed. If applicable, enter a second earnings code to automatically pay additional earnings to the selected employees.
 - e. Click OK. A message will ask if you want to automatically pay more employees. Click yes to make additional selections. Click No to proceed to the Payroll Data Entry window.
4. In Payroll Data Entry, select each employee not paid using the Auto Pay feature, and click the Lines tab to enter all applicable earnings and then enter all applicable deductions.

To calculate taxes and verify information

1. To calculate withholding taxes for each check using Payroll Tax Calculation, click the Print button. In the Payroll Tax Calculation window, click Proceed.
NOTE You can also access Payroll Tax Calculation from the Payroll Main menu.
2. When a message asks if you want to print the Payroll Data Entry Audit Report, click Yes. Check the audit report for accuracy. If any corrections are needed, make the changes in Payroll Data Entry and then run Payroll Tax Calculation again. Then reprint the audit report to verify the amounts.
3. Select Payroll Main menu > Employer's Expense Summary. Print and review the Employer's Expense Summary report.

NOTE The data used to create the reports on the Payroll Main menu is created when you run Payroll Tax Calculation, and it is cleared when the Check Register is updated. Be sure to print these reports as needed before you update the Check Register.

To print checks

1. Select Payroll Main menu > Check Printing.
If the Payroll Data Entry Batch window opens, select a batch.
2. Enter an effective date. The effective date should be your payroll check date.
3. Make any other selections as needed.
4. Click Print. When a message asks if you want to print the Check Register, click Yes.
NOTE You can also access the Check Register from the Payroll Main menu.
5. Verify that all information is correct, and then update the Check Register.
6. When a message asks if you want to print the Daily Transaction Register, click Yes.
7. Verify that they information is correct, and then update the Daily Transaction Register. The payroll postings are updated to the general ledger.

Process Payroll with the Sage 100 Direct Deposit Service

Use this procedure to process payroll if you are enrolled in the Sage 100 Direct Deposit service.

If you are not enrolled in the Sage 100 Direct Deposit service, see the applicable section in this guide:

- "Process Payroll when Paying by Check" (page 55)
- "Process Payroll when Manually Sending Direct Deposit (ACH) Files to Bank" (page 60)

Before You Begin

Set up direct deposit. For instructions, see "Set Up the Sage 100 Direct Deposit Service" (page 44).

IMPORTANT Do not attempt to process payroll for any employee whose record is incorrect or incomplete. Use Employee Maintenance to correct or complete all employee records before processing payroll. You cannot select an employee in Payroll Data Entry if you have not entered all information on the Taxes tab in Employee Maintenance.

To enter payroll data

1. Select Payroll Main menu > Payroll Data Entry.
If batching is enabled, the Payroll Data Entry Batch window opens. Enter a batch number and optionally a comment. Select the Private Batch check box if applicable. For more information, see Batch Entry - Fields.
2. In the Pay Cycle window, enter payroll cycle data, such as the period starting and ending date, check date, and so forth.
3. To automatically create data entry records for groups of employees with standard earnings and deductions:
 - a. Click Auto Pay.
 - b. In the Auto Pay window, select the employees that you want to pay. You can select employees by department, employee number, and labor code, and based on whether they are hourly or salaried.
NOTE Employees will be included only if their pay cycle entered in Employee Maintenance matches the current pay cycle.
 - c. The earnings code entered in the Pay Cycle window appears in the Earnings Code 1 field and can only be viewed. If applicable, enter a second earnings code to automatically pay additional earnings to the selected employees.
 - d. Click OK. A message will ask if you want to automatically pay more employees. Click yes to make additional selections. Click No to proceed to the Payroll Data Entry window.
4. In Payroll Data Entry, select employees not paid using the Auto Pay feature, and click the Lines tab to enter all applicable earnings and deductions.

