



Sage HRMS Payroll

Getting Started Guide

April 2017

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Last updated: April 18, 2017

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Introduction

This guide provides instructions for setting up Sage HRMS Payroll.

Support and resources

Sage strives to provide you with the best help and support in the industry. If you have a question, we're here to help!

- **Help and documentation.** Many answers to common questions can be found in the help and documentation included with Sage 300 ERP.
 - Open your Sage program and click the help icon to launch the help window or go to <http://help-hrms.na.sage.com> to open web help. Click the version at the upper-right side of the page to view help for your version of Sage HRMS Payroll.
 - Visit the [Sage HRMS Product Documentation website](#) or search the Knowledgebase for the latest guides.
- **Customer Support.** For additional articles and resources, visit <https://support.na.sage.com> or contact Customer Support at 800-829-0170 from within the U.S. and 800-330-2607 from Canada. Please have your Sage Customer Number handy when contacting Customer Support.
- **Tax forms.** Because all printed forms have variations, Sage 300 ERP only supports forms printed by Sage Checks and Forms. Call Sage Checks and Forms at 800-617-3224 or order online at www.SageChecks.com.

Sage HRMS Payroll Overview

Sage HRMS Payroll provides flexible tools for you to maintain data about your company and its employees, and the earnings, deductions, and taxes involved in processing the company's payroll.

After you set up your Sage HRMS Payroll (U.S., Canadian, or Both) system, you can process your payroll based on employee and earning and deduction information you set up for your company, or based on timecards and manual checks that you enter during the course of each pay period.

Sage HRMS Payroll prints payroll checks, produces government reports such as Forms T4W-2 and Forms 941, and other reports that track the results of payroll processing.

Sage HRMS Payroll Features

Sage HRMS Payroll handles all your payroll record-keeping and calculations, regardless of the size and complexity of your business.

You can use Sage HRMS Payroll to set up and maintain your payroll employees and the earnings, deductions, taxes, general ledger, and other pay factors used in calculating their pay. You can process payroll in Sage HRMS Payroll based on timecards or based on information you add when you set up employees. You can track the results of payroll processing on displays and printed reports.

Tailor the System to Your Business

- Set up the earnings, deductions, benefits, advances, accruals, expense reimbursements, and taxes that fit your company today and allow for growth in the future.
- Set up selection lists of employees for whom you can **Calculate Payroll** and perform other processing functions.
- Create overtime and shift differential schedules that accommodate all types of overtime and shift pay arrangements.
- Create up to four different classes, or sort orders, to allow you to **Calculate Payroll**, sort paychecks, and produce reports for any combination of employees.
- Create work classification codes that you can assign to employees, and produce reports based on the codes.
- Define the order in which earnings and deductions and taxes are to be calculated and the base hours, earnings, deductions, and taxes to use in calculating their amounts.
- Define and use as many optional fields as you wish to store additional information for all types of transactions and employee records.

Process Payroll in a Variety of Ways

- Process Payroll based on the earnings, deductions, and taxes you set up and assign to each employee on the Employee Payroll window.
- Process Payroll based on information in the employee record and information entered on timecards to override or supplement the data in the employee record.
- Create, calculate, and post manual check data for an "after the fact" record of checks written manually and issued to employees.
- Create and calculate manual check data and then print and post the manual checks in Sage HRMS Payroll.

Directly Deposit Paychecks

- Sage HRMS Payroll allows you to deposit paychecks directly to employees' bank accounts.

Choose Your Method of Posting to General Ledger

- Create G/L batches automatically upon printing and approving payroll checks.
- Create G/L batches on demand using the Create G/L Batch function.
- Create detailed batches or batches consolidated by account and fiscal period or by account, fiscal period, and source code.
- Create a new batch of payroll entries each time you process payroll (with an option to post the transactions in General Ledger as well during that time), or add the results of payroll calculation to an existing batch.
- Post each payroll check to the check date or the pay period end date.
- Use the G/L Integration window to choose the information that you want to transfer to General Ledger in the description, reference, and comment fields of General Ledger transactions arising from payroll transactions.
- Post to the general ledger using Sage HRMS Payroll-specific G/L cost center segments representing company departments, divisions, regions, and so forth.

Produce Complete Audit Trails

- Print the Employee Information report to track changes you make to any employee information, including information about the earnings, deductions, and taxes assigned to the employee.
- Print the Transaction History Audit report for a record of the payroll history that you entered during setup and to track the adjustments you make to Employee Payroll totals.
- Print Timecards and Payroll reports to verify the data you enter for processing the timecards.

- Print the Pre-Check Payroll Register and the Payroll Register to verify and record the results of payroll calculation.
- Print the Pre-Check Payroll Register to verify and record the information entered for earnings and deductions.
- Print the Payroll G/L Transactions report to produce an audit trail of all G/L transactions created by Payroll Processing.

Protect the Integrity of Your Data

Several built-in controls prevent you from taking actions that could damage your data. For example:

- The system warns you if you modify an earning, deduction, or tax that is referenced on a timecard or manual check.
- If you integrate with General Ledger, you cannot inadvertently leave G/L account fields blank. The system prompts you to enter at least one distribution account set for each tax and each earning and deduction you set up.
- You cannot delete an employee, earning, deduction, or tax that is referenced in the years of payroll history you opt to keep.

Quickly Review Data On-Screen

- Look up an employee's payroll activity, such as the amounts and hours spent on the employee's assigned earning/deduction codes, and the employee's paychecks.
- Look up the timecards that have been entered for employees.
- Display a list of employees' paychecks, and view the paycheck details.

Produce Comprehensive Management Reports

Sage HRMS Payroll provides a full range of reports, journals, and lists, including:

- **Earnings and Hours:** Print for a range of dates or print through any month for a look at employee totals for the month, quarter, and year to date.
- **Earnings/Deductions Summary:** Print for a range of dates, print current balances, or print through any month to focus on month, quarter, and year to date earning/deduction amounts.
- **Tax Calculation Analysis:** Print for a range of dates or print through any month to focus on month, quarter, and year to date tax amounts.
- **Workers' Compensation:** Print for details about employee wages subject to workers' compensation premiums and the calculated premiums.

Perform Payroll Tasks Quickly and Easily

- In one step, assign earnings and deductions to all or a range of employees.
- Globally update particular fields in the earnings, deductions, and taxes you have assigned to employees.
- In one step, delete terminated employees, inactive earnings, deductions, and taxes, and payroll history you no longer need.

Sage HRMS Payroll Setup Checklist

This checklist is designed to help you set up Sage HRMS Payroll. It includes the steps needed when preparing your payroll system. Use this checklist or visit the [Sage HRMS Product Documentation website](#) for the latest version of the Sage HRMS Payroll. You can print the Setup Checklist and use it as you follow the step-by-step instructions for setting up Sage HRMS Payroll.

Sage HRMS Payroll Setup Checklist		Date
Completed by		
Approved by		

Before you start

Install Payroll and set up databases:

- Install Sage HRMS. Refer to instructions in the Sage HRMS Installation Guide linked from the [Sage HRMS Product Documentation website](#).
- Create the system, payroll, and company databases; add the employer; do database setup, employer configuration, and employee configuration (refer to "Creating a new SQL database" (page 16)).

1. [Gather data from your present payroll system](#)

Include items such as:

- A list of the general ledger accounts used in your payroll system, including the salary and wages payable, suspense, wage expense, employee liability, and employer liability accounts.
- A list of the earnings/deductions (accruals, advances, benefits, deductions, earnings, and expense reimbursements) you use to process payroll.
- Tax information used in payroll processing.
- Employee information, including personal and payroll data.
- Employee historical data.

2. Set up General Ledger

Add the general ledger accounts you need for your payroll data, including the Salary and Wages Payable account, the Suspense account, and all the other expense and liability accounts you use to process payroll.

3. Add bank information for Payroll

Use the Banks window to set up bank accounts and printed check forms used in Payroll.

4. Select payroll options and enter information on the Options window

Enter the information on each tab of the Payroll Setup Options window.

5. Select options and enter information on the Payroll G/L Integration window

Enter the information on each tab of the Payroll G/L Integration window.

6. Set up optional custom fields (optional)

Use the Optional Fields window to define the custom optional fields then use the Assign Optional Fields window to assign the optional fields to records and transactions.

7. Set up class codes (optional)

To set up the payroll class codes to be assigned to employees, use the Class Codes window.

8. Set up earnings, deductions, and other pay factors

Set up the pay factors that are paid, deducted, or otherwise used in calculating employees' pay, by completing the appropriate tabs of the Earning/Deduction Codes setup window.

9. Set up workers' compensation codes

Enter the information on the Workers' Compensation Codes window.

10. Set up overtime schedules (optional)

To set up schedules of overtime pay, use the Overtime Schedules window.

11. Set up shift differential codes (optional)

To set up schedules of pay differential for different work shifts, use the Shift Differential Codes window.

12. Set up work classification codes (optional)

To set up work classification codes to be assigned to employees, use the Work Classification Codes window.

13. Set up taxes

On the Federal and State Taxes window, use the **Select Federal Or State Tax** button to select the tax update-supported income taxes that you will assign to your company's employees. For each tax selected, complete the tabs of the Federal and State Taxes window and then click **Add**.

14. Set up local and other custom taxes (U.S. only)

Using the Local/Other Tax Codes setup window set up and add any local or other taxes that are not supplied by the Sage HRMS Payroll tax and product updates.

15. Set up employee records

For each employee for whom you process payroll, complete the appropriate tabs of the Employee Payroll window.

16. Set up payroll transaction history

Use the Transaction History window to enter historical amounts for accruals, advances, benefits, deductions, earnings, expense reimbursements, and taxes, for each employee.

Depending on the category and calculation method of the earning/deduction you are entering, many of the columns on the Earnings/Deductions tab may not apply.

17. Set up employee selection lists (optional)

To create selection lists of employees to be used in calculating payroll and printing reports, use the Employee Selection window.

18. Set up common deduction limits (optional)

Associate multiple deductions based on a single limit and ensure that employee deductions do not exceed defined maximums (for example, multiple garnishments, retirement plans, and union dues).

19. Set up for EFT (direct deposit) of (optional)

Use the EFT Options window to set up the company's bank information, and use the **Employee Payroll** window to set up employees' bank information. To enable combining multiple EFT files, use the Combine EFT File window

20. Back up your data

Back up your data and store the backup in a safe place. For instructions on backing up data, refer to the **Sage HRMS Payroll System Manager Guide**.

Installation and Configuration

You must install Sage HRMS before you can configure the Payroll module.

For instructions to install Sage HRMS Payroll and for information on system requirements, read the [Sage HRMS Installation Guide](#).

Configuring the Sage HRMS Payroll Database

After installing Sage HRMS and Payroll, you must open your company and set up **Database Configuration** before you can start using the program for your payroll. For information on Database Configuration, read the Sage HRMS Installation Guide.

Creating a new SQL database

Before setting up a new company database, you must create a database in SQL Server.

To create a new SQL database

1. Select **Start > All Programs > Microsoft SQL Server > SQL Server Management Studio**.
2. Enter the **Server Name** and administrator logon credentials and click **Connect** to connect to your server.
3. Right-click the **Databases** folder and select **New Database**.
4. In the **Database name** field, enter a three digit (abbreviated) name for your database. The database name will later be referred to as a **Database ID** which the system automatically detects. Periods (.) are not permitted in database names so make sure the database name you enter does not contain a period.

Tip: Save time by entering the Database name of “**SageHRMS_XXX**” where **XXX** represents the three-digit name of your choice for your database. By entering “**SageHRMS_**” as the prefix for your database name, the system can then automatically set up your company database in Sage HRMS Payroll.

5. Click **OK**. The database you created has been added.
6. **Exit** Microsoft SQL Server Management Studio.

Set Up Your Company Database

If you named your database “**SageHRMS_XXX**” (where **XXX** represents your three-digit database name), skip this section and proceed to the next section: Add Employer.

1. Select **All Programs > Sage > Sage Payroll > Database Setup**. The Database Setup window displays.
2. The Payroll Database requires a password. Enter **admin**.
3. Click **New**. The New Database window displays.
4. Enter the **Database ID** (your database name as set up in SQL Server Management Studio), set the **Database Format** to **Microsoft SQL Server**.
5. For **Database Category** select **Company**, and for **System Database ID**, select **SYS** for System Database.
6. Click **OK**. The Edit SQL Server Database Profile window displays.
7. Enter the server **Description**, **Server name**, **Login ID**, **Password**, and **Database**.
8. Click **OK**. The Database Setup window displays.
9. Click **Verify** to confirm the information has been entered correctly. The Verify Database window displays.
10. The database you just created is in the **Include** column.
11. Click **Verify**. The system runs through several processes and a **Verification complete** message opens.
12. Click **OK**. Then click **Close**. The Verify Database window displays.
13. Click **Cancel**. The Database Setup window displays.
14. To add additional company databases, click **New**, or click **Exit** if you are finished.

Add an Employer

1. From the Start menu, select **All Programs > Sage > Sage HRMS Client > Sage HRMS Client**.
2. Enter **MASTER** in the **Username** field, leave the password blank, then select **Live Data** and click **Logon**.
3. At the prompt, select your **country code**: **US**, **Canada**, or **Both**. This setting cannot be changed (without creating a new database).
4. If this is your first time using Sage HRMS Payroll, a notification prompts “No employers have been set up yet.” Click **OK**.
5. Select **Setup > System > Add Employer**. Click **OK** to open the Employer Setup window.

6. Enter your employer information. For **Payroll Database ID**, enter the ID for the new database you created in SQL Enterprise Manager. If you named your database "**SageHRMS_XXX**", then enter the full name and prefix here.
7. Click **OK**. The system will now activate applications and add your company.
8. Once the process is complete, click **OK** to close and reopen Sage 300 ERP.

Set Up the Database

To finalize setup for the Sage HRMS Payroll module, the Database Configuration, Employer Configuration, and Employee Configuration must be completed.

Database Configuration

Use Database Configuration to specify the SQL database to map HR to Payroll data.

1. Log in to Sage HRMS as a Master user.
2. Select **Setup > Payroll > Database Setup > Database Configuration**.
3. In the **Sage HRMS SQL Server Name** field, enter or select the machine where Sage HRMS Server is installed.
4. In the **Sage HRMS Database Name** field, enter the name of the following databases from where the employee information will be transferred into Payroll.
 - **SageHRMS_Live** for the live database
 - **SageHRMS_DEU** for the U.S. Payroll sample database (if using U.S. Payroll is installed)
 - **SageHRMS_DEC** for the Canadian Payroll sample database (if Canadian Payroll is installed)
4. Enter the SQL logon credentials in the **Database User** and **Database Password** fields.
5. Click **Test Connection** to ensure the database connections are successful.
6. Click **Save** to save database connection information, and then **Close** the window.

Employer Configuration

The Employer Configuration window is used to determine how the user-defined Organization Levels from Sage HRMS should map to Payroll.

1. Select **Setup > Payroll > Database Setup > Employer Configuration** to open the **Employer Configuration** window.
2. Click the appropriate tab, either **U.S. Payroll** or **Canadian Payroll**, and then select the check box for **Use Interface - U.S. Payroll** (or **Use Interface - Canadian Payroll**) to activate the connection to

Payroll.

3. In the **Link Payroll Company to U.S. Payroll** (or Canadian Payroll) field, select the organizational relationships between Payroll and Sage HRMS.

If you set up your organization levels in Sage HRMS using Department, Division, Employer, and Zone, you would choose to link one of the following:

- **Department.** Select this option to configure only a department relationship between [[[Undefined variable Sage300.Sage300ERP]]] and Sage 300 ERP. After selecting Department, you specify the related organization code (for the department) in the **Sage HRMS Org. to Payroll** field.
 - **Division.** Select to configure only the division relationship between [[[Undefined variable Sage300.Sage300ERP]]] and Sage 300 ERP. After selecting, you specify the related organization code (for the division) in the **Sage HRMS Org. to U.S. Payroll** field.
 - **Employer.** Select to configure the company, which provides the most complete integration that Sage Payroll Link can offer. If you select this, you only have to specify the Sage HRMS employer to link.
 - **Zone.** Select to configure only the zone relationship between [[[Undefined variable Sage300.Sage300ERP]]] and Sage 300 ERP. After selecting, you specify the related organization code (for the zone) in the **Sage HRMS Org. to U.S. Payroll** field.
4. In the **Sage HRMS Employer to Payroll** (U.S. or Canadian) field, select the Sage HRMS employer or company that includes the employees you want to transfer.
 5. Depending on your selection in step 4, the **Sage HRMS Org. to Payroll** appears and you are required to specify the related organization code set up for the organization level.
 6. Click **Save** and **Close** the window.

Employee Configuration

Before you can start processing payroll, payroll fields must be mapped to HR fields. An employee configuration profile enables this mapping.

Before you create an employee configuration profile, verify that HR information is already set up. That is, all employees have been added to the employer, as well as benefits, earnings, deductions, shift differentials, and accruals. When HR setup is complete, you can create profiles for employee configuration.

1. Select **Setup > Payroll > Database Setup > Employee Configuration** to open the Employee Configuration window, where you can map employee record fields in Sage HRMS Payroll to HR, based on Payroll Profile IDs.

2. Enter the following information to create a new configuration profile:

- **Profile ID.** Enter an identifying name or code for the profile (up to 20 alphanumeric characters). Upon entering the Profile ID, the system refreshes with data from your [[[Undefined variable Sage300.Product Name 1]]] and Sage HRMS setups.

Tip: Best practice is to set up your profiles by pay frequency. This way, when you later use the Open Payroll Process to update your system, you can manage the updates as part of your payroll processing routine. We also recommend you set up a profile for paying bonuses.

- **Profile Description.** Enter a description or name for the profile (up to 60 alphanumeric characters).
- **Payroll Module.** This field automatically updates with either U.S. or Canadian Payroll based on the employer database you configured. You cannot change this field—it is specific to the payroll module for the company you are configuring.

3. Click **Add** to create the profile. The program updates the tables in all tabs with payroll settings you defined in Payroll.

4. To map the fields between each system, double-click the cells and select from the available options.

Typically, columns that require mapping show **None** and are under the **Sage HRMS** column. However, some additional columns require mapping for a successful integration. The drop-down lists show fields from Sage HRMS.

5. Choose each tab to map data from Sage HRMS to Payroll. Refer to the in-product help or [web help](#) and search for the keywords "Employee Configuration" for detailed instructions to map the fields on each tab.

6. Click **Save** after mapping all tabs and **Close** the window.

Using the Open Payroll Process

The **Open Payroll** process enables you to transfer (synchronize) information between HR and Payroll. After you install or upgrade, you should do this procedure to make sure your HR information is properly synced to Payroll.

This process is the first step in the payroll process that establishes the specific employee records to be processed and the methods by which they are processed.

Notes:

- Only one user can use the Open Payroll process at a time.
- If this window is open, no configuration windows can be opened, nor can configuration changes be saved.

1. Select **Payroll (or Canadian Payroll) > Process Payroll > Open Payroll**.
2. At the **Profile ID** field, click and select the employee **Profile ID** from where you want to transfer the HR employee records.
3. Select which information you want to update:
 - **Update Time Off**: Select to synchronize only time off information. This includes any changes mapped to the current Accruals tab in the Employee Configuration window as well as any predefined fields.
 - **Update Pay Information**: When selected, only payroll information will be synced. This includes changes mapped to the current Earnings, Cost Center, and Shift Diff tab in the Employee Configuration window as well as any predefined fields.
 - **Update Benefits**: When selected, only benefits information will be synced. This includes changes mapped to the current Deduction/Benefit tab in the Employee Configuration window as well as any predefined fields.
 - **Update All**: Select to update all of the above.

Important! Updating **All** records could take a significant amount of time based on the number of records to be updated. For this reason, a best practice is to update the least possible amount of records. However, **Update All** would be the best choice if you have made significant employee configuration mapping changes or if you have imported data from another application.

4. Select what type of employees you want to synchronize: **Active**, **Inactive**, or **Terminated**.
5. Click the **Get Employees** button to display a list of employees who fit the selected profile.
6. Additional synchronization options are available when you click the **Advanced Options** button. Make sure the options you choose are appropriate for the type of synchronization you need.
 - **Calculate Pay Rates as Hourly** transfers an employee as hourly regardless of the HR setting. For example, select this to transfer the hourly rate of a salaried employee to Payroll.
 - **Overwrite Distribution Codes** overwrites the existing distribution codes while updating existing records in Payroll.

Important! The default for this setting is **selected**, so distribution codes in payroll will be overwritten with the distribution codes mapped in the employee configuration profile you selected for synching.

- **Overwrite Payroll Pay Frequencies** overwrites existing pay frequencies. Sage 300 ERP supports four pay frequencies (bi-weekly, monthly, semi-monthly, and weekly), while Payroll supports five additional pay frequencies (daily, 22 per, 13 per, 10 per, and quarterly).

For example, suppose the existing pay frequency is daily in Payroll. If you select this check box, the system overwrites the existing pay frequency (daily) with the value retrieved from HR; otherwise, the system does not update the existing five specific pay frequencies.

- **Overwrite Cost Center Overrides.** Select this check box to overwrite or cancel any changes made to cost centers (as they apply to the selected employees' earnings, deductions, and taxes) for this payroll. This option is only available if you set up cost center overrides and defined the related segments (Setup > Payroll > Payroll G/L Integration > Integration tab).
 - Additional employee selection criteria are available by using **Pay Frequency**, **Organization Level**, **Organization Code**, or a specific **Employee ID** range.
7. Click the **Get Employees** button again to update the Employee list.
 8. In the **Include Benefits** section, select the benefits to be included or excluded from the sync process.
 9. In the Employee list, select or clear individual employee records for processing (without changing the overall selection criteria) by changing the value of the cells in the **Include?** column to **Yes** (to include) or **No** (to exclude) the employee record. You can also click **Include All** or **Exclude All** to change them all at once.
 10. Click **Process**. A summary of the employees and updates displays on the window for you to review before committing to the update.
 11. Click **Update** to complete the process and update Payroll. The Update process can take several minutes. Once complete, the items in the **Status** column change to **Updated**.
 12. After updating, you are prompted to review the results report. View and print this report as needed.
 13. Click **Finish** and then **Close** when you are done.

Step 1: Prepare Payroll Data

After you have installed and configured your Sage HRMS Payroll data files, the next step is to add the data from your company's present payroll system and prepare Sage HRMS Payroll for your day-to-day operations.

To begin, gather all your current payroll records. These can be manual records or printed listings and reports from other accounting software, such as:

- A list of the general ledger accounts used in your payroll system, including accounts for salary and wages payable, suspense, wage expense, employee liability, and employer liability.
- Listings of the earnings, deductions, and other pay factors you use to process payroll. When you set up Sage HRMS Payroll, you create a master record for each pay factor you will use in processing. Each master record is assigned one of the following categories:
 - Accrual (vacation, sick, or compensatory time)
 - Advance
 - Benefit
 - Deduction
 - Earning
 - Expense Reimbursement

To prepare your Sage HRMS Payroll system, gather information about each earning and deduction you assign to employees. The information should include:

- A meaningful six-character code (alpha-numeric, for reference and reporting)
- A record Type (for accruals: vacation, sick, or compensatory time; for earnings: salary and wages, reported tips, and so forth)
- A frequency (weekly, monthly, and so forth)
- A method of calculation (for example, at an hourly rate or as a percentage of the employee's base wages)
- A rate, percent, or amount
- An annual maximum and period minimums and maximums, if applicable
- G/L account distribution information
- Tax information used in payroll processing, including the following for each tax:

- Base wage and surtax multipliers, if appropriate
- The method for calculating the tax (percent, flat, etc.), if appropriate
- G/L account distribution information
- Standard deductions, exemption amounts, and calculation bases, if appropriate
- Employee information, including the following:
 - Personal data such as address, phone number, SSN/SIN, and birth date
 - Payroll data such as position, status, pay frequency, overtime and shift differential schedules, overtime calculation method, and workers' compensation information
 - Pay factors, including earnings, deductions, benefits, accruals, advances, expense reimbursements, and taxes assigned to the employee
 - Optional information, including cost center segment codes and additional human resource data
 - Employee to date amounts for the current year (if you are setting up a Sage HRMS Payroll system partway through a calendar year) and historical data from the previous years for which you want to enter employee history (which is an optional process).

Step 2: Set Up General Ledger Accounts

Add the G/L accounts you need for your payroll data, including the Salary and Wages Payable account, the Suspense account, and all the other expense and liability accounts you use to process payroll.

Notes:

- As you set up your General Ledger system, use the in-product Help for detailed setup instructions. From the main menu in the application, select Help > Contents or Search, then search for Setting up G/L.
- See also the section; Importing Data into Sage HRMS Payroll for help importing G/L information into Sage 300 ERP.

1. **Set up fiscal year information.** Select **Setup > Payroll Setup > Payroll Setup > Fiscal Year Calendar**. Enter the starting date for the first period in your fiscal year. For example, if your year starts in April, specify April 1 of the first year that you want data.

General Ledger creates a calendar for the year before the oldest year you specify, so you can post the opening entries for the oldest fiscal year.

2. **Set up G/L Options.** Select **Setup > Payroll > General Ledger > Options** and select the **Segments** tab to select basic processing options and define all the segments used in your General Ledger account numbers.

Note: On this tab, after you have chosen and saved the Account Segment for your main account, you **can no longer change the Account Segment**. Therefore, it is imperative that you select the correct Account Segment before you save G/L Options.

3. **Set up Segment Codes.** Select **Setup > Payroll > General Ledger > Segment Codes** to further define how you will structure your chart of accounts.
4. **Set up Account Structures.** Select **Setup > Payroll > General Ledger > Account Structures** to identify the format of the account numbers that are assigned to the account structure code.
5. **Set up G/L Accounts.** Select **Setup > Payroll > General Ledger > Accounts** to add new accounts to the general ledger.
6. **Set up Banks.** Select **Setup > Payroll > Bank Services > Banks** to add a new record for each bank account on your chart of accounts.
7. **Do G/L Integration.** Select **Setup > Payroll > Bank Services > G/L Integration** to determine how Bank Services produces transactions for G/L from posted bank transactions and to specify the data to include for G/L transactions.

Importing existing G/L data

If you are upgrading to Sage HRMS Payroll and already have a general ledger system set up, you can use the Import function to import your existing G/L data. Each G/L window that enables you to enter your accounts and segments information includes an Import and Export button.

You must create the file from your other system in the correct format in order for it to be imported into Sage 300 ERP. To do this, first add several entries in Sage 300 ERP (such as G/L accounts), and then use the Export button to export the information in the appropriate file type (for example, CSV file, XML, Access, Excel 2000, etc.). Review the format of the exported file so you can determine the specifications in which the file must be created for it to be imported into Sage HRMS Payroll. When you have created your file, use the Import button on the appropriate window (such as G/L Accounts) to import the file.

If you will be importing the data more than once, you can create a script (template) to speed up the process.

Search online Help for **importing data into Sage HRMS Payroll** for detailed instructions on using the Import Data function.

Step 3: Set Up Bank Information and Check Stock

Select **Setup > Payroll > Bank Services > Banks** to access the Banks window and set up bank accounts with the default check forms to be used in Sage HRMS Payroll.

Before you start

- Make sure that the general ledger includes the following accounts:
 - Bank Account
 - Write-Off Account
 - Rounding Account
- Add the distribution codes you need for bank entries.
- Add tax authorities and tax groups.
- Make sure you have authorization to maintain banks if you want to add, edit, or delete bank records.

To add a bank account:

1. Select **Setup > Payroll > Bank Services > Banks**.
2. In the **Bank** field, enter a bank code, then enter a **Description** for the bank.
3. Fill in the fields on the **Profile** tab.
4. On the **Account** tab, specify the general ledger bank and write-off accounts for the bank.
5. On the **Address** tab, enter the company address, contact name, and phone and fax numbers.
6. On the **Check Stocks** tab, specify check stock code, the next check number, and stock type.
7. On the **Taxes** tab:
 - a. Select a **Tax Group**.
 - b. For each tax authority in the tax group, use the Finder in the **Tax Class** column to select a vendor tax class. The tax group and vendor tax classes are used as defaults for taxable bank entries for the bank.
8. Click **Save**, then click **Close**.

Step 4: Set Up Payroll Processing Defaults

The **Options** window under **Payroll Setup** allows you to display and define settings for basic company information, payroll-processing criteria, and pay frequencies. Most company information is maintained using Sage 300 ERP.

Employee pay history is comprised of the data from each Sage HRMS Payroll paycheck issued to the employee. Check data includes the amounts calculated for each earning, deduction, or other pay factor assigned to the employee, as well as the amounts deducted for Sage HRMS Payroll taxes and the G/L account to which each amount is posted. Sage HRMS Payroll history also records the hours, pieces, sales amounts, or wage bases upon which Sage HRMS Payroll amounts are calculated and the rates, amounts, and percentages used to calculate them.

When you first set up Sage HRMS Payroll, you enter employee historical amounts on the **Transaction History** window. After Payroll Processing is underway, you use the Transaction History window to make adjustments to employee payroll totals.

Historical data includes:

- The employee history you add during setup. You can track and print this before Sage HRMS Payroll history, and the subsequent entries you make to adjust an employee's totals, by printing the Transaction History Audit report.
- The employee history that results from Payroll Processing in Sage HRMS Payroll. To view employee history generated by processing payroll in Sage HRMS Payroll, print the Earnings and Hours report (**Reports > Payroll > Transaction Reports > Earnings and Hours**).

You can retain several years of Sage HRMS Payroll history, although normally two to five years of history should suit your purposes (the minimum is one year, that year being the current year). When Sage HRMS Payroll history becomes older than the number of years you choose to retain in Options, you can delete it using Delete Inactive Records (**Payroll > Delete Inactive Records**).

Open the Options window from the Navigation Pane by selecting **Setup > Payroll > Payroll Setup > Options**.

Company Tab

The **Company** tab of the Options window displays the Sage 300 ERP company name (and address) you selected on the **Employer Configuration** window and allows you to enter a tax number, specific contact

name, telephone number, and fax number. You can change the contact name and the phone and fax numbers at any time.

Complete the fields on the **Company** tab as required, as follows:

- **Tax Number:** Enter the company's Tax Number.
- **Contact Name:** Type a name, in up to 60 characters, that identifies a contact person or position in the company for whom you are creating the system, or use the field for your own purposes.
- **Telephone:** Type the telephone number of the company.
- **Fax Number:** Type the fax number of the company.

Processing Tab

The **Processing** tab of the Options window lets you specify Sage HRMS Payroll settings such as:

- Minimum wage
- Years of employee history to keep
- Bank and check form
- Whether or not to print employees' social security numbers (or social insurance numbers) on paychecks

The **Processing** tab of the Options window lets you define company wide information. You can change your entries at any field on this tab, with the exception of the **Enter Start/Stop Fractional Hours As** field, at any time. To change the **Enter Start/Stop Fractional Hours As** field, there can be no active timecards in the system.

Determine your choice at each option and complete the **Processing** tab as follows:

Minimum Wage: Enter the current federal minimum wage.

Years of History to Keep: Enter the number of full calendar years (including the current year) of posted payroll detail your company wants to retain. Sage HRMS Payroll uses this information at Year-End to determine the detailed history you can delete. You can maintain several years of historical data. Keep in mind, however, that historical data consumes disk space. Two to five years of detailed history will usually provide the information you need.

Enter Start/Stop Fractional Hours As: Select either **Minutes** (the default) or **Hundredths Of An Hour** from the list field to instruct the system in the way to interpret entries at the timecard **Start Time and Stop Time** fields. Fractional entries in the timecard **Hours** field are always interpreted as hundredths of an hour.

You cannot change your entry at this field if active timecards exist within the system.

Number Of Decimal Places For Hourly Rates: This option allows you to use fractional pay rates. Your entry controls the number of decimal places (from two, the default, to five) you can enter for

earning/deduction hourly rates throughout the system (for example, employee hourly earnings rates and shift differential rates).

Maximum Annual Part-time Hours: Enter a maximum number of allowable part time hours if your company employs part time workers and wants to receive a warning message when a part time employee has reached the annual maximum.

Default Bank: The bank you enter here will automatically display on the Payroll Checks window. Use the Finder to select a bank that was set up on the Banks window.

Use Original Dates When Reversing – If you choose this option, Sage HRMS Payroll will set the date of a reversed paycheck to the date of its original check, regardless of the **Reversal Date** field entered on the Reverse Transactions window (**Payroll > Reverse Transactions**). If you do not choose this option, Sage HRMS Payroll will set the date of a reversed paycheck to the **Reversal Date** field entered on the Reverse Transactions window.

Print SSN on – If you want employees' social security numbers to print on paychecks, choose this option; otherwise clear this option. Your choice becomes the default setting on the Payroll Checks window but you can change it later on that window.

Frequency Tab

The **Frequency** tab of the Options window enables you to define your Sage HRMS Payroll system's pay frequencies. You can define the number of **Pay Periods Per Year** for daily, weekly, and biweekly pay frequencies. Pay periods per year are pre-defined for all the other pay frequencies supported by the system. You can also specify the **Hours per Pay Frequency** for each of the pay frequencies your company will use.

Review your pay frequencies and complete the **Frequency** tab as follows:

- **Pay Periods per Year:** For Daily, Weekly, and Biweekly pay periods, enter the number of pay periods per year.

The number of daily, weekly, and biweekly pay periods per year can vary from year to year. To allow the system to annualize wages for taxes and for earnings or deductions that use the Wage Bracket Table calculation method, be sure to update the **Pay Periods Per Year** fields when necessary.

- **Hours per Pay Frequency:** For each pay frequency your Sage HRMS Payroll system uses, enter the number of hours per period that defines the frequency.

