

Deductions & Benefits

Document #:	3131	Product:	CenterPoint® Payroll
-------------	------	----------	----------------------

Deductions and benefits represent the voluntary deductions from an employee's check as well as the additions made by the employer with wage or non-wage employer contributions that are calculated at the time of the payroll. If the employer offers health insurance, a portion of the premium payment may come from the employee and a portion from the employer. Both can be calculated during a pay run and set aside in a Liability account to be paid to the insurer.

Typical deductions/benefits are 401K contributions, dependent care (125), flexible spending account, garnishments, health insurance, payroll advance repayment, union dues, etc. The CenterPoint Payroll system comes with several predefined deductions/benefits. Deductions and benefits are normally set up before you set up employers or employees.

When you create a new deduction/benefit, it is automatically added to all employers in the database. The deductions/benefits schedule and deductions/benefits frequencies selected when processing a payroll controls which deductions/benefits will be included in the pay run.

If a deduction or benefit you are adding or changing does not fit into one of the predefined deduction & benefits, you can create a new or change an existing deduction/benefit. When you create a new deduction/benefit, you define the type of deduction (retirement plan, cafeteria plan, insurance plan, garnishment, etc.), contributor, liability and expense accounts, and effective date. You can set employee and employer (determined by the Contributor setting) limits by pay period, month, quarter, annually, and lifetime for the deduction/benefit and an annual non-taxable limit that can be stopped when the limit is reached or continued when the limit is reached. Limits are set on the Limits tab. You can determine if a deduction/benefit is taxable by employee and employer (determined by the Contributor setting) on the Taxes tab.

This topic includes instructions on how to:

[Step A - Create a Deduction/Benefit](#)

[Step B - Add the Deduction/Benefit to an Employee Record](#)

[Step C - Add a Deduction/Benefit to Multiple Employee Records](#)

Additional topics included:


- » [Activate/Deactivate a Deduction/Benefit for an Employer](#)
- » [Activate/Deactivate a Deduction/Benefit for an Employee](#)
- » [Change an Existing Deduction/Benefit](#)
- » [Delete a Deduction/Benefit](#)
- » [Delete a Deduction/Benefit from an Employer](#)
- » [Delete a Deduction/Benefit from an Employee](#)

Step A - Create a Deduction/Benefit:


1. Select **Setup > Payroll Details > Deductions & Benefits**.
 - » Click **New**, or if the new deduction/benefit will be similar to an existing, highlight the similar item and click **Copy** instead of New.

General tab

2. Enter an **Abbreviation** (up to ten unique characters of information) that you can easily identify the deduction/benefit by. For example, HI for Health Insurance or 4K for 401K.
3. In the **Name** box, enter up to 35 characters of required information that describes the deduction/benefit.
4. In the **Type** box, select a deduction/benefit type. Deduction/benefit types assign suggested taxability to a deduction/benefit and are also used for reporting purposes. The taxability can be verified/changed by clicking the [Taxes](#) tab. The deduction/benefit type options are listed below:
 - » Retirement Plan - Non-taxable
 - » Retirement Plan - Taxable
 - » Cafeteria Plan (Section 125)
 - » Insurance Plan Taxable
 - » Garnishment
 - » Other Taxable Deduction/Benefit
 - » Other Non-Taxable Deduction/Benefit
 - » Payroll Advance Repayment
 - » Other Non-Taxable Ded./Taxable Ben.
 - » Other Taxable Ded./Non-Taxable Ben.

 **Note:** The primary difference between a taxable and non-taxable deduction or benefit is that if it is non-taxable, such as a retirement plan non-taxable, the deduction is taken out prior to any taxes. The calculation is performed on pre-tax dollars. A taxable option is calculated after taxes leaving the entire earning as taxable.