To calculate taxes and verify information

1. When you are finished entering payroll data in Payroll Data Entry, click the Print button. The Payroll Tax Calculation Payroll Tax Calculation window opens. You can also access this window from the Payroll Main menu.
2. Click Proceed. Withholding taxes are calculated for each check.
3. When a message asks if you want to print the Payroll Data Entry Audit Report, click Yes. Check the audit report for accuracy, and use Payroll Data Entry to make any needed corrections.

If the direct deposit distribution information is incorrect, return to the Employee Direct Deposit window accessed through Employee Maintenance. Make any needed corrections, run Payroll Tax Calculation again, and print the Payroll Data Entry Audit Report to verify the amounts.

4. Select Payroll Main menu > Employer's Expense Summary. Print and review the report.

NOTE The data used to create the reports on the Payroll Main menu is created when you run Payroll Tax Calculation, and it is cleared when the Check Register is updated. Be sure to print these reports as needed before you update the Check Register.

To print checks and direct deposit stubs

1. Select Payroll Main menu > Check Printing.
If the Payroll Data Entry Batch window opens, select a batch.
2. Enter an effective date. The effective date should be your payroll check date. This date may need to be adjusted to allow for weekends and holidays. Please verify with your bank.
3. Make any other selections as needed.
4. Click Print.
 - If the Print Direct Deposit Stubs check box is selected in Payroll Options, after any checks are printed, a message asks if you want to print direct deposit stubs. Click Yes to open the Direct Deposit Stub Printing window. You can also open the window from the Check Printing window by clicking Direct Deposit Stubs.
 - If the Print Direct Deposit Stubs check box is cleared in Payroll Options, a voided check will print for direct deposit employees and there will be no prompt to print direct deposit stubs.
5. When a message asks if you want to print the Check Register, click Yes.

NOTE You can also access the Check Register from the Payroll Main menu.

6. After the Check Register prints, the Direct Deposit Register window opens. You can enter a direct deposit comment for the current payroll batch. The comment appears on the employee's bank statement and prints in the Bank Reconciliation module to identify this particular deposit. The default comment is the period-end date for the pay period, but you can change it.

Print the Direct Deposit Register. Verify that all information is correct, and then update the Check Register.

7. When a message asks if you want to print the Daily Transaction Register, click Yes.
NOTE You can also access the Daily Transaction Register from the Payroll Main menu.
8. Verify that the information is correct, and then update the Daily Transaction Register. The payroll postings are updated to the general ledger.

To sync direct deposit payments with the Sage 100 Direct Deposit service

1. Select Payroll Direct Deposit menu > Direct Deposit Processing. The Process Employee Pre-Note and Direct Deposit Transactions window displays a list of payroll batches and prenote batches, including batches that have already been synchronized.
2. Select the batch(es) that you want to synchronize with the Sage 100 Direct Deposit service.
WARNING Be sure to select **only** batches that have not already been synced, and do not select batches with a past date.
3. Click Proceed and then sign in with your Sage ID (your email address). The Synchronizing Direct Deposit Data window displays the status of the synchronization.
4. When the status indicates that the synchronization is complete, click OK.

The direct deposit payments are synchronized with the Sage 100 Direct Deposit service for deposit into your employees' accounts. See the Direct Deposit Service Activity Log to review a recap of synchronization activity between Sage 100 and the Sage 100 Direct Deposit service.

WARNING If the synchronization fails, your direct deposit data is not transmitted. Contact iSolved Customer Support at 833-203-7226 for help. For details about the error, refer to the SPSSync*.log file, which is located in the ..\MAS90\SOA folder.

IMPORTANT After you've synced your direct deposit payments, you should purge them to avoid accidentally resyncing them, which could result in employees being paid twice.

Purge Direct Deposit Batch Files

Use the following procedure to delete direct deposit batch files so that they no longer appear in the Process Employee Pre-Note and Direct Deposit Transactions window.

Before You Begin

Back up your data before purging.