When you enter the pay frequency for each employee on the Employee Payroll window, the system displays the hours per pay period associated with the employee's frequency.

You can change your company's pay frequency information at any time. If timecards, or unposted payroll transactions exist in your data when you change the frequency information, the changes will not affect them. Frequency changes apply only to data entered after the changes are made.

After Completing the Tabs

Review the options you have selected and the information you have entered on the tabs of the Options window to verify your entries are correct. When you finish, click the **Save** button.

Verify that the setup is correct and complete by printing a listing of your choices; select **Reports > Payroll > Setup Reports >** and print the **Options** report.

Step 5: Set up Payroll G/L Integration

Sage HRMS Payroll produces general ledger transactions from the payroll transactions you post. Each general ledger transaction includes all the information you need to update payroll data in your general ledger:

Sage HRMS Payroll creates batches of payroll transactions right in General Ledger, where you can edit and post them.

Sage HRMS Payroll provides several options you can use to produce general ledger transactions in the form that best suits your requirements.

Select **Setup > Payroll > Payroll G/L Integration**. Be sure you have completed G/L setup before you do G/L Integration.

Integration Tab

The **Integration** tab of the Sage HRMS Payroll G/L Integration window enables you to:

- Choose when to create the G/L transactions: either automatically during posting, or manually, upon request.
- Choose either the check date or the pay period end date as the journal entry date.
- Choose whether to create new batches for G/L transactions (and optionally post them) or to add them to existing G/L batches.
- Choose whether to consolidate general ledger transactions during posting of Sage HRMS Payroll batches.
- Specify a Salary and Wages Payable account and a Suspense account.

Creating G/L Transactions

- G/L Transactions are created **During Posting**. This means that G/L transactions are created automatically each pay period after printing and then approving checks (which is when posting occurs).
- To print the Payroll G/L Transactions report, you must choose to generate G/L transactions using the Create G/L Batch function.
- On Request Using Create G/L Batch - generate general ledger transactions whenever you choose, using the Create G/L Batch page. This creates the G/L transactions in General Ledger. Depending

upon the size of your payroll, you may want to defer the creation of batches until the end of the day when you do not need the computer for other tasks.

Note: You can change your selection in the **Create G/L Transactions** field on the **Payroll G/L Integration** window at any time. If you decide to change from deferring G/L transactions to creating them automatically after you have processed a Sage HRMS Payroll and approved the resulting checks, you will still need to use the Create G/L Batch (**Payroll > Tasks > Create G/L Batch**) function to generate transactions for the pay period just completed. The system generates automatic transactions for a pay period only when that option is in effect during processing.

Choosing the Journal Entry Date

You can opt to use either the check date or the pay period end date as the journal entry date for the transaction in General Ledger. Your choice determines the date for expense and employer liability account posting only; the system always uses the check date when posting to the bank and employee liabilities accounts.

Creating a New G/L Batch or Adding to an Existing Batch

The **Create G/L Transactions By** field lets you choose how and where to create the G/L transactions. You have the following options:

- Add Sage HRMS Payroll transactions to a batch that currently exists in the General Ledger. The batch must have an OPEN status. When you print a batch in General Ledger or set it as ready to post, its status is no longer OPEN.
- Create a new batch in General Ledger each time Sage HRMS Payroll generates G/L transactions.
- Create a new batch in General Ledger each time Sage HRMS Payroll generates G/L transactions, and automatically post the batch in the General Ledger.

Creating Detailed or Consolidated Batches

Consolidation options let you combine transaction details in general ledger transactions, or leave them unconsolidated to include all the details posted to each general ledger account.

Consolidation reduces the amount of information in the general ledger batch and results in a shorter Transactions Listing report.

However, consolidation also removes transaction-specific information from the Reference and Description fields for each transaction, as described in the later section, "Selecting References and Descriptions for G/L Transactions."

Sage HRMS Payroll provides the following choices for consolidating general ledger entries arising from Sage HRMS Payroll transactions:

- **Do Not Consolidate:** All the details posted in Sage HRMS Payroll will be included in the General Ledger transaction batch. The system posts every account/amount detail in the batch separately, in G/L account order. Details include the G/L account, fiscal period, date, posting sequence number, source code, reference and description, and transaction amount.
- **Consolidate by Acct/Fiscal Period:** All the details with the same general ledger account number and fiscal period are combined into one detail. If you do not need to retain transaction source codes, you can choose this option. Source codes indicate a transaction's type (system check or reversed check).
- **Consolidate by Acct/Fiscal Period and Source Code:** All the details with the same general ledger account number, fiscal period, and source code are combined into one detail. Consolidate by account, fiscal period, and source code, to consolidate transactions that post to the same G/L account in the same fiscal period, but retain transaction source codes.

If you create batches of G/L transactions immediately upon posting, consolidation does not occur across Sage HRMS Payroll checks. The details of each check will be consolidated within the check according to your choice of consolidation option.

If you choose to consolidate G/L transactions, certain details will be consolidated on the Payroll G/L Transactions report.

To print all transactions in detail on the Payroll G/L Transactions report yet send consolidated batches to General Ledger, set the option to **Do Not Consolidate** when you are processing Sage HRMS Payroll. Then, when you are ready to run the function to create G/L batches, change the option to either of the Consolidate G/L Batches options (account/fiscal period or account/fiscal period/source code).

Consider the amount of detail you require in your general ledger before you decide whether to produce detailed or consolidated batches.

Salary and Wages Payable Account: Enter the account number of the G/L liability account to which employee pay amounts are credited. This account is also debited with the total amount of the checks written manually or printed by Sage HRMS Payroll. The **Salary and Wages Payable Account** is a required account.

Suspense Account: Enter the G/L account number of the asset account that is debited with the amounts, if any, by which deductions from paychecks exceed wages owed. The **Suspense Account** is a required account.

Transactions Tab

The **Transactions** tab on the **Payroll G/L Integration** window lets you specify the type of information to use in the transaction description, detail reference, detail description, and detail comment fields for general ledger transactions. This information also displays on the G/L Transactions report.

You can assign one or more pieces of information (segments) to each field, provided that the combined length of the segments and separators does not exceed 60 characters. Fields exceeding this limit will be truncated when you post general ledger transactions.

The segments you can select depend on the type of transaction to which you are assigning information and whether the information is for the transaction header or the details. This ensures that the information passed to General Ledger is relevant for each type of transaction.

For example, for the reference, description and comments associated with each type of general ledger transaction, you can choose:

- The calculation sequence number generated by **Calculate Payroll** for all transactions processed at the same time.
- The posting sequence number generated by Sage HRMS Payroll Checks (when you approve the checks) for all transactions posted at the same time.

The calculation sequence number prints on the Pre-Check Payroll Register and both the calculation and posting sequence numbers print on the Payroll Register.

When you create general ledger transactions, if no data exists in the source transaction field, the field will be blank in the general ledger transaction.

- **Unconsolidated transactions:** If you do not consolidate general ledger transactions, information for all the G/L fields is passed to General Ledger, as specified on the G/L Integration setup window.
- **Consolidated transactions:** If you consolidate general ledger transactions, only the information for the G/L Entry Description field is passed to General Ledger. The detail reference, description, and comment are lost in consolidation.

When you consolidate general ledger transactions in Sage HRMS Payroll, shown in General Ledger reporting (after you use the Create G/L Batch function) are the following descriptions:

- The description given to consolidated entries is "Transactions consol. by UP on <date>."
- The description for consolidated details (if the original descriptions were different) is "Details consol. by UP." Consolidation will keep the original descriptions if they were the same for all original details.

Sage HRMS Payroll Distribution Accounts

As part of Payroll setup, you enter the G/L accounts to which payroll transactions will post. (You must add the accounts to the G/L chart of accounts before you can enter them in payroll.) First, you enter the Salary and Wages Payable account and the Suspense account, which are required, in Payroll G/L Integration. You then enter all of the other payroll expense and liability accounts as parts of an unlimited number of distribution account sets you associate with a particular earning/deduction or tax.

For instance, suppose you set up an earning that will be assigned to all of your hourly employees. You can define for this particular earning any number of distribution account sets, each set made up of the following accounts:

- Regular Wages Expense
- Overtime Wages Expense
- Shift Differential Wages Expense

You identify each account set by a distribution code and description. Then, when you assign the earning to an employee, you also assign the distribution code for the set of accounts you want to use when posting the employee's earnings.

Using the example given at the beginning of this section, suppose that:

- Your company has two departments (100 and 200), and you post payroll totals to G/L accounts that include the department code.
- Wage amounts for an employee who works in department 100 post to account 6400 100 and wage amounts for an employee who works in department 200 post to account 6400 200.
- Other totals, such as benefit and deduction amounts and taxes, similarly post to expense and liability accounts that include one of the two department codes.

To accommodate a fairly simple posting scheme - one in which each expense or liability posts to one of only a small number of distinct G/L accounts set up to track the expense or liability - you can take advantage of the multiple distribution code feature and set up two (or more) account sets for each earning/deduction and tax.

For the company with departments 100 and 200, you could set up an account set for department 100 amounts and an account set for department 200 amounts.

When you assign an earning/deduction or tax to an employee, depending upon whether the employee works in department 100 or department 200 you assign either the distribution code for the department 100 account set or the distribution code for the department 200 account set. If a department 100 employee occasionally works in department 200, you can enter a timecard to override the department segment of the wage expense account.

It may be, though, that you want to post Employee Payroll amounts to a greater number of G/L accounts, using account segments to represent different employees, sections of the company, regions of the country, and so forth.

Setting up the number of unique accounts you require for complex cost center posting by adding a multitude of distribution account sets could entail hours of tedious data entry. Sage HRMS Payroll's cost center override option provides a much easier way for you to post to unique G/L accounts by division, department, employee, or any other company entity.

The **Transactions** tab of the G/L Integration window lets you specify the type of information to use in the transaction description, detail reference, detail description, and detail comment fields in the general ledger transactions arising from Sage HRMS Payroll transactions.

This information also displays on payroll posting journals and reports.

On the **Transactions** tab, the table shows a list of Sage HRMS Payroll transaction types.

For each transaction type, the table shows the segments (information) that were selected to be the transaction:

- G/L Entry Description (that is, the overall description of the transaction)
- G/L Detail Reference
- G/L Detail Description
- G/L Detail Comments

The G/L Detail options refer to the reference, description, and comments that apply to the each detail line of the transaction.

When you double-click a transaction type from the table, a G/L Integration Details window opens.

The fields on this window are:

- **Transaction Type:** From the drop-down list, choose the Sage HRMS Payroll transaction type that will transfer to the General Ledger.
- **G/L Transaction Field:** From the drop-down list, choose the **G/L Transaction** field for which you are defining the segments. This can be a transaction description, detail reference, detail description, or detail comment.
- **Example:** As you include or exclude segments, the **Example** field shows the segments you have selected for the transaction type.
- **Segment Separator:** Select a character to separate segments of information. (The separator is used only if you assign more than one segment. The default separator is a hyphen.)
- **Choose Segments From List:** From the list, choose the information (segment) you want to accompany each General Ledger transaction created by Sage HRMS Payroll, as an additional audit trail marker.

To assign one or more segments to the selected transaction field, select the segments from the **Choose Segments From List** section, then click **Include**.

You can assign a maximum of five segments to a **G/L Transaction** field, providing that the combination does not exceed 60 characters. If the assigned information exceeds this number of characters (including separators), it will be truncated when the transaction is posted.

Among the options are:

- If you choose **Posting Date**, the description, reference or comment will contain either the check date or the pay period end date, depending upon which of these you chose as the journal entry date, on the **Integration** tab of this window.
- If you choose **Posting Sequence**, the description, reference or comment will contain the posting sequence number generated by Payroll Checks (when you approve the checks) for all transactions posted at the same time.
- If you choose **Calculation Sequence**, the description, reference or comment will contain the calculation sequence number generated by **Calculate Payroll** for all transactions processed at the same time. The calculation sequence number prints on the Pre-Check Payroll Register and both the calculation and posting sequence numbers print on the Payroll Register.

Segments Currently Used: This shows the segments currently selected. To remove a segment, select the segments from the **Segments Currently Used**, and click **Exclude**.

After Completing the Tabs

- Review the options you have selected and the information you have entered on the tabs of the G/L Integration window to be sure your entries are correct. When you finish, click the **Save** button.
- To print a listing of your choices, to verify that they are correct and complete select **Reports > Payroll > Bank Reports > G/L Integration**.

Step 6: Set Up Optional Fields (optional)

You can use optional fields to store additional information in your Sage HRMS Payroll system.

Before you can define optional fields for use in payroll, you must first set them up for system-wide use on the Optional Fields window. For information on setting up system-wide optional fields, see the Sage HRMS Payroll in-product Help menu.

Optional fields let you customize payroll by letting you store an unlimited amount of additional information with employee, earning/deduction, and tax records, and with timecards, transactions, and payroll processing.

Because you can select records by optional field code on several reports, optional fields also provide an additional means of analyzing employees and transactions in payroll.

You can use an unlimited number of optional fields. However, you must first define optional fields for your payroll system using the Optional Fields window. (For more information about setting up optional fields, see the System Manager Guide.)

After you have set up optional fields for payroll, you can use the **Assign Optional Fields** window to define optional fields for use with the following payroll records and transactions:

<ul style="list-style-type: none">• Employees• Employee Earnings/Deductions• Employee Taxes• Earnings/Deductions• Payroll Processing• Taxes• Timecards	<ul style="list-style-type: none">• Timecard Earnings/Deductions• Timecard Taxes• Transactions• Transaction Earnings/Deductions• Transaction Taxes
--	--

The previous list represents the specific areas of a record or transactions for which you can define optional fields. For example, you can define optional fields for the employee in general, for the employee's earnings and deductions, or for the employee's taxes

For each optional field you plan to use in Sage HRMS Payroll, you specify:

- The type of optional field you are entering, indicating whether the optional field is to be used with specific Sage HRMS Payroll setup records (employees, earnings, deductions, and taxes),

timecards, transactions, or Payroll Processing. You can set up an unlimited number of optional fields for each type.

- The optional field code for each optional field you are defining. If you want to retain optional field information from Sage HRMS Payroll transactions when you create batches for General Ledger, you must use the same optional fields for transactions in Sage HRMS Payroll as you use in General Ledger.
- The default entry (value and description) to use for the optional field. However, the value entered here may be overridden by values entered elsewhere in Sage HRMS Payroll.
- You can accept or change the default values on any of the forms.
- Whether the program will display the optional field and its default entry on the window for the type of optional field when you set up new records or enter transactions.
- For example, if you define Carpool as an optional field for Employees and you select **Yes** in the **Auto Insert** field, the Carpool field will display automatically on the **Optional Fields** tab of the Employee Payroll window when you add a new employee.
- Settings that determine whether General Ledger accounts can be updated with optional field information from posted transactions, as described in the next section, "Optional Fields from Sage HRMS Payroll to General Ledger."

After defining optional fields, you can assign them to particular records (employee earnings, deductions, and taxes), or when you enter timecards.

Sage HRMS Payroll assigns the optional fields you define for Sage HRMS Payroll transactions when you generate transactions using the following window:

- **Calculate Payroll**

For example, assume your employees serve on various committees (a uniform committee, an employee education committee, and a community service committee) set up to address work related issues.

On the Optional Fields window, you might set up an optional field called Committees and make three entries in the **Value** column: **Uniform**, **Education**, and **Community**. For each entry, you could enter a 60 character description.

To ensure that users entered only one of those three values when assigning the Committees optional field to the employee record, you would select the **Validate** check box. (To allow users to enter any value, do not select it.) With the **Validate** check box selected, you can also specify that users could leave the **Committees** field blank in the employee record, by selecting the **Allow Blank** check box (available only for optional fields defined as text or date).

Then on the Optional Fields window, when you set up the optional fields for Employees, you would select **Committees** as one of the Employees' optional fields. You could then:

- Assign it a default value. If you had selected the **Validate** check box, the default value must be **Uniform**, **Education**, or **Community**.

- Select the **Auto Insert** option if you wanted the **Committees** optional field to display automatically on the Employee Payroll window whenever you add employees.

After you complete these steps, you can assign the **Committees** optional field when you set up each employee. If you had selected the **Validate** check box, you ensure that the system validates your response at the **Committees** field in Employees. You can enter **Uniform**, **Education**, or **Community** (all three display in the Finder at the **Committees** field). If you had also selected the **Allow Blank** check box, you can leave the field blank if the employee is not currently serving on a committee.

If you did not select the **Validate** check box, you can make any entry you want, up to the specified character length for the field, at the **Committees** optional field in Employees.

Optional Fields from Sage HRMS Payroll to General Ledger

You can restrict the flow of information that is passed to General Ledger when you post transactions that use optional fields.

For optional field values to pass from Sage HRMS Payroll to General Ledger, use the Optional Fields window (**Setup > Payroll > Optional Fields**) to:

- Define optional fields for any of the following:
 - Transactions
 - Transactions Earnings/Deductions
 - Transaction Taxes
 - Payroll Processing
- Specify the accounts for which values for an optional field can be passed to General Ledger.

When you create general ledger transactions in payroll, the program passes the optional field values used in a transaction to General Ledger if:

- The optional fields are the same as the transaction details optional fields assigned to the affected account in General Ledger.
- The optional field settings specify that optional field information be passed to the type of account used in the transaction. (You specify the settings by clicking the Settings button on the Optional Fields window, described later.)

For example, assume you have defined an optional field called ABC for "Transactions" that you want passed to the Bank account in General Ledger. On the Settings dialog box, you must have selected the Bank account, and in General Ledger, you must have defined an optional field ABC as well.

The values then display in General Ledger in:

- The G/L journal entry for the account.
- The G/L Transactions report.
- The G/L Integration report (before the G/L batch is posted).

Note: While all account groups are initially selected for new optional fields, you need to consider carefully the purpose of the optional field you are defining. You should send values to General Ledger only for optional fields that require Sage HRMS Payroll analyses and only to accounts where they are required.

You do not need to send optional field information for analysis that is performed only in Sage HRMS Payroll. If you routinely send all the optional fields you use in Sage HRMS Payroll transactions, your General Ledger may become unwieldy, and you may also slow down processing considerably.

Payroll Processing versus Transactions

This section discusses the optional fields defined for Transactions, Transaction Earnings and Deductions, Transaction Taxes, and Payroll Processing, on the Optional Fields window.

You can set up these types of optional fields so that they are passed to General Ledger when you run **Calculate Payroll**.

The following table summarizes the main differences between the optional fields defined for the Payroll processing option and those for the transaction options.

Question	Payroll Processing	Transactions, Transaction Earnings/Deductions, Transaction Taxes
What is the purpose?	Define optional fields for Payroll Processing if you want to associate the fields with the overall Calculate Payroll . For example, you might define an optional field that describes the Payroll run.	Define optional fields for the Transaction options if you want to associate the fields with the paychecks produced by the Calculate Payroll .
How do I assign or edit these optional fields?	Use the Optional Fields tab of the Calculate Payroll window.	See the section "Optional Fields for Transactions."
Which Sage HRMS Payroll reports show these optional fields?	Not applicable.	On the Pre-Check Register and Payroll Register.

Optional Fields for Transactions

This section describes the optional fields defined for Transactions, Transaction Earnings/Deductions, and Transaction Taxes.

To provide additional information about paychecks, you define these types of optional fields, using the Optional Fields window.

If you have defined the same optional field on the setup window and in other areas of Sage HRMS Payroll (that is, the employee record, timecard), then the program uses the optional field from the other areas, as follows.

- **For Calculate Payroll:** Paycheck information that is generated based on a timecard, will use the optional field from that timecard, timecard's earnings and deductions, or timecard's taxes. Paycheck information that is generated based on the employee record uses the optional field from that employee, employee's earnings and deductions, or employee's taxes.

For example, on the Optional Fields window, assume you have defined an Optional Field ABC for both the Transaction Earnings/Deductions, and for the Timecard Earnings/Deductions. Assume you created a timecard for the employee, and assigned the optional field ABC to the employee's earning code. When you run **Calculate Payroll** to produce paychecks, the Sage HRMS Payroll program uses the optional field ABC from the timecard.

Assume you created a timecard for the employee, and assigned the optional field ABC to the employee's earning code. When you run **Calculate Payroll** to produce paychecks, Sage HRMS Payroll uses the optional field ABC from the timecard.

Note: On the Optional Fields window, setting the **Auto Insert** field for a transactional optional field to **Yes** means that Sage HRMS Payroll will always add that optional field to the paycheck. This could inflate your database and slow down processing considerably. For example, if you set the **Auto Insert** field to **Yes** for an optional field for "Transaction Earnings/Deductions," the optional field will be added to every earning/deduction on every paycheck. If you process weekly paychecks for hundreds of employees, this would result in a huge number of optional fields stored in your database.

A more efficient method would be to set the optional field's **Auto Insert** to **No**. Then you can decide later whether to include the optional field in the paycheck information, by adding or deleting the optional field from the employee record, timecard.

Optional Field Default Values

Normally, the values you define on the Optional Fields window displays the defaults for the optional fields on records and transactions in Sage HRMS Payroll. However, if you have assigned the same optional

fields in several areas of Sage HRMS Payroll, the values defined at setup may be overridden by the optional fields from those other areas.

The following table summarizes how Sage HRMS Payroll determines the default values for optional fields. Keep in mind that you can change the default value that displays on any window.

For an optional field defined for:	Its default value comes from:
An Employee; A Tax, An Earning/Deduction Payroll Processing	The Optional Fields window.
An Employee's Earning/Deduction	The optional field assigned to that earning/deduction on the Earnings/Deductions window if any. If none, the value comes from the Optional Fields window.
An Employee's Tax	The optional field assigned to that tax on the Taxes window if any. If none, the value comes from the Optional Fields window.
Timecards	The optional field assigned to that employee on the Employee Payroll window, if any. If none, the value comes from the Optional Fields window.
Timecard's Earning/Deduction;	The optional field assigned to that earning/deduction on the Pay tab of the Employee Payroll window, if any. If none, then the optional field assigned to that earning/deduction on the Earnings/Deductions window, if any. If none, the value comes from the Optional Fields window.
Timecard's Tax;	The optional field assigned to that tax on the Taxes tab of the Employee Payroll window, if any. If none, then the optional field assigned to that tax on the Taxes window, if any. If none, the value comes from the Optional Fields window.
Transactions; Transaction Earnings/Deductions; Transaction Taxes	See the section "Optional Fields for Transactions."

To define optional fields for your Sage HRMS Payroll system

1. Select Setup > Payroll > Optional Fields > Assign Optional Fields.

Note: The optional field, **Sage 300 ERP Transferred Timecard to CP or UP**, is automatically set up for U.S. Payroll and displays in the list of optional fields. This is used Timecard Earnings/Deductions and Transaction Earnings/Deductions.

2. Complete the following fields for each optional field you plan to use in Sage HRMS Payroll:
 - **Optional Fields For:** Select the type of record or transaction for which you are defining the optional field. The following table lists the choices, and describes where you will be able to view and assign them after this setup.

Optional Fields For:	After setup, you can assign the optional fields on the:
Employees	Optional Fields tab of Employee Payroll window. These optional fields apply to the overall employee record.
Employee Earnings/Deductions	Pay tab of Employee Payroll window. These optional fields apply to the employee's earnings or deductions only.
Employee Taxes	Taxes tab of Employee Payroll window. These optional fields apply to the employee's taxes only.
Earnings/Deductions	Optional Fields tab of Earning/Deduction Codes window.
Taxes	Optional Fields tab of both the Federal and State Taxes window and the Local/Other Tax Codes window.
Timecards	Optional Fields tab of Timecard window.
Timecard Earnings/Deductions	Earnings/Deductions tab of Timecard window. Note that AHPROC is already set up for transferring timecards to U.S. Payroll
Timecard Taxes	Taxes tab of Timecard window.
Transactions	These optional fields can be automatically assigned by the Calculate Payroll . For more details, see "Optional Fields for Transactions" in this guide.
Transaction Earnings/Deductions	Same as Transactions. Note that AHPROC is already set up for transferring timecards to U.S. Payroll
Transaction Taxes	Same as Transactions.

Optional Fields For:	After setup, you can assign the optional fields on the:
Payroll Processing	Optional Fields tab of Calculate Payroll window.

Optional fields defined for Transactions, Transaction Earnings/Deductions, Transaction Taxes, and Payroll Processing, are passed to General Ledger, if set up properly.

- **Optional Field and Description:** Use the Finder to select the optional field codes you want to use for each type.

You can define an unlimited number of optional fields for each type, providing the optional fields are set up for use in your system.

Note: If you want to retain optional field information from Payroll transactions when you create batches for General Ledger, you must use the same optional fields for transactions in Payroll as you use in General Ledger.

When you select an optional field code, the program displays the description for the optional field.

- **Value Set:** If you want to set a default value for the optional field, double-click in the **Value Set** column to change it to **Yes**.

The **Yes** indicator in the **Value Set** field alerts the data entry clerk that a seemingly blank optional field actually has an entry. By looking at the **Value** field, you cannot tell whether it has a "blank" default value or no value at all.

- **Default Value and Description:** Enter or select the value that the program will display as the default for the optional field.

If the optional field you selected requires validation, you must select a value that is defined for the optional field. However, if the optional field allows blanks, you can leave the default value field blank.

If the optional field does not use validation, you can do one of the following:

- Select a value that is defined for the optional field.
- Leave the field blank.
- Enter a combination of alphanumeric or special characters and spaces. The entry must be consistent with the type of field (text, number, date, amount, and so on) and must not exceed the number of characters specified for the optional field. In a Yes/No field, you can enter only **Yes** or **No**. In an Integer field you can enter any integer with an absolute value less than

2,147,483,647.

When you specify a value, the program displays the description for the value.

- **Required:** To make the optional field mandatory, double-click in the **Required** column.

During data entry, if an optional field is required, but does not have a default value, you must fill in the field before you can proceed. If the optional field has a default value, you can accept the value that displays or assign a different one.

If you make an optional field a required field, the **Auto Insert** field must also be **Yes**.

- **Auto Insert:** Select **Yes** in this field if you want the program to display the optional field and its default value on the window for the type of optional field when you set up new records or enter transactions.

Select **No** if you do not want the optional field to display automatically.

For example, if you define Carpool as an optional field for employees and you select **Yes** in the **Auto Insert** field, the **Carpool** field will display automatically on the **Optional Fields** tab of the **Employee Payroll** window when you add a new employee.

Note: Selecting **Yes** for optional fields for Transactions, Transaction Earnings/Deductions, or Transaction Taxes may result in a large database, and slow down processing.

3. The **Settings** button is available only if you are adding optional fields for transactions, transaction earnings and deductions, transaction taxes, or Payroll Processing. The **Settings** button is disabled if optional fields have not been entered. To enable it, enter an optional field code and move the cursor to another field. Then click the **Settings** button.

A separate window lists all the groups of accounts that are affected when you post transactions of the type for which you are defining the optional field. Use the window to select the accounts for which you want to pass values to General Ledger when you post transactions that include the optional field.

4. Click **Add** (or **Save**) to add the optional field.

Step 7: Set Up Class Codes (optional)

You can use Class Codes as a means of sorting, grouping, or classifying your employees. The class codes you set up are used for sorting and selecting employees for processing and reporting purposes only and have no relationship to G/L posting.

For example, if your company has five office locations—one each in California, Colorado, Ohio, Delaware, and Texas—and you want to sort employees according to the home office to which they report, you can use Class 1 to represent your company's office locations. In the Class Codes function, define the codes for Class 1 as CA, CO, OH, DE, and TX. You then assign the class code on the Employee Payroll window. And finally, you can use filters and reports to identify and sort employees who are assigned each class.

Similarly, if you process a departmentalized payroll but you do not post the results of payroll processing by department to G/L (in other words, you are not going to set up a cost center segment for departments), you can set up Class 2 to define an employee's department. On the Class Codes window, you can set up a class code for each department. The label Class 2 will display when you set up each employee and you can enter the employee's department code. You can then process employees or print reports by department.

For example, you might decide to use Class 1 to indicate the sales teams to which employees belong. In this case, the codes you set up on the Class Codes window for Class 1 could be SALES1, SALES2, SALES3, and so on. You might then decide to use Class 2 to indicate an employee's location. You could set up the Class 2 codes to correspond to the areas within your company or the cities in which your company has offices.

The **Class 1** through **Class 4** fields are listed in the Employees function for each employee you set up. At each field, enter one of the codes you set up on the Class Codes window.

To Set Up Class Codes

1. Select Setup > Payroll > **Class Codes**.

Note: You can add new class codes at any time. You cannot delete a class code after it is assigned to an employee.

2. Determine your employee class codes and complete the **Class Codes** window.
 - **Class:** Select the class you want to define: Class 1, Class 2, Class 3, and Class 4.
 - **Class Code:** For each class, enter a code, using up to six characters (letters and numbers).
 - **Description:** For each code, enter a description of up to 20 characters.
3. Review the entries on the **Class Codes** window. When you finish, click the **Add** button.
4. Print a list of the class codes from Reports > Payroll > Setup Reports > Class Codes.

To Assign Class Codes to Employees

1. Select **Employees > View/Edit Employee > select an employee > Payroll**
2. Click the **Class/Schd** tab.
3. In the **Class Codes** section, use the Finder to select from the list of class codes you previously set up. Select up to 4 class codes for each employee.
4. Click **Save**.
5. Repeat these steps for each employee.

Step 8: Set Up Earnings, Deductions, and Other Pay Factors

Sage HRMS Payroll earnings and deductions are amounts, other than taxes, that are added to, deducted from, or otherwise used to calculate an employee's pay. In the Sage HRMS Payroll application and in the manuals, these pay factors are referred to generically as earnings and deductions. Keep in mind when you see the term earning/deduction that the system and the manuals are referring to any one of the six pay factor categories you can set up on the Earning/Deduction Codes window (**Setup > Payroll > Earning/Deduction Codes.**)

On the Earning/Deduction Codes setup window, you set up the pay factors that are paid, deducted, or otherwise used in calculating employees' pay. After you set up all the earnings/deductions you need to process your company's payroll, you will return to these windows as needed to make modifications and to delete pay factors you no longer need.

This section steps you through the setup of earnings and deductions.

The six categories of earnings and deductions, and their corresponding types, are:

- [Accruals](#)
- Vacation time
- Sick time
- Compensatory time
- Advances
- Cash
- Noncash
- Benefits
- Cash
- Noncash
- [Deductions](#)
- [Earnings](#)
- Salary and wages
- Reported tips

- Allocated tips
- Expense reimbursements

Set up each accrual, advance, benefit, deduction, earning, and expense reimbursement that your payroll processing requires. Each earning/deduction is identified by a code of up to six characters. Each record includes the name, category, type, frequency (how often the earning/deduction can be calculated), employee and employer calculation methods, G/L distribution accounts, and other information.

When you assign an earning/deduction to an employee, the system displays as defaults the rate, amount, or percent; start and end dates; and, in the case of accruals, the carry over date you set up in the earning/deduction master. Other defaults (workers' compensation group/code and G/L segment overrides for the earning/deduction) come from the employee record itself.

You can further configure earnings and deductions specifically for each employee. When you **Calculate Payroll**, the system draws on the earning/deduction information you set up for each employee.

To open the Earning/Deduction Codes setup window, from the Navigation Pane select **Setup > Payroll > Earning/Deduction Codes**.

Because the tabs and fields that display on the Earning/Deduction Codes setup window vary according to the category, type, and calculation method of the earning/deduction you are setting up, the illustrations in this section may not show all of the tabs and fields described in the text.

Basic Information Tab

The **Basic Information** tab of the Earning/Deduction Codes setup window provides fields for specifying the category and type of earning/deduction you are setting up, as well as the employee and employer calculation methods, frequency, start and end dates, level, workers' compensation status, and other information.

Review your Payroll Processing needs and complete the fields on the **Basic Information** tab as required, as follows:

Earning/Deduction: Type an identifying code of up to six characters.

Description: Type a description, in up to 60 characters, to identify the earning/deduction in a meaningful way; for example: Hourly Wage Level 1, United Way Monthly Deduction, or Dept. 206 Bonus Pay. The earning/deduction's description is used to identify the earning/deduction in Finder fields and on Sage HRMS Payroll reports and it is a required field.

Short Description: Type a description, up to 15 characters, to identify the earning/deduction. The short description prints on reports and on employee Forms W-2, and it is a required field.

Category: From the selection list, choose one of the following categories:

- **Accrual:** Vacation, sick and compensatory time accruals, and payments.
- **Advance:** Money or goods provided in anticipation of repayment.
- **Benefit:** Cash and noncash contributions made by the employer on behalf of the employee.
- **Deduction:** Amounts taken from employee pay for union dues, disability insurance, retirement funds, and other items.
- **Earning:** Salaries, wages, commissions, bonuses, reported and allocated tips, and so forth.
- **Expense Reimbursement:** Payments to the employee to reimburse company-related expenses incurred by the employee.

If you are setting up an earning/deduction that represents excludable moving expense reimbursements, do not select **Expense Reimbursement** as the earning/deduction's category. Select **Benefit** and, at the **W-2 Reporting** field described later in this section, select **Excludable Moving Expense Reimbursement**. For more information about excludable moving expense reimbursements, see the government's Instructions for Form W-2.

Type: For the category of earning/deduction you are setting up, enter a type, if applicable. The selections that display depend upon your entry at the **Category** field. The categories "Deduction" and "Expense Reimbursement" have no types.

Benefits can be cash or noncash. A cash benefit increases the employee's net pay. When setting up distribution account sets for cash benefits, you enter an expense account only.

A noncash benefit does not increase an employee's net pay. Allowing an employee use of an automobile would be considered a noncash benefit. When you set up a noncash benefit, you can choose to post amounts for it to expense and employer liability accounts or not to post amounts for it at all.