5. If you selected **Garnishment** as the deduction/benefit **Type**, in the **Sequence** box, enter the order the garnishment should be deducted from the check, for example Sequence 1 will be deducted before a garnishment assigned a Sequence 2.
6. In the **Contributor** box, select whether or not this will be just a deduction (employee), a benefit (employer), or both. Depending on what you select will determine whether or not the Employee Detail or Employer Detail sections on the General tab are enabled.
7. In the **Liability Account** box, select the liability account this deduction/benefit should post to. The Liability Account also controls who the deduction will be paid to.

 **Note:** The default Liability Account you select must be an account in the **Payroll Liability** account category. If you select an account that is not of the expected account type, you will receive a message. If you choose to assign the unexpected account type, click Yes. If you want to assign a different account, click No to assign a different account.

8. If Employer or Both is selected as the Contributor, select the expense account this deduction/benefit should be posted to in the **Expense Account** box. If Employee was selected as the Contributor, the Expense Account should be left blank.



Note: The default Expense Account you select must be an account in the **Other Employee Expense** or **Benefit Expense** account category. **The same expense account should not be used for a deduction or benefit expense as is used for an earning.**

9. The **Active** check box will automatically be selected. When the check box is not selected, the Deduction/Benefit will not be listed as a selection in Setup > Payroll Details > Employers unless the Employer already has the Deduction/Benefit selected.
10. To add notes to this deduction/benefit, click **Additional Notes**, enter the notes, and then click **OK**.



Note: To add a time stamp to a note added or edited on the Additional Notes screen, click **Stamp**. If you are adding/editing a stamp in a database without security, the stamp will display "Edited on (current date and time)". If you are adding/editing a stamp in a database with security, the stamp will display "Edited by (username) on (current date and time)".

11. **Employee Detail** (will only be available if Employee or Both was selected in the Contributor field):

- » **W-2 Options** - Select the W-2 box that this amount should be reported in. If this amount is not reported on the W-2, leave the W-2 Box – Options box blank. When you select codes Box 12 D, E, F, G, H, S, Y, AA, BB, CC, DD, EE, GG and HH for either the Employee or Employer, the appropriate code and value for the W-2 will be displayed when data is transferred to Aatrix. Box 12 codes and values will not display on the W-2 when data is transferred to Aatrix for the codes not listed in this step. If the selections are the same for the W-2 Box - Options for both the employee deduction and employer contribution, then the amounts will be reported together. 401(k) reporting is a good example where the W-2 reporting is different. Employee deferrals are reporting in Box 12 with code D, but employer matching is not required, but can be reported in Box 14.



Note: Changes to W-2 information flow down to all existing pay in the system. So, if you mistakenly used W-2 Box 12, code E throughout the year when you should have used code D instead, changing the code will also change each W-2 issued to the code.

- » In the **Employee Method** box, select the appropriate option. The option selected defines the boxes that will display next.
 - » **Fixed Amount** - Rate box will display with \$0.00.
 - » **Garnishment** - Rate box will display with 0.00%, Up to Amount will display as 0.00 and Minimum Net Pay will display as 0.00.
 - » **Hourly Rate (All Hours)** - Rate box will display \$0.00.
 - » **Hourly Rate (Regular Hours)** - Rate box will display with \$0.00.
 - » **Payroll Advance Fixed Amount** - Amount will display with \$0.00
 - » **Percent of Gross Wages** - Rate box will display with 0.00% and Minimum Amount will display as 0.00. When processing a payroll, if the calculated deduction amount is less than the Minimum Amount value, the deduction amount is set to the Minimum Amount value.
 - » **Percent of Net Wages (After Taxes)** - Rate box will display with 0.00%.
- » In the **Schedule** box, select when the deduction/benefit should be deducted from the employees pay. For example, if this garnishment is withheld every pay check, use the schedule Monthly Pay Periods 1,2,3,4,5. If it's withheld only once a month, select Only 1st Pay Period of Month. Deduction and benefit schedules allow you to select a schedule of when to calculate a deduction and/or benefit for employees on a pay run. Schedules are a grouping of one or more deduction/benefit frequencies. When a frequency is selected on a pay run, CenterPoint Payroll determines which schedules apply for each employee. If the frequency is contained in a schedule, then the deduction/benefit will be calculated on the pay run. Use the table below to determine which frequencies will be included in the pre-defined deduction and benefit schedules.) that applies to this deduction/benefit.