To purge direct deposit batch files

1. Select Payroll Direct Deposit menu > Direct Deposit Processing.
2. Select the batches that you want to purge, and then click Purge.

The direct deposit batch files are purged from the system.

Process Payroll when Manually Sending Direct Deposit (ACH) Files to Bank

Use this procedure to process payroll if you have set up direct deposit with the Manually Send ACH File option selected in Payroll Options.

Before You Begin

Set up direct deposit. For instructions, see "Set Up Direct Deposit to Generate ACH Files" (page 48).

IMPORTANT Do not attempt to process payroll for any employee whose record is incorrect or incomplete. Use Employee Maintenance to correct or complete all employee records before processing payroll. You cannot select an employee in Payroll Data Entry if you have not entered all information on the Taxes tab in Employee Maintenance.

To enter payroll data

1. Select Payroll Main menu > Payroll Data Entry.
If batching is enabled, the Payroll Data Entry Batch window opens. Enter a batch number and optionally a comment. Select the Private Batch check box if applicable. For more information, see Batch Entry - Fields.
2. In the Pay Cycle window, enter payroll cycle data, such as the period starting and ending date, check date, and so forth.
NOTE Employees will be included only if their pay cycle entered in Employee Maintenance matches the current pay cycle.
3. To automatically create data entry records for groups of employees with standard earnings and deductions:
 - a. Click Auto Pay.
 - b. In the Auto Pay window, select the employees that you want to pay. You can select employees by department, employee number, and labor code, and based on whether they are hourly or salaried.
 - c. The earnings code entered in the Pay Cycle window appears in the Earnings Code 1 field and can only be viewed. If applicable, enter a second earnings code to automatically pay additional earnings to the selected employees.
 - d. Click OK. A message will ask if you want to automatically pay more employees. Click yes to make additional selections. Click No to proceed to the Payroll Data Entry window.
4. In Payroll Data Entry, select employees not paid using the Auto Pay feature, and click the Lines tab to enter all applicable earnings and deductions.

To calculate taxes and verify information

1. When you are finished entering payroll data in Payroll Data Entry, click the Print button. The Payroll Tax Calculation Payroll Tax Calculation window opens. You can also access this window from the Payroll Main menu.

2. Click Proceed. Withholding taxes are calculated for each check.

3. When a message asks if you want to print the Payroll Data Entry Audit Report, click Yes. Check the audit report for accuracy, and use Payroll Data Entry to make any needed corrections.

If the direct deposit information is incorrect, return to the Employee Direct Deposit window accessed through Employee Maintenance. Make any needed corrections, run Payroll Tax Calculation again, and print the Payroll Data Entry Audit Report to verify the amounts.

4. Select Payroll Main menu > Employer's Expense Summary. Print and review the report.

NOTE The data used to create the reports on the Payroll Main menu is created when you run Payroll Tax Calculation, and it is cleared when the Check Register is updated. Be sure to print these reports as needed before you update the Check Register.

To print checks and direct deposit stubs

1. Select Payroll Main menu > Check Printing.

If the Payroll Data Entry Batch window opens, select a batch.

2. Enter an effective date. The effective date should be your payroll check date. This date may need to be adjusted to allow for weekends and holidays. Please verify with your bank.

3. Make any other selections as needed.

4. Click Print.

- If the Print Direct Deposit Stubs check box is selected in Payroll Options, after any checks are printed, a message asks if you want to print direct deposit stubs. Click Yes to open the Direct Deposit Stub Printing window. You can also open the window from the Check Printing window by clicking Direct Deposit Stubs.

- If the Print Direct Deposit Stubs check box is cleared in Payroll Options, a voided check will print for direct deposit employees and there will be no prompt to print direct deposit stubs.

5. When a message asks if you want to print the Check Register, click Yes.

NOTE You can also access the Check Register from the Payroll Main menu.