To track the uncollected Social Security and Medicare taxes on the cost of group term life insurance over \$50,000, set up noncash benefits. For each benefit, at the W 2 Reporting field on the Employer tab of the Earning/Deduction Codes setup window, select either Uncollected Social Security Tax on the Cost of Group Term over \$50,000 or Uncollected Medicare Tax on the Cost of Group Term over \$50,000.

Because the uncollected taxes pertain to former employees, you cannot calculate amounts for these benefits through regular Payroll Processing. Instead, to establish the uncollected tax amounts you will report on the employees' W-2 forms, use the Transaction History window to enter for each employee the calculated values of the uncollected Social Security and Medicare taxes.

Advances can be cash or noncash. A cash advance is typically an amount of money paid in advance to an employee, who is expected to repay the loan. Supplying that employee with uniforms or tools in expectation of payment would be considered a noncash advance.

To set up an earning that tracks the amounts that employees report in tips, select the category **Earnings** and the type **Reported Tips**.

To set up an earning that reports allocated tips on the Form W-2, select the category **Earnings** and the type **Allocated Tips**. (You can provide the allocated tips amount either through timecard entry or by entering the amount in Employee Transaction History at Year-End.)

Earning/Deduction Calculation Methods

You select a method for the system to use in calculating each earning/deduction. You set up an employee calculation method for accruals, deductions, and earnings. You set up an employer calculation method for benefits and for employee deductions such as 401(k) retirement plans, which have employer contributions as well as employee deductions. Deductions that use both an employee and an employer calculation method are referred to as "two sided deductions" in Sage HRMS Payroll documentation.

Advances and expense reimbursements are always calculated as flat amounts and therefore do not require a calculation method.

- **Employee Calculation Method:** Select from the list the method for calculating the amount deducted from, paid to, or accrued by the employee for this earning/deduction. You select an employee calculation method for accruals, deductions, and earnings only. The selection list displayed by the system contains the calculation methods that pertain to the category of earning/deduction being set up.

When you set up an earning/deduction, be sure you specify the correct employee calculation method. After you add the earning/deduction, you cannot change the employee calculation method unless you delete the earning/deduction and add it again.

Hourly Rate earnings are always associated with a number of hours worked that you specify in the employee record or on a timecard. When you set up an earning for hourly employees - that is, employees whose primary earnings are calculated by multiplying hours worked by an hourly rate of pay - choose Hourly Rate as the calculation method.

Amount Per Hour earnings are always associated with a calculated base of eligible hours that you enter on the Calculation Base tab of the Earning/Deduction Codes setup window rather than with a specified number of hours worked. When you set up an earning that you wish the system to calculate by multiplying an amount by a calculated number of hours, choose Amount Per Hour as the calculation method. To allow the system to calculate an Amount Per Hour earning, rather than specifying the number of hours worked, you specify the hours based earnings and accruals to be used in calculating a "base" by which the amount per hour is multiplied.

You select an employee calculation method for vacation and sick time accruals but not for compensatory time accruals. Note that liability amounts for accrued vacation and sick time are posted to the general ledger only if you select Percentage Of Base as the employee calculation method for these accruals and then select the **Post The Liability** check box on the **Employee** tab.

- **Employer Calculation Method:** Select from the list the method to be used in calculating the amount contributed or paid by the employer for this earning/deduction. You select an Employer Calculation

Method for benefits and deductions only. The selection list displayed by the system contains the methods that pertain to the category of earning/deduction being set up.

When you set up an earning/deduction, be sure you specify the correct employer calculation method. After you add the earning/deduction, you cannot change the employer calculation method unless you delete the earning/deduction and add it again.

The following table lists the employee and employer calculation methods you can choose.

Select	To Calculate the Earning/Deduction
Flat	As a flat salary amount that can be overridden on timecards .
Fixed	As a fixed salary amount that cannot be overridden on timecards .
Hourly rate (employee only)	By multiplying hours worked by a specific dollar amount pay rate (for earnings).
Amount per hour	By multiplying hours you specify by a dollar amount.
Piece rate table	By multiplying the number of units entered on the employee's timecard by a dollar amount defined in the Piece Rate Table you set up.
Percentage of base	As a percentage of employee's base wages in the current pay period.
Sales table (employee only)	As a percentage of the employee's sales, according to the Sales Commission Table you set up.

The Flat and Fixed calculation methods for earnings are designed to pay salaries (as opposed to hourly wages). Use either Flat or Fixed as appropriate for the following situations:

- Use the Fixed calculation method to pay employees whose salaries will be apportioned across cost centers.
- Use the Flat calculation method for employees whose salaries will always be posted to a single cost center.

Suppose you set up a Fixed salary of \$600 per week for an employee who works equal time in five departments.

On the employee's timecard, you would enter the earning five times, specifying for each entry the eight hours worked in that department. \$600 would display in the **Rate/Amt/Pct** field for each entry and you cannot override it. However, when **Calculate Payroll** processes the timecard, the system calculates an hourly rate (in this case, \$15.00) and apportions the fixed \$600 among the five departments. The employee's salary remains fixed at \$600.

To make an apportionment of a Fixed earning, you enter the apportioned hours for each entry. The fixed amount that displays in the **Rate/Amt/Pct** field is used in conjunction with each entry, enter a fifth of the \$600 amount, or \$120, as shown next:

To make an apportionment of a Flat earning, as illustrated above, you enter the apportioned amount of the earning for each entry. Any hours you enter have no effect on the calculation of each entry.

The Hourly Rate and Amount Per Hour calculation methods are both based on hours, but with the following very important differences:

- Use the Hourly Rate calculation method to set up an earning for employees paid on an hourly wage basis.

You enter the hourly rate when setting up the earning and the system uses this rate in conjunction with an employee's default hours per period to arrive at wages earned. You can pay overtime for Hourly Rate earnings.

- The Amount Per Hour calculation method is meant primarily for supplemental earnings.

The Amount Per Hour calculation method allows you to enter a dollar amount that is applied to certain base hours you define by completing a "Base Hours Include" list. You can enter in the Base Hours Include list any accrual and any earning that uses the Flat, Fixed, Hourly Rate, Piece Rate Table, or Sales Commission Table calculation method.

The system calculates for the pay period the number of hours associated with each accrual payment and each hours based earning in the Base Hours Include list and applies an amount per hour to those hours. You cannot pay overtime for Amount Per Hour earnings.

Select Hourly Rate-not Amount Per Hour-as the employee calculation method for earnings assigned to hourly employees.

If you choose to use the Piece Rate Table, Sales Commission Table, **or Wage Bracket Table** calculation method, part of earning/deduction setup involves setting up the table to which the system refers for information about piece rates and sales commissions, **and wage brackets**.

If you choose to use the Amount Per Hour, Percentage Of Base, **Wage Bracket Table**, or Hours Per Hour Worked calculation method, you must specify the base hours, earnings, deductions, and taxes that make up the calculation base for the earning/deduction.

Earning/Deduction Frequencies

Frequency is provided for earnings and deductions as well as employees so you can set up a deduction, for example, that is taken monthly from a weekly employee's pay.

You can assign an earning/deduction to an employee only if the earning/ deduction's frequency is the same as, or less frequent than, the employee's pay frequency. For example, if the employee's pay frequency is monthly, you can assign to the employee an earning/deduction whose frequency is monthly, ten times per year, or quarterly.

The Float frequency allows you to set up an earning/deduction that can be assigned to employees with any pay frequencies.

The Float earning/deduction assumes the frequency of the employee to whom it is assigned and is calculated each time you **Calculate Payroll** for the employee (as long as you select the earning/deduction frequency when you **Calculate Payroll**).

Because Float earnings and deductions can be assigned to employees with varying pay frequencies, you may want to leave the earning/deduction's rate/amount/percent blank when you set it up on the Earning/Deduction Codes window and enter employee specific rates, amounts, or percentages when you assign it to the individual employees.

The following table lists the earning/deduction frequencies you can select and the employees to whom you can assign the earning/deduction.

Select	To Allow the Earning/ Deduction to be Calculated	So It Can Be Assigned to Employees with these Pay Frequencies
Float	Every time you process Payroll for an employee	Any pay frequency
Daily	Daily	Daily
Weekly	Weekly	Daily, Weekly
Biweekly	Every two weeks	Daily, Weekly, Biweekly
Semimonthly	Twice a month	Daily, Weekly, Biweekly, Semimonthly
22 Pay Periods/Year	22 times a year	Daily, Weekly, Biweekly, Semimonthly, 22 times per year
13 Pay Periods/Year	13 times a year	Daily, Weekly, Biweekly, Semimonthly, 22 times per year, 13 times per year
Monthly	Monthly	Daily, Weekly, Biweekly, Semimonthly, 22 times per year, 13 times per year, Monthly
10 Pay Periods/Year	10 times a year	Daily, Weekly, Biweekly, Semimonthly, 22 times per year, 13 times per year, Monthly, 10 times per year
Quarterly	Four times a year	Daily, Weekly, Biweekly, Semimonthly, 22 times per year, 13 times per year, Monthly, 10 times per year, Quarterly

Frequency– From the selection list, choose the frequency with which you want the earning/deduction to be taken.

When you set up an accrual, the Frequency field is available only if its calculation method is Hours Per Frequency.

By selecting the Float frequency, you indicate that the earning/deduction will assume the frequency of each employee to whom it is assigned. You cannot select the Float frequency if you are setting up an Hours Per Frequency accrual or any earning/deduction that uses the Piece Rate Table or Sales Commission Table calculation method.

You can assign an earning/deduction to an employee only if the earning/deduction's frequency is the same as, or less frequent than, the employee's pay frequency.

When you set up an earning/deduction, be sure you specify the correct frequency. After you add the earning/deduction, you cannot change the frequency unless you delete the earning/deduction and add it again.

Level. The system assigns a level to each earning/deduction and tax you set up. The level dictates whether amounts calculated for the earning/deduction or tax can be included in the calculation base of another earning/deduction or tax. All calculation base earnings and deductions must have levels lower than the earning/deduction or tax whose base they constitute.

At the Level field, you can enter any number between 1 and 999.

The system defaults a level of 10 for all earnings and deductions and a level of 20 for all taxes. From there, you must consider the hierarchy of levels needed to create your earning/deduction calculation bases.

- **Starts:** Your choice at this field determines when calculation of this earning/deduction will begin:
- **Specific Month/Day:** Calculation of the earning/deduction starts on a specific month and day, which you enter in the **Month** and **Day** fields that subsequently display.
- **Date of Hire:** Calculation of the earning/deduction starts on the employee's hire date.
- **Months After Hire.** Calculation of the earning/deduction starts a specific number of months after the employee's hire date. You enter the number of months in the **Months After Hire** field that subsequently displays.
- **Days After Hire:** Calculation of the earning/deduction starts a specific number of days after the employee's hire date. You enter the number of days in the **Days After Hire** field that subsequently displays.

When you assign this earning/deduction to an employee, the system defaults an employee specific start date for it.

Ends: Type the date, if any, that calculation of the earning/deduction is to end.

Last Maintained: The system displays the (DOS) date on which you last modified this earning/deduction.

Inactive As Of ____: Select the **Inactive** check box if you want to prevent this earning/deduction from being assigned to any new employees. If you choose to make an earning/ deduction inactive, the system displays the current date in the **As Of** field to indicate the date on which you changed the status. As it does

at the Last Maintained field, the system uses the DOS date and not the session date you enter when you begin running Sage HRMS Payroll.

Setting an earning/deduction's status to **Inactive** has no effect on the payroll calculation of employees who have already been assigned this earning/deduction.

Print Earning/Deduction on Check: Select this check box if you want the amounts for this earning/deduction to print on employees' pay stubs.

Subject to Workers' Compensation: Select this check box to indicate that the accrual, earning, or benefit you are setting up is subject to workers' compensation premiums.

Only the payment of vacation, sick, or compensatory time (and not the accrual of vacation, sick, or compensatory time hours) is subject to the premiums.

Include in FLSA Overtime Calculation: This field displays only for the following types of earnings:

- Salary & Wages that uses an employee calculation method of Flat, Fixed, or Hourly Rate.
- Reported Tips.
- Allocated Tips.

Select this check box if you want to include this earning in the regular pay rate that is used to calculate FLSA overtime. After you save this setting, this will be the earning's default setting when you subsequently assign the earning to employees.

Changing this field does not update the setting for existing employees who already have the earning assigned.

You can change the setting for employees who are assigned the earning, using the Pay tab table of the Employee Payroll window or the Update Earn/Ded for All Employees window in the Employees folder.

Post Benefit To General Ledger: Select this check box, which displays for noncash benefits only, if you want to post amounts for this noncash benefit to G/L expense and employer liability accounts.

Tip Disbursement: This check box displays only for a Reported Tips earning. Tip disbursements occur when tip amounts are added to a customer's credit card total rather than paid directly to the employee in cash by the customer. Select this check box to indicate, for a reported tips earning, that the reported tips are disbursed from customer credit card payments. Tip disbursement earnings are added to net pay on an employee's paycheck.

Repayment Deduction: Select this check box, available for deductions only, to indicate that the deduction you are setting up is an automatic deduction to repay a cash or noncash advance.

Advance To Be Repaid: This field displays only if you have selected the **Repayment Deduction** check box. Type the code for the advance the employee will repay with this deduction. You can override the advance code when you assign the deduction to an employee.

If you leave the **Advance To Be Repaid** field blank, the system gives a warning message because it is essential that you link a repayment deduction to the advance it was set up to repay. Be sure to return to this field and enter the advance code as soon as you have set up the advance.

Link Accrual Earning: This field displays only for vacation and sick accruals. To enable the program to automatically calculate the dollar value of vacation (or sick) time paid out in a timecard, enter the earning that is associated with the vacation (or sick) accrual. The earning you enter must have an employee calculation method of Hourly Rate, Fixed, or Flat.

In order for the program to calculate the dollar value of the accrual payout:

- If you entered an Hourly earning in the **Link Accrual Earning** field, ensure that you have entered an hourly amount in the **Rate/Amt/Pct** field for that Hourly earning in the employee's record.
- If you entered a Fixed or Flat earning in the **Link Accrual Earning** field, ensure that you have entered for that Fixed or Flat earning in the employee's record:
 - A fixed or flat amount in the **Rate/Amt/Pct** field.
 - The hours associated with that amount, in the **Default Hours** field.

For example, assume for a Vacation accrual, you enter a flat Salary earning in the **Link Accrual Earning** field. You then pay out eight hours of accrued vacation in an employee's timecard. Assume the flat Salary earning is assigned to the employee's record, with \$1,000 in the **Rate/Amt/Pct** field and 40 in the **Default Hours** field. Sage HRMS Payroll will automatically calculate the dollar value each of the eight hours as \$25 ($\$1,000 / 40$), for a total accrual payout value of \$200.

In the example, if you did not enter the Salary earning in the **Link Accrual Earning** field, you would have to manually enter the dollar value of the eight hours (\$200) in the **Rate/Amt/Pct** field of the timecard.

Employee Tab

The **Employee** tab of the Earning/Deduction Codes setup window prompts you for information needed by the system to calculate the amount for an earning/deduction. You complete this tab of the Earning/Deduction Codes setup window for all earning/deduction categories except benefits. The entries you make depend upon the employee calculation method you choose for the earning/deduction.

This section presents all of the fields that can display on the **Employee** tab for advances, deductions, earnings, and expense reimbursements (not all fields display for each category of earning/deduction).

Review the employee calculation method for this earning/deduction and complete the fields on the **Employee** tab as follows:

W-2 Reporting: From the selection list, choose the term that applies to the deduction. Your choice determines the placement of information about the deduction on the employee's Form W-2. If you choose **Not Applicable**, it means that information about the deduction does not need to print as one of the detailed items on the Form W-2, but may be a part of other totals that print on the Form W-2.

The **W-2 Reporting** field displays on this tab for deductions only.

Rate/Amount/Percent: Depending upon the calculation method chosen for this earning/deduction, type the rate, amount, or percent to be used in the calculation of this earning/deduction. You can override the rate, amount, or percent when you assign the earning/deduction to the employee.

This field does not display for earnings and deductions that use the Piece Rate Table or Sales Commission Table calculation method.

Minimum And Maximum Based On: Choose from the selection list the unit or amount on which the annual and period minimums and maximums for the earning/deduction are based. Period minimum and period maximum refer to the minimum and maximum amounts that can be calculated for the earning/deduction in the period dictated by the frequency. For example, an earning/deduction with a weekly frequency have weekly minimum and maximum amounts; an earning/deduction with a monthly frequency have monthly minimum and maximum amounts.

Your selections for entry in this field depend upon your entry in the **Employee Calculation Method** field. (The **Minimum And Maximum Based On** field does not display for advances or expense reimbursements or for any earnings and deductions with the calculation methods Flat, Fixed, and Hourly Rate.)

If the calculation method is:

- Piece Rate, select No Limit, Piece Count, or Dollar Value.
- Amount Per Hour, select No Limit, Hour Count, or Dollar Value.
- Percentage Of Base, select No Limit, Pay/Deduction Amount, or Base Amount.
- Sales Commission Table, select No Limit, Commission Amount, or Sales Amount.

If you select **No Limit**, the system calculates the earning/deduction each period without regard to any minimums or maximums. (The **Annual Maximum** and **Period Minimum and Maximum** fields do not display.)

If you select an item other than **No Limit** and you are adding an earning/deduction with the frequency **Float**, the period minimum and maximum fields are labeled **Minimum And Maximum Amounts By Frequency**. If you are setting up an earning/deduction with any frequency other than Float, the period fields are labeled (Frequency) Minimum and (Frequency) Maximum.

Minimum And Maximum Amounts By Frequency or **Period Minimum And Period Maximum:** In the case of a Float earning/deduction, type the smallest and largest amounts or numbers of units that may be used in calculating the amount for the earning/deduction in each pay frequency your company uses. For earnings and deductions with frequencies other than Float, type the minimum and the maximum for the frequency.

The minimum and maximum fields display for any earning/deduction that have its **Minimum And Maximum Based On** field set to something other than **No Limit**.

Annual Maximum: Type the annual amount at which calculations for this earning/deduction should stop.

The **Annual Maximum** field does not apply to tips earnings, to any earning with the calculation method Fixed, or Hourly Rate or to any earning/deduction that has its **Minimum And Maximum Based On** field set to **No Limit**.

If you set up a two sided deduction using **Amount per Hour** as the calculation method for both sides and you choose **Hour Count** as the item upon which minimums and maximums are based, you must either enter the same amounts for the employee and employer annual maximums or set the maximum for one side to zero.

If you set up a two sided deduction using Percentage Of Base as the calculation method for both sides and you choose Base Amount as the item upon which minimums and maximums are based, you must either enter the same amounts for the employee and employer annual maximums or set the maximum for one side to zero.

Lifetime Maximum: For earnings and deductions (except accruals) that let you enter an Annual Maximum amount, you can also enter a Lifetime Maximum amount.

The **Lifetime Maximum** field enables you to specify when Sage HRMS Payroll should stop calculating the earning or deduction, without specifying a time limit.

For example, if you create a Car Payment deduction with a lifetime maximum of \$100,000, then during every **Calculate Payroll** run, the program will deduct a Car Payment amount for employees who have been assigned that deduction, until \$100,000 has been deducted.

The value you enter on the Earning/Deduction Codes setup window becomes the default for all employees. However, you can change the value on individual employee records, where appropriate.

Secondary Rate (Percent/Amount/Amount Per Hour): This field applies only to deductions that let you enter an Annual Maximum amount (that is, if you have set the **Minimum And Maximum Based On** field to an option other than **No Limit**), and that uses an employee calculation method of Flat, Amount per Hour, or Percentage of Base.

This field enables you to specify a second rate (expressed as a percentage, amount, or amount per hour, in accordance to the calculation method chosen) to be used for a deduction, after the maximum (Annual or Lifetime Maximum fields) for the first rate has been reached.

An associated field, **Secondary Rate (Percent/Amount/Amount Per Hour) Effective**, enables you to specify when the Secondary Rate should be effective.

Note: There is no maximum after the secondary rate commences, so Sage HRMS Payroll will continue to deduct the secondary rate until you de-activate the rate.

- To stop deducting the secondary rate for all employees, set the **Secondary Rate Effective** field to **Never**.
- To stop deducting the secondary rate for individual employees, open the Employee Payroll window, select the deduction on the **Pay** tab, and clear the "Calculate Earning/Deduction" option.

For example, assume you created a flat \$1,000 Car Payment deduction with a lifetime maximum of \$100,000. You also specified a secondary rate amount of \$500, to be effective "After Lifetime Maximum Reached."

Then during every **Calculate Payroll** run, the program will deduct a \$1,000 car payment for each employee who has been assigned that deduction, until \$100,000 has been deducted for the employee. The program will then deduct \$500 during every **Calculate Payroll** run, until you stop the deduction, using one of the methods described earlier.

Secondary Rate (Percent/Amount/Amount Per Hour) Effective: This field displays if the **Secondary Rate (Percent/Amount/Amount Per Hour)** field displays.

You can use the **Secondary Rate (Percent/Amount/Amount Per Hour) Effective** field to designate when the secondary rate comes into effect (never, or after the Annual Maximum or the Lifetime Maximum is reached).

Associate W 2 Printing. If you chose Other Information Field at the **W-2 Reporting** field earlier on this tab, the Associate W-2 Printing option becomes available to you.

Select this option if the deduction you are setting up needs to be associated on the W-2 form with a particular state or tax update supported local tax or with a custom tax you configured using the Local/Other Tax Codes window. Then, if an employee works in more than two states or localities and requires more than one FormW-2, you can be sure that the deduction displays on the same W 2 form as the taxing entity with which it is associated.

Associated Tax. Type or select from the Finder the state, tax update supported local, or custom local tax with which you want to associate the deduction you are adding. Any custom tax you select has to be set to print in the Local Tax or Other Information field on the Form W-2 and cannot be associated or combined with any other tax.

For example, say you set up a deduction for New York State union dues. The employees to whom you assign the union dues work in New York, New Jersey, and Connecticut. Since you want to ensure that the union dues print on the employee W 2 that also prints New York State tax amounts, enter Other Information Field at the **W-2 Reporting** field, select the **Associate W-2 Printing** option, and then select NYSIT (New York State income tax) at the **Associated Tax** field.

The fields remaining to be completed, which specify the earning/deduction's relationship to Sage HRMS Payroll taxes, depend on the category of earning/deduction you are setting up:

- When you set up a deduction, the remaining fields on the tab are labeled "Take Deduction Before."
- When you set up an earning, the remaining fields on the tab are labeled "Subject To The Following Taxes."

Because you are adding earnings and deductions before you add your company taxes, you cannot invoke the Finder or enter any taxes in the following fields during setup. When you add and configure your taxes, later in setup, you will specify the calculation base for each tax - that is, the earnings and deductions that are to be calculated before a particular tax is deducted.

According to the entries you make on the **Calculation Base** tab for each tax, the system makes the appropriate tax entries in the **Take Deduction Before** and **Subject To The Following Taxes** fields for each earning/deduction. Therefore, although both the Earning/Deduction Codes and the Taxes windows allow you to specify the relationships between earnings and deductions and taxes, you only need to enter the information in one place and the system creates the entries in the other.

Take Deduction Before: When you set up a deduction, you select the taxes that are to be taken after the deduction is deducted. The deduction is a pre-tax deduction in relation to the taxes you select in the **Tax** field.

The taxes you enter in the **Take Deduction Before** field must have levels higher than the level of the deduction. You can type in the taxes or click the Finder to choose from a list of all taxes with levels higher than the level of the deduction you are adding.

Subject To The Following Taxes: If you are setting up an earning, you select the taxes the earning is subject to and the withholding type (Regular Rate; Supplemental Withholding; Taxable, No Withholding) for each tax.

The taxes you enter in the **Subject To The Following Taxes** field must have levels higher than the level of the earning. You can type in the taxes or click the Finder to choose from a list of all taxes with levels higher than the level of the earning you are adding.

Relating Taxes to Earnings/Deductions

For each accrual, earning, deduction, or benefit you set up, you indicate the tax consequences. (Expense reimbursements and advances are not taxable.)

If you are adding an accrual, an earning, or a benefit, you specify the taxes to which the accrual, earning, or benefit is subject and the rate at which it is taxable (regular rate; supplemental withholding; or taxable, no withholding). The fields you enter are labeled **Subject to the Following Taxes**, found on the **Employee** tab of the Earning/Deduction Codes setup window.

If you are adding a deduction, you specify the taxes that are to be taken after the deduction is deducted (unselected taxes are therefore taken before the deduction). The fields you enter are labeled **Take Deduction Before**, found on the **Employee** tab of the Earning/Deduction Codes setup window.

If you add earnings and deductions before you add your company taxes, you cannot invoke the Finder or enter any taxes in the **Subject to the Following Taxes** and **Take Deduction Before** fields during setup.

When you add and configure your taxes, as the next step in setup, you will specify the calculation base for each tax - that is, the earnings and deductions that are to be calculated before a particular tax is deducted.

According to the entries you make on the **Calculation Base** tab for each tax, the system makes the appropriate tax entries in the **Take Deduction Before** and **Subject to the Following Taxes** boxes for each earning/deduction.

Therefore, although both the Earnings/Deductions and the Taxes windows allow you to specify the relationships between earnings, deductions, and taxes, you only need to enter the information in one place and the system defaults it in the other.

Configuring an Earning/Deduction's Calculation Base

The sections that follow describe the four possible components of an earning/deduction calculation base. Depending upon the calculation method you associate with an earning/deduction, you may need to define one, two, three, or all of these components.

If you set up an accrual, earning, deduction, or benefit that uses either the Amount Per Hour or **Hours Per Hour Worked** calculation method, you must indicate which of the hours worked the earning/deduction is to be based on.

As part of the earning/deduction setup, the Finder displays a list of the hours based earnings and accruals you can use in calculating the number of hours on which an earning/deduction is based. The earnings and accruals that display for selection have levels lower than the level of the accrual, earning, deduction, or benefit you are setting up.

Hours-based earnings: The earnings included in the calculation base of an Amount Per Hour earning/deduction must be of the type Salary and Wages and must use the calculation method Flat, Fixed, Hourly Rate, Piece Rate Table, or Sales Commission Table. You can choose to include or exclude regular or overtime hours.

Hours-based accruals: Only accrual payments are included in the calculation base of an Amount Per Hour earning/deduction. The accrual payments can use any calculation method.

In the **Base Hours Include** field, you select some or all of the hours based earnings and accruals to build the calculation base used in calculating amounts for the earning/deduction you are setting up.

Suppose your company's employees wear company supplied uniforms that are laundered on site each evening. Your company has set up a small employee deduction to cover the cost of the laundering. Employees are charged according to the number of hours they work each week.

The employees' hours each week are paid via the hourly rate earnings HRLY1, HRLY2, HRLY3, and HRLY4 (each representing a different rung of the wage ladder).

To set up the laundering deduction, you would select Amount Per Hour as the calculation base, enter the amount per hour to be deducted (say, 25 cents), and configure the calculation base for the deduction this way:

BASE HOURS INCLUDE

- HRLY1
- HRLY2

- HRLY3
- HRLY4

When you **Calculate Payroll**, the system calculates the laundering deduction for each employee who earns wages at one of the four hourly rates. An employee who worked 22 hours would have \$5.50 (.25 X 22 hours) deducted from pay.

If you set up an accrual, earning, or benefit that uses the Percentage Of Base calculation method, you must indicate the earnings and deductions that make up its calculation base.

The Finder displays a list of accruals, benefits, and earnings (with the exception of allocated tips) and a list of deductions, all of which have levels lower than the level of the earning/deduction being set up. You select some or all of the items in each list to build the base used in calculating amounts for the earning/deduction.

If an earning/deduction's calculation base includes accrual payments, benefits, earnings, and deductions, the calculation base is equal to accrual payments plus benefits plus earnings minus deductions. If deductions exceed earnings, the system does not calculate an amount for the Percentage Of Base earning/deduction.

If you set up a deduction that uses the Percentage Of Base method, you must indicate the earnings, deductions, and, in the case of a net pay-based deduction such as a wage garnishment, taxes that make up the deduction's calculation base.

The Finder displays lists of earnings (including accruals and benefits), deductions, and, in some cases, taxes, all of which have levels lower than the level of the earning/deduction being set up. You select some or all of the items in each list to build the base used in calculating amounts for the earning/deduction.

You can base a Percentage Of Base deduction on net pay by selecting from the lists of earnings (including accrual payments and benefits), deductions, and taxes all the wages earned, all deductions taken, and all taxes withheld from an employee's gross pay.

An example of a Percentage Of Base deduction based on net pay is a court ordered wage garnishment. A wage garnishment is a mandatory deduction from pay for child support or some other debt. To create a wage garnishment or other net pay based deduction, you set up the earning/deduction master as follows. (Note that the level assigned to the deduction can be any number you want as long as it is a higher number than the levels assigned to all the other earnings, accruals, benefits, deductions, and taxes that will make up its calculation base.)

Percentage of Net Pay Deduction	
Earning/Deduction:	GARN
Category:	Deduction
Level:	25

Percentage of Net Pay Deduction	
Employee Calculation Method:	Percentage of Base
Percent:	10.00
Take Deduction Before:	Leave field empty
Base Earnings Include:	Include all earnings
Base Deductions Include:	Include all deductions
Base Taxes Include:	Include all taxes

If the employee to whom you assign wage garnishment deduction GARN earns a regular wage plus piece rate, has health and life insurance deductions from pay, and pays federal and work state taxes, the system calculates the GARN deduction amount, as follows.

Percentage of Net Pay Deduction		
Earnings		
Regular Wages	\$2,000.00	
Piece Rate Wages	480.00	
Total	\$2480.00	\$2480.00
Deductions		
Life Insurance	\$85.00	
Health Insurance	128.50	
Total	\$214.00	-214.00
Taxes		
Federal	\$229.00	
Social Security	140.49	
Medicare	32.85	
State	136.92	
Total	539.26	-539.26

Percentage of Net Pay Deduction		
Subtotal (Net pay)		\$1726.24
Deduction GARN = $1726.74 \times 10\% = 172.67$		-172.67
After Garnishment Net Pay		\$1554.07

Certain deductions may require a calculation base that includes earnings, deductions, taxes, and hours. For instance, if you set up a two sided deduction that uses an Amount Per Hour employee calculation method and a Percentage Of Base employer calculation method, you would indicate not only the base earnings (including accrual payments and benefits), base deductions, and base taxes included in the calculation of the deduction, but the base hours as well.

When you add an earning/deduction, be sure you specify the correct calculation method before you save your work. After you add the earning/deduction, you cannot change the calculation method unless you delete the earning/deduction and add it again.

Defining Advances and Repayment Deductions

You can set up earnings and deductions with the category Advance to track cash amounts and noncash items (such as uniforms or tools) you advance to employees with the expectation of repayment. You indicate the amount of the advance and an Advances Receivable account to which advance amounts post, among other information. You then assign the advance to the employees to whom you are making the advance.

To track the employee's repayment of the advance, you can set up a deduction and indicate that it is a repayment deduction, that is, a deduction set up to repay a particular advance. You link the deduction to the advance by entering the advance's code in the repayment deduction record itself.

When you assign the repayment deduction to an employee, as long as you assigned the associated advance to the employee first, the system defaults the advance code to which the deduction is linked. Establishing the link between an advance and its repayment deduction allows the system to maintain an internal "balance due" on the advance.

The system calculates the repayment deduction only if the advance it is intended to repay has been processed, and its balance established, during a previous calculation. And, the system calculates the deduction only until the advance has been fully repaid.

Employee Tab (Accruals)

The **Employee** tab for accruals allows you to enter information about employee vacation, sick, and compensatory time accruals.

Review your vacation, sick and compensatory time accrual information and complete the fields on the **Employee** tab for accruals as follows:

Accrual Carry over Date: Your entry in this field determines the default date when unused vacation, sick, and compensatory time, up to the limit specified in the **Maximum Annual Carry over** column for the employee's years of service, is carried over to the new accrual period. (You can override the default when you assign the accrual to each employee.) Select from the following choices:

- **Specific Month/Day:** Carry over of the unused accrual hours or amount occurs on a specific month and day, which you enter in the **Month** and **Day** fields that subsequently display.
- **Date of Hire:** Carry over of the unused accrual hours or amount occurs on the month and day of the employee's hire date.
- **Months After Hire:** Carry over of the unused accrual hours or amount occurs a specific number of months after the employee's hire date. You enter the number of months in the **Months After Hire** field that subsequently displays.
- **Days After Hire:** Carry over of the accrual hours or amount occurs a specific number of days after the employee's hire date. You enter the number of days in the **Days After Hire** field that subsequently displays.

Post The Liability: Select this check box, valid only for Percentage Of Base vacation and sick time accruals, if you want the vacation or sick dollars accrued to be debited to the expense account and credited to the liability account. When you pay the vacation or sick time dollars, the system debits the liability account and credits your cash account.

Accrual Payments Subject To The Following Taxes: To set up a vacation, sick, or compensatory time accrual, you select the taxes the accrual payment is subject to and the withholding type (Regular Rate; Supplemental; Taxable, No Withholding) for each tax.

The taxes you enter in the **Accrual Payments Subject To The Following Taxes** field must have levels higher than the level of the accrual. You can type in the taxes or click the Finder to choose from a list of all taxes with levels higher than the level of the accrual you are adding.

Calc Max. Carry-over Based On Remaining Balance: For the accrual, this check box lets you specify how Sage HRMS Payroll calculates an employee's carry-over amount (or hours) for a new year. It tells Sage HRMS Payroll which component to compare with the **Maximum Carry-Over** field. The calculated carry-over amount (or hours) will vary, depending on the method chosen.