» Predefined Deduction & Benefit Frequencies:

Abbreviation	Name
1stOfMonth	1st Pay Period of the Month
2ndOfMonth	2nd Pay Period of the Month
3rdOfMonth	3rd Pay Period of the Month
4thOfMonth	4th Pay Period of the Month
5thOfMonth	5th pay Period of the Month
Special	Special Pay Period

- » The **Rate**, **Up to Amount** and **Minimum Net Pay** boxes should all remain at zero when setting up the deduction/benefit. When the deduction/benefit is added to an employee, the rates and amounts will be specified on their record.

12. If Employer or Both was selected in the Contributor field, the **Employer Detail** section will be available. These fields are used to define the details of an employer provided benefit. Select the appropriate Employer Method from the following options:

- » **% of Employee Deduction/Gross Wages (Multiple Rates)** - This method allows the definition of a table of rates where an employee deduction amount is matched up-to a specific percentage of the employee gross wages, after which a percentage of the employee gross wage is used to calculate the employer contribution amount instead.

Rate Table			
From	Up To	Match Ded	Match Gro
0.0000%	3.0000%	50.0000%	0.0000%
3.0000%	100.0000%	0.0000%	3.0000%

- » In this example, the employer contribution amount is calculated as 50% of the employee deduction amount up to an amount equal to 3% of employee gross wages. After that, the employer contribution amount is calculated as 3% of the employee's gross wages. So, if the employee earned \$800 in gross wages and elected to contribute \$30; the employer contribution amount is \$15 because \$15 is less than 3% of the gross wages. If the employee had elected to contribute \$50, the employer contribution is calculated as \$24 or 3% of gross because \$25 would be greater than 3% of the employee's gross wages.
- » **% of Gross Employee Deduction (Multiple Rates)** - • The method allows the definition of a table of rates where either the employee deduction is matched by a specified percentage, or a percentage of the gross wage is used to calculate the employer contribution amount.

Rate Table		
From	Up To	Match
0.0000%	3.0000%	100.0000%
3.0000%	5.0000%	50.0000%
5.0000%	100.0000%	4.0000%

- » For example, the employer matches 100% of the employee contribution if the amount is within 0-3% of the employee gross wage, matches 50% of the employee contribution if the amount is within 3-5% of the employee gross wage, and matches 4% of gross wage if that amount is within 5-100% of employee gross wage.
- » **% of Net Employee Deduction (Multiple Rates)** - The method allows the definition of a table of rates where either the employee deduction is matched by a specified percentage, or a percentage of the net wage is used to calculate the employer contribution amount.

Rate Table		
From	Up To	Match
0.0000%	3.0000%	100.0000%
3.0000%	5.0000%	50.0000%
5.0000%	100.0000%	4.0000%

- » For example, the employer matches 100% of the employee deduction if the amount is within 0-3% of the employee net wage, matches 50% of the employee deduction provided that amount is within 3-5% of the employee net wage, and matches 4% of net wage if that amount is within 5-100% of employee net wage.
- » **Fixed Amount** – The employer contributes a fixed amount.
- » **Hourly Rate (All Hours)** – The employer contribution is calculated by the number of all hours multiplied by a specified rate.
- » **Hourly Rate (Regular Hours)** - The employer contribution is calculated by the number of regular hours multiplied by a specified rate.
- » **Match Employee /w % of Gross Limit** – The employer will match the percentage the employee is contributing up to a max limit. For example, if an employee is deducting 6% of gross wages but the employer only matches up to 5%, the limit can be entered to stop the additional percentage from being matched.
- » **Match Employee Deduction** – The employer contribution will match the employee deduction.
- » **Percent of Employee Deduction** – This employer contribution is calculated at a percentage of the employee deduction.
- » **Percent of Gross Wages** – The employer contribution is calculated at a percentage of gross wages.
- » **Percent of Net Wages** – The employer contribution is calculated at a percentage of net wages.