6. After the Check Register prints, the Direct Deposit Register window opens. You can enter a direct deposit comment for the current payroll batch. The comment appears on the employee's bank statement and prints in the Bank Reconciliation module to identify this particular deposit. The default comment is the period-end date for the pay period, but you can change it.

Print the Direct Deposit Register. Verify that all information is correct, and then update the Check Register.

7. When a message asks if you want to print the Daily Transaction Register, click Yes.
NOTE You can also access the Daily Transaction Register from the Payroll Main menu.
8. Verify that the information is correct, and then update the Daily Transaction Register. The payroll postings are updated to the general ledger.

As part of the Check Register update process, a direct deposit batch file is created that contains the transaction information needed to generate an ACH file to submit to your bank.

To generate an ACH file

1. Select Payroll Direct Deposit menu > Direct Deposit Processing. The Generate Direct Deposit ACH File window opens.
2. In the Bank Code to Use for Pre-Note Entries field, enter a bank code to use for any existing prenote entries that have not yet been processed. These prenote entries will be added to an ACH file so that you can submit them to the bank for approval. Leave the field blank if you don't want to include the prenote entries.
3. Enter a file code, which will be used as part of the ACH file name. For more information, see Generate Direct Deposit ACH File - Fields.
4. In the Batches to Include in Transmission field, select an option to determine which batches are included in the ACH file (or files).
5. If you want to include certain batches based on the effective date, enter the date or a range of dates.
6. If you're including batches that were previously added to an ACH file, you can select them based on the transmission date. The transmission date is the date the batch was last added to an ACH file. Enter the date or a range of dates.
7. Click Proceed.

The ACH file(s) are created and saved in the location specified in Payroll Options. You can now submit the files to your bank.

Chapter 13: Other Payroll Tasks

This section addresses tasks that you may need to complete from time to time.

Record Manual Payroll Checks

Use the following procedure to record a handwritten payroll check in conjunction with processing a standard pay cycle. The process for entering a manual check is similar to entering a typical payroll entry. The information on the Pay Cycle window does not need to be changed to record this entry.

To record a manual check

1. Select Payroll Main menu > Payroll Data Entry.
2. In the the Pay Cycle window, enter the pay cycle, period starting and ending dates, and the check date for the check.
3. Click OK.
4. In Payroll Data Entry, select the employee.
5. On the Header tab, in the Print Check field, select No.
6. Enter the information for the check in the following fields:
 - Bank
 - Check No.
 - Check Date
 - Check Amount
7. On the Lines tab, enter the earnings and deductions lines.
8. Click Taxes.
9. In the Manual Payroll Tax Entry window, enter the tax information for the check, and then click OK.

If a tax group includes taxes that are added into the Other Tax amount, click the Other Taxes button to enter them.
10. Click Accept to record the entry.
11. Proceed with normal payroll processing.

The check is recorded.

Reverse a Payroll Check or Direct Deposit

Use the following procedures to reverse a payroll check or direct deposit payment.

Reverse a Payroll Check or Direct Deposit

If the check or direct deposit was issued during the current quarter, you can use the Reverse Check button in Payroll Date Entry. This process pulls the check information from the history file and automatically reverses the earnings, deductions, and taxes.

If the check was **not** issued during the current quarter, you'll have to manually reverse the check.

You must have the appropriate security setup to reverse a check.

To reverse a payroll check or direct deposit issued in the current quarter

1. Select Payroll Main menu > Payroll Data Entry.
2. In the Pay Cycle window, select the pay cycle and enter the starting and ending dates and the check date from the original check or direct deposit. Click OK.
3. In Payroll Data Entry, select the employee.
4. Click the Reverse Check button.
5. In the Reverse Check window, enter the check or direct deposit number.
Select the Copy Memos check box to copy any memos entered for the original record to the reversal record. For more information, see Search for Checks - Fields.
6. Click OK. The check information appears in the Payroll Data Entry window, but the amounts are now negative.
You can click Taxes to view the tax details, but you cannot edit the amounts.
7. Click Accept.
8. Print any applicable payroll reports.
9. Print and update the Check Register and Daily Transaction Register.