- Select this check box, if you do not want the employee's carry over amount (or hours) to exceed the value specified in the **Maximum Carry-Over** field of the Earning/Deduction Codes setup window.

In this method, Sage HRMS Payroll compares the employee's remaining balance at accrual year-end (that is, the entire unused amount or hours) with the **Maximum Carry-Over** field.

This means that the employee's starting balance for a new accrual year cannot exceed the **Maximum Carry Over** field (unless a number is specified in the **Beginning** column of the Earning/Deduction Codes setup window).

- Do not select this check box, if you allow employees to carry over the unused portion of the amount (or hours) accrued during the year, up to the specified maximum carry-over, PLUS any unused amounts (or hours) carried over from the previous year.

In this method, Sage HRMS Payroll compares only the employee's unused portion of the amount (or hours) accrued during the year with the **Maximum Carry-Over** field, and also carries over any unused amounts carried over from the previous year, up to the maximum accrual.

This means that the employee's starting balance for a new year can exceed the amount specified in the **Maximum Carry-Over** field.

In both methods:

- After carry-over is calculated, any value you entered in the **Beginning** column of the accrual's setup record, will be added to the carry-over amount to arrive at the employee's starting balance for the accrual, up to the maximum accrual.
- Accrual amounts are subject to the amount specified in the accrual's **Maximum Accrual** field. After the employee's accrual amount reaches the maximum accrual, the employee stops accruing.

For more details and examples, see the sections on setting up and carrying over vacation, sick, and compensatory time, in this manual.

Through Service Year: In this column, enter each service year bracket for which the accrual is different.

For example, suppose that vacation time is accrued at three weeks (120 hours) per year for an employee's first five years of employment, at four and one half weeks (180 hours) per year for employment years six through ten, and at six weeks (240 hours) per year thereafter.

You would enter 5 in the first **Through Service Year** field, 10 in the second **Through Service Year** field, and 99 (or another appropriately high number) in the third **Through Service Year** field.

You can define up to 10 periods.

At the following fields, you enter the accrual statistics that pertain to each period of employment.

Beginning (Amt/Hours): In this column, enter the vacation or sick time dollar amounts or hours added to an employee's outstanding balance at the beginning of each carry over year. (This column is not shown for compensatory time entries.) For example, your company may provide 8 days (64 hours) of paid sick leave per year regardless of the number of service years or hours worked. You would enter 64 in the row corresponding to Through Service Year 99. In this example, the value in the next field, **Increment**, would be 0.

Increment (Pct/Hour): The increment percentage or hours refers to the percentage of a dollar amount or the number of hours by which the employee's vacation or sick time is automatically increased each time you process the accrual. This field is not shown for compensatory time entries.

Using the vacation time example above, suppose you are accruing vacation for your employees by means of a monthly Hours Per Frequency accrual. On the line that corresponds to Through Service Year 5, you

would enter 10 hours as the monthly increment. On the line corresponding to Through Service Year 10, you would enter 15 hours as the monthly increment. On the line corresponding to Through Service Year 99, you would enter 20 hours as the monthly increment.

Maximum Accrual: Type the maximum dollar amount or number of hours of vacation, sick, or compensatory time that an employee may accrue in each service year range.

Suppose, again using the example, that for employees with five or fewer years of service, you allow a maximum unused accrual of six weeks, or 240 hours. In the **Max. Accrual** field corresponding to the first five years of service, you would enter 240 hours. For employees with between six and ten years of service, you allow a maximum unused accrual of 9 weeks, or 360 hours. In the **Max. Accrual** field corresponding to service years six through ten, you would enter 360.

Finally, for service years over ten, you allow a maximum unused accrual of 12 weeks, or 480 hours. In the **Max. Accrual** field corresponding to service years 11 through 99, you would enter 480.

Maximum Carry over: Type the maximum dollar amount or number of hours of unused vacation, sick, or compensatory time that an employee may roll forward into the next carry over period.

Note that:

- If employees are not permitted to carry over any unused accrual amount or hours, leave this field as zeroes.
- If employees are permitted to carry over all unused accrual amount or hours (up to the value entered in the **Maximum Accrual** field), enter the highest accrual value possible (for instance, all 9s) in this field.

Sage HRMS Payroll evaluates the **Maximum Carry over** field according to the carry over method you select in the **Calc Max. Carry-over Based On Remaining Balance** check box.

For more details about the two carry-over methods, see the description of the **Calc Max. Carry-over Based On Remaining Balance** check box, and the sections on setting up and carrying over vacation, sick, and compensatory time, in this manual.

As an example, for the accrual scenario described throughout this section, suppose that employees in the first bracket (through service year five) can carry over one week of unused vacation time, employees in the second bracket can carry over one and one half weeks, and employees in the third and final bracket can carry over two weeks. Enter 40 hours as the maximum carry-over for the first group, 60 hours for the second, and 80 for the third.

Accrual amounts or hours cannot exceed the **Maximum Accrual** field.

Employer Tab (Benefits)

The **Employer** tab of the Earning/Deduction Codes setup window prompts you for information needed by the system to calculate amounts contributed by the employer for benefits and two sided deductions only.

Some of the entries you make depend upon the employer calculation method you choose for the benefit or deduction.

When both an employee and an employer contribute to a plan, such as a 401(k), you can set up an employee deduction for the 401(k) and, by indicating employer calculation methods as well as an employee calculation method, take care of both sides of the contribution.

If you want to calculate the employer contribution as a percentage of the employee's contribution, you must set up a two sided deduction and select **Percentage of Employee Contribution** as the employer calculation method.

If the employer contribution is not a percentage of the employee's, you can opt instead to set up a deduction for the employee's portion and a benefit for the employer's.

Review the employer calculation method for this benefit or deduction and complete the fields on the **Employer** tab as follows:

W-2 Reporting: This field displays for benefits only. From the selection list, choose the term that applies to the benefit. Your choice dictates the placement of information about the benefit on the W-2 form. **Not Applicable** means that information about the benefit does not print as a separate item on the Form W-2, although it may be part of other totals that print on the Form W-2. (Some benefits that print as separate items on the Form W-2 are also a part of other totals.)

Amount or Percent: Depending upon the calculation method chosen, type the amount or the percent to be used in the calculation of this benefit or deduction. You can override the amount or percent when you assign the benefit or deduction to the employee.

This field does not display for benefits or deductions that use the Piece Rate Table, Sales Commission Table, or Wage Bracket Table calculation method.

Minimum And Maximum Based On: Choose from the selection list the unit or amount on which the annual and period minimums and maximums for the benefit or deduction are based.

Period minimum and period maximum refer to the minimum and maximum amounts that can be calculated for the benefit or deduction in the period dictated by its frequency. For example, a benefit with a weekly frequency has weekly minimum and maximum amounts; a deduction with a monthly frequency has monthly minimum and maximum amounts.

Your selections for entry in this field depend upon your entry in the **Employer Calculation Method** field. (The **Minimum And Maximum Based On** field does not display for benefits and deductions with the calculation method Flat or Wage Bracket Table.)

	Select:
Piece Rate	No Limit, Piece Count, or Dollar Value
Amount Per Hour	No Limit, Hour Count, or Dollar Value

	Select:
Percentage Of Base	No Limit, Pay/Deduction Amount, or Base Amount
Sales Commission Table	No Limit, Commission Amount, or Sales Amount
Percentage Of Employee Contribution	No Limit, Deduction Amount, or Employee Contribution

If you select **No Limit**, the system calculates the benefit or deduction each period without regard to any annual or period minimum or maximum (and the **Annual Maximum** and **Period Minimum and Maximum** fields do not display).

If you select an item other than **No Limit** and you are adding a benefit or deduction with the frequency Float, the period minimum and maximum fields are labeled Minimum And Maximum Amounts By Frequency.

If you are setting up a benefit or deduction with any frequency other than Float, the period fields are labeled (Frequency) Minimum and (Frequency) Maximum.

Minimum And Maximum Amounts By Frequency. or Period Minimum And Period Maximum: In the case of a Float benefit or deduction, type the smallest and largest amounts or numbers of units that may be used in calculating the amount for the benefit or deduction in each pay frequency your company uses. For benefits and deductions with frequencies other than Float, type the minimum and the maximum for the frequency period only.

The minimum and maximum fields display for any benefit or deduction that has its **Minimum And Maximum Based On** field set to something other than **No Limit**.

Annual Maximum: Type the annual amount at which calculations for this benefit or deduction will stop.

The **Annual Maximum** field does not display for any benefit or deduction with the calculation method Wage Bracket Table or for any benefit or deduction that has its **Minimum And Maximum Based On** field set to **No Limit**.

If you are setting up a two sided deduction using Amount Per Hour as the calculation method for both sides and you choose Hour Count as the item upon which minimums and maximums are based, you must either enter the same amounts for the employee and employer annual maximums or set the maximum for one side to zero.

If you are setting up a two sided deduction using Percentage Of Base as the calculation method for both sides and you choose Base Amount as the item upon which minimums and maximums are based, you must either enter the same amounts for the employee and employer annual maximums or set the maximum for one side to zero.

If entering the same amounts or setting one side to zero for the annual maximums will not achieve the desired result, consider setting up a deduction and a benefit in place of a two sided deduction.

Lifetime Maximum: For deductions or benefits that let you enter an Annual Maximum amount, you can also enter a Lifetime Maximum amount.

The **Lifetime Maximum** field enables you to specify when the Sage HRMS Payroll program should stop calculating the deduction or benefit, without specifying a time limit.

The value you enter on the Earning/Deduction Codes setup window becomes the default for all employees. However, you can change the value on individual employee records, where appropriate.

Secondary Rate (Percent/Amount/Amount Per Hour): This field applies only to deductions that let you enter an Annual Maximum amount (that is, if you have set the **Minimum And Maximum Based On** field to an option other than **No Limit**), and that uses an employer calculation method of Flat, Amount per Hour, Percentage of Base, or Percentage of Employee Contributions.

This field enables you to specify a second rate (expressed as a percentage, amount, or amount per hour, in accordance to the calculation method chosen) to be used for a deduction, after the maximum (**Annual or Lifetime Maximum** fields) for the first rate has been reached.

An associated field, **Secondary Rate (Percent/Amount/Amount Per Hour) Effective**, enables you to specify when the Secondary Rate should be effective.

Note: There is no maximum after the secondary rate commences, so Sage HRMS Payroll will continue to deduct the secondary rate, until you de-activate the rate.

- To stop deducting the secondary rate for all employees, set the **Secondary Rate Effective** field to **Never**.
- To stop deducting the secondary rate for individual employees, open the **Employee Payroll** window, select the deduction on the **Pay** tab, and clear the **Calculate Earning/Deduction** check box.

Secondary Rate (Percent/Amount/Amount Per Hour) Effective: This field displays if the **Secondary Rate (Percent/Amount/Amount Per Hour)** field displays.

You can use the **Secondary Rate (Percent/Amount/Amount Per Hour) Effective** field to designate when the secondary rate comes into effect (never, or after the Annual Maximum or the Lifetime Maximum is reached).

Associate W 2 Printing: If you chose **Other Information Box** at the **W-2 Reporting** field earlier on this tab, the **Associate W-2 Printing** option becomes available to you. Select this option if the benefit you are setting up needs to be associated with a particular state or tax update supported local tax on the W 2 form. Then, if an employee works in more than two states or localities and requires more than one W 2 form, you can be sure that the benefit displays on the same Form W-2 as the taxing entity with which it is associated.

Associated Tax. Type or select from the Finder the state or tax update supported local tax with which you want to associate the benefit you are adding.

Subject To The Following Taxes: If you are setting up a benefit, you select the taxes the benefit is subject to and the withholding type (Regular Rate; Supplemental Withholding; Taxable, No Withholding) for each tax.

The taxes you enter in the **Subject To The Following Taxes** field must have levels higher than the level of the benefit you are setting up. You can type in the taxes or click the Finder box to choose from a list of all taxes with levels higher than the level of the benefit you are adding.

If you are setting up the employer side of a deduction (for a 401(k) or retirement plan, for example), there are no tax fields to complete. Sage HRMS Payroll does not support any tax processing or reporting for the employer portion of a two sided deduction.

G/L Distributions Tab

The **G/L Distributions** tab of the Earning/Deduction Codes setup window allows you to assign default expense and liability accounts to any number of distribution codes. When you assign an earning/deduction to an employee, you also assign a G/L distribution code for the earning/deduction, which sets up the G/L accounts to which the earning/deduction amounts will be posted.

If you plan to use cost center overrides to replace segments of the G/L accounts to which you post Sage HRMS Payroll transactions, you may want to use "base accounts" as part of your distribution account sets. An earning's base expense account might be made up of the account segment followed by zeros for all segments that will be replaced.

You can replace segments for each employee assigned a particular earning/deduction, either on the **Employee Payroll** window or during timecard .

The **G/L Distributions** tab is not available for repayment deductions, noncash benefits that are not marked for posting to the general ledger, or earnings that represent reported cash tips or allocated tips.

Review your G/L posting needs and complete the fields on the **G/L Distributions** tab as follows:

Distribution Code: Type a distribution code of up to six characters to identify the set of G/L expense and liability accounts for the earning/deduction.

Description: Type a name or description of up to 15 characters for the distribution code. Be sure to make the description distinctive enough that when you assign the earning/deduction to an employee, you can select from a Finder list of distribution code descriptions the correct account set for posting.

Regular Expense Account: Enter the Regular Expense account to which you will post amounts calculated for earnings and deductions assigned this distribution code.

The **Regular Expense** account column displays in the G/L Distributions for accruals, earnings (other than reported tips), two sided deductions, expense reimbursements, cash benefits, and noncash benefits marked for posting to the general ledger.

Overtime Expense Account: Enter the Overtime Expense account to which you will post overtime wages that are assigned this distribution code.

The **Overtime Expense** account column displays in the G/L Distributions box for earnings that use the calculation methods Flat, Fixed, and Hourly Rate.

Shift Expense Account: Enter the Shift Expense account to which you will post shift differential wages assigned this distribution code.

The **Shift Expense** account column displays in the G/L Distributions box for earnings that use the calculation methods Flat, Fixed, and Hourly Rate.

Employee Liability Account: Enter the Employee Liability account to which you will post amounts calculated for earnings and deductions assigned this distribution code.

The **Employee Liability** account column displays in the **G/L Distributions** field for employee and two sided deductions.

Employer Liability Account: Enter the Employer Liability account to which you will post the amounts calculated for earnings and deductions assigned this distribution code.

The **Employer Liability** account column displays in the **G/L Distributions** field for the following types of earnings and deductions:

- Percentage Of Base vacation and sick time accruals for which you have selected the **Post The Liability** check box.
- Reported Tips earnings for which you have selected the **Tip Disbursement** box.
- Two sided deductions.
- Noncash benefits that are marked for posting to the general ledger.

Piece Rate Tab

The **Piece Rate** tab of the Earning/Deduction Codes setup window allows you to set up a piece rate table used in calculating amounts for earnings, deductions, and benefits with the employee or employer calculation method Piece Rate Table.

Progressive Calculation. Select the check box if you want the system to use progressive calculation to calculate the Select the check box if you want the system to use progressive calculation to calculate the total amount of a piece rate earning. If you want to use the non-progressive method, clear the check box.

In both types of calculations, the rate varies according to the number of pieces produced.

In progressive calculation, one rate is paid for each piece produced during a pay period up to a set threshold. A different rate is paid for each additional piece produced in the same pay period after the threshold has been reached.

For example, suppose you set up a piece rate table with a pay amount of \$1.00 per piece for 1 to 50 pieces, and \$1.50 per piece for 51 pieces or more.

If an employee produced 60 pieces during a pay period, the system would calculate a total piece rate pay of \$65.00, as follows:

- \$50.00 of pay for the first 50 pieces produced (50 x \$1.00), and
- \$15.00 of pay for the next 10 pieces produced (10 x \$1.50).

In non-progressive calculation, the same rate is paid for all the pieces produced, but that rate is determined by the number of pieces produced during a pay period.

For example, suppose you set up a piece rate table with a pay amount of \$1.00 per piece for 1 to 50 pieces, and \$1.50 per piece for 51 pieces or more.

- If an employee produced 60 pieces during a pay period, the system would calculate \$1.50 of pay for each piece produced (60 x \$1.50) for a total piece rate pay of \$90.00.
- If an employee produced 40 pieces, the system would calculate \$1.00 of pay for each piece produced (40 x \$1.00) for a total piece rate pay of \$40.00.

Sage HRMS Payroll handles each pay period entry on the timecard separately. For example, suppose you set up a piece rate table with a pay amount of \$1.00 per piece for 1 to 50 pieces, and \$1.50 per piece for 51 pieces or more.

For progressive calculation:

- If the employee produced 60 pieces and reports this as one timecard entry, the total piece rate pay would be \$65.00, as described earlier in the progressive calculation example.
- If, however, the employee produced 60 pieces but reports this as two timecard entries of 30 pieces each, the system would calculate a piece rate pay of \$60.00 - that is, (30 x \$1.00) + (30 x \$1.00).

For non-progressive calculation:

- If the employee produced 60 pieces and reports this as one timecard entry, the total piece rate pay would be \$90.00, as described earlier in the non-progressive calculation example.
- If the employee produced 60 pieces but reports this as two timecard entries of 30 pieces each, the system would calculate a total of \$60.00 pay - that is, (30 x \$1.00) + (30 x \$1.00).

Fields in the Piece Rate Table

Review your piece rates and complete the columns of the Piece Rate Table as follows:

From: This column displays the lower limit (number of pieces or units) of each range for which you have set a specific pay amount. The system displays zeros as the first lower limit, and the upper limit of the previous range (plus one) for each subsequent lower limit.

To: Type the upper limit (number of pieces or units) of each range for which you have set a specific pay amount.

Over: In this field, the system displays the number you entered in the last **To** field.

Pay This Amount Per Piece: Type the dollar amount per piece to be paid employees for each range of pieces you entered.

Sales Tab

The **Sales** tab of the Earning/Deduction Codes setup window allows you to set up a sales commission table used in calculating amounts for earnings, deductions, and benefits that use the employee or employer calculation method Sales Commission Table.

Progressive Calculation: Select the check box to use progressive calculation to calculate the total commission on sales. To use the non-progressive method, clear the check box.

In both types of calculations, the rate varies according to the total sales during the pay period.

In progressive calculation, one commission rate is paid for sales up to a set threshold. A second rate is paid on any sales above the threshold during the same pay period.

For example, suppose you set up a sales commission table with a commission percentage of 10% for sales between \$1.00 and \$5,000.00 and a commission percentage of 15% for sales between \$5,000.01 and \$7,500.00.

If an employee's sales were \$6,800.00 during a pay period, the system would calculate a total commission of \$770.00, as follows:

- \$500.00 of commission for the first \$5,000.00 worth of sales (10% x \$5,000.00)
- \$270.00 of commission for the next \$1,800.00 worth of sales (15% x \$1,800.00)

In non-progressive calculation, the same commission rate is paid for all the sales, but that rate is determined by the total amount of sales during a pay period.

For example, suppose you set up the same sales commission table as described earlier in the progressive calculation example.

If an employee's sales were \$6,800.00 during a pay period, the system would calculate a total of \$1,020.00 commission (15% x \$6,800.00).

Sage HRMS Payroll handles each pay period entry on the timecard separately. For example, suppose you set up the same sales commission table as described earlier in the progressive calculation example.

For progressive calculation:

- If the employee reports \$6,800.00 of sales as one timecard entry, the system calculates a commission of \$770.00, as described earlier in the progressive calculation example.
- If the employee reports the \$6,800.00 as two timecard entries, of \$3,400 each, the system calculates a commission of \$680.00 - that is, $(10\% \times \$3,400) + (10\% \times \$3,400)$.

For non-progressive calculation:

- If the employee reports \$6,800 of sales as one timecard entry, the system calculates a commission of \$1,020.00, as described earlier in the non-progressive calculation example.
- If the employee reports the \$6,800 as two timecard entries of \$3,400 each, the system would calculate a commission of \$680.00 - that is, $(10\% \times \$3,400) + (10\% \times \$3,400)$.

Fields in the Sales Table

Review your sales amounts and commissions and complete the columns of the **Sales** tab as follows:

- **From:** This column displays the lower limit (dollar amount of sales) of each range for which you have set a specific commission percentage. The system displays zeros as the first lower limit, and the upper limit of the previous range (plus a penny) for each subsequent lower limit.
- **To:** Type the upper limit (dollar amount of sales) of each range for which you have set a specific commission percentage.
- **Over:** In this field, the system displays the dollar amount you entered in the last **To** field.
- **Pay This Percentage:** For each range of sales you enter, type the percentage of sales to be used in calculating the sales commission.

Calculation Base Tab

The **Calculation Base** tab of the Earning/Deduction Codes setup window allows you to indicate the hours, earnings, deductions, and taxes that constitute the calculation base of the accrual, earning, deduction, or benefit you are setting up (expense reimbursements and advances do not use a calculation base). The earnings, deductions, and taxes you enter into the calculation base boxes must have levels lower than the level of the earning/deduction you are setting up.

Depending upon the calculation method used by the earning/deduction, you may need to complete one, two, three, or all four of the following calculation base lists.

The following shows the **Calculation Base** tab for a deduction whose **Employee Calculation Method** is **Amount per Hour** and **Employer Calculation Method** is **Percentage Of Base**:

Consider the base upon which you want to calculate the earning/deduction you are setting up and complete the following fields:

Base Hours Include: Select the hours based earnings and accruals to be used in calculating the number of hours on which this earning/deduction is based.

The **Base Hours Include** field displays when you are setting up an accrual, earning, deduction, or benefit that uses the calculation method Amount Per Hour.

The earnings you enter into the **Base Hours Include** field must be of the type Salary And Wages and must use the calculation method Flat, Fixed, Hourly Rate, Piece Rate Table, or Sales Commission Table. You can choose to include or exclude regular or overtime hours.

The accruals you enter in the **Base Hours Include** field can use any calculation method. Only accrual payments are included in an earning/deduction's calculation base.

Base Earnings Include: Select the accrual payments, earnings, and benefits to be included in the wage base for this earning/deduction. (Allocated tips earnings are not eligible for inclusion.) You can choose to include or exclude regular, overtime, and shift differential earnings.

This field displays when you are setting up an accrual, earning, deduction, or benefit that uses the calculation method Percentage Of Base.

Base Deductions Include: Select the deductions to be included in the calculation base of this earning/deduction. (The deductions you enter in the box are deducted from earnings to arrive at the calculation base for the earning/deduction being set up.)

This field displays when you are setting up an accrual, earning, deduction, or benefit that uses the calculation method Percentage Of Base.

Base Taxes Include: Select the taxes to be included in the calculation of this earning/deduction. (The taxes you enter in the box are deducted from earnings to arrive at the calculation base for the earning/deduction being set up.)

This field displays when you are setting up a deduction that uses the calculation method Percentage Of Base.

Optional Fields Tab

On the Assign Earnings/Deductions window (**Payroll > Assign Earnings/Deductions**), you can assign optional fields to an earning or deduction, if you have defined earning/deduction optional fields on the Optional Fields window.

To assign optional fields to this earning/deduction, click the **Optional Fields** tab.

Optional fields that you set up for automatic insertion in earning/deduction records automatically display on this tab, along with their default values.

You can accept or change any default values that display. You can accept the optional fields that display, or you can delete or add them.

- To delete an optional field, select the line on the table, and then press **Delete** on the keyboard.
- To assign additional optional fields, select the table, and then press **Insert** on the keyboard. Complete the fields on the new line as follows.

Optional Field and Description: Use the Finder to select the optional field codes you want to use with this earning or deduction.

When you select an optional field code, the program displays the description for the optional field.

Value Set: This field alerts you whether a seemingly blank optional field has an automatically inserted - but "blank" - default value. If it has a blank value, the **Value Set** field displays **Yes**. (You cannot tell whether an optional field has a blank default value, or no value, just by looking at the **Value** field.)

The **Value Set** field will change from **No** to **Yes** if you make an entry in the **Value** field.

Value and Value Description: Enter or select the value for this earning or deduction.

If the optional field you selected requires validation, you must select a value that is defined for the optional field. However, if the optional field allows blanks, you can leave the default value field blank.

If you select a value, the description of the value will display in the **Value Description** column.

After Completing the Tabs

- Review the tabs on the Earning/Deduction Codes setup window to make sure your choices and entries are correct. When you finish, click the **Add** button.
- To print a listing of pay factors you set up, to verify that they are correct and complete select **Reports > Payroll > Setup Reports > Earning/Deduction Codes**.

Back Up the Data

You have invested a considerable amount of time and thought in the information you have entered so far into Sage HRMS Payroll. To protect the information, back up the data. Store the copy in a safe place.

If something damages your data during the next phase of setting up (and before you back up again), you can restore the information you have entered up to this point from the backup copy instead of having to start from scratch.

Assigning Earnings/Deductions to Employees

Before you can assign an earning or deduction to an employee, you must set up the earning or deduction record itself on the Earning/Deduction Codes setup window. The frequencies of the earnings or deductions you assign to an employee must be the same as, or less frequent than, the pay frequency of the employee.

The **Pay** tab of the **Employee Payroll** window allows you to associate with each employee the earnings, deductions, and other pay factors used in payroll calculation.

In addition to entering each earning or deduction code, an employee or employer override amount or percent, and the distribution code for the G/L accounts to which employee amounts should post, you can also specify default hours for each Flat, Fixed, Hourly Rate, Piece Rate Table, or Sales Commission Table earning. By entering default hours for these earnings, you can process payroll for the employee without needing to enter timecards.

Other information you can tailor specifically for an employee includes the earning or deduction start and end dates and, in the case of an accrual, the carry over date.

You can turn an employee earning or deduction on and off by entering **Yes** or **No** at the **Calculate?** field. If you enter **No**, the system ignores the earning or deduction during payroll calculation.

You can also change the workers' compensation group and code, which defaults from the **Classes and Schedules** tab of the **Employee Payroll** window.

If you are assigning an advance and its associated repayment deduction to an employee, be sure to assign the advance first. When you add the repayment deduction, the system verifies that the advance it was designed to repay is already assigned to the employee.

Step 9: Set Up Workers' Compensation Codes

On the Workers' Compensation Codes window, you set up and maintain the information you need to produce the Workers' Compensation Report. You enter information about the company's workers' compensation policy and the workers' compensation codes you assign to employees and employees' earnings and deductions.

You can add workers' compensation groups and codes at any time. You cannot delete a code if it is referenced in Sage HRMS Payroll history or has been assigned to an employee, linked to an employee earning/deduction, or entered on a timecard.

To enter Workers' Compensation information, select **Setup > Payroll > Code Tables > Workers' Compensation**.

Review your worker's compensation insurance policy and complete the Workers' Compensation Codes window as follows:

- **WCC Group:** Enter a label that identifies the workers' compensation policy.
- **Policy Number:** Enter your policy number in up to 60 characters.
- **Description:** Enter a description of the policy in up to 60 characters.
- **Last Maintained:** The system displays the DOS date on which you last modified workers' compensation codes.
- **Calculation Method:** Select the premium calculation method your policy uses. Choose between **Rate Per Hour Worked** and **Rate Per \$100**.
 - If you choose **Rate Per \$100**, use the **Ceiling** field that follows to enter the ceiling as a dollar amount.
 - If you choose **Rate per Hour**, enter the ceiling in hours.
- **Start Date (Current):** Enter the starting date of the policy. If your workers' compensation policy uses a ceiling, the Workers' Compensation Report calculates employee ceilings from the **Start Date** forward.
- **Start Date (Previous):** Enter the start date of the workers' compensation policy used previously.
- **Ceiling (Current):** Enter the annual wage ceiling or the maximum number of work hours used in the premium calculation. The figure you enter represents the maximum amount of earnings or the maximum number of hours worked subject to workers' compensation premiums. The wages or hours are calculated from the start of the policy period.

- **Ceiling (Previous):** If you entered the **Previous Start Date**, enter the ceiling used previously.
- **Adjust Overtime Pay To Regular Rate:** If you want the system to adjust an employee's overtime pay to the employee's regular rate of pay when you print the Workers' Compensation Report, select this check box.
- **Code:** Enter a workers' compensation code of up to six characters for each workers' compensation rate your company uses.
- **Description:** Enter a description of up to 60 characters for each code.
- **Rate:** Enter the rate per hour worked or per \$100 of pay for each code you set up. You can enter a dollar amount with a precision of up to six decimal places.
- **Previous Rate:** If you entered the **Previous Start Date**, enter the rate used previously.

Review the fields on the Workers' Compensation Codes window to make sure your entries are correct. When you finish, click the **Add** button.

To print a list of the codes you defined, to verify that they are correct and complete select **Reports > Payroll > Setup Reports > Workers' Compensation Codes**.

Tracking Workers' Compensation Information

The Workers' Compensation Codes window allows you to enter information about your company's workers' compensation insurance policy and to set up the workers' compensation codes you assign to employee earnings and benefits.

Policy information you enter includes the policy number, description, start date, and wage ceiling. You also specify whether the workers' compensation rates associated with workers' compensation codes should be applied per hour worked or per \$100 of pay.

An option on the Workers' Compensation Codes window allows you to instruct the system to adjust an employee's overtime pay to the employee's regular rate of pay when you print the Workers' Compensation Report.

After you set up all the workers' compensation groups and codes you need, you assign a group and code to each employee in the company. The employee group and code becomes the default for earnings and benefits assigned to the employee. You can override the default at the time you assign an earning or benefit to an employee or during timecard entry.

At any time, you can print the Workers' Compensation Report, which uses check dates to determine wages subject to workers' compensation premiums.

Step 10: Set Up Overtime Schedules (optional)

Creating Overtime Schedules

When creating an overtime schedule, you can define overtime rate multipliers for numbers of hours worked over a period of days. For example, you can indicate that all hours over 40 in a week should be paid at the employee's regular hourly rate times a multiplier of 1.5. You might further indicate that all hours over 60 in a week should be paid at the employee's regular hourly rate times a multiplier of 2. Or, you might want to apply an overtime multiplier to any hours over 8 worked in a day. The system offers the flexibility to accommodate all of these situations.

Overtime rates can be applied to earnings that use the calculation methods Hourly Rate, Flat, and Fixed. On the Overtime Schedule Codes window, you set up and maintain information the system uses to calculate employee overtime pay.

After you set up overtime schedules, you assign a schedule to each employee. Then, when the employee works overtime hours, the system uses the overtime schedule in conjunction with the employee's timecard entries to calculate the correct amount of overtime pay. To apply to an employee's wages an overtime schedule other than the schedule assigned to the employee, you can enter the appropriate overtime schedule for each overtime entry on the timecard.

In Sage HRMS Payroll, a single overtime schedule can accommodate overtime rates based on varying numbers of days. For example, you might set up an overtime schedule that pays time and a half for hours over 8 in a day, double time for hours over 12 in a day, and time and a half again for hours over 40 in 7 days. Unless your employees work very large amounts of overtime or adhere to unusual overtime schedules, the system correctly calculates their overtime pay regardless of whether you make daily timecard entries for each employee or one weekly, biweekly, or other lump sum entry of their hours.

You can add overtime schedules at any time. You cannot modify or delete an overtime schedule after it has been assigned to an employee or entered on an employee's timecard.

To set up an overtime schedule, select **Setup > Payroll > Code Tables > Overtime Schedule**.

Review your company's overtime policies and rates and complete the window as follows:

Overtime Schedule: Enter an identifying code of up to six characters for the schedule.

Description: Enter a description of the schedule in up to 60 characters.

Last Maintained. The system displays the DOS date on which you last modified this overtime schedule.

Inactive As Of _____: Select the **Inactive** check box if you want to prevent this overtime schedule from being assigned to any new employees. If you choose to make an overtime schedule inactive, the system displays the current DOS date in the As Of field to indicate the date on which you changed the status.

Setting an overtime schedule's status to Inactive has no effect on the Sage HRMS Payroll calculation of employees who have already been assigned the schedule.

Pay Overtime As: Select the way in which the system is to calculate and pay the overtime. Choose either **Overtime Rate Pay**, to pay overtime at a calculated amount per hour, or **Compensatory Time Hours**, to pay the overtime as compensatory time, hour per hour.

Pay Regular Hours Shortage From Compensatory Time: If you want the system to use available compensatory time hours to cover a shortage in regular hours for all employees assigned the overtime schedule, select this check box.

- If you choose this option, keep in mind that the system calculates earnings and deductions in ascending order by level.
- If you select the **Pay Regular Hours Shortage From Compensatory Time** check box and then set up a compensatory time accrual with a level of 20, the system calculates earnings with levels 1 through 19 first to determine any shortage of regular hours.

Because accruals are calculated first among categories of earnings and deductions having the same levels, earnings with levels of 20 or higher would not be included in the calculation of regular hours to which the compensatory time accrual hours might be applied.

Be sure when setting up compensatory time accruals, that the levels of the compensatory time accruals you use to make up a shortage of hours are higher than the levels of the earnings making up your employee's regular pay. Further, make sure your taxes have higher levels than the earnings and accruals subject to them.

For a full discussion of earning/deduction levels, see the section [Earning/Deduction Hierarchies](#).

Hours Over.- For Period Of Days: Enter the number of hours, in a given period of days, over which an employee is considered to be working overtime. The entries in these columns are considered to determine when employee overtime occurs.

For example, you may consider any hours worked over 8 in a day to be overtime. If so, type 8 in the **Hours Over** column and 1 in the **For Period Of Days** column. Or, overtime may not be paid at your company until an employee has worked more than 40 hours in a seven day period. In this case, type 40 in the **Hours Over** column and 7 in the **For Period Of Days** column.

If you are setting up an overtime schedule for semimonthly employees, and you are not using hours over 8 in a day as the criterion, in the **Hours Over** column enter the number of hours above which overtime is earned and in the **For Period Of Days** column, enter any number between 10 and 15.