13. Enter the **Schedule** (see the information about schedules in the Employee Method section) and **Rate**.

Limits tab

14. **Employee/Employer Deduction Limits** provide an additional way to stop the calculation. If the deduction/benefit has an monthly, annual or lifetime limit, click on the **Limits** tab and select the **Use Limit** box. The employee amounts should remain zero. When the deduction/benefit is added to an employee, the limits can be specified on their record. A deduction may have more than one limit, such as it may have a Monthly limit as well as an Annual limit.
15. The **Employee/Employer Non-Taxable Limits** provide an additional way to set an annual non-taxable limit and stop the calculation when the limit is reached. If a limit applies, select the **Limits** check box, enter the **Annual Limit**, and then select the action you want to take when the limit is reached.
16. Under Combine Contribution Limits, if this deduction should be combined with another deduction when applied to limits, select the **Use** check box and select the deduction. For example, if you make contributions to both a Traditional and a Roth 401k, when linked in CenterPoint, your total contributions across both deductions would not be allowed to exceed the limit set up on either deduction. Select the **As Primary** check box if the selected deduction should be calculated first and applied to the limit before the deduction it is combined with.
 - » For example, the pay period limit is \$100, Deduction 1 is selected as Primary and Deduction 2 is combined with Deduction 1.

- » Deduction 1 calculates the full pay period limit first and will be calculated for the full amount of \$64.
- » Deduction 2 is calculated and reduced to \$36 to stop at the limit


Taxes tab

17. Click the **Taxes** tab. The taxes tab allows you to decide if an employee deduction should be calculated before or after taxes and if an employee is responsible for paying taxes on a benefit provided by the employer.

The first two columns (**Employee Detail**) are used for only those deductions/benefits that have had Both or Employee specified as the Contributor. If a deduction should be subtracted from an employee's pay prior to calculating a tax, that tax or taxes should be moved to the **Exclude Deduction from Taxes** column using the arrow icon.

The second two columns (**Employer Detail**) are used only for those deductions/benefits that have Both or Employer specified as the Contributor. If the employer is responsible for paying taxes on a benefit, move the appropriate tax(es) to the **Benefit is taxable for** column using the arrow icon. If this benefit is not taxable, then all taxes would stay in the **Benefit is not taxable for** column.


The screenshot shows the 'Deductions & Benefits' window with the 'Taxes' tab selected. The window is divided into four main sections for tax calculation: 'Employee Detail Taxes (after tax)', 'Exclude Deduction from Taxes (pre-tax)', 'Employer Detail Benefit is not taxable for', and 'Employer Detail Benefit is taxable for'. Arrows indicate the movement of items between these sections.

 Note: If you change a deduction/benefit setting on the Taxes tab that has already been used on a pay run, a warning message will display. Any changes made will not be applied to previously posted pay runs. If the setup was incorrect at the time pay runs were posted, it can cause discrepancies in your Tax reporting.

18. Click **Save** to save the deduction/benefit and return to the List tab, or click **Close** to save the deduction/benefit and close the Deductions & Benefits screen. When this deduction/benefit is saved, it will automatically be added to all employers in the database.

Earnings tab

19. Click the **Earnings** tab.
20. Determine which earnings this deduction/benefit does/does not apply to.

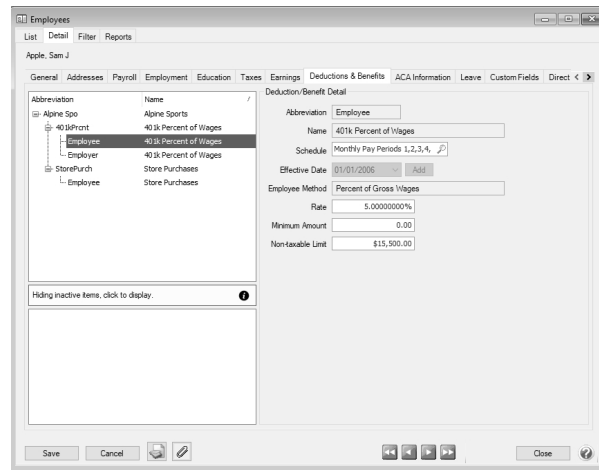
 Note: At least one earning must be selected in the **Applies to Earnings** column. If a deduction/benefit does not apply to an earning move the earning to the **Does Not Apply to Earnings** column using the arrow icon.