The payroll check or direct deposit transaction is reversed.

NOTE If you reversed a direct deposit transaction that has already been processed, you must also contact the bank to have the deposit removed from the employee's account.

To reverse a payroll check or direct deposit issued in a prior quarter

1. Select Payroll Main menu > Payroll Data Entry.
2. In the Pay Cycle window, enter the pay cycle, starting and ending dates, and the check date from the original check or direct deposit.
3. Click OK.
4. In Payroll Data Entry, select the employee number.
5. In the Print Check field, select No to indicate that you do not want to print a new payroll check or direct deposit stub for this entry.
The Manual Taxes check box is automatically selected.

Correct Checks That Have Been Printed

6. Clear the Automatic Deductions check box to manually reverse deductions entered for the original check or direct deposit.
7. Enter the bank code, check or stub number, and check date from the original check or direct deposit. In either the Check Amount or Dir Dep Adjustment field, enter the original net earnings amount as a negative number.

NOTE When entering a direct deposit stub number, the number must start with the letter D.

8. On the Lines tab, enter the employee earnings and voluntary deduction information. Enter all hours and amounts as negative numbers.

NOTE When reversing a check or direct deposit for which the time off accruals are based on hours, it is important to enter the hours as a negative number in order to reverse the accrual.

9. Complete all detail entries, and then click Accept. The Manual Payroll Tax Entry window automatically opens.
10. Use **negative** numbers to enter the tax amounts.
11. Click OK and then, in Payroll Data Entry, click Accept.
12. Click the Print button. When the Payroll Tax Calculation window appears, click Proceed.
13. Print the applicable Payroll reports.
14. Print and update the Check Register and Daily Transaction Register.

The check or direct deposit is reversed.

Correct Checks That Have Been Printed

When a check has been printed, Printed appears in the Print Check field on the Header tab in Payroll Data Entry. If you need to modify and reprint a check for an employee, you can change the status of the check, recalculate the taxes, and reprint the check.

For information about reprinting checks and stubs without recalculating taxes, see "Reprint Previously Printed Checks and Stubs" (page 66).

NOTE Use this procedure only if the check has not been included in a Check Register Update. If you've already updated the Check Register, you must reverse the check. See "Reverse a Payroll Check or Direct Deposit" (page 63).

To reprint a check

1. Select Payroll Main menu > Payroll Data Entry.
2. Select the employee for whom you want to reprint the check.
3. On the Header tab, in the Print Check field, select Yes.
4. Proceed as you would for a new check.

WARNING If more than one check is printed in the current pay cycle for an employee, information on the other checks (for example, year-to-date totals, tax or deduction limits) may be incorrect as a result of the tax recalculation. All checks should be updated prior to processing the next pay cycle.

Reprint Previously Printed Checks and Stubs

When check or direct deposit stub printing has been previously started, use Check Printing to reprint previously printed checks or stubs without recalculating taxes.

If you need to correct a check or direct deposit, and you have not updated the Check Register, see "Correct Checks That Have Been Printed" (page 65).

If you need to correct a check or direct deposit that was included in a Check Register Update, see "Reverse a Payroll Check or Direct Deposit" (page 63).

To print previously printed checks and stubs

1. Select Payroll Main menu > Check Printing. When prompted, click Yes to continue.
2. Select the Print Checks Already Printed check box to reprint previously printed checks/stubs within the specified range.
3. In the Check Message field, reenter the message.
4. Click Print.

Previously printed checks and stubs within the specified range are printed without recalculating the taxes.

Chapter 14: Period End Processing

Use this P/R Period End Processing to perform quarter and year-end processing in order to close the current quarter and move the accounting period forward to the next period. Year-end processing runs automatically if the current quarter set in Payroll Options is the last quarter of the year.

WARNING Back up all Payroll data before running period-end processing.