Rate Multiplier: If you pay overtime at overtime rates, enter a rate multiplier for each set of overtime criteria (hours over within a period) you have entered. This column does not display if you select **Compensatory Time Hours at the Pay Overtime As** field; compensatory time is one hour per one hour.

When employees earn time and a half for overtime pay, type 1.5 as the rate multiplier. When employees earn double time, type 2.0 as the multiplier, and so forth.

Review the fields on the Overtime Schedules window to make sure your entries are correct. When you finish, click the **Add** button.

To print a listing of the overtime schedules you defined, to verify that they are correct and complete select **Reports > Payroll > Setup Reports > Overtime Schedules**.

Setting Up for Overtime Calculation

You can choose among several methods for calculating overtime pay for employees. For example, you can set up your records so that Sage HRMS Payroll calculates overtime based on the FLSA (Fair Labor Standards Act) for some or all of your employees.

The FLSA rate generally refers to a rate that is:

- The total pay for employment (including other compensation such as bonuses, shift differential, and so on), divided by the number of hours worked.

Sage HRMS Payroll automatically calculates overtime based on the overtime calculation method, overtime schedule and regular hours, specified on the Employee Payroll window.

You can override the automatic overtime calculation for an employee when you enter a timecard.

To set up for an overtime calculation

1. Create at least one overtime schedule, if you have not already done so.
2. You may want to set up certain earnings to be included in an overtime calculation that is based on the FLSA rate. For each such earning on the Earning/Deduction Codes setup window (**Setup > Payroll > Earning/Deduction Codes setup**), select the earning type, which must be one of these:
 - A Salary & Wages type that uses an employee calculation method of either a flat, fixed, or hourly rate
 - Reported tips
 - Allocated tips
3. When setting up the earnings, select the **Include In FLSA Overtime Calculation** check box. Click **Save**.
4. Open the **Employee Payroll** window. On the **Pay** tab, for each employee:

5. In the **Overtime Calculation** field, select one of the **Overtime Calculation** options (the default is **Hourly Rate**). If you want to calculate overtime based on the FLSA, be sure to choose one of the FLSA methods. Overtime calculation methods are explained in the section on setting up employees (**Pay** tab) in this manual.
6. In the Earnings/Deductions table, for each earning that has been set up as described in step 2, you can change the **Include in FLSA Overtime Calculation** field.

Note: If you want to update the **Include in FLSA Overtime Calculation** field for a set of employees, you can use the Update Earn/Ded for All Employees window (**Payroll >Update Earn/Ded for All Employees**).

7. On the **Employee Payroll** window, verify the employee's regular hours (per period, day, or week) are appropriate.
8. On the **Class/Schd** tab of the **Employee Payroll** window, ensure that you have assigned an overtime schedule to the employee.

Assigning an Overtime Calculation Method

For each employee, you select a method for calculating overtime. Sage HRMS Payroll automatically calculates overtime based on the overtime calculation method, overtime schedule and regular hours, specified on the **Employee Payroll** window.

You can override the automatic overtime calculation for an employee when you enter a timecard.

To calculate overtime pay, enter a timecard:

- If an employee worked overtime, enter the overtime information on a non-reusable timecard to have Sage HRMS Payroll automatically calculate overtime pay.
- You can override the overtime setup. More details are provided in the section that describes how to use the detailed timecard in the Sage HRMS Payroll in-product Help menu.
- You should verify that the number of days worked on the timecard reflects your intentions.

Step 11: Set Up Shift Differential Schedules (optional)

Creating Shift Differential Schedules

To increase an employee's regular pay rate when the employee works a particular shift, you can assign a separate pay amount to each shift. Sage HRMS Payroll can accommodate up to four shifts. You set the differentials up and calculate shift differential pay through the use of shift differential schedules. As with overtime schedules, you can set up as many as you need for your company.

When creating a shift differential schedule, you enter a pay amount by which the regular hourly rate will be increased for each shift in the company. For example, you can indicate that all employees on shift 1 are paid an additional .50 per hour; all employees on shift 2 are paid an additional \$1.00 per hour, and so forth. After you set up the schedules you need, all you have to do is associate the appropriate schedule with each employee, and the system automatically calculates the correct pay.

The system distributes shift differential pay to the **Shift Differential Expense** account associated with the employee's hourly earnings.

You can assign a shift differential schedule to each employee and a Shift Differential Expense account to each employee earning on the Employee Payroll window.

You can also override the shift differential schedule to be used and the Shift Differential Expense account to which shift differential amounts are posted on the employee's timecard. When you enter shift pay onto the timecard, it is essential that you enter hours for the entries accurately; the system uses the hours you enter, in conjunction with the shift differential schedule, to determine an hourly rate for Fixed and Flat earnings and the hours to be paid at shift differential rates.

On the **Shift Differential Codes** window, you can set up schedules of pay differentials for up to four different work shifts. You can then assign a shift schedule to each employee. During Payroll Processing, the employee's pay for a particular shift is adjusted according to the schedule assigned. To apply to an employee's wages a shift differential schedule other than the schedule assigned to the employee, you can enter a timecard. Shift differentials can be applied to earnings that use the calculation methods Hourly Rate, Flat, and Fixed.

You can add shift differential schedules at any time. You cannot modify or delete a shift differential schedule after it has been assigned to an employee or entered on an employee's timecard.

To set up a shift differential schedule:

1. Select **Setup > Payroll Setup > Code Tables > Shift Differential**.
2. Review your company's shift differential policies and rates and complete the Shift Differentials window as follows:
 - **Shift Differential Schedule:** Enter an identifying code for the shift differential schedule you are creating, in up to six characters.
 - **Description:** Enter a description for the schedule in up to 60 characters.
 - **Last Maintained:** The system displays the (DOS) date on which you last modified this shift differential schedule.
 - **Inactive As Of ____:** Select the **Inactive** check box if you want to prevent this shift differential schedule from being assigned to any new employees. If you choose to make a shift differential schedule inactive, the system displays the DOS date in the **As Of** field to indicate the date on which you changed the status.

Setting a shift differential schedule's status to Inactive has no effect on the Payroll calculation of employees who have already been assigned this schedule.
 - **Differential Rate:** For each of up to four different shifts, enter the hourly amount the employee is to be paid above the employee's regular hourly wage.
3. Review the fields on the **Shift Differential Codes** window to make sure your entries are correct. When you finish, click the **Add** button.
4. Select Reports > Payroll > **Setup Reports > Shift Differential Schedules** to print a list of the shift differential schedules you defined.

Combining Overtime and Shift Pay

Suppose you have an employee who has worked 65 hours in a week during a critically busy period for the company. The breakdown of hours worked includes 40 regular hours on the employee's usual first shift, 20 overtime hours on shift 2, and another 5 overtime hours on shift 3. Given the following hourly wage, overtime, and shift differential information, and assuming the employee uses the overtime calculation method "Hourly Rate," here is how the system calculates the employee's pay:

Hourly Rate	Overtime Multipliers	Shift Differentials
\$ 12.00	Over 40 hours = 1.5	Shift 1 = 0
	Over 60 hours = 2.0	Shift 2 = .50
		Shift 3 = .75

How the system calculates:

Pay Type	Amount
Regular pay, no shift differential: 40 hours x \$12.00	\$480.00
First 20 hours overtime: 20 hours x (\$12.00 x 1.5) + (20 hours x \$0.50)	\$370.00
Last 5 hours overtime: 5 hours x (\$12.00 x 2.0) + (5 hours x \$0.75)	\$123.75
Employee's total pay for 65 hours work	\$973.75

Step 12: Set Up Work Classification Codes (optional)

The Work Classification Codes feature allows you to set up standard work classification codes and to assign these codes to individual employees. You can use standard codes based on the Federal Classification systems. Use the Work Classification Codes window to enter the occupational classifications for employees.

Work Classification Codes are used by economists and statisticians for collecting and analyzing data, for labor market analysis, and for career counseling. You may need to record this information for government contracts and where legislation dictates a fair wage for certain types of employment, such as in the construction industry.

You could also customize reports to report earnings and deductions based on the work classifications of your employees.

To Add Work Classification Codes

1. Select **Setup > Payroll Setup > Code Tables > Work Classification**.
2. Enter the **Work Classification** code (up to 6 characters) and the **Description** (up to 60 characters).
3. When you enter this information, the system automatically enters the current date in the **Last Maintained** field.
4. Add any comments you want to include.
5. Click **Add**.
6. Repeat steps 2 to 4 for each work classification code you need to add. When you set up employees you can select the appropriate work classification for each employee from the list of work classifications you set up here.
7. Click **Save**.

Note: You can delete a work classification code as long as it is not assigned to an employee (active or terminated).

Step 13: Set Up Taxes

Before adding your employees to Sage HRMS Payroll, set up the federal, state, local, income, and other custom taxes you will assign to those employees.

Federal, state, local, and income taxes are calculated by the system by way of tax tables supplied by Sage HRMS Payroll and updated through quarterly (U.S. Payroll) or biannual (Canadian) tax updates.

The current tax tables provide support for the following:

- Canadian Federal and Provincial (and Territorial) Taxes
- US Federal Income Tax (USFIT)
- US Federal Unemployment Tax (USFUTA)
- Social Security Tax (USSS)
- Medicare Tax (USMED)
- Advance Earned Income Credit (USEIC)

About U.S. Payroll Local and Custom Taxes

Local taxes are supported using a repository table that allows you to update local taxes quarterly. The table includes taxes for counties and cities, such as the City Income Tax for the cities of New York and Yonkers, NY.

Custom taxes are taxes you define yourself for local taxes which are supported through the system tax tables and tax updates. When you set up custom taxes, you indicate to the system exactly how it is to calculate the tax; the system receives no information about these taxes from the installed tax tables.

The U.S. tax table contains Social Security and Medicare tax percentages and the Social Security wage ceiling; the Unemployment tax wage ceiling; federal income tax withholding information; and data used by the system to calculate Earned Income Credit (EIC). You can enter the unemployment tax percentage on the first tab of the Federal and State Taxes window.

You can create custom taxes using the Local/Other Tax Codes window. For example, you may require a city tax that is not supported by the tax table included with Sage HRMS Payroll. You can also use the Local/Other Tax Codes window to define taxes which have special configurations; for example, a tax which is a combination of state and local taxes.

Activating and Configuring Federal and State/Provincial Taxes

To configure the supported taxes for your company, open the Setup > Payroll > **Federal and State Taxes** window (U.S.) or the **Income Taxes** window (Canadian). Next, click the **Select Federal or State Tax** (U.S.) or **Select Income Tax** (Canadian) button. A list of all taxes supported by the tax tables displays. Select each tax, one by one, and configure each tab on the tax setup window to activate each tax for your company.

When you select the tax, the system displays the tax code, type, level, descriptive information from the tax tables, and the annual maximum earnings for unemployment taxes. You can then configure the tax by entering or editing the following:

- Reporting ID
- Level (if the default level doesn't suit your needs)
- Percentage for FUTA and SUTA
- G/L distribution accounts for the tax amounts
- Calculation base information

To work with U.S. Federal and State Taxes, select Setup > Payroll > Earnings/Deductions/Taxes > Federal and State Taxes. To work with Canadian Income Taxes, select Setup > Canadian Payroll > Earnings/Deductions/Taxes > Income Taxes.

You can now configure the taxes that you will assign to your company's employees. Configure each tax only once, during setup; you do not need to repeat the procedure after installing quarterly tax updates.

After you configure all the taxes you need to process your company's payroll, return to this function to make modifications and to delete taxes you no longer need.

Basic Information Tab

The **Basic Information** tab provides fields for specifying a tax's reporting ID, level, and other information.

Review your Payroll Processing needs and complete the fields on the **Basic Information** tab as required, as follows:

Tax: To activate and configure a federal or state tax, click the **Select Tax** button at the bottom of the window. The system displays a list of all available tax update supported taxes. The **Tax Finder** always lists all tax update supported taxes, even the ones you have already activated. (The **Finder** button next to the **Tax** field at the top of the window, on the other hand, lists only those taxes that have already been activated.)

New button. If you know the code for the tax update supported tax you want to activate, click the **New** button at the **Tax** field and enter the tax code. Clicking the **New** button clears the tab in preparation for the activation of a new tax.

Description: The system displays a description for the tax you selected. You can accept the description supplied by the system or enter a new description. The **Description** field is not optional.

Type: The **Type** field is display-only.

Short Description: The purpose of the tax's short description is to provide a meaningful but brief identifier for the tax on checks and reports. The system supplies the name but you can edit it, using up to 15 characters. The **Short Description** field is not optional.

Reporting ID: Use up to 15 characters to type your company's identification number for the taxing authority.

Level: As it does with earnings and deductions, the system assigns a level to each tax you set up. A tax's level dictates whether or not a particular earning or deduction can be used in the tax's calculation base (whether it can be subject to the tax in the case of an earning, accrual, or benefit and whether it can be deducted before the tax is calculated in the case of a deduction). Conversely, a tax's level dictates whether the tax can be used in the calculation base of a particular deduction (whether the tax can be taken before the deduction).

In order for an earning to be subject to a specific tax, the earning's level must be lower than the level of the tax. In order for a deduction to be taken from pay before a particular tax is applied to earnings, the deduction's level must be lower than the tax's level.

A tax's level also dictates whether or not the tax can be based on another tax. For example, Arizona state tax is based on (calculated as a percentage of) federal tax. Federal tax, therefore, constitutes the base for Arizona tax. To accommodate this relationship, you must assign a higher level to Arizona state income tax than you assign to federal income tax.

Because most employee wages are subject to federal and state taxes, the system assigns each federal and state tax a level of 20 (earning/deduction levels default to 10). You can edit the level of any tax table tax, entering a number between 1 and 999.

For a complete discussion of the relationships between tax calculation methods, calculation bases, and levels, see the Sage HRMS Payroll in-product Help.

Percentage. For an employment tax or unemployment tax, enter the percentage to be used in calculating the tax.

Annual Maximum Earnings. For a federal or state unemployment tax, the system displays the wage ceiling from the currently activated tax update.

Last Maintained. The system displays the date on which you last modified this tax.

Inactive As Of ____. Select the **Inactive** check box if you want to prevent this tax from being assigned to any new employees. If you choose to make a tax inactive, the system displays the current DOS date in the **As Of** field to indicate the date on which you changed the tax's status.

Setting a tax's status to Inactive has no effect on the Payroll calculation of employees who have already been assigned the tax.

Calculation Base Tab

The **Calculation Base** tab allows you to specify the base earnings and base deductions used in the calculation of the federal or state tax.

Review your tax setup and complete the fields on the **Calculation Base** tab as follows.

Base Earnings Include. Click the Finder to select the accruals, benefits, and earnings (with the exception of allocated tips earnings) that will be subject to the tax. For each item included, you must indicate one of the following withholding types:

- Regular Rate
- Taxable, No Withholding
- Supplemental Withholding

Base Deductions Include. Click the Finder to select the deductions that are to be taken from an employee's pay before the tax is deducted.

G/L Distribution Tab

The **G/L Distribution** tab enables you to assign default expense and liability accounts to any number of distribution codes. When you assign a tax to an employee, you also assign a G/L distribution code to the employee, which sets up the G/L accounts to which the tax amounts will be posted.

The column headings for the **G/L Distribution** field that displays depend upon the type of tax you are adding.

If the tax you are adding involves employee liability only, you set up only an Employee Liability account for the distribution code. If the tax you are adding involves employer liability only, you set up Employer Expense and Liability accounts for the distribution code. And, finally, if the tax you are adding involves employee and employer liability, you set up accounts for Employee Liability, Employer Expense, and Employer Liability.

Review your G/L posting needs and complete the fields on the **G/L Distribution** tab as follows:

Distribution Code: Type a distribution code of up to six characters to define the G/L expense and liability accounts you are setting up for the tax.

Description: Type a name or description for the distribution code, in up to 15 characters. Be sure to make the description distinctive enough that when you assign the tax to an employee, you can select the correct account set from a Finder list that displays codes and descriptions only.

Employee Liability Account: Enter the Employee Liability account to which you will credit the withholding for any employee assigned this distribution code.

Employer Expense Account: Enter the Employer Expense account to which you will debit the employer's portion of this tax for any employee assigned this distribution code.

Employer Liability Account: Enter the Employer Liability account to which you will credit the employer's liability for this tax for any employee assigned this distribution code.

Optional Fields Tab

If you want to assign optional fields to this tax, click the **Optional Fields** tab.

Optional fields that you set up for automatic insertion in tax records automatically display on this tab, along with their default values.

You can accept or change any default values that display. You can accept the optional fields that display, or you can delete or add them.

- To delete an optional field, select the line on the table, and then press **Delete** on the keyboard.
- To assign additional optional fields, select the table, and then press **Insert** on the keyboard. Complete the fields on the new line as follows:

Optional Field and Description. Use the Finder to select the optional field codes you want to use with this tax.

When you select an optional field code, the program displays the description for the optional field.

Value Set. This field alerts you whether a seemingly blank optional field has an automatically inserted - but "blank" - default value. If it has a blank value, the **Value Set** field displays **Yes**. (You cannot tell whether an optional field has a blank default value, or no value, just by looking at the **Value** field.)

The **Value Set** field will change from **No** to **Yes** if you make an entry in the **Value** field.

Value and Value Description. Enter or select the value for this tax.

If the optional field you selected requires validation, you must select a value that is defined for the optional field. However, if the optional field allows blanks, you can leave the default value field blank.

If you select a value, the description of the value will display in the **Value Description** column.

After Completing the Tabs

- Review the tabs on the Taxes window to make sure your choices and entries are correct. When you finish, click the **Add** button.
- To print a listing of taxes you set up, to verify that they are correct and complete select **Reports > Payroll > Setup Reports > Tax Profiles**.

Assigning Taxes to Employees

On the **Taxes** tab of the **Employee Payroll** window, you assign to each employee the taxes used in Sage HRMS Payroll calculation. In addition to entering each tax code, you also enter a withholding method; an override amount or percent, if appropriate; any extra withholding for the tax; and the distribution code for the G/L accounts to which tax amounts should post.

Step 14: Set Up Local and Other Taxes (U.S. only)

After you set up the federal, state, you need to set up local and other custom taxes you will assign to those employees.

Local taxes are provided in a tax repository table that allows you to update local taxes quarterly. The table includes taxes for counties and cities. Custom taxes are taxes you define yourself for local taxing entities which may not be supported.

Use the Local/Other Tax Codes window to add the taxes you define yourself for local taxing entities such as counties and cities. When you set up a custom tax, you indicate to the system exactly how to calculate the tax; the system receives no information about the tax from the installed tax tables. You will return to this window to update, add, and remove taxes as necessary.

To set up new local tax codes:

1. Select Setup > Payroll Setup > Earnings/Deductions/Taxes > Local/Other Tax Codes.
2. Click **Select Local Taxes**.
3. The Finder - Local Tax Repository Table dialog box opens.
4. Select the local tax to add.
5. The system returns you to the Local/Other Tax Codes window and the information for that tax is entered in the fields. Click **Save** to save the data.

Note: You must repeat this process for each new tax setup you want to add.

6. After you have added all the local taxes, click **Close**.

You can now update this tax for your employees using the **Taxes** tab on the **Employee Payroll** window (Employees > View/Edit Employee. Select the **Payroll** tab and then **Employee Payroll**).

Notes:

- The Local/Other Tax Codes window allows you to set up the taxes your company needs that are not supported by the installed tax tables.
- The custom taxes you create can use the following employee or employer calculation methods:
- Flat

- Amount Per Hour
- Percentage Of Base
- Tax Bracket Table
- Percentage Of Another Tax
- Percentage Of Employee Withholding (employer side only)
- Among other information you enter to configure a custom tax, you define the G/L accounts to which custom tax amounts will post and, depending upon the calculation method used for the tax, specify the hours, earnings, and deductions that will compose the calculation base for the tax.

Basic Information Tab

The **Basic Information** tab of the Local/Other Tax Codes window provides fields for specifying a tax's type, reporting ID, base wage and surtax multipliers, employee and employer calculation methods, and other information.

Review your Payroll Processing needs and complete the fields on the **Basic Information** tab as required, as follows:

Tax: Type an identifying code for the tax, using up to six characters.

Description: Type a description, using up to 60 characters, to identify the tax in a meaningful way. The Description field is not optional.

Short Description: Type another description, of up to 15 characters, to identify the tax in a meaningful but brief way appropriate for printing on reports and on the W-2 form. Because of space considerations, the system truncates the short description when printing it on the W-2 form. The Short Description field is not optional. You cannot add a custom tax without entering a short description for it.

Type: From the selection list, choose the type of tax. Select a type to allow the system to identify taxes for certain kinds of processing. The selections are:

- Income Tax
- Unemployment Tax
- Insurance Tax (The category Insurance Tax includes disability insurance taxes.)
- Pension Plan Tax
- Health Tax
- Other Tax

Reporting ID: Use up to 12 characters to type your company's identification number for the taxing authority.

Level: As with earnings and deductions and tax update supported federal and state taxes, the system assigns a level to each custom tax you set up. A tax's level dictates whether or not a particular earning/deduction can be used in its calculation base and whether it can be used in the calculation base of a particular earning/deduction. (A tax's calculation base, depending upon the calculation method chosen, is made up of the accruals, benefits, and earnings that are subject to the tax and the deductions that are to be deducted before the tax is applied to wages.)

Taxes with the calculation methods Percentage Of Another Tax and Percentage Of Employee Contribution do not directly use other earnings and deductions in their calculation bases. (A tax calculated as a percentage of another tax, however, must have a level higher than that of the "other" tax.)

Taxes using the calculation methods Flat, Amount Per Hour, Percentage Of Base, and Tax Bracket Table are based on hours worked or wages earned and amounts deducted from pay. So, these taxes do use other earnings and deductions in their calculation bases. (In the case of Flat taxes, the calculation base is maintained as a way of tracking taxable wages and not for the purpose of calculating the amount of the tax.)

The system assigns all taxes a level of 20. You can edit the level of any tax, entering any number between 1 and 999.

For a complete discussion of the relationships between tax calculation methods, calculation bases, and levels, see the Sage HRMS Payroll in-product Help.

Base Wage Multiplier. Enter the rate by which the withholding wage base (the employee's total earnings, for example) is multiplied before the withholding tax is calculated.

Surtax Multiplier. Type the rate by which the withholding tax is multiplied to increase or reduce the amount of tax owed (to include a surtax in your withholdings, for example).

>Employee Calculation Method. Select from the list the method to be used in calculating the amount deducted from the employee's pay for this tax.

Be sure you specify the correct employee calculation method. After you add the tax, you cannot change the employee calculation method unless you delete the tax and add it again.

% Of. If you selected **Percentage Of Another Tax** at the **Employee Calculation Method** field, type the code for the other tax or click the Finder to choose from a list of all federal, state, and custom taxes. The tax you select must have a level lower than that of the tax you are setting up.

Employer Calculation Method. Select from the list the method to be used in calculating the amount paid by the employer for this tax.

Be sure you specify the correct employer calculation method. After you add the tax, you cannot change the employer calculation method unless you delete the tax and add it again.

If you select Flat, Amount Per Hour Worked, Percentage Of Base, or Tax Bracket Table as the employee or employer calculation method for the tax, an additional tab, **Calculation Base**, becomes available for you to enter the hours, earnings, and/or deductions that make up the calculation base for the tax.

On the **Calculation Base** tab, you also enter (for taxes with particular calculation methods) standard deductions, exemption amounts, annual minimum and maximum earnings, and other information about the tax. For instructions on completing the **Calculation Base** tab.

If you create a custom tax with both an employee and an employer side, you cannot choose **Tax Bracket Table** as the calculation method for both sides. Tax bracket table can be chosen as the calculation method for only one side of a two sided tax.

If you select **Tax Bracket Table** as the employee or employer calculation method for a tax, an additional tab, **Brackets**, becomes available for you to set up an annualized wage bracket table.

Taxes that use the Flat calculation method are always deducted during Payroll calculation even if the employee has no wages for the period. If the employee has no wages or has earned wages that are insufficient to cover the tax, calculation of the tax results in negative net pay.

Last Maintained. The system displays the (DOS) date on which you last modified this tax.

Inactive As Of ____. Select the Inactive check box if you want to prevent this tax from being assigned to any new employees. If you choose to make a tax inactive, the system displays the DOS date in the **As Of** field to indicate the date on which you changed the tax's status.

Setting a tax's status to Inactive has no effect on the payroll calculation of employees who have already been assigned this tax.

Round Tax To Whole Dollars. Select this check box to instruct the system to round the withholding tax for this taxing authority to whole dollars. If you choose this option, the system rounds decimals of .5 and higher to the next greater whole number and decimals smaller than .5 to the next smaller whole number.

Daily Periods Per Year. To enable the system to annualize the tax, type the number of daily pay periods defined for the tax year. The system defaults the number of daily pay periods you entered on the **Frequency** tab of the Options window.

Employee Tab

The **Employee** tab of the Local/Other Tax Codes window prompts you for information needed by the system to calculate the amount deducted from the employee's pay for this tax. The entries you make depend largely upon the employee calculation method you chose for this tax.

Complete the fields on the **Employee** tab as follows.

Amount or Percent. This field's label varies with the employee calculation method used by the tax. If the tax's employee calculation method is Flat or Amount Per Hour, enter the amount to be deducted for this tax. If the tax's employee calculation method is one of the two Percentage methods, enter the percentage to be used in the calculation of the tax.

This field is not applicable if the tax's employee calculation method is Tax Bracket Table.

Minimum And Maximum Based On. Choose from the selection list the unit on which the period minimums and maximums for the tax are based. Your selections in this field depend upon your entry in the **Employee Calculation Method** field.

If the calculation method is:	Select:
Amount Per Hour	No Limit, Withholding, or Hours
Percentage Of Base	No Limit, Withholding, or Base

Note: If you select No Limit, there will be no period minimums or maximums for the employee portion of the tax.

Annual Maximum Withholding. For taxes with the calculation methods Flat, Amount Per Hour, and Percentage Of Base, enters the annual amount at which calculations for this tax will stop.

Supplemental Rate. If you are defining a Percentage Of Base or Tax Bracket Table tax that uses a supplemental rate, type the rate here.

Calculate Minimum/Maximum Based on Tax Weeks Worked. Select this check box if you are defining an Amount Per Hour or Percentage Of Base tax, such as New York or Hawaii State disability insurance tax that is calculated by the week rather than on an annualized basis. Selecting this check box instructs the system to use the Tax Weeks Worked specified on timecards rather than the weeks derived from the employee's pay frequency to prorate the tax calculation.

W-2 Reporting. From the selection list, choose the entry that applies to the tax:

- **Not Applicable.** The tax does not print on the Form W-2.
- **Other Information Box.** The tax prints in the **Other Information** box on the Form W-2.
- **Combine With Another Tax.** The tax amount is added to another tax amount, which you specify in the next field, and the sum prints wherever the "other" tax is set to print on the Form W-2.
- **Local Tax Box.** The tax prints in the Local tax box on the Form W-2.

Combine With Tax. If you responded **Combine With Another Tax** at the preceding field, type the code of the tax with which you want to combine the tax you are setting up, or click the Finder to select from a list of all configured taxes (federal, state, local, and custom).

The tax you select (the "combine with" tax) does not have to be assigned to each employee who is subject to the custom tax you are setting up. For employees to whom it is not assigned, the system prints the amount of the custom tax in the location specified for the "combine with" tax.

Associate W-2 Printing. If you chose **Other Information Box** or **Local Tax Box** at the preceding **W-2 Reporting** field, the **Associate W-2 Printing** option becomes available to you. Select this option if the tax you are setting up needs to be associated with another tax on the same Form W-2. Then, if an employee works in more than two states or localities and requires more than one Form W-2, you can be sure that the tax you are setting up displays on the same Form W-2 as the taxing entity with which it is associated.

Associated Tax. Type, or select from the Finder, the state or local tax with which you want to associate the tax you are adding. If you select **Other Information Box** at the **W-2 Reporting** field, you can associate the tax you are adding with a tax update supported state or local tax. If you selected **Local Tax Box** at the **W-2 Reporting** field, you can associate the tax you are setting up with a tax update supported state tax only.

During setup, the system does not restrict the number of tax associations you create for a given tax. When you print Forms W-2, however, the system processes only as many associations per tax as will fit on one Form W-2. For example, during setup, you might associate five "Other Information Box" taxes with one particular state income tax. For any employee, the system will associate and print with the state income tax only the first three "Other Information Box" taxes.

Weekly Minimum Withholding/Base/Hours. If you selected the **Calculate Minimum/Maximum Based On Tax Weeks Worked** box earlier on this tab (for an Amount Per Hour or Percentage Of Base tax), type the minimum weekly withholding amount, base wage amount, or number of hours (depending upon your selection at the **Minimum And Maximum Based On** field) for this tax.

Weekly Maximum Withholding/Base/Hours. If you selected the **Calculate Minimum/Maximum Based On Tax Weeks Worked** box earlier on this tab (for an Amount Per Hour or Percentage Of Base tax), type the maximum weekly withholding amount, base wage amount, or number of hours (depending upon your selection at the **Minimum And Maximum Based On** field) for this tax.

Min/Max Withholding/Base/Hours By Frequency. If you are not calculating minimums and maximums based on tax weeks worked, type the smallest and the largest withholding amounts, base amounts, or numbers of hours, based on your response at the **Minimum And Maximum Based On** field, that may be used in calculating the amount for the tax for each pay frequency your company uses.

The **Minimum and Maximum By Frequency** fields do not display if the **Minimum and Maximum Based On** field for the tax is set to **No Limit**.

The system validates period minimums and maximums. The system validates the period minimum and period maximum amounts you enter as follows:

- If you select **Withholding at the Minimum And Maximum Based On** field, the system validates period minimums and maximums against the Annual Maximum Withholding you enter on the **Employee** tab or **Employer** tab for the tax.
- If you select **Base at the Minimum And Maximum Based On** field, the system validates period minimums and maximums against the Annual Maximum Earnings you enter on the **Calculation Base** tab for the tax.
- If you selected **Hours at the Minimum And Maximum Based On** field, the system validates period minimums and maximums against the Annual Maximum Hours you enter on the **Calculation Base** tab for the tax.

Employer Tab

The **Employer** tab of the Local/Other Tax Codes window prompts you for information needed by the system to calculate the amounts paid by the employer for this tax. The entries you make vary according to the employer calculation method you chose for the tax.

This tab is not applicable if the tax's employer calculation method is Tax Bracket Table.

Complete the fields on the **Employer** tab as follows.

Amount or Percent: This field's label varies with the employer calculation method used by the tax. If the tax's employer calculation method is Flat or Amount Per Hour, enter the amount to be paid by the employer for this tax. If the tax's calculation method is one of the two Percentage methods, enter the percentage to be used in the calculation of the employer's tax liability.

Minimum And Maximum Based On: Choose from the selection list the item on which the period minimums and maximums for the tax are based. Your selections in this field depend upon your entry in the **Employer Calculation Method** field.

If the calculation method is:	Select:
Amount Per Hour	No Limit, Withholding, or Hours
Percentage Of Base	No Limit, Withholding, or Base

Note: If you select **No Limit**, there will be no period minimum or maximum for the employer portion of the tax.

Annual Maximum Withholding: For taxes with the calculation methods Flat, Amount Per Hour, Percentage Of Base, and Percentage of Employee Contribution, type the annual amount at which calculations for the employer's liability for this tax will stop.

Calculate Minimum/Maximum Based on Tax Weeks Worked: Select this check box if you are defining an Amount Per Hour or Percentage Of Base tax that is calculated by the week rather than on an annualized basis.

Weekly Minimum Contribution/Base/Hours: If you selected the **Calculate Minimum/Maximum Based On Tax Weeks Worked** check box earlier on this tab (for an Amount Per Hour or Percentage Of Base tax), type the minimum weekly employer contribution, base wage amount, or number of hours for this tax.

Weekly Maximum Contribution/Base/Hours: If you selected the **Calculate Minimum/Maximum Based On Tax Weeks Worked** check box earlier on this tab (for an Amount Per Hour or Percentage Of Base tax), type the maximum weekly employer contribution, base wage amount, or number of hours for this tax.

Min/Max Contribution/Base/Hours Per Frequency: If you are not calculating minimums and maximums based on tax weeks worked, type the smallest and the largest contribution amounts, base wage amounts, or numbers of hours, based on your response at the **Minimum and Maximum Based On** field, that may be used in calculating the amount for the tax for each pay frequency your company uses.

The **Minimum and Maximum Withholding** fields do not display if the **Minimum and Maximum Based On** field for the tax is set to **No Limit**.

The system validates period minimums and maximums. The system validates the period minimum withholding and period maximum withholding amounts you enter as follows:

- If you select **Withholding** at the **Minimum and Maximum Based On** field, the system validates period minimums and maximums against the Annual Maximum Withholding you enter on the **Employee** tab or **Employer** tab for the tax.
- If you select **Base** at the **Minimum and Maximum Based On** field, the system validates period minimums and maximums against the Annual Maximum Earnings you enter on the **Calculation Base** tab for the tax.
- If you selected **Hours** at the **Minimum And Maximum Based On** field, the system validates period minimums and maximums against the **Annual Maximum Hours** you enter on the **Calculation Base** tab for the tax.

Calculation Base Tab

The **Calculation Base** tab of the Local/Other Tax Codes window allows you to set up the earnings and deductions and the hours to be used in determining the calculation base for the tax. Depending upon the calculation method of the tax you are configuring, you may also enter employee exemption amounts, annual maximum and minimum earnings, annual maximum hours, and the standard deduction for the tax.