Step B - Add the Deduction/Benefit to an Employee Record:

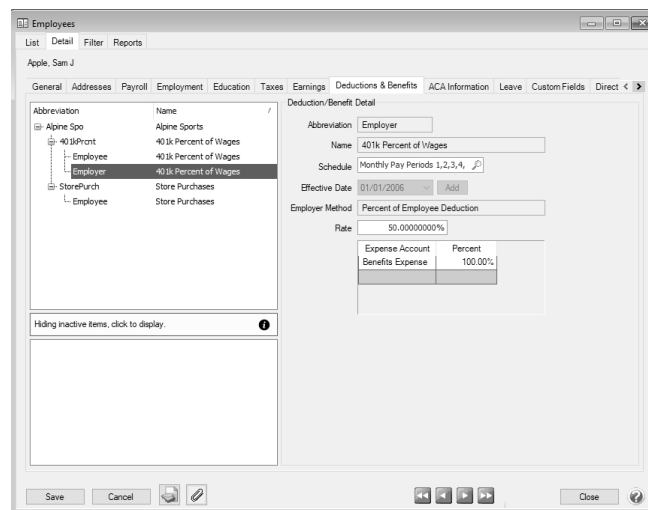
Follow the instructions below to add deductions/benefits to individual employee records. If you have a deduction/benefit that should be added to multiple employees, we recommend using the Employee Mass Update (Setup > Payroll Details > Employee Mass Update) option instead. Refer to the Employee Mass Update topic for more information.

1. Select **Setup > Employees**.
2. Select the employee requiring the deduction/benefit and click **Edit**.
3. Select the **Deductions & Benefits** tab.

4. Select the Employer on the left side of the screen.
5. The list of available deductions and benefits will then be displayed at the bottom of the screen. Select the appropriate deductions/benefits. The selected items will then automatically be included in the list of deductions & benefits for this employee at the top of the screen.
6. Select the deduction/benefit under the company. It will have either an **Employee** line, an **Employer** line, or both listed below it. Deduction/Benefit Details will need to be assigned for each line displayed. Select the **Employee** line first.



7. The fields displayed in the **Deduction/Benefit Detail** are dependent on which options were selected when the deduction/benefit was originally setup (Setup > Payroll Details > Deductions & Benefits). Complete the fields with information specific to this employee.
8. Select the **Employee** line from the upper left side of the screen (if available) under the deduction/benefit. The fields displayed in the **Deduction/Benefit Detail** are dependent on which options were selected when the deduction/benefit was originally setup (Setup > Payroll Details > Deductions & Benefits). Complete the fields with information specific to the employer's portion of this benefit.



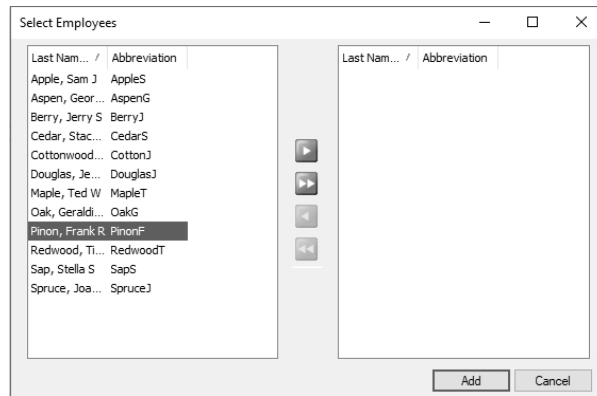
9. If displayed, specify the **Limits**.



 Note: The limit fields will only be displayed if