The following happens during quarter-end processing:

- The current quarter set in Payroll Options is advanced to the next quarter.
- Time off accrual values are updated based on settings in Payroll Options.

During year-end processing, in addition to the quarter-end events, the following happens:

- The field showing the employees' year-to-date direct deposit amount is cleared.
- Terminated employee records are removed from the employee file if there is no history associated with the records.
- For pension plan deductions, if the Reset Balance at Year End check box in Deduction Code Maintenance is selected, the deduction balance is reset to match the deduction goal amount. Otherwise, the goal is set to match the balance. (The deduction balance is calculated as the deduction goal less the accumulated deduction amount. If the balance is zero, the deduction is no longer applied.)
- If an employee has no history for a deduction, the deduction is removed from the employee record.
- If Calendar Year is selected in the Reset Time Off Based On field in Payroll Options, employees' unused time is carried over to the next year (up to the Carryover limit set in Employee Maintenance).
- History records are purged if they are older than number of years for which Payroll history is retained. The number of years to retain history is set in Payroll Options.
- The current processing year set in Payroll Options is advanced to the next year.

Period End Processing is located on the Payroll Period End menu.

Select Period End Reports

You can use Period End Report Selection to select which reports can be printed when running period-end and year-end processing. The selected reports will appear in the Period End Reports window if you select the Print Period End Reports check box in the Period End Processing window.

To select period-end and year-end reports

1. Select Payroll Period End menu > Period End Report Selection.
2. In the Report Name field, select a report.
3. In the Report Setting field, select a report setting.

4. In the Copies field, enter the number of copies of the report or report group to print.
5. If you do not want to use the default printer saved with the report setting, clear the Default Printer check box.
6. Click Accept.

The selected reports will appear in the Period End Reports window.

Period-End, Quarter-End, and Year-End Processing Checklist

Use the following checklist to perform period-end processing at the end of each pay period, quarter, and year.

WARNING Backing up your data is an important part of your daily, weekly, quarterly, and period-end procedures.

1. Set the Payroll accounting date to the quarter-ending date.
2. Back up the Payroll files onto a quarterly set of backup disks or tapes.
3. On the Payroll Period End menu, select Period End Processing.
4. Select the Print Period End Report check box, and select the reports that you want to print in the P/R Period End Reports window. (Reports appear only if they are entered in Period End Report Selection.)
5. Complete period-end processing after all of the selected reports have been printed.
6. Back up the Payroll file using a separate set of disks or tapes from the set used to back up the system in step 2.

Chapter 15: Federal and State Tax Reporting

Use Federal and State Tax Reporting to print signature-ready federal and state tax forms using plain paper or to electronically file the forms. You can also use this task to view or reprint previously printed forms.

The electronic filing system transfers forms to the appropriate federal, state, or local agencies by an approved method (including but not limited to fax or mail). To use the electronic filing system, you must complete the online enrollment process and provide a signed authorization form from each company, taxpayer, or authorized representative of the company or taxpayer. For more information, visit www.aatrix.com/partners/sage100.

You must have an Internet connection and a current Sage Business Care plan to use this task.

NOTE Only one session of Federal and State Tax Reporting can be run per workstation at any time.

If you are prompted to install a mandatory or optional update, click Yes or Automatic Update and then follow the on-screen instructions. You must install mandatory updates to continue processing, and you must install optional updates to maintain current forms and programs. Updates must be installed on each workstation. Administrative permissions in Windows is recommended to perform the update. On a terminal server, all users must exit Federal and State Tax Reporting, and updates must be run by a single-user session with administrative permissions.

Print or eFile Federal or State Tax Forms

Use this procedure to print or electronically file new or drafted federal and state tax forms using Federal and State Tax Reporting.

Before You Begin

If you print a yearly form or a form for the quarter, compare the check totals and employee totals before printing or electronically filing federal or state forms.