Review your tax setup and complete the fields on the **Calculation Base** tab as follows. Keep in mind that not all of the fields listed apply to the kind of tax you are setting up. If you are setting up an employer only tax, you may see very few of the fields listed, depending upon the calculation method of your tax.

Standard Deduction: If you are setting up an employee tax that uses the Percentage Of Base or Tax Bracket Table calculation method, type the standard deduction or annualized amount that may be deducted from the wage base before the tax is calculated.

Exemption Amount: For employee taxes that use the Percentage Of Base or Tax Bracket Table calculation method, type the annual amount that may be deducted, either from the calculated tax or from taxable earnings, per exemption.

Exemption Is Tax Credit: If you select this check box, the exemption amount you entered in the previous field reduces the calculated tax. If you do not select this box, the exemption amount reduces taxable earnings for the tax.

Annual Maximum Hours: If you are setting up a tax that uses the Amount Per Hour calculation method, type the maximum number of earnings hours to withhold on in a year.

Annual Maximum Earnings: If you are setting up a tax that uses the Percentage Of Base calculation method, type the maximum amount of taxable earnings to withhold on in a year.

Annual Minimum Earnings: If you are setting up a tax that uses the Percentage Of Base calculation method, type the minimum amount the annualized withholding base (taxable earnings) must be to be subject to withholding tax.

Base Hours Include: For taxes using the Amount Per Hour calculation method, select the hours associated with accrual payments or the earnings hours to be included in the calculation base of the tax. If you click the Finder, the system displays a list of all lower level accruals and all lower level earnings of the type Salary And Wages that use the calculation method Flat, Fixed, Hourly Rate, Piece Rate, or Sales Commission Table.

Base Earnings Include: For taxes using the Flat, Amount Per Hour, Percentage Of Base, or Tax Bracket Table calculation method, select the accruals, benefits, and earnings to be included in the calculation base of this tax. If you click the Finder, the system displays a list of all lower level accruals, benefits, and earnings, with the exception of allocated tips. You must indicate one of the following withholding types for each:

- Regular Rate
- Taxable, No Withholding
- Supplemental Withholding

If you are setting up a tax that uses the Flat or Amount Per Hour calculation method only, your selection of base earnings defines, for reporting purposes, the gross Payroll wages associated with the tax.

Base Deductions Include: For taxes using the Percentage Of Base or Tax Bracket Table calculation method, select the deductions to be included in the calculation base of this tax. Each deduction you enter into the box is deducted from pay before the tax you are adding is calculated.

G/L Distribution Tab

The **G/L Distribution** tab of the Local/Other Tax Codes window allows you to assign default expense and liability accounts to any number of distribution codes. When you assign a tax to an employee, you also assign a G/L distribution code to the employee, which sets up the G/L accounts to which the tax amounts will be posted or, if you use cost center overrides, defines the base accounts to which tax amounts are allocated.

The column headings for the G/L Distribution box that displays depend upon the type of tax you are adding.

If the tax you are adding involves employee liability only, you set up only an Employee Liability account for the distribution code. If the tax you are adding involves employer liability only, you set up Employer Expense and Liability accounts for the distribution code. And, finally, if the tax you are adding involves employee and employer liability, you set up accounts for Employee Liability, Employer Expense, and Employer Liability.

If you use cost center overrides, to the extent that the cost center segments display in the tax accounts, the tax amounts posted are distributed to the cost centers in which the taxable wages were earned.

Review your G/L posting needs and complete the fields on the **G/L Distribution** tab as follows:

Distribution Code: Type a distribution code of up to six characters to define the G/L expense and liability accounts you are setting up for the tax.

Description: Type a name or description for the distribution code, using up to 15 characters. Be sure to make the description distinctive enough that when you assign the tax to an employee, you can select from a Finder list of distribution codes (that displays codes and descriptions only) the correct account set for posting.

Employee Liability Account: Enter the Employee Liability account to which you will post the withholding tax for any employee assigned this distribution code.

Employer Expense Account: Enter the Employer Expense account to which you will post the employer's portion of this tax for any employee assigned this distribution code.

Employer Liability Account: Enter the Employer Liability account to which you will post the employer's liability for this tax for any employee assigned this distribution code.

Brackets Tab

The **Brackets** tab of the Local/Other Tax Codes window allows you to set up an annualized wage brackets table that the system refers to when calculating amounts for taxes with the calculation method Tax Bracket Table.

All amounts you set up on the wage brackets table must be annualized. Be sure to convert ranges of pay for your employees to an annual basis. For example, enter a pay range of \$1,000 to \$1,500 per month as \$12,000 to \$18,000 in the wage bracket table. The system converts wage table based tax amounts back to amounts appropriate for the pay frequency when the tax is calculated.

Review your wage brackets and percentages and complete the columns of the wage brackets table as follows:

From: This column displays the lower limit (dollar amount of wages) of each range for which you have set a specific tax deduction amount and percentage of excess. The system displays zeros as the first lower limit, and the upper limit of the previous range (plus a penny) for each subsequent lower limit.

To:Type the upper limit (dollar amount of wages) of each range for which you have set a specific tax deduction amount and percentage of excess. As you enter an amount on one line of the **To** column, the system defaults 999,999,999,999.99 on the next line of the **To** column. \$999,999,999,999.99 represents the uppermost limit of the wage bracket table.

Amount:In this field, type the dollar amount of tax to be deducted from wages.

Plus Percent: Type the percentage to be applied to the amount of employee wages that exceed the upper limit of the previous range in the bracket table. The product of this calculation is also deducted from wages.

Of Excess Over: This column displays, for each range of wages, the upper limit of the preceding range. For example, on a line that covers wages falling between \$15,000.01 and \$20,000, the **Of Excess Over** field would display \$15,000.00.

Optional Fields Tab

If you want to assign optional fields to this tax, click the **Optional Fields** tab.

Optional fields that you set up for automatic insertion in tax records automatically display on this tab, along with their default values.

You can accept or change any default values that display.

You can accept the optional fields that display, or you can delete or add them.

- To delete an optional field, select the line on the table, and then press **Delete** on the keyboard.
- To assign additional optional fields, select the table, and then press **Insert** on the keyboard. Complete the fields on the new line as follows:

Optional Field and Description: Use the Finder to select the optional field codes you want to use with this tax.

When you select an optional field code, the program displays the description for the optional field.

Value Set:This field alerts you whether a seemingly blank optional field has an automatically inserted - but "blank" - default value. If it has a blank value, the **Value Set** field displays **Yes**. (You cannot tell whether an optional field has a blank default value, or no value, just by looking at the **Value** field.)

The **Value Set** field will change from **No** to **Yes** if you make an entry in the **Value** field.

Value and Value Description: Enter or select the value for this tax.

If the optional field you selected requires validation, you must select a value that is defined for the optional field. However, if the optional field allows blanks, you can leave the default value field blank.

If you select a value, the description of the value will display in the **Value Description** column.

After Completing the Tabs

Review the tabs on the Local/Other Tax Codes window to make sure your choices and entries are correct. When you finish, click the **Add** button, or choose the **Add** command from the Tax menu. Select Reports > Payroll > Setup Reports > Tax Profiles to print listings of the taxes you set up, to verify that they are correct and complete.

Back Up your Data

At this point, back up the data and store the backup in a safe place. If something should happen to damage your data before you complete the next phase and back it up, you can restore from this backup copy, instead of having to enter setup information all over again.

Step 15: Set Up Employee Payroll Records

After you complete the setup of earnings, deductions, taxes, and all the other items discussed earlier in this chapter, you are ready to add your employees.

The process of adding and configuring employee information draws upon all of the setup information you have completed to this point, such as:

- You can assign to each employee one of the overtime and shift differential schedules and one of the workers' compensation groups/codes you set up earlier on the Overtime Schedules, Shift Differential Schedules, and Workers' Compensation Codes windows.
- You can assign a work classification code to each employee.
- You can associate each employee with up to four class codes you set up in the Class Codes function and with employee specific segment codes for the G/L segment names you set up in G/L Integration.
- You assign an overtime calculation method to each employee, and define information about the employee's regular hours worked.
- You assign to each employee the appropriate earnings, deductions, and taxes you set up for your company on the Earnings/Deductions and Taxes windows.

Linking all of these items to your employees provides the crucial network of information needed by **Calculate Payroll** when it is time to process payroll.

To set up an employee, select **Employees > View/Edit Employee**. Select an employee, select the **Payroll** tab and then select **Employee Payroll**.

The **Employee Payroll** window includes up to eight tabs of information. On two of these tabs, the **Pay** tab and the **Taxes** tab, you assign to the employee the pay factors (accruals, advances, benefits, deductions, earnings, expense reimbursements, and taxes) used in calculating the employee's paycheck.

General Tab

The **General** tab provides employee demographic information and relevant employment dates. You can edit most fields on this tab. This allows you to correct employee information so that the payroll can be processed.

Caution! The edits you make here do not update in the HR module. Also, the next time you run the Synchronize Employees process, this information is overwritten with the HR information. Therefore, if

you want to retain this information, you must also make the edits in HR.

Class/Schd Tab

The **Class/Schd** tab provides fields for specifying the employee's status, position, overtime and shift differential schedules, workers' compensation group and code, Payroll class codes, and other information.

Complete the fields on the **Class/Schd** tab, as follows:

Status: Choose the employee's status from the selection list. The choices are:

- **Active:** The employee is working for the company now. This is the default entry for this field.
- **Inactive:** The employee is not presently working for the company but is expected to return. The system does not calculate pay for an inactive employee nor does an inactive employee accrue vacation or sick time. Choose the **Inactive** status for employees you use solely as templates.
- **Terminated:** The employee has left the company. If the termination date is earlier than the pay period end date, the system does not calculate pay for the employee. The system does include the employee in W-2s.

Position: Type the employee's position within the company, using up to 25 characters.

Supervisor: Type the name of the employee's supervisor, using up to 25 characters.

Times Late: Type the number of times this year the employee has been late. This field is informational and is updated by entries you make in Timecards.

PaycheckLanguage: By default, Sage HRMS Payroll sets this field to English.

Overtime Schedule: Type the code for the overtime schedule you will use for this employee. Clicking the Finder provides a list of all the overtime schedules set up for the company. During timecard entry, you can associate other overtime schedules with the employee's work hours.

WCC Group: Type the employee's workers' compensation group. Clicking the Finder button provides a list of all the workers' compensation groups set up for the company.

Workers' Compensation Code: This field displays only if you entered a WCC Group. Type the employee's workers' compensation code. Clicking the Finder button provides a list of all the workers' compensation codes set up for the WCC Group that you entered.

A workers' compensation code assigns a workers' compensation insurance rate to an employee's accruals, earnings, and benefits. If you do not enter the code, the Sage HRMS Payroll program will skip the employee's workers' compensation information when producing the Workers' Compensation report.

Workers' compensation group and code you enter becomes the default group and code used for all accruals, earnings, and benefits subject to workers' compensation that you assign to the employee. You

can override this code for each accrual, earning, or benefit when you assign it to the employee or during timecard entry.

Work Classification: Use the finder to select a work classification code for this employee. (You set up the work classification codes you want to use in the Work Classification Codes window.)

Shift Differential Schedule: Type the code for the shift differential schedule you will use for this employee. Clicking the Finder provides a list of all the shift differential schedules set up for the company. During timecard entry, you can associate other shift differential schedules with the employee's work hours.

Work Shift: If you entered a shift schedule for the employee, type the work shift to which the employee is assigned. The shift differential schedule and the shift number determine the shift differential rate to be used in calculating the employee's pay.

The work shift number you enter here displays as the default shift number on the employee's timecard, where it can be changed. If you leave the Work Shift field blank, no shift differential amounts are calculated for this employee during payroll calculation and the Shift field on the employee's timecard is skipped.

Class Codes: At these fields, the system displays as prompts the classes (Class 1, Class 2, Class 3, and Class 4) for which you defined class codes in the Class Codes function. At each class, enter the class code that pertains to the employee.

For example, suppose you are using Class 1 to signify sales teams and you defined the Class 1 codes as SALES1, SALES2, SALES3, and SALES4. If you are adding a new employee whose territory falls in the fourth sales district, at the Class 1 prompt, click the Finder and select SALES4.

Cost Center Tab

Note: Available only when the **Use Cost Center Overrides** option is selected on the **Payroll G/L Integration** window. Learn more about cost center overrides in the in-product help or [web help](#) (search for keywords "Cost Center Overrides.")

The **Cost Center** tab allows you to specify a default set of General Ledger account segments to use to build a cost center for the employee when you post payroll data.

Beside each G/L segment name, enter the segment code (defined in the General Ledger Segment Codes window) that pertains to the employee.

For example, suppose you set up Department as a G/L segment name in G/L Options and defined the G/L segment codes for Department in General Ledger as 101, 202, 303, and 404. If you are adding a new employee who will be assigned to department 303, at the Department prompt, click the Finder button and select 303.

Pay Tab

The **Pay** tab provides fields for specifying the employee's regular hours per period, how overtime pay is calculated, pay frequency, minimum wage, and part or full time status as well as the earnings and deductions that will be used to calculate the employee's pay.

You can also enter fields on the **Pay** tab to enable the employee to enter their own timecard and to specify the earnings that should display on the timecard.

Complete the fields on the **Pay** tab as required, as follows:

Pay Frequency: From the selection list, choose the frequency with which the employee will be paid.

Regular Hours Per Period: Enter the number of regular (not overtime) hours the employee normally works within each pay period.

When an employee's regular number of work hours is not met during a pay period, the system can make up the shortage of regular hours from the employee's accrued compensatory time. (To implement this, you select the **Pay Regular Hours Shortage From Compensatory Time** check box when setting up your company's overtime schedules.)

To determine the number of accrued compensatory time hours to apply, the system calculates the difference between the regular hours worked and the regular hours per pay period you enter in this field.

Regular Hours Per Day: Type the number of regular (not overtime) hours the employee normally works in a day. The default is 8. Sage HRMS Payroll uses this field to calculate the Days Worked on the timecard.

Regular Hours Per Week: This field is available for editing if you choose **FLSA - Salary Fixed Hours** in the **Overtime Calculation** field. Type the number of regular (not overtime) hours the employee normally works in a week.

The default for this field is calculated to be the weekly equivalent of the value in the **Regular Hours Per Period** field (based on the periods per year options on the **Payroll Options** window). For example, if an employee is paid monthly, and the Regular Hours Per Period field contains 160 hours , then Sage HRMS Payroll calculates the Regular Hours Per Week field as 37; that is, $(160 * 12) / 52$.

Part-time Worker: Select this check box if the employee works for your company part time. When you enter timecards, the system validates that a part time worker's hours have not exceeded the maximum number of annual part time hours you entered in Options.

Minimum Wage: Type the minimum wage for the employee. If all of your employees work in the same state, your response at this field will be the minimum wage you entered on the Options window. If an employee works in more than one state, at this field type the highest minimum wage among those set by the states in which the employee works.

Overtime Calculation: Sage HRMS Payroll supports FLSA overtime calculations for salaried employees on a flat, fixed, or hourly rate. Under the FLSA, overtime pay is based on an average hourly rate or regular rate that is derived from all earnings (including salary, bonuses, shift differentials, and so on). The regular rate is calculated by dividing the straight time compensation from all sources by the total hours actually worked.

Select the method you want to use to calculate overtime pay. Choose from the following options:

- **Hourly Rate:** Use this option for overtime calculations based on an hourly rate. This option does not support FLSA overtime calculations.
- **Minimum Wage:** Use this option for overtime calculations based on the minimum wage that is stored in an employee's record. This option does not support FLSA overtime calculations.
- **Shift Rate:** Use this option for overtime calculations based on the shift rate. This option does not support FLSA overtime calculations.
- **FLSA-Hourly:** Use this option for overtime calculations based on the hourly rate that may include other types of earnings, as required by FLSA regulations.
- **FLSA-Salary Fixed Hours:** Use this option to calculate FLSA overtime for salaried employees who work a fixed number of hours per week. Sage HRMS Payroll will calculate the weekly equivalent salary that includes any earnings you have set to be included in FLSA overtime calculations. Sage HRMS Payroll divides the weekly equivalent salary by the regular hours to establish the regular rate used to calculate overtime.
- **FLSA-Salary Fluctuating Hours:** Use this option for overtime calculations for salaried employees who are paid weekly, and whose hours change (or may change) from week to week. If you select this option, Sage HRMS Payroll will divide the straight time compensation by the total hours actually worked to calculate the regular rate. Sage HRMS Payroll will then override the rate multiplier in the overtime schedule and the overtime rate will automatically be half the regular rate. With this option, you can include other types of earnings in the overtime calculations, as required by FLSA regulations.

Note: To calculate overtime using FLSA calculations, choose one of the FLSA options and then use the Include in FLSA Calculations column in the detail table to select the types of compensation you want to include in the FLSA overtime calculations.

For special cases where none of these options is appropriate, for example if you are paying a weekly employee bi-monthly, you can override the automatic overtime calculation chosen here when you complete the timecard.

Calculate Overtime on a Weekly Basis: This option is available only if:

- The employee's pay frequency is **Biweekly**.
- The employee's overtime calculation is **FLSA-Hourly**.

Note: This option is the default for new biweekly employees when you select FLSA-Hourly as the

overtime calculation, but you can change the option for individual employees.

This determines whether the program calculates overtime on a weekly or a biweekly basis for the employee.

- If the option is selected, during payroll calculation, Sage HRMS Payroll verifies to ensure that the overtime schedule assigned to the employee is a weekly schedule. If the overtime schedule is valid, the program calculates FLSA overtime pay separately for each week in the biweekly pay period.
- If the option is not selected, Payroll calculates one FLSA overtime amount for both weeks in the pay period.

Example of two methods of calculating overtime:

John is a biweekly employee, whose overtime calculation method is the FLSA-Hourly. This example illustrates how his overtime would be calculated using these two methods:

- when two or more weeks are treated as one period.
- when two or more weeks are treated on a week-by-week basis.

John is paid at a rate of \$12 per hour plus a \$100 attendance bonus, and his overtime rate is 1.5 times the regular rate. His work schedule for 2 weeks of work is:

- Week 1: 8 hours per day for Monday to Friday = 40 hours
- Week 2: 8 hours per day for Monday to Thursday; 16 hours for Friday; 8 hours for Saturday = 56 hours

When two or more weeks are treated as one period

This calculation is performed when the **Calculate overtime on a weekly basis** check box is **NOT** selected.

Biweekly attendance bonus = \$100

- $96 \text{ hours worked} \times \$12/\text{hour} + \$100 \text{ (attendance bonus)} = \$1252 \text{ (total ST compensation)}$
- $\$1252 \text{ (total ST compensation)} \div 96 \text{ hours} = \$13.04 \text{ (regular rate)}$
- $\$13.04 \text{ (regular rate)} \times \frac{1}{2} = \$6.52 \text{ (half-time premium)}$
- $\$13.04 \text{ (regular rate)} + \$6.52 \text{ (half-time premium)} = \$19.56 \text{ (overtime rate)}$
- $\$13.04 \text{ (regular rate)} \times 80 \text{ (straight time hours)} = \$1043.20 \text{ (straight time earnings)}$
- $\$19.56 \text{ (overtime rate)} \times 16 \text{ (overtime hours worked)} = \$312.96 \text{ (overtime earnings)}$

Total earnings for the biweekly period = \$1356.16

When two or more weeks are treated on a week-by-week basis

This calculation is performed when the **Calculate overtime on a weekly basis** check box is selected.

$\$100$ (biweekly attendance bonus) $\div 2 = \$50$ (weekly bonus equivalent)

Week One:

- 40 hours worked $\times \$12/\text{hour} + \$50 = \$530$ (total ST compensation)
- $\$530$ (total ST compensation) $\div 40$ hours = $\$13.25$ (regular rate)
- $\$13.25$ (regular rate) $\times \frac{1}{2} = \$6.63$ (half-time premium)
- $\$13.25$ (regular rate) + $\$6.63$ (half-time premium) = $\$19.88$ (overtime rate)
- $\$13.25$ (regular rate) $\times 40$ (straight time hours) = $\$530$ (straight time earnings)
- $\$19.88$ (overtime rate) $\times 0$ (overtime hours worked) = $\$0$ (overtime earnings)

Total earnings for Week One = $\$530$

Week Two:

- 56 hours worked $\times \$12/\text{hour} + \$50 = \$722$ (total ST compensation)
- $\$722$ (total ST compensation) $\div 56$ hours = $\$12.89$ (regular rate)
- $\$12.89$ (regular rate) $\times \frac{1}{2} = \$6.45$ (half-time premium)
- $\$12.89$ (regular rate) + $\$6.45$ (half-time premium) = $\$19.34$ (overtime rate)
- $\$12.89$ (regular rate) $\times 40$ (straight time hours) = $\$515.60$ (straight time earnings)
- $\$19.34$ (overtime rate) $\times 16$ (overtime hours worked) = $\$309.44$

Total earnings for Week Two = $\$825.04$

Total earnings for the biweekly period = $\$1355.04$

Earnings/Deductions for Employee

You use the remaining fields on the **Pay** tab of the **Employee Payroll** window to assign to the employee the earnings, deductions, benefits, and other pay factors that will be used in payroll calculation. You can assign an earning/deduction to an employee only if the employee's pay frequency is the same as, or more frequent than, the earning/deduction's frequency.

On this tab of the **Employee Payroll** window, the system links to the employee the earning/deduction as it was set up on the Earning/Deduction Codes setup window. To override some of the earning/ deduction setup fields for an employee:

- You can edit the fields within the Earnings/Deductions For Employee entry table.
- You can select a line within the table and press the **F9** key on the keyboard to open a single-entry window. The fields are arranged on the **General** and **Min/Max** tabs. With the single-entry format, you can proceed through the fields from top left to bottom right or you can use the mouse to select fields for data entry.

The following windows describe the earning/deduction setup fields available for editing on an employee by employee basis.

Earning/Deduction: Enter the code of each earning/deduction you want to assign to the employee. If you click the Finder, the system displays a list of all the earnings and deductions you have set up for the company.

Description: The system displays the short description, as recorded on the Earning/Deduction Codes window, for the earning/deduction code you entered.

Employee Rate/Amt/Pct: Type the amount or percentage to be used in calculating employee amounts for this employee earning/deduction. The system defaults the employee rate/amt/pct from the earning/deduction record.

For example, to assign a \$2,000 Flat salary to a monthly employee, enter 2000 in the **Employee Rate/Amt/Pct** field as the employee's monthly salary amount. To assign a \$9.00 per hour Hourly Rate earning to an employee, enter 9.00 in the **Employee Rate/Amt/Pct** field as the employee's hourly rate.

The **Employee Rate/Amt/Pct** field is unavailable for Piece Rate, Sales Table, and Wage Bracket Table earnings/ deductions, which are calculated based either on the piece rate, sales, and wage bracket tables in the earning/ deduction records or on overrides you enter on employee timecards.

This field is also unavailable for accruals. When you set up an accrual, you create a table of increment percentages or amounts that are based on an employee's years of service. The system uses the table to calculate the accrual and uses the rate of pay you enter on a timecard to calculate accrual payments.

Employer Amt/Pct: Type the amount or percentage to be used in calculating employer amounts for this employee earning/deduction. The system defaults the employer amount or percent from the earning/deduction record.

For example, to assign a 10% Percentage Of Base benefit to an employee, enter 10.00 in the **Employer Amt/Pct** field as the percentage of the employee's base salary the employer intends to contribute.

The **Employer Amt/Pct** field is unavailable for Piece Rate and Sales Commission Table earnings and deductions, which are calculated based either on the piece rate, sales, and wage bracket tables in the earning/deduction records or on overrides you enter on employee timecards.

Default Hours: For an earning with the calculation method Hourly Rate, Flat, Fixed, Piece Rate, or Sales Commission Table, type the usual number of hours worked by the employee per pay period for this earning.

- If your Hourly Rate employees work fixed schedules, entering the usual hours worked by the employee makes timecard entry of earnings hours unnecessary.
- If your Hourly Rate employees work fixed schedules that include a consistent number of overtime hours, default hours that include regular time and overtime together with the employee's overtime schedule allow the system to calculate overtime without timecards. If you do enter a timecard, the

default hours you enter here display in the timecard **Hours** field, where you can accept or override them.

Do not include overtime hours in the default hours of employees who are paid through a Flat or Fixed earning (salaried employees). When you pay overtime to a salaried employee, the system uses the employee's default hours to calculate the hourly pay rate used in the overtime calculation. If the employee's default hours include overtime hours, the employee's hourly rate for overtime calculation will be too low.

In the absence of a timecard override of hours, the system uses an earning/deduction's default hours when they contribute to the base hours needed to calculate another earning/deduction.

G/L Distribution Code: Type the distribution code for the set of G/L accounts to which this earning/deduction's amounts are to be posted. If you click the Finder, the system displays all of the distribution codes you set up for this earning/deduction. You can override the G/L accounts to which employee amounts post during timecard entry.

WCC Group: Type the workers' compensation group for the accrual, benefit, or earning you are assigning to the employee. The default is the workers' compensation group you entered for the employee on the **Class Codes and Schedules** tab.

Workers' Compensation Code: Type the workers' compensation code for the accrual, benefit, or earning you are assigning to the employee. The default is the workers' compensation code you entered for the employee on the **Class Codes and Schedules** tab. Any code you enter must be one of the codes set up within the WCC Group you entered.

Advance To Repay: For repayment deductions only, type the code for the advance this deduction will repay. If you click the Finder, the system displays a list of the advances assigned to the employee.

When you assign an advance and a repayment deduction to an employee, be sure to assign the advance first. The system does not allow you to assign a repayment deduction for an advance that has not yet been linked to the employee.

Calculate?: Select **Yes** or **No** to indicate whether this earning/deduction should be included in Payroll calculation for the employee.

For example, if you assign an advance and its associated repayment deduction to an employee and then enter the advance on a timecard, both the advance and the repayment deduction will be processed during payroll calculation (assuming the Sage HRMS Payroll calculation selection criteria include both earnings and deductions). To prevent this situation, enter **No** in the Calculate? column for the deduction until you are ready to start deducting it from the employee's pay.

Starts: Enter the date you want to begin calculating this earning/deduction for the employee. The default at this field, depending upon the choice you made when setting up the earning or deduction, is a particular month and day, the employee's date of hire, or a fixed number of months or days after the employee's date of hire.

Ends: Type the month, day, and year that calculation of the earning/deduction for this employee is to end. The default at this field is the date, if any, you entered at the **Ends** field when setting up this earning/deduction.

If the earning/deduction's end date is equal to or after the pay period end date, the system uses the earning/deduction in calculation.

Carry-over: Type the next date after which unused vacation, sick, and compensatory time is carried over to the new year, up to the limit specified for the accrual in the **Maximum Carry-over** field. The default at this field, depending upon the choice you made when setting up the accrual, is a particular month and day, the employee's date of hire, or a fixed number of months or days after the employee's date of hire.

When the carry over date is reached, the system automatically increases the year by one to set the next carry over date.

Use Optional Fields: If you want to assign optional fields to this employee's earning or deduction, double click the Use Optional Field column to open the Optional Fields entry table.

On the Optional Fields entry table, enter or change optional field information, as you require.

- You can enter different values for the optional fields.
- If an optional field requires validation, you must enter a value that is specified for the optional field. (If the optional field allows a blank, you can leave the field blank.) Otherwise, you can enter any combination of character.
- To delete an optional field, click it on the list, and press **Delete** on the keyboard.
- To add a different optional field, press Insert on the keyboard, then use the Finder to select the code for the optional field you want to use. Note that you can select only optional fields that you set up previously for employee earnings and deductions, using the Optional Fields window.

When you are finished, click the **Close** button to return to the previous window.

Include In FLSA Calculation: You can edit this field only if the employee's overtime calculation method (on the Pay tab of the **Employee Payroll** window) is one of the FLSA options, and if the earning is one of these types:

- Salary & Wages that uses an employee calculation method of Flat, Fixed, or Hourly Rate.
- Reported Tips.
- Allocated Tips.

Use this field if you want to indicate whether or not this earning will be included in the FLSA overtime calculations. The default value in this field comes from the Earning/Deduction Codes setup window. To change it for the employee, double click the field on the table to switch between Yes and No.

Employee Period Minimum: This column displays the employee minimum for a time period based on the pay frequency. You set this value in the Earning/Deduction Codes setup window.

Employee Period Maximum: This column displays the employee maximum for a time period based on the pay frequency. You set this value in the Earning/Deduction Codes setup window.

Employee Annual Maximum: This column displays the employee's annual maximum for this earning/deduction. You set this value in the Earning/Deduction Codes setup window.

Employee Lifetime Maximum: This column displays the employee's lifetime maximum for this earning/deduction. You set this value in the Earning/Deduction Codes setup window.

Employee Lifetime Accumulation: This field maintains a lifetime sum of the employee's portion of this earning/deduction. Edit this field if necessary.

Employee Secondary Rate (Amt/Amt per Hour/Pct): If you have set up a deduction that has two rates, this column displays the secondary rate that takes effect after the Annual Maximum or a Lifetime Maximum is reached. You set this value in the Earning/Deduction Codes setup window. The secondary rate is expressed as an amount, amount per hour, or percent, depending on the deduction's calculation method.

Employer Period Minimum: This column displays the employer minimum for a time period based on the pay frequency. You set this value in the Earning/Deduction Codes setup window.

Employer Period Maximum: This column displays the employer maximum for a time period based on the pay frequency. You set this value in the Earning/Deduction Codes setup window.

Employer Annual Maximum: This column displays the employer's annual maximum for this earning/deduction. You set this value in the Earning/Deduction Codes setup window.

Employer Lifetime Maximum: This field displays the employer's lifetime maximum for this earning/deduction. You set this value in the Earning/Deduction Codes setup window.

Employer Lifetime Accumulation: This field maintains a lifetime sum of the employer's portion of this earning/deduction. Edit this field if necessary.

Employer Secondary Rate (Amt/Amt per Hour/Pct): If you have set up a deduction that has two rates, this column displays the secondary rate that takes effect after the Annual Maximum or a Lifetime Maximum is reached. You set up this field in the Earning/Deduction Codes setup window. The secondary rate is expressed as an amount, amount per hour, or percent, depending on the deduction's calculation method.

Taxes Tab

The **Taxes** tab of the **Employee Payroll** window provides fields for specifying the taxes to which the employee's pay will be subject; the withholding method, override amount, or percent, extra withholding for the tax; and the distribution code for the posting of the tax.

When you enter a tax code into the taxes entry table, the system assigns the tax to the employee.

Complete the fields on the **Taxes** tab as required, as follows:

Tax: In this column, type the codes for the taxes to which the employee's pay is subject. If you click the Finder in this field, the system displays all the tax codes you configured on the Federal and State Taxes and the Local/Other Tax Codes windows.

Description: When you enter a tax code, the system displays the description of the tax entered.

Withholding Method: From the selection box, choose the method of withholding to use when withholding this tax from the employee's pay. The withholding methods are:

- **Standard Calculation.** The system calculates the tax according to the installed tax tables and your specifications on the Federal and State Taxes window or, in the case of a custom tax, according to the calculation method and the amount, percent, or wage bracket table you define for the tax. If applicable, the system considers period minimum and maximum amounts, standard deductions, exemption allowances, and so forth, in the calculation of the tax.

Select the Standard Calculation withholding method when assigning a percentage tax that can be defined as a single local tax and then assigned to employees using differing calculation percentages, according to the county in which each employee's wages are considered taxable.

Note: If you choose Standard Calculation for a local or other custom tax that does not use the Tax Bracket Table calculation method, the system defaults in the **Amount/Percent** field the amount or percent you set up for the tax on the Local/Other Tax Codes window. You can enter an employee specific amount or percent to be used in the calculation of the tax.

- **Amount Override.** The system overrides the standard calculation with the amount entered in the **Amount/Percent** field. The amount you enter is the amount deducted from the employee's pay, without regard for exemptions, minimums/maximums, or other factors used in the standard calculation.
- **Percent Override.** The system overrides the standard calculation with the percentage entered in the **Amount/Percent** field. The percentage you enter is applied to the calculation base and deducted from pay, without regard for exemptions, minimums/maximums, or other factors used in the standard calculation.

Note: You must set up a calculation base for the tax, even if it is a Flat tax, for this option to be meaningful.

- **Taxable, No Withholding.** The employee's earnings are subject to this tax but the system will not calculate any withholding for this tax.
- **Calculation Base Only.** The system uses the tax only as a calculation base for another tax assigned to the employee.

Amount/Percent: If you selected **Standard Calculation** or **Percent Override** as a tax's withholding method, enter the full dollar amount of the tax override or the percentage by which the tax's calculation base will be multiplied. If you are assigning a local or other custom tax to the employee and you chose **Standard Calculation** at the **Withholding Method** field, in this field, you can override the amount/percent that defaults from the tax record.

If you are assigning a federal or state tax to an employee and wish to override the amount of tax deducted for the employee, choose either the **Standard Calculation** or **Percent Override** withholding method to override the tax as described above.

If you want to override the amount deducted for a local or other custom tax, however, you can choose among the Standard Calculation, Amount Override, and Percent Override methods.

Suppose that you want to override a local Amount Per Hour tax for an employee. You can override the amount per hour used in the calculation of the tax by selecting Standard Calculation at the **Withholding Method** field and entering the employee specific amount per hour at the **Amount/Percent** field.

The system calculates the employee's tax based on all the information you set up for the tax on the Local/Other Tax Codes and **Employee Payroll** windows, but uses the amount per hour entered on the employee's **Taxes** tab instead of the amount per hour entered on the Local/Other Tax Codes window.

Or, you can override the full calculated amount of the tax by selecting **Standard Calculation** at the **Withholding Method** field and entering the employee specific amount to be deducted for the tax at the **Amount/Percent** field.

The system ignores the information you set up for the tax in the Local/Other Tax Codes window and deducts the amount you enter at the **Amount/Percent** field.

Select **Standard Calculation** when assigning a percentage tax that can be defined via one tax record and then assigned to employees using differing calculation percentages, according to the county in which each employee's wages are considered taxable.

Extra Withholding: Enter any flat amount to be withheld for this tax in addition to the standard calculation or override amount/percent.

G/L Distribution Code: Type the distribution code for the G/L accounts to which you want tax amounts posted. If you click the Finder, the system displays all of the distribution codes you set up for the tax.

If you use cost center overrides (G/L segment replacement), when you **Calculate Payroll** the tax amounts posted are distributed to the cost centers in which the taxable wages were earned. That is to say, the system distributes tax amounts proportionately among the cost center segments to which the wage expenses were posted.

Use Optional Fields: If you want to assign optional fields to this employee's taxes, double click the **Use Optional Field** column to open the Optional Fields entry table. You must have already defined optional fields.

- You can enter different values for the optional fields.
- If an optional field requires validation, you must enter a value that is specified for the optional field. (If the optional field allows a blank, you can leave the field blank.) Otherwise, you can enter any combination of characters that is consistent with the type of field (text, amount, date, and so on).
- To delete an optional field, click it on the list, and press **Delete** on the keyboard.

- To add a different optional field, press Insert on the keyboard, then use the Finder to select the code for the optional field you want to use. Note that you can select only optional fields that you set up previously for employee taxes, using the Optional Fields window.

When you are finished, click the **Close** button to return to the previous window.

If you are assigning a federal or state income tax (such as USFIT or CASIT) to the employee, you must highlight the tax and click the **Tax Info** button (or press **F9** on the keyboard) to enter the employee's filing status, number of exemptions, and other information for a particular tax.

The additional fields that display on the Tax Information window vary according to the tax you are assigning to the employee.

For example, in the case of USFIT, you indicate the following:

Filing Status: Enter the employee's filing status for the selected tax. Your choices are:

- Married
- Single
- Head of Household

Your selection at this field determines the withholding tables that are used for the employee.

Exemptions From W 4: Type the number of exemptions to be applied when calculating this tax for the employee.

W-2 Information (Statutory Employee, Pension Plan, Third Party Sick Pay, and so on). Select the terms that apply to the employee. Sage HRMS Payroll uses the entries in the table to produce the appropriate information on the employee's W-2 income tax slip.

The **Delete** button on the Tax Information window removes (unassigns) the selected tax from the employee's record.

On the Tax Information window, you can also add (assign) a tax to the employee. Click the **New** button to clear the fields, select a tax, complete the fields as necessary, and click the Add button (which displays when you click the **New** button).

Other Tab

The **Other** tab of the **Employee Payroll** window provides fields for specifying an alternate address and emergency contact for the employee, and the employee's gender.

Complete the fields on the **Other** tab, as follows:

Alternate Address: Type an alternate address for the employee, using up to four lines of 60 characters each.

City: Type the city of the employee's alternate address.

State/Prov: Type the state of the employee's alternate address.

Zip/Postal Code: Type the zip code for the employee's alternate address.

Country: Type the country of the employee's alternate address.

Gender: Select either **Male** or **Female** as the employee's gender. If you are setting up a template employee, you can enter a blank in this field.

Emergency Contact Name: Type the name of an emergency contact person for the employee.

Emergency Contact Telephone: Type the emergency contact person's telephone number.

Notes: This is a 250 character open text field that you can use to enter any additional information or notes about the employee.

As you enter employee notes, press the **Ctrl + Enter** key combination when you want to insert a line break. If you do not insert line breaks, the system records your entry as one long line, which you can scroll using the Left and Right Arrow keys or the **Home** and **End** keys.

Optional Fields Tab

If you want to assign optional fields to this employee, click the **Optional Fields** tab.

Optional fields that you set up for automatic insertion in employee records automatically display on this tab, along with their default values.

You can accept or change any default values that display.

You can accept the optional fields that display, or you can delete or add them.

- To delete an optional field, select the line on the table, and then press **Delete** on the keyboard.
- To assign additional optional fields, select the table, and then press **Insert** on the keyboard. Complete the fields on the new line as follows:

Optional Field and Description: Use the Finder to select the optional field codes you want to use with this employee.

When you select an optional field code, the program displays the description for the optional field.

Value Set: This field alerts you whether a seemingly blank optional field has an automatically inserted - but "blank" - default value. If it has a blank value, the **Value Set** field displays **Yes**. (You cannot tell whether an optional field has a blank default value, or no value, just by looking at the **Value** field.)

The **Value Set** field will change from **No** to **Yes** if you make an entry in the **Value** field.

Value and Value Description: Enter or select the value for this employee.

If the optional field you selected requires validation, you must select a value that is defined for the optional field. However, if the optional field allows blanks, you can leave the default value field blank.

If you select a value, the description of the value will display in the **Value Description** column.

EFT Tab

The **EFT** tab of the **Employee Payroll** window allows you to enter the fields on this tab so that the employee's paychecks can be directly deposited to the employee's bank account.

After completing the tabs on the **Employee Payroll** window

- Review the tabs in the **Employee Payroll** window to make sure your choices and entries are correct. When you finish, click the **Add** button.
- Print a list of the employees you set up to verify that they are correct and complete. To do this, select **Reports > Employee Reports > Employee Information**.

Step 16: Enter Employee Historical Payroll Data

After you have completed employee setup, you can enter employee historical data from your previous payroll system. The Transaction History function allows you to enter payroll history for any historical periods. The transaction history you enter is retained by the system for the number of years you chose to keep, as specified on the Options window.

You enter history for each accrual, advance, benefit, earning, deduction, expense reimbursement, and tax used to **Calculate Payroll** for an employee in your previous system. To enter employee historical amounts for an earning/deduction or tax, you must have assigned it to the employee in Sage HRMS Payroll.

Unless you are setting up Sage HRMS Payroll for a new business with no previous accounting data, you probably want to enter historical Sage HRMS Payroll data for employees. The entries you make affect Sage HRMS Payroll only; to adjust your general ledger, you must make general journal entries.

On the Transaction History window, you can enter historical amounts for each of the following pay factors for each employee:

- Accruals
- Advances
- Benefits
- Deductions
- Earnings
- Expense Reimbursements
- Taxes

These amounts can be for any period of time you choose: life-to-date, year-to-date, month-to-date, and so forth. You can also use the Transaction History window to make changes or adjustments to historical data any time after setup.

Note that carry over amounts can be initiated as a result of transaction history entries, as well as system postings.

To open the Transaction History window, select **Payroll > Tasks > Transaction History**.

The following fields apply to all the entries you make for a specific date:

- **Employee Transaction History:** To find an existing transaction history entry, use the navigation buttons or the Finder adjacent to this field.
- **Employee:** Type the code of the employee for whom you want to enter historical information.
- **Date:** Type the date of the history entry.
- **Description:** This field is for your own information or reference.
- **Class 1, Class 2, Class 3, Class 4:** For each class you have set up in Sage HRMS Payroll, specify the class code you want to associate with the historical information you enter.
- **Net Pay:** A running total of net pay for the entire employee historical entry displays.

After entering the historical data for one transaction date, you move to the **Earnings/Deductions** tab or the **Taxes** tab. The **Earnings/Deductions** tab contains columns for all the entries you make for all categories of earnings and deductions.

Note that not all of the columns are relevant to a particular earning/deduction category. Similarly, not all of the columns on the **Taxes** tab are relevant to a particular tax. You cannot make entries in columns that are inappropriate to the category of earning/deduction or the type of tax you are adding.

The following instructions are divided by earning/deduction category. Instructions for entering historical tax information follow. The instructions specify the columns that are pertinent to the category of earning/deduction or type of tax you are entering.

Accruals History

Earning/Deduction and Description: Enter the vacation, sick, or compensatory time accrual code. The system displays the description.

Type: Select either Accrual or Payment: Accrual for vacation, sick, and compensatory time accrued during the period, Payment for vacation, sick, and compensatory time paid during the period.

Hours: If you are entering historical compensatory time, enter the hours paid or accrued. If you are entering a vacation or sick time accrual whose calculation method is Percentage Of Base and type is Payment, enter the number of hours associated with the payment. If the vacation or sick time accrual's calculation method is Hours Per Hour Worked or Hours Per Frequency, enter the number of hours paid or accrued.

Employee Pieces/Base: If the vacation or sick time accrual's calculation method is **Percentage Of Base** and the type is **Accrual**, enter the wage base on which the accrual was calculated. If the vacation or sick time accrual's calculation method is **Hours Per Hour Worked** and the type is **Accrual**, enter the base hours used to calculate the accrual.

Employee Rate/Amt/Pct: If the accrual type is **Payment**, enter the rate (per hour worked) used in paying the accrual. If the accrual type is **Accrual** and the calculation method is **Percentage Of Base**, enter the percentage applied to the base. If the accrual type is **Accrual** and the calculation method is **Hours Per Hour Worked**, enter the fractional hours accrued per hour worked.

Employee Extended Amount: If the accrual type is **Payment**, enter the amount of the employee's vacation, sick, or compensatory pay. If the accrual type is **Accrual** and the calculation method is **Percentage Of Base**, enter the dollar value of vacation or sick time pay accrued.

WCC Group: If the accrual payment is subject to workers' compensation, enter the appropriate workers' compensation group.

Workers' Compensation Code: If you have entered a WCC Group, enter the appropriate workers' compensation code.

Advances History

Earning/Deduction and Description: Enter the advance code. The system displays the description.

Employee Rate/Amt/Pct: Enter the amount of the advance.

Employee Extended Amount: Enter the amount of the employee advance for the period.

Benefits History

Earning/Deduction and Description: Enter the benefit code. The system displays the description.

Employer Pieces/Base: If the benefit calculation method is **Amount Per Hour**, enter the base hours used to calculate the amount of the benefit. If it is **Piece Rate Table**, enter the number of pieces. If it is **Percentage Of Base**, or **Sales Commission Table** enter the wage or sales base on which the benefit amount is calculated.

Employer Amt/Pct: Depending upon the calculation method, enter the flat amount, amount per hour, piece rate, or percentage.

Employer Extended Amount: Enter the amount of the benefit for the period.

WCC Group: If this benefit is subject to workers' compensation, enter the appropriate workers' compensation group.

Workers' Compensation Code: If you have entered a WCC Group, enter the appropriate workers' compensation code.

Deductions History

Earning/Deduction and Description: Enter the deduction code. The system displays the deduction's description.

Employee Pieces/Base: If the employee calculation method is **Amount per Hour**, enter the base hours used to calculate the amount of the deduction. If the calculation method is **Percentage Of Base**, or **Sales Commission Table**, enter the wage or sales base. If it is **Piece Rate Table**, enter the number of pieces.

Employee Rate/Amt/Pct: Depending upon the calculation method, enter the flat amount, amount per hour, piece rate, or percentage.

Employee Extended Amount: Enter the amount of the employee deduction for the period.

Employer Pieces/Base: If the employer calculation method is **Amount per Hour**, enter the base hours used to calculate the deduction amount. If it is **Piece Rate Table**, enter the number of pieces. If it is **Percentage Of Base**, enter the wage base. If it is **Percentage of Employee Contribution**, enter the amount of the employee contribution.

Employer Amt/Pct: Depending upon the calculation method, enter the amount per hour or percentage.

If you are entering a Flat deduction, enter the employer amount at the **Employer Extended Amount** field.

Employer Extended Amount. Enter the amount of the employer's portion of the deduction for the period.

Earnings History

Earning/Deduction and Description: Enter the earning code. The system displays the description.

Type: If the earning type is **Salary and Wages**, select the wage type: **Regular**, **Overtime**, or **Shift Differential**.

Hours: If the earning type is **Salary and Wages** and the employee calculation method is **Flat**, **Fixed**, **Hourly Rate**, **Piece Rate Table**, or **Sales Commission Table**, enter the number of hours associated with the earning in the period for which you are entering history.

Employee Pieces/Base: If the earning's calculation method is **Amount per Hour**, **Percentage Of Base**, or **Sales Commission Table**, enter the base hours, wage base, or sales base on which the earning amount is calculated. If it is **Piece Rate Table**, enter the number of pieces.

Employee Rate/Amt/Pct: Depending upon the calculation method, enter the flat amount, hourly rate, amount per hour, piece rate, or percentage used to calculate the earning.

Employee Extended Amount: Enter the amount of salary and wage, reported tip, or allocated tip earnings for the period.

WCC Group: If this **Salary and Wages** or **Reported Tips** earning is subject to workers' compensation, enter the appropriate workers' compensation group.

Workers' Compensation Code. If you have entered a WCC Group, enter the appropriate workers' compensation code.

Regular Rate: For each line of overtime pay, which is always associated with Flat, Fixed, and Hourly Rate earnings, enter the employee's regular rate of pay. (If you chose the Adjust Overtime Pay To Regular Rate option on the Workers' Compensation Codes window, the system adjusts an employee's overtime pay to the employee's regular rate of pay when you print the Workers' Compensation report.)

Expense Reimbursements History

Earning/Deduction and Description: Enter the expense reimbursement code. The system displays the description.

Employee Rate/Amt/Pct: Enter the amount of the expense reimbursement.

Employee Extended Amount: Enter the amount of the employee expense reimbursement for the period.

Taxes History

Tax and Description: Enter the code for the tax. The system displays the description.

Employee Extended Amount: Enter the amount withheld from the employee's pay for the tax.

Enter amounts representing earned income credit as negative numbers.

Employer Extended Amount: Enter the amount paid by the employer for the tax.

Ceiling Wage: If the tax has a wage ceiling, enter the amount of wages earned that applies toward the ceiling.

No Ceiling Wage: Enter the amount of employee wages subject to the tax, regardless of the ceiling. For taxes that do not have a wage ceiling, such as federal income tax, you must enter the wages in this field, in order for the wages to display in the appropriate box on the employee's W 2 form.

Ceiling Tips: If the tax is calculated on tips, and the taxing authority wants tip information reported separately, enter the amount of tips earned that applies toward the wage ceiling.

No Ceiling Tips: If the taxing authority wants tip information reported separately, enter the amount of employee tips subject to the tax, regardless of the wage ceiling.

Tax on Tips: If the tax is calculated on tips, and the taxing authority wants tip information reported separately, enter the portion of the total tax amount derived from tips.

Uncollected Tax on Tips: If the tax is calculated on tips, and the taxing authority wants tip information reported separately, enter the amount of the employee's tip-based tax liability that has not been withheld from the employee's pay.

Weeks Worked: Enter the number of weeks that should be reported as worked for the taxing authority in the period covered by this historical transaction.

Review the entries on the Transaction History window to make sure they are correct. When you finish, click the **Add** button. Select **Payroll > Reports > Employee Reports > Transaction History Audit** to print the employee histories you entered, to verify that they are correct and complete.

Step 17: Set Up Employee Selection Lists (optional)

You can create lists of employees to be used in calculating payroll and printing reports. A selection list can include as many employees as you require. The Sage HRMS Payroll in-product Help menu provides more details about selection lists.

Several forms in Sage HRMS Payroll contain Employee **From** and **To** fields that enable you to process or report a sequential range of employees. For example, on the **Calculate Payroll** window, you could specify from Employee 24 to Employee 320.

To process or print a set of random, non-sequential employees of your choice, you can set up and use an employee selection list. A selection list can include as many employees as you require.

For example, you can set up a selection list that consists of employee numbers 4, 18, and 25. You can then use that list to select only those employees when calculating payroll or printing certain Sage HRMS Payroll reports, such as the Accruals report.

You can use the same selection list as often as you need, on any Sage HRMS Payroll window that lets you specify a selection list. You can create as many selection lists as you need.

To set up an employee selection list

1. Select **Payroll > Employee Selection**.
2. Enter the following fields at the top of the window:
 - **Selection List.** Enter a code, up to six characters, to identify the employee selection list you are setting up.
 - **Description.** Enter a description of the selection list, using up to 60 characters.
3. In the table, enter the employees to be included in this list. You can do this in the following ways.
 - **Manually enter employees, one at a time.** In the **Employee Number** field, enter the employee number for each employee you want to add to the list, or click the Finder button to select each employee from a list of all employees. When you enter the employee number, the system automatically fills in the Last Name, First Name, Middle Name, Pay Frequency, and Employment Status columns.

- **Automatically enter several employees.** By using the windows that open when you click the **Copy**, **Criteria**, or **Combine** buttons, as explained below. You can then manually add more employees to the table. To enable these buttons, do not enter any employee numbers in the table. After Sage HRMS Payroll returns employee data to the Employee Selection window, the buttons are no longer available.
 - **Copy.** You can copy all the employees of an existing selection list to the list that you are creating. This button opens the Copy Employee Selection List window. In the **Selection List** field, enter or choose a list. To copy all the employees in that list, click **Copy**. Sage HRMS Payroll then closes this window, and returns to the Employee Selection window, filling it with the copied employees.
 - **Criteria button.** You can specify a broad range of criteria by which to select employees for your list. Click the **Criteria** button to open the Employee Selection List Criteria window. Enter your criteria, and click **Create**. Sage HRMS Payroll then closes this window, and returns to the Employee Selection window, filling it with a list of employees who fit the criteria you specified.
 - **Combine button.** You can choose employees from two existing selection lists when creating a new list. Click the **Combine** button to open the Combine Payroll Employee Selection List window. In the two **Selection List** fields, enter the name of your two existing selection lists. You can then choose one of the following buttons:
 - **Combine.** Combine ALL employees from the two lists.
 - **Combine Matching Entries.** Combine only employees whose names display on both lists.
 - **Combine Non-matching Entries.** Combine only employees whose names display on only one of the existing lists.
4. Review the entries on the Employee Selection window to make sure they are correct.
 5. When you finish, click the **Add** button.

To print a list of the selection lists you defined, to verify that they are correct and complete, select **Reports > Employee Reports > Employee Selection**.

Note: After you have created selection lists, select **Payroll > Assign Selection Lists** to quickly add (or remove) employees to selection lists.

Step 18: Set up Common Deduction Limits (optional)

After setting up deductions, you can associate multiple deductions based on a single limit and ensure that employee deductions do not exceed defined maximums (for example, multiple garnishments, retirement plans, and union dues).

The deduction group contains the deduction codes which are combined for a single limit. When the defined maximum is reached for the deduction group, the system will no longer deduct the amounts for the defined codes.

This function enables you to:

- Define new deduction groups
- Edit or delete existing deduction groups
- Assign a selection list to a deduction group
- Define the annual maximum
- Define the deduction codes included in the deduction group

To enter Common Deduction Limits information, select Setup > Payroll > Earnings/Deductions/Taxes > Common Deduction Limits.

Deduction Group: Enter an identifying code for the deduction group that will include the deduction codes with a common limit.

Description: Enter a description for the Deduction Group. This description can be up to 60 characters. Because a deduction group's description is used to identify the deduction group in Finder boxes and on payroll reports, you must enter a description before the system will allow you to add the deduction group.

Last Maintained: This is an informational field in which the program displays the date of the last change made. You do not make an entry in this field.

Inactive as of: If you choose to make a deduction group inactive, the system displays the current date in the As Of field to indicate the date on which the inactive status was set. After a deduction group is inactive, it will not be used in payroll calculations, even if the period end date is before the As Of Date.

Selection List: Choose the selection list for which you want to apply the deduction group. If you have only one employee, you must create a selection list for that employee. If you leave the selection list blank, the deduction group will apply to all employees.

Annual Maximum (Employee and Employer): Enter the annual amount at which calculations for this deduction group should stop.

Deduction/Description: Select the deduction codes to be included in this deduction group. A deduction code can belong to only one deduction group. The system will use the order by which the deduction codes are listed on the Common Deduction Limits window to determine the order in which the deductions will reduce the limit. Therefore, you want to verify the order to assure accurate processing.

Step 19: Set Up EFT (Direct Deposit) (optional)

EFT enables you to electronically transfer payroll checks from your company's bank account directly to your employees' bank accounts. This is also known as direct deposit.

Before you can start producing paychecks to be directly deposited, you must set up your Sage HRMS Payroll system. This involves:

- Setting up the company's (employer's) bank information.
- Setting up employee EFT information.
- Optionally setting up to enable combining multiple EFT files into a single file for submission.

After you complete the setup, you can then:

- Use the **Calculate Payroll** and Payroll Checks functions to produce paychecks to be directly deposited.
- Generate the EFT file.
- If you have generated several EFT files, you can combine them into a single file to submit to the bank.
- Submit the EFT file to the company's bank.

Before you start

Before you begin using the EFT (direct deposit) feature:

1. Contact your bank branch to advise them that you are going to use direct deposit software. You will need the following from them:
2. A user number (ID #) such as the Originator or Organization number. The banks use this number to identify your company.
3. Your bank's publications describing direct deposit procedures. This book will discuss any special changes that must be made to the way you send a file. For example, they may want you to use their communications package instead of an off-the-shelf brand to ensure that they can assist you with any technical problems that arise.
4. Allow adequate time to collect all the employee information and perform, at a minimum, one test run so that the banks can verify that your files, when received on a live status, are correct and that no adjustments need to be made.

Overview of Setup for EFT

The main steps in setting up for EFT (direct deposit) are:

1. Set up the company's (employer's) bank information.
2. Set up employee EFT information.
3. Optionally set up to enable combining multiple EFT files into a single file for submission.

Setting Up Security Permission for EFT

First, decide which users will be using the EFT feature and then grant them the appropriate access rights. The security option called "EFT Processing" restricts access to EFT options, employee's EFT information, and EFT file generation. It works together with Sage HRMS Payroll's other security options. For instance, you need both EFT Processing and Sage HRMS Payroll Check Printing access rights to generate EFT files.

To set up users and security, use the functions under the System Manager's Administrative Services. More details are provided in Appendix C of the User Guide, and the System Manager Administrator Guide.

Setting Up the Company's Bank Account for EFT

Use the EFT Options window to set up information about your company's bank account. The program will incorporate this information in the direct deposit files you generate for submission to the bank.

1. Select Setup > Payroll > EFT Options.
2. In the **Bank** field, select a bank that you have already set up using the Banks window.
3. On the **General** tab, select the bank format, and complete the information in the fields.

The fields on the EFT Options window depend on the bank and bank format you chose. For field descriptions, refer to the topic "Company Bank Information" later in this chapter. All information entered in these fields should be based on the bank's guideline book.

4. On the **Other** tab, you can view information about the date, number, entry description, and ID modifier of the last file created. You also enter offset record information on this tab.
5. Click **Save** to save the information entered.
6. To print a report showing the information you have entered on the EFT Options window, select **Reports > Setup Reports > EFT Options**.

Company Bank Information

Information listed below contains most of the requirements needed by the banks to process direct deposit files. Some banks may not require some fields. Refer to your bank's guideline book to validate the information.

Bank Format. From the dropdown list, select the file format required by the bank.

Originator (Organization) Number. Insert the originator (organization) number, maximum 10 characters. If this number is not supplied to you by your bank, you should enter 1XXXXXXXXX where XXXXXXXXXX is your nine digit federal tax ID number.

Discretionary Name. (Optional) Enter your company name (20 characters maximum).

This field is optional, but we recommend that you use it. The most common entry is the name of your company, but you may wish to use this as a way to define payrolls by divisions. (For example, if you have more than one office: east coast, west coast, mid-west and central, and you process separate payrolls from one central office). If all files go to the same bank for all divisions, you could install this product for each Sage HRMS Payroll setup and identify each file with the appropriate discretionary name.

Abbreviated Name. You should enter an abbreviated version (16 characters maximum) of your company name.

Service Class Code. Code 200 should be used (ACH entries Mixed Debits and Credits).

Originator Status Code. This code refers to the originator initiating the entry. Enter 1 or 2 as indicated below:

- Code 1. Identifies the user as a depository financial institution who has agreed to be bound by ACH rules. Code 1 will be the most frequently used.
- Code 2. Identifies the user as a federal government entity or agency not subject to ACH rules. This applies to government agencies which may be allowed to process the files themselves.

Originator DFI ID (Originator Depository Financial Institution Identification). Enter the bank's transit or routing number (9 digits). This information must be obtained from the bank.

Immediate Destination. This field contains the transit or routing number (9 digits) of the ACH operator or receiving point (usually the Federal Reserve) to which the file is being sent.

In the generated file, the first position of the 10 character field begins with a blank (already set) followed by the four digit transit number, the four digit ABA number, and the check digit.

Verify with your bank the transit and ABA numbers.

Use Alternate (Immediate Destination). The Use Alternate check box (next to the Immediate Destination field) is unavailable if you chose the bank format ACH (NACHA) Standard.

If your bank does not follow the ACH standard for the Immediate Destination field, select the **Use Alternate** box. Then, in the adjacent Alternate Immediate Destination field, enter your financial institution's particular standard. You can enter 10 alphanumeric characters maximum, instead of 9 digits.

Destination Name. (Optional but recommended) This field is optional and allows the user to enter the name (23 characters maximum) of the institution receiving point to which the file is being sent.

Immediate Origin. This field contains the transit or routing number (9 digits) of the ACH operator or sending point that is forwarding the file. This number will be that of the bank (the same number as in the Originator DFI ID field) or this may be another number assigned by your bank such as your account number. The ODFI (the bank in most cases) may ask the Originator (you) to put the tax identification number in this field; however, the field must contain the routing number of the sending point when the file is delivered to the ACH operator.

Use Alternate (Immediate Origin). If your bank does not follow the ACH standard for the **Immediate Origin** field, select the **Use Alternate** check box. Then, in the adjacent **Alternate Immediate Origin** field, enter a value to override the ACH standard. You can enter 10 alphanumeric characters maximum, instead of 9 digits.

Origin Name. (Optional but recommended) This field is the name (23 characters maximum) of the ACH operator (user) or sending point that is forwarding the file.

Carriage Return/Line Feed. Used by some banks to indicate the end of individual records in the file. See the guideline book from your banking institution prior to selecting this option. Most banks will require that you indicate the record's end.

Direct Deposit File Name. Enter the Direct Deposit File Name extension; this is the extension of the file to be transferred to the bank (using a standard DOS file format, for example UPDIRECT.TXT). You cannot change the name of the file (UPDIRECT).

Header, Footer. Some banks may require specific information to be placed at the beginning (header) or end (footer) of the file. Check with your company's bank.

(Last) Creation Date. As you generate direct deposits, the system will automatically update this field with the generation date.

(Last) Creation Number. As you generate direct deposits, the system will automatically update this field with a sequential number.

(Last) Entry Description. This is the Entry Description you specified on the Generate EFT File window during your last file generation.

(Last) ID Modifier. This is the file ID modifier you specified on the Generate EFT File window during your last file generation. The file ID modifier allows for multiple files to be created on the same date. For a description of this field, see the topic that describes generating the EFT file, in "Processing Payroll" of the Sage HRMS Payroll in-product Help menu.

Record Type. You cannot edit this field; the program assigns this number.

Transaction Code. The options available from the list depend on the bank format you chose. If you chose ACH (NACHA) Standard, this field is unavailable to you. Otherwise, choose one of these transaction code options:

- 27- Checking
- 37- Savings
- Blank, if you chose the bank format CSB CoreState Bank, and an Offset Record is not required.

Receiving DFI. This field is also contained in the employee file. The bank will indicate the receiving DFI number to be used for the Offset.

DFI Account Number. The account number for the Offset Receiving DFI will be assigned by the bank.

Identification Number; Name; Discretionary Data. As with the other offset fields, this information will come from your financial institution.

Setting Up Employees for EFT

To set up employees for EFT (direct deposit), follow these steps.

1. Select **Employees > View/Edit Employee** and select the employee.
2. Click the **Payroll** tab and then click the **Employee Payroll** icon.
3. Click the **EFT** tab.
4. On the **EFT** tab, complete the following:
 - **Direct Deposit:** To activate direct depositing for the employee, select the **Direct Deposit** check box.
 - **Bank Transfer Name:** Enter the employee's name designated to the employee's bank account.
 - **Reference:** This is the employee ID for EFT purposes. You can keep the **Reference** field the same as the **Employee** field, or change it if you use a different employee ID for EFT. The Reference field (not the **Employee** field) will be included in the file that is generated for submission to the bank.
 - **Discretionary Data:** (Optional) This two character field can be used at your convenience, for example to enable special handling of entries. Leave this field blank if you do not have any special Sage HRMS Payroll handling requirements.
5. In the details entry table, enter the information for each of the employee's bank accounts.
 - **Bank Code:** Enter a unique bank code for each detail line that you enter on the table. If you enter a duplicate bank code, a message informs you that a record already exists. To set up several accounts at the same bank, you must enter a different bank code for each account; however, enter the same institution ID. For example:

Bank Code	Description	Institution ID	Account Number
BK01	Strand Bank-Checking	2332	12345-1
BK02	Strand Bank-Savings	2332	12345-2
BK03	Strand Bank-Premium	2332	12345-3

- **Description:** Enter the description of the bank.
- **Receiving DFI ID:** Enter the corresponding employee's bank transit or routing number (9 digits), such as the bank institution number.
- **Account Number:** Enter the employee's account number at this bank.
- **Transaction Code:** This field is used to identify various types of debit and credit entries. For example:
 - **22:** Checking Account Credit - Automated Deposit.
 - **32:** Savings Account Credit - Automated Deposit.
- **Calculation Type:** This specifies how the employee's paycheck is to be distributed for direct deposit to this bank. Refer to the section in this guide, "*How the Program Distributes a Paycheck Amount for Direct Deposit*" to understand how the Sage HRMS Payroll program interprets the values you enter in the **Calculation Type** and **Amount/Percent** fields.

The calculation types are as follows. The Sage HRMS Payroll program applies these types in the order listed below (and not necessarily in the order in which you entered them on the table):

- **Fixed Amount:** The amount you specify in the **Amount/Percent** field will be taken from the employee's paycheck and directly deposited to this bank.
- **% of Gross Earnings:** A percentage of the employee's gross paycheck amount (before taxes and deductions) will be directly deposited to this bank. Specify the percentage in the **Amount/Percent** field.
- **% of Net Pay:** A percentage of the employee's net paycheck amount (after taxes and deductions) will be directly deposited to this bank. You specify the percentage in the **Amount/Percent** field.

Note that % of Net Pay calculates a percentage of the net paycheck amount remaining after the other two calculation types have been applied.

- **Amount/Percent:** Depending on the **Calculation Type** you selected, enter either an amount or percentage.

- **Start Date:** The date on which the program can start using the bank account to directly deposit the employee's paychecks.
- **End Date:** The date on which the program must stop using the bank account to directly deposit the employee's paychecks.

6. To save the information, click **Save**.

7. To print the employee's EFT information, select **Reports > Employee Reports > Employee Information** and select the **EFT** check box.

How the Program Distributes a Paycheck Amount for Direct Deposit

For direct deposit, paychecks will be distributed according to the setup on the employees' EFT tab. You should note the following.

When calculating and distributing a paycheck amount, the Sage HRMS Payroll program applies the calculation types (specified on the employee's **EFT** tab) in this order: Fixed Amount, % of Gross Earnings, then % of Net Pay. Note that % of Net Pay calculates a percentage of the net paycheck amount remaining after the other two calculation types have been applied.

If you have assigned the same calculation type to more than one bank code, the paycheck will be distributed to the banks in alphabetic sequence of bank code. For example, if you had assigned Fixed Amount to bank codes AB, AB01, and A01, the fixed amount is distributed in the order of bank code A01, AB, and AB01.

During the paycheck distribution, even if the outstanding paycheck amount is insufficient to cover the amount required by the bank's setup, the outstanding paycheck amount will still be deposited to the bank. For example, suppose after an amount was deposited to the first bank, the outstanding paycheck amount was \$500. Suppose the program calculated that \$1,000 should be deposited to the second bank. The \$500 would be deposited to the second bank.

During the paycheck distribution, when the Sage HRMS Payroll program reaches the last bank, it will deposit the outstanding amount of the paycheck to the last bank, regardless of that bank's setup.

For example, suppose you set up bank accounts for an employee as follows:

Bank Code	Description	Instit. ID	Account Number	Calculation Type	Amount/Percent
BK1A	ABC Bank-Check	2332	1111	Fixed Amount	500.00
BK1B	ABC Bank-Svgs	2332	2222	% of Gross Earnings	20.00000
BK2	BCD Bank-Svgs	2338	3333	Fixed Amount	300.00
BK3	PR Bank	2445	4444	% of Net Pay	10.00000

Assume the employee has a paycheck in the following amounts:

Gross earnings:	\$2,000
Taxes:	<u>500</u>
Net earnings:	\$1,500

Sage HRMS Payroll distributes the employee's paycheck as follows:

1. \$500 fixed amount is deposited to Account Number 1111.
2. \$300 fixed amount is deposited to Account Number 3333.
3. \$400 (20% of gross earnings \$2,000) is deposited to Account Number 2222.
4. The remaining \$300 (\$1,500 - 500 - 300 - 400) is deposited to Account Number 4444, even though, according to the setup, only \$30 (10% of the remaining net pay \$300) should have been deposited.

Setting Up to Combine EFT Files

Use the Payroll EFT Combine window to enable Sage HRMS Payroll to combine multiple EFT files within one company or among several companies, into a single file.

If you plan to combine EFT files from several companies, make sure you define the same type of bank information (when you use the EFT Options window) for all companies.

On the Payroll EFT Combine window, you:

- Set a company to act as an Administrator (that is, the company from where you will search for and combine the EFT files).
- Create a list of companies you want to include in your search for EFT files to combine.

Note that if you plan to combine EFT files within just one company, you still need to do this setup. You would create a list that would contain only that company.

After you set this up, and have generated multiple EFT files, you can use the Combine EFT Files function (**Payroll > Processes > EFT > Combine EFT File**) from the administrator company, to combine files for a specific bank.