To print or electronically file forms

1. Select Payroll Period End menu > Federal and State Tax Reporting.

NOTE If Federal and State Tax Reporting is not activated, the Verify Account Information window appears. Click OK to verify your plan status and activate your account or click Demo to use Federal and State Tax Reporting in demo mode.

2. In the Form Type field, select one of the following:
 - Select Federal to print or electronically file a federal form.
 - Select State and then select the state to print or electronically file a state form.
 - Select Existing Reports to print a previously printed or electronically filed federal or state form.
3. If you selected Federal or State, select the form to print or electronically file.
4. In the Year and Quarter fields, enter the year and/or quarter depending on the form selected.
5. Enter the company name, address, city, state, ZIP Code, federal ID number, state ID number,

telephone number, fax, and trade name. The information entered in Company Maintenance appears by default, but it can be changed.

6. In the starting and ending check date fields, enter the starting and ending dates for the report, if applicable.
7. Use the Selections grid to select the employees for whom you need to print or file forms if necessary.
8. Click Proceed.

NOTE If you are prompted to install a mandatory or an optional update, click Yes or Automatic Update and then follow the on-screen instructions. You must install mandatory updates to continue processing, and you must install optional updates to maintain current forms and programs.

If the form type selected was saved with incomplete information, a message appears informing you that a work-in-progress version exists.

- To complete the saved form, click Yes.
 - To enter a new form, click No.
9. The tax reporting program will guide you through processing the form(s). For more information, see the help for the tax reporting program.
 10. When all forms are completed, print and/or electronically file the forms.

The forms are printed or electronically filed.

Reprint or Refile Processed Tax Forms

Use this procedure to reprint or refile processed federal or state forms using Federal and State Tax Reporting.

Before You Begin

Compare the check totals and employee totals before printing or electronically filing federal or state forms.

To reprint or refile processed federal or state forms

1. Select Payroll Period End menu > Federal and State Tax Reporting.
2. In the Form Type field, select Existing Reports.
3. Click Proceed.
4. In the Open Report window, select the report. Click View/Print.

NOTE If you are prompted to install a mandatory or an optional update, click Yes and then follow the on-screen instructions. You must install mandatory updates to continue processing, and you must install optional updates to maintain current forms and programs.

Reprint or Refile Processed Tax Forms

5. In the State/Federal eFiling and Reporting window, follow the steps to reprint or refile the form. For more information, see the State/Federal eFiling and Reporting Help system.
6. When all forms are reprinted or refiled, close all windows.

The federal or state forms are reprinted or refiled.

Chapter 16: Payroll Glossary

Allocated Tips

A calculated tip amount allocated to employees if the tips reported by those employees are less than the specified percentage of the establishment's gross receipts for a given period.

Audit Report

A report used to track changes made in Employee Maintenance. Changes are tracked based on selections made on the History tab in Payroll Options.

Bank Code

A code that identifies each bank account set up in the system. Each bank code is assigned a separate description, general ledger cash account number, and bank account number.

Calculation Method

A code assigned to each deduction code to determine the calculation method used for the deduction. The following calculation methods can be selected in Deduction Code Maintenance:

- Fixed Amount
- Percentage of Gross
- Based on Regular Hours Worked
- Based on Total Hours Worked
- Percentage of Net Wages
- Equal to Earnings Code(s)
- Based on Regular + Overtime Hours
- Based on Paid Hours
- Percentage of Total Hours
- Based on Pay Rate
- Percentage of Deduction

Deduction Code

A code identifying individual types of voluntary payroll deductions (for example, credit union, or insurance). Multiple deduction codes can be established for individual employees, and a standard deduction code (for example, for monthly insurance premiums) can be set up and applied to all employees or a range of employees.

Deduction code 000001 is assigned to Tips Reported, and cannot be altered or deleted from the Payroll module. Deduction code FB is a permanent record and cannot be deleted. When an Earnings Code with

Fringe earnings type is entered during Payroll Data Entry, an offsetting line with an FB deduction code is automatically created to deduct the line amount from the net check amount.