To set a company as administrator for the EFT combine feature:

1. Select **Setup > Payroll > EFT Combine**.

If you open the window from a company that is not set as an administrator and is not on any other administrator's list, the **Administer Combined Files from this Database** check box is enabled but not selected, as shown:

2. To make this company an administrator for the EFT combine feature, select the check box. A table appears, displaying the current company.
3. If you plan to combine files within only this company, then leave the company in the table. Otherwise, add the other companies that are to be administered from this company, as follows:
 - a. Highlight a company on the list.
 - b. Press **Insert** on the keyboard.
 - c. Type the Database ID for the company you want to add or use the Finder to locate it. The company name displays automatically in the next column.
4. Click **Save**.

To remove a company from the list:

1. On the list, highlight the company you want to remove.
2. Press **Delete** on the keyboard.

Notes:

- If you open the window from a company that is already set as an administrator for the EFT combine feature, the **Administer Combined Files from this Database** check box is selected and the window shows a list of companies whose files you can include when you search for EFT files to combine. You can then edit the list of companies.
- If you open the window from a company that is not an administrator for the EFT combine feature, but it displays on a list administered by another company, the **Administer Combined Files from this Database** check box is not selected and not available, and a message displays below the check box to tell you which company administers the combine feature for this company. If you want to make any changes, you must open the window from the company that administers the combine feature.
- You cannot remove the company that is selected to administer the combine files function from the list.
- A company cannot be on more than one Combine Administrator's list. Before adding a company to a new list, you must delete it from any lists that it is already on.

Step 20: Back Up your Company Data

When you have finished entering data from your old system into Sage HRMS Payroll, create a backup of the data and store the backup in a safe place. If something should happen to damage your data, you can restore it from the backup instead of having to enter it all over again.

Where to Now?

Your Sage HRMS Payroll system is now ready for use. You can begin to process payroll. You can calculate payroll based on employee data added during setup and timecards entered to record variations in the normal pay period. You can also create manual checks either to print them using the system's Payroll Checks Checks function or to record employee pay after the fact.

After calculating Sage HRMS Payroll, you can print employee paychecks, which posts Sage HRMS Payroll totals and, depending upon your choice of options, creates transaction batches in General Ledger.

You can produce a variety of listings, reports, and registers including Earnings and Hours, Earnings/Deductions Summary, Pre-Check Payroll Register, Tax Calculation Analysis, Forms W-2 T4, and many more.

For assistance in working in your payroll system, refer to the Sage HRMS Payroll in-product Help, which is also available online at <http://help-hrms.na.sage.com>.

Appendix: Earning/Deduction Hierarchies

You specify the relationships between earnings, deductions, and payroll taxes. In addition, depending upon the calculation method you choose for an earning/deduction, you may need to enter information about the hours, earnings, deductions, or taxes that constitute the calculation base for the earning/deduction. Sage HRMS Payroll uses the concept of levels to control how earnings and deductions relate to each other and to the taxes that pertain to them.

Earning/Deduction Levels

The system assigns to each earning/deduction (and to each tax) a level, which determines whether one earning/deduction can be used in the calculation base of another. The level also determines which taxes an accrual, earning, or benefit may be subject to and which taxes can be taken after a deduction is taken.

You can include in the calculation base of an earning/deduction the amounts calculated for earnings and deductions assigned lower levels. For example, the calculation base of a Percentage Of Base method earning assigned a level of 15 can include the amounts calculated for earnings and deductions assigned levels between 1 and 14.

Earnings and deductions with the calculation methods Flat, Fixed, Hourly Rate, Hours Per Frequency, Piece Rate Table, and Sales Commission Table do not use other earnings and deductions or taxes in their calculation bases so their levels can be low.

The system calculates these earnings and deductions using either a specific dollar amount, a number of hours, or a table you set up to define piece rates or sales commissions. These earnings and deductions may be part of the calculation base of another earning/deduction with a higher level.

Earnings and deductions that are assigned the Amount Per Hour, Hours Per Hour Worked, and Percentage Of Base calculation methods do use other earnings and deductions and taxes in their calculation bases so their levels need to be higher.

In addition, when you set up an accrual, earning, or benefit that uses any of the calculation methods, the accrual, earning, or benefit must have a level lower than the levels of the taxes to which it is subject.

In the same way, when you set up a pre tax deduction with any calculation method, the deduction must have a level lower than the levels of the taxes it precedes in the calculation.

Because most earnings are subject to tax and most deductions are taken after taxes, the system defaults a level of 10 for all earnings and deductions and a level of 20 for all taxes. You may need to edit the levels of particular earnings and deductions to create your earning/deduction calculation bases.

Let us look at a sample setup. Suppose your Payroll involves these pay factors:

Earnings/Deductions

- HRLY1 - Earning/Salary and Wages/Hourly Rate
- SALARY - Earning/Salary and Wages/Fixed
- BONUS - Earning/Salary and Wages/Percentage Of Base
- 401K - Deduction/Percentage Of Base
- WGARN - Deduction/Wage Bracket Table

Taxes

- USFIT - Federal income tax

You might assign the following levels to your earnings, deductions, and taxes to accommodate the calculation bases necessary for Payroll Processing (the types and components of an earning/deduction's calculation base are discussed in detail in the next section of this chapter).

Earning/Deduction Levels.

Note: For companies with U.S. Payroll, the 401(k) deduction does not have to be part of the WGARN base just because it has a lower level.

HRLY1 - Level 5

- Base:
- None

SALARY - Level 5

- Base:
- None

BONUS - Level 10

- Base:
- HRLY1 (Level 5)
- SALARY (Level 5)

401K - Level 15

- Base:
- HRLY1 (Level 5)
- SALARY (Level 5)
- BONUS (Level 10)

USFIT - Level 20

- Base:
- HRLY1 (Level 5)
- SALARY (Level 5)
- BONUS (Level 10)
- 401K (Level 15)

WGARN - Level 25

- Base:
- HRLY1 (Level 5)
- SALARY (Level 5)
- BONUS (Level 10)
- USFIT (Level 20)

The system calculates earnings, deductions, and taxes in the order dictated by their levels. A deduction with the default level of 15, while it may or may not be part of the calculation base of a level 20 tax, is still calculated and deducted from wages before the tax is deducted.

Under certain circumstances, you may want to assign higher levels to some of your employees' deductions than you assign to their taxes.

For example, suppose you are paying a weekly employee whose earnings for the pay period include \$100.00 of hourly pay and \$350.00 of reported tips. After a month, processing includes a level 10 deduction of \$95.00 to pay for medical insurance in addition to the usual withholding for level 20 Social Security and Medicare taxes.

During Payroll calculation, adhering to the order dictated by the deduction and tax levels, the system deducts for medical insurance first leaving insufficient net pay for Social Security and Medicare withholding.

In a situation such as this, when there is no connection between the deduction and the taxes (the deduction is not set up to be pre tax nor is it a post tax garnishment), you should assign a higher level to the deduction than you assign to the taxes so that during Payroll calculation, the employee's taxes are deducted first.

The system calculates earnings, deductions, and taxes with the same levels in the following order:

- Accruals
- Vacation
- Sick
- Compensatory Time
- Earnings
- Salary and Wages
- Reported Tips
- Allocated Tips
- Advances
- Cash
- Noncash
- Deductions
- Expense Reimbursements
- Benefits
- Cash
- Noncash
- Federal Tax
- State Tax
- Tax Update Supported Local Tax
- Custom Tax
- Insurance Tax
- Income Tax
- Unemployment Tax
- Pension Plan Tax
- Health Tax

- Other Tax

Finally, if the system encounters earnings and deductions with the same levels, categories, and types, it calculates them in the numerical or alphabetical order dictated by their Earning/Deduction Codes setup. For instance, all other criteria being equal, earning/deduction 42 would be calculated before earning/deduction 59, and earning/deduction HRLY1 would be calculated before earning/deduction SALARY.

When processing a timecard, Sage HRMS Payroll uses other ordering criteria to process the detail lines that are assigned overtime schedules.

Tax Hierarchies

When setting up a tax, you specify the relationship of the tax to the earnings and deductions used to process Sage HRMS Payroll. Depending upon the calculation method you choose for a tax, you may need to enter information about the hours, earnings, and deductions that constitute the calculation base for the tax. Sage HRMS Payroll uses the concept of levels to control how taxes relate to earnings and deductions.

Tax Levels

The system assigns to each tax a level, which determines whether the tax can include a particular earning/deduction in its calculation base. You can include in the calculation base of a tax the amounts calculated for earnings and deductions assigned lower levels. For example, the calculation base of a Percentage Of Base method tax assigned a level of 20 can include the amounts calculated for any earning/deduction assigned a level between 1 and 19.

The level also determines which taxes an accrual, earning, or benefit may be subject to and which taxes can be taken after a pre-tax deduction is taken.

Taxes must have levels higher than the levels of the accruals, earnings, and benefits that are subject to them and higher than the levels of the pre tax deductions you set up.

In addition to establishing how taxes relate to earnings and deductions, tax levels also establish the relationship of one tax to another. A tax's level determines whether or not the tax can be based on another tax.

For example, assume a state tax is based on (calculated as a percentage of) federal tax. Federal tax, therefore, constitutes the base for that state tax. To accommodate this relationship, you must assign a higher level to the state income tax than you assign to federal income tax.

Because most accruals, earnings, and benefits are subject to tax and most deductions are taken after taxes, the system defaults a level of 20 for all taxes and a level of 10 for all earnings and deductions. You may need to edit the levels of particular taxes to accommodate all your payroll needs.

Configuring a Tax Calculation Base

You can define a calculation base for all federal and state taxes and for custom taxes that use the following calculation methods:

- Flat
- Amount Per Hour
- Percentage Of Base
- Tax Bracket Table

The sections that follow describe the three possible components of a tax's calculation base. Depending upon the calculation method you associate with a tax, you may need to define one, two, or all of these components.

If you set up a custom tax that uses the Flat or Amount Per Hour calculation method, you indicate the earnings associated with the tax.

The Finder displays a list of accruals, benefits, and earnings (with the exception of allocated tips) that have levels lower than the level of the tax being set up. You select some or all of the items in the list to define, for reporting purposes, the gross payroll wages associated with the tax.

If you set up a custom tax that uses the Amount Per Hour calculation method, you must indicate which of the hours worked the tax is to be based on.

The Finder displays a list of the hours based earnings and accruals you can use in calculating the number of hours on which this tax is based. The earnings and accruals that display for selection have levels lower than the level of the tax you are setting up.

The earnings included in the calculation base must be of the type Salary and Wages and must use the calculation method Flat, Fixed, Hourly Rate, Piece Rate Table, or Sales Commission Table.

Only accrual payments are included in the calculation base of an Amount Per Hour tax. The accrual payments can use any calculation method.

You select some or all of the hours based earnings and accruals to build the calculation base used in calculating amounts for the tax you are setting up.

If you set up a custom tax that uses the Percentage Of Base or Tax Bracket Table calculation method, you must indicate the earnings and deductions that make up the calculation base for the tax.

The Finder displays a list of accruals, benefits, and earnings (with the exception of allocated tips) and a list of deductions, all of which have levels lower than the level of the tax being set up. You select some or all of the items in each list to build the calculation base used in calculating amounts for the tax. For each earning you select, you indicate the withholding type (regular rate, supplemental withholding, or taxable, no withholding).

When configuring a federal or state tax, you select the earnings and the deductions that make up its calculation base in this same way.

If a tax's calculation base includes accruals, benefits, earnings and deductions, the calculation base is equal to accruals plus benefits plus earnings minus deductions.

Certain taxes may require a calculation base that includes earnings, deductions, and hours. For instance, if you set up a two sided tax that uses an Amount Per Hour employee calculation method and a Percentage Of Base or Tax Bracket Table employer calculation method, you would indicate not only the base earnings and base deductions included in the calculation of the tax, but the base hours as well.

If you create a custom tax with both an employee and an employer side, you cannot choose Tax Bracket Table as the calculation method for both sides. Tax bracket table can be used as the calculation method for only one side of a two sided tax.

When you add a custom tax, be sure you specify the correct calculation method before you save your work. After you add the tax, you cannot change the calculation method unless you delete the tax and add it again.

A Federal and State Tax Example

Suppose you are configuring a state income tax that is to be applied to all employee earnings and taxable benefits after an employee deduction for a 401(k) plan is taken. Your company has created two earnings: an hourly rate earning paid to most of your employees (REG) and a bonus pay earning awarded for outstanding performance (BON). Your company has also created a taxable benefit for employee use of an automobile (CAR), and, in addition to other deductions, an employee deduction toward a 401(k) retirement plan (RET).

To ensure that all earnings and taxable benefits are subject to the state income tax and that the 401(k) deduction is taken from pay before the tax is applied, assign a higher level to the tax than you assign to the earnings and the deduction. (The system defaults a higher level for taxes than it does for earnings and deductions.) For example, assign the earnings, the benefit, and the deduction a level of 10 and assign the tax a level of 20.

Then, in the **Base Earnings Include** field on the **Calc Base** tab of Federal/State Tax Codes window (**Setup > Payroll > Federal/State Tax Codes**), enter the following:

In the **Base Deductions Include** field enter the 401(k) deduction. This ensures that the deduction is deducted before the tax is calculated.

As long as the earnings, the benefit, and the 401(k) deduction were assigned levels lower than the level of the tax, you can include them in the calculation base of the tax. If either of the earnings, the benefit, or the deduction had a level higher than 20, it would be unavailable for inclusion in the tax's calculation base.

Setting Up Vacation, Sick, and Compensatory Time

Vacation, sick, and compensatory time are earnings and deductions with the category of accrual. You can base vacation and sick time accrual on a specified number of hours per hour worked or per frequency, or on a percentage of wages. If you base the accrual on hours per hour worked or a percentage of wages, you must specify the hours or the wages to use as the calculation base for the accrual.

After you determine the method and the number of hours or percentage for the accrual, the system increments employee vacation and sick hours or amounts automatically up to a specified maximum accrual.

The system also allows you to indicate the maximum number of vacation and sick hours or the maximum vacation and sick dollar amounts that may be carried over from one year to the next and the date on which the carry over is to occur.

You create sets of accrual information, including increment amounts or percentages, maximum accruals, and maximum carry over amounts, for up to ten service year periods.

You also choose whether the maximum carry-over value should apply to employees' entire remaining accrual balance, or to only the unused portion of the amount or hours accrued during the year.

You do not select a calculation method or an increment amount or percentage for the accrual of compensatory time; employees accrue compensatory time based on timecard entries. You can, however, set a maximum accrual and a maximum amount to carry over from one year to the next.

You pay an employee vacation, sick, or compensatory time by entering a timecard. When you process vacation, sick, or compensatory time pay, the system posts the Regular Expense account associated with the accrual. If you choose the Percentage Of Base calculation method for a vacation or sick time accrual, you also have the option of posting to the Employer Liability account the amounts of the accrued vacation or sick time.

Carrying Over Vacation, Sick, and Compensatory time Accruals

Carry-overs are initiated as a result of check postings, and transaction history entries.

Sage HRMS Payroll automatically calculates accrual and carry-over amounts or hours according to the accrual setup information, such as the increment amounts or percentages, maximum accrual, and maximum carry-over for each service year, and the accrual carry over date.

The topics to follow describe the accrual and carry-over processes in Sage HRMS Payroll, including the significance of the accrual carry-over date, an overview of the carry-over process, the two ways that Sage HRMS Payroll can calculate carry over, and examples of setting up the carry-over parameters.

How Dates Influence Accrual and Carry-Over Processing

The system processes and carries over accruals (vacation, sick, and compensatory time hours and amounts) according to the following specifications:

- The accrual is carried over on the first payroll posting following the accrual carry-over date. (You set the default carry over date when you set up the accrual on the Earning/Deduction Codes setup window. The carry-over year is automatically increased when a carry-over is posted.)

For example, if the accrual carry-over date is the date of hire, Sage HRMS Payroll calculates carry-over and, upon posting the employee's first payroll after hire, consults the Service Year table set up (on the Earning/Deduction Codes setup window) for the accrual. The beginning amount or hours that you enter in the Beginning column of the first bracket of the Service Year table will be accrued on the first payroll. Posting then increases the carry-over year by one.

- For carry over processing, Sage HRMS Payroll uses the accrual carry-over date and the employee's hire date to determine the service year (that is, which entry in the Service Year table to use). The employee moves into the next service year when the carry-over date is one year (or more) after the hire date.
- For routine accrual processing (that is, determine how much the employee accrues per pay period), Sage HRMS Payroll uses the check date and the employee's hire date to determine the service year (that is, which entry in the Service Year table to use). The employee moves into the next service year when the check date is one year (or more) after the hire date.

For example, suppose the employee's hire date is 01/01/2010. Consider these two scenarios, in which the accrual carry-over date differs by one day (12/31/2010 versus 01/01/2011).

If the accrual carry-over date is 12/31/2010:

Assume the employee's first payroll posted after the carry-over date was on 01/15/2011.

- For carry over processing, the payroll posted on 01/15/2011 is considered to be in the first service year because the carry-over date is less than one year after the hire date.

Consequently, when processing the carry over, the system refers to the carry over parameters (that is, the Beginning Amt./Hrs., Maximum Accrual, and Maximum Carry over columns of the Service Year table) for the service year bracket covering the first service year. Posting then increases the carry-over year by one.

- For routine accrual processing, however, the payroll posted on 01/15/2011 is considered to be in the second service year because the check date is more than one year after the hire date.

Consequently, when processing the accrual for the pay period, the system refers to the accrual parameter (that is, the Increment column of the Service Year table) for the service year bracket covering the second service year.

If the accrual carry-over date is 01/01/2011:

A payroll posted on 01/15/2011 is considered to be in the second service year for both carry over processing and routine accrual processing because both the carry over date and the check date are a year (or more) after the hire date.

Consequently, carry over and routine accrual processing occurs according to the parameters for the second service year. Posting then increases the carry-over year by one.

Overview of the Carry-Over Process

When calculating the employee's accrual balance at the start of a new accrual year, Sage HRMS Payroll generally follows this procedure:

- Sage HRMS Payroll calculates the amount or hours to carry over, by evaluating:
 - The employee's balance at the start of the year.
 - The employee's accrued amount or hours during the year.
 - The accrued amount or hours used (paid out) by the employee during the year.
- During calculation, Sage HRMS Payroll also evaluates the "Calc Max. Carry-over Based on Remaining Balance" option and the maximum carry-over amount (both specified on the Earning/Deduction Codes setup window for an accrual).
- After the carry-over amount is calculated, Sage HRMS Payroll adds the amount specified in the **Beginning** column of the table on the **Employee** tab of the Earning/Deduction Codes setup window. The "Beginning" amount is a flat amount that is always added at the start of a new accrual period, regardless of what is specified in the **Maximum Carry-Over** field.
- The carry-over amount plus the "Beginning" amount cannot exceed the maximum accrual that is specified on the accrual (earning/deduction) setup record.

Calculating Maximum Carry-Over

When you set up a vacation, sick, or compensatory time accrual, you will see the **Calc Max. Carry-over Based On Remaining Balance** check box on the **Employee** tab of the Earning/Deduction Codes setup window. This check box lets you specify how the maximum carry-over value should be used during carry-over calculation.

To illustrate the two methods, consider the following example.

Suppose your employees are paid bi-weekly (26 pay periods). Regardless of years of service, your employees accrue 80 hours of vacation per year, with no "beginning" flat amount. The maximum carry-over per year is 30 hours, up to a maximum accrual at any time of 400 hours. (You use the Employee tab of the Earning/Deduction Codes window to set these values for an accrual.)

Assume an employee starts year 1 without any accrued vacation time, and then:

- In year 1, the employee accrues 80 hours of vacation, and uses 20 hours.

- In year 2, the employee accrues another 80 hours, and uses 25 hours.
- In year 3, the employee accrues another 80 hours, and uses 90 hours.
- In year 4, the employee accrues another 80 hours, and does not use any of the hours.
- If you select the **Calc Max. Carry-over Based On Remaining Balance** option, then:

The employee's starting balance for a new accrual year cannot exceed the **Maximum Carry Over** field (unless a number is specified in the **Beginning** column of the Earning/Deduction Codes setup window).

To calculate the employee's starting balance for the new year, Sage HRMS Payroll takes the lesser of these two amounts:

- The remaining accrual balance at the end of the accrual year, which is calculated by: (Starting Balance) plus (Accrued During the Year) minus (Accrual Used)
- The Maximum Carry-Over value

In this example, the employee's carry-over for each year cannot exceed 30 (the value specified in the **Maximum Carry-Over** field), regardless of the remaining end-of-year balance, as shown here:

Year (A)	Starting Balance(B)	Accrued During the Year(C)	Vacation Accrual Used During Year(D)	Remaining Balance (at year-end)(E)
1	0	80	20	60
2	30	80	25	85
3	30	80	90	20
4	20	80	0	100
1	0	80	20	60

In this method, Sage HRMS Payroll compares the remaining balance at year-end with the maximum carry-over of 30 and will not carry over more than 30 hours. As illustrated in the preceding table:

- At the end of year 1, the remaining balance is 60 but only 30 hours can be carried over to year 2.
- At the end of year 2, the remaining balance is 85 but only 30 hours can be carried over to year 3.
- At the end of year 3, the remaining balance is 20. Since 20 hours is less than 30, all 20 hours can be carried over to year 4.

Note: After the carry-over amount is calculated, any value specified in the **Beginning** column on the Earning/Deduction Codes setup window will be added to the starting balance. In the above example, suppose you had entered 10 in the **Beginning** column on the Earning/Deduction Codes setup window (in effect, the employee is actually accruing 90 hours per year). The 10 hours would be added to the starting

balance of all years, so that the starting balance is 10 for year 1, 40 for years 2 and 3, and 30 for year 4.

- If you do not select the **Calc Max. Carry-over Based On Remaining Balance** option, then:

The employee is allowed to carry over unused vacation hours that were accrued during the current year (up to the maximum carry-over), plus any unused amount or hours carried over from the past year.

To calculate the employee's starting balance for the new year, Sage HRMS Payroll adds the starting balance of the previous year (that is, the unused amount or hours from the previous year) to the lesser of:

- (Accrued During the Year) minus (Accrual Used)
- The Maximum Carry-Over value

Using the same settings and scenario discussed earlier in this example (that is, a maximum carry-over of 30, and so on), the employee's starting balance at each of 5 years would be calculated as follows:

Year (A)	Starting Balance (B)	Accrued During the Year(C)	Vacation Accrual Used During Year (D)	Hours subj to Maximum Carry-over(C) - (D)	Remaining Balance (at year-end)(B) + (C) - (D)
1	0	80	20	60	60
2	30	80	25	55	85
3	60	80	90	-10	50
4	50	80	0	80	130
5	80	80	0	80	160

The preceding table shows the unused portion of the amount accrued during the current year in the **Hours subj to Maximum Carry-over** column.

In this method, Sage HRMS Payroll compares the unused portion of the amount accrued during the current year with the maximum carry-over of 30 (whereas in the other method, Sage HRMS Payroll compares the remaining balance at Year-End with the maximum carry-over.)

So for example, at the end of year 2, Sage HRMS Payroll compares the 55 hours (not the 85 hours) with the maximum carry-over of 30, and carries over only 30 of the 55 hours.

Furthermore, in this method, Sage HRMS Payroll also carries over any unused amounts carried over from the previous year (up to the maximum accrual).

In this example, where the maximum carry-over is 30 hours, this type of method encourages an employee to take at least 50 of the 80 vacation hours accrued during the year - otherwise, the employee forfeits any part of the 50 hours not taken during the year:

- In year 1, the employee took only 20 of the 80 vacation hours accrued during the year. Of the remaining 60 hours accrued during the year, the employee is permitted to carry over only 30 hours, thus forfeiting 30 hours. The employee has nothing from the previous year to carry over, so the starting balance for year 2 is 30 hours.
- In year 2, the employee took only 25 of the 80 vacation hours accrued during the year. Of the remaining 55 hours accrued during the year, the employee can carry over only 30 hours. In addition, the employee can carry over the unused 30 hours from the previous year, so the starting balance for year 3 is 60 hours. Because the employee used only 25 of the 50 mandatory hours, the employee forfeits 25 hours (in other words, of the 85 hours remaining balance, the employee can carry over only 60).
- In year 3, the employee started with 60 vacation hours, accrued another 80, and took 90 hours of vacation. The result is that the number of accrued hours during the year becomes -10; that is, (80 minus 90). The employee took more than the 50 mandatory hours, so does not lose any accrued vacation. The employee carries over the remaining year-end balance of 50.
- In year 4, the employee did not take any vacation. Of the 80 hours accrued during year 4, the employee must forfeit all 50 unused hours, but can carry over the remaining 30 unused hours, plus the 50 hours from the previous year. Of the 130 total hours at the end of the year, the employee will carry over only 80 hours to year 5.

The employee can continue carrying over in this manner, up to the value specified in the **Maximum Accrual** field of the accrual's setup record (Earning/Deduction Codes setup window).

Examples of Setting up the "Through Service Year" Table for an Accrual (Vacation)

This section provides a few examples of how to set up the "Through Service Year" table and the **Calc Max. Carry-over based on Remaining Balance** option on the **Employee** tab of the Earning/Deduction Codes setup window for an accrual. The examples specifically describe vacation time accrual, but the principles would also apply to sick time accrual. For compensatory time, you do not specify beginning and increment amounts.

Example 1: Accrue once a year, with unlimited carry-over

Assume that:

- Employees do not accrue vacation time per pay period, but instead receive a flat amount of 15 vacation days (120 hours) at the start of every new accrual year, regardless of the number of service years.
- There is no limit to the number of vacation days that can be accrued or carried over.

In such a case, it does not matter whether you select the **Calc Max. Carry-over based on Remaining Balance** option.

Your table on the **Employee** tab of the Earning/Deduction Codes setup window would look like this:

Through Service Year	Beginning	Increment	Max. Accrual	Max. Carry over
99	120.00	0.00000	999,999.00	999,999.00

If employees are allowed to accrue only up to a certain number of hours (let us say 240 hours), then you would enter 240.00 in the **Max. Accrual** field.

Example 2: Accrue once a year, with no carry-over permitted

Assume that:

- Employees do not accrue vacation time per pay period, but instead receive a flat amount of 15 vacation days (120 hours) at the start of every new accrual year, regardless of the number of service years.
- Employees can accrue up to 120 hours at any one time.
- Employees are not permitted to carry over any unused vacation days.

In such a case, it does not matter whether you select the **Calc Max. Carry-over based on Remaining Balance** option.

Your table on the **Employee** tab of the Earning/Deduction Codes setup window would look like this:

Through Service Year	Beginning	Increment	Max. Accrual	Max. Carry over
99	120.00	0.00000	120.00	0.00

Example 3: Accrue per pay period, without the "Calc Max. Carry-over based on Remaining Balance" option

This example illustrates a situation where:

- Employees can carry over the unused portion of vacation accrued during the current year, up to a specified maximum carry over. (The company they work for allows them to roll over some of their vacation hours into the new period but encourages the use of most of it as needed breaks from the work world.)
- Employees can also carry over any unused vacation hours accumulated from past years.

Setting Up the Table

Suppose that vacation time is accrued depending on the years of service as follows:

- Three weeks (120 hours) per year, for an employee's first five years of employment.
- Four and one half weeks (180 hours) per year, for employment years six through ten.
- Six weeks (240 hours) per year thereafter.

You would enter 5 in the first **Through Service Year** field, 10 in the second **Through Service Year** field, and 99 (or another appropriately high number) in the third **Through Service Year** field.

Suppose that, as a bonus for long-term employment:

- Employees with six through ten years of employment receive one extra day (8 hours) of vacation at the start of each accrual year.
- Employees with more than 10 years of employment receive two extra days (16 hours) of vacation at the start of each accrual year.

In the **Beginning** column, you would enter 0 for the first **Through Service Year** line, 8 in the second **Through Service Year** line, and 16 in the third **Through Service Year**.

Suppose you are accruing vacation for your employees by means of a monthly Hours Per Frequency accrual.

- On the line that corresponds to Through Service Year 5, you would enter 10 hours as the monthly increment. (120 hours divided by 12 pay periods = 10)
- On the line corresponding to Through Service Year 10, you would enter 15 hours as the monthly increment. (180 hours divided by 12 pay periods = 15)
- On the line corresponding to Through Service Year 99, you would enter 20 hours as the monthly increment. (240 hours divided by 12 pay periods = 20)
- For employees with five or fewer years of service, you allow a maximum unused accrual of six weeks, or 240 hours. In the **Max. Accrual** field corresponding to the first five years of service, you would enter 240 hours.
- For employees with between six and ten years of service, you allow a maximum accrual of 9 weeks, or 360 hours. In the **Max. Accrual** field corresponding to service years six through ten, you would enter 360.
- Finally, for service years over ten, you allow a maximum accrual of 12 weeks, or 480 hours. In the **Max. Accrual** field corresponding to service years 11 through 99, you would enter 480.

Suppose that, of the vacation time accrued during the year:

- Employees in the first bracket (through service year five) can carry over one week (40 hours) of the 120 hours.
- Employees in the second bracket can carry over one and one half weeks (60 hours) of the 180 hours.

- Employees in the third and final bracket can carry over two weeks (80 hours) of the 240 hours.

In addition, assume that employees are also allowed to carry over any unused vacation accumulated from past years, regardless of the service year level.

To set this up:

- Enter 40 hours as the maximum carry-over for the first group, 60 hours for the second, and 80 for the third.
- Do not select the **Calc Max. Carry-over based on Remaining Balance** check box. If you do not select the option, you are instructing Sage HRMS Payroll to compare the maximum carry-over value with the employee's unused portion of the hours accrued during the current year, and to also carry over any unused hours from the previous year.

Employee tab of the Earning/Deduction Codes setup window would look like this:

Through Service Year	Beginning	Increment	Max. Accrual	Max. Carry-over
5	0.00	10.00	240.00	40.00
10	8.00	15.00	360.00	60.00
99	16.00	20.00	480.00	80.00

In summary, employees in the example given who have up to five years of service with the company accrue three weeks (120 hours) of vacation in a year. Of the three weeks they accrue, they must use two within each year or lose them, as they are allowed to carry over only one week (40 hours) per year.

Although these employees may eventually accrue up to six weeks (240 hours) of unused vacation time, their maximum annual carry over of one week means that it would take a minimum of six years for an employee to reach the maximum unused accrual ceiling. By that time, however, the employee's maximum unused accrual ceiling would have increased to 9 weeks (360 hours) according to the Through Service Year 10 bracket of the accrual schedule.

Note that employees with more than five years of service receive an additional 8 hours (or 16 hours, if more than ten years), which is added after the maximum carry-over is considered. However, the result cannot exceed the maximum accrual.

Example 4: Accrue per pay period, with the "Calc Max. Carry-over based on Remaining Balance" option

This example illustrates a situation where, regardless of the employee's total remaining balance at the end of the accrual year, the employee is not permitted to carry over any unused hours beyond the

specified maximum carry-over.

Assume the same values entered in the **Through Service Year**, **Beginning**, **Increment**, and **Maximum Carry-over** fields as in Example 3.

In Example 4, you would set the following:

- Select the **Calc Max. Carry-over based on Remaining Balance** check box. Selecting this option tells Sage HRMS Payroll to compare the maximum carry-over value with the employee's total remaining accrual balance, and carry over the lesser of the two.
- You would most likely set your Maximum Accrual values differently than Example 3. You should set them so that employees continue to accrue up to their yearly entitlement, plus the maximum carry-over. For example, for the first Through Service Year (5), you would set the maximum accrual to at least 160 (that is, 120 hours entitlement, plus 40 maximum carry-over).

Your table on the **Employee** tab of the Earning/Deduction Codes setup window would look like this:

Through Service Year	Beginning	Increment	Max. Accrual	Max. Carry-over
5	0.00	10.00	160.00	40.00
10	8.00	15.00	240.00	60.00
99	16.00	20.00	320.00	80.00

In summary, employees in this example who have up to five years of service with the company accrue three weeks (120 hours) of vacation in a year. Of the three weeks they accrue, they must use two within each year or lose them, as they are allowed to carry over only one week (40 hours) per year.

However, unlike Example 3, these employees are more restricted in the number of hours they can carry over.

When you select the **Calc Max. Carry-over based on Remaining Balance** check box, the values you set in the **Max. Carry-over** column indicate the number of hours of the total remaining balance that can be carried over.

So, for example, employees in the first bracket (Through Service Year five) can carry over only 40 hours every year, and cannot carry over any other remaining unused hours that the employee may have accumulated. (In Example 3, the employee can carry over 40 hours of the total hours accrued during the current year, plus any remaining unused hours accumulated.)

Note that employees with more than five years of service receive an additional 8 hours, which is added after the maximum carry-over is considered. This means that they may start the new accrual year with 68 hours (8 hours more than the specified maximum carry-over of 60).

Similarly, employees with more than ten years of service receive an extra 16 hours, so they may start the new accrual year with 96 hours (16 hours more than the specified maximum carry-over of 80).

Viewing Accrual Information

After you have set up accruals and assigned them to employees, you can view information about accruals (such as the amount/hours accrued and paid, remaining accrual balance), in the following areas of Sage HRMS Payroll:

- Select **Employees > View/Edit Employee**. Select the **Payroll** tab and then select **Employee Activity** to open the Employee Activity window. Select an employee, and then click the **Accruals** tab.
- From **Reports > Payroll > Transaction Reports**, you can choose these reports:
- **Earnings/Deductions Summary**. Choose the Accrual category, and the Current Balances report type.
- **Accruals**. Choose the Current Balances report format. To view carry-over information, choose the Carry-over Log report format.