Direct Deposit

A process that allows employees to distribute their net pay to a maximum of eight separate bank accounts.

Earnings Code

A code designating the type of wages earned by employees, (for example, regular, overtime, or sick pay).

Earnings Type

A code designating the type of wages earned by employees. The following types of earnings can be selected during Earnings Code Maintenance.

- Regular
- Personal
- Overtime
- Miscellaneous
- Vacation Pay
- Excluded from Tip Calc
- Sick Pay
- Fringe

Effective Date (Banking)

The date that funds should be available in your company account for transfer to the employee accounts (that is, the date that direct deposit will take place). This date may need to be adjusted to allow for weekends and holidays, as your bank instructs.

Filing Status Code

A code identifying each employee's tax filing status such as single or married. Filing status codes are entered in Employee Maintenance; they are a required entry for some tax jurisdictions.

Labor Code

A code identifying the type of work performed by each employee. Costs are accumulated by labor code as each payroll is processed and can be reviewed by printing the Labor Distribution Report.

Other Taxes

The tax category for all taxes not specifically itemized elsewhere. The taxes included in this category vary by tax jurisdiction.

Pay Cycle

A code identifying the cycle for a current payroll, as follows:

- Daily
- Weekly
- Biweekly
- Semi-Monthly
- Monthly
- Quarterly
- Annually

Pay Method

A code, salary or hourly, designating whether an employee is paid on a salaried or hourly basis.

Pay Rate Multiplier

The number by which the pay rate is multiplied to arrive at the total gross earnings amount. The pay rate multiplier for regular earnings is 1, the rate for double overtime is 2, etc.

Pre-Note

A zero-dollar amount credit to an employee's bank account sent to the bank before direct deposit processing to make sure that the routing/transit numbers and bank account numbers are correct and that the bank can receive the credit without any problems. Pre-notes must be processed at least 10 business days prior to the first direct deposit.

Routing/Transit Number

The number identifying the financial institution with which the bank account is associated. This number is encoded at the bottom of the void check or deposit slip.

Status

An employee's current standing, as follows:

- Active (currently employed and working)
- Inactive (currently employed but not working)
- Terminated (no longer employed)

Tax Group

A grouping of the taxes within a tax jurisdiction. In Tax Profile Maintenance, when you enter a tax location code, the tax groups associated with that location are listed. You can then select or clear the check box for each tax to determine whether or not it is calculated for employees to whom the tax profile

is assigned.

Tax Group Details

The list of taxes that are included in a tax group.

Tax Location

Entered in the Residence and Work fields in Employee Maintenance to determine in which state(s) the employee lives and works. These are used for some tax calculations in addition to the location type selected for each tax location in Tax Profile Maintenance.

Tax Profile

A collection of tax groups maintained in Tax Profile Maintenance. At least one tax profile must be assigned to an employee in Employee Maintenance to determine which taxes are calculated for that employee when processing payroll.

Tax Rule

A rule that determines how taxes are calculated for earnings and deduction codes. A tax rule must be entered in Earnings Code Maintenance for all earnings codes and in Deduction Code Maintenance for all pension and cafeteria plan deductions.

Time Off Code

A code established in Time Off Maintenance used to identify time off accrual methods, limits, and carryover allowances for all three time off types. When these codes are assigned to each employee in Employee Maintenance, time off can be automatically accrued during the Payroll update and during year-end processing.

Tips Deemed

When an employee is paid less than the minimum wage, a portion of their tips reported is deemed to be wages in order to bring up the employee's hourly rate to minimum wage.

Tips Differential

This type of earning is used when the employee's total earnings (hourly rate plus tips reported) still do not equal minimum wage.

Tips Reported

The cash tips amount an employee reports as earned for a pay period. These tips are subject to tax but are not earnings paid out by the employer.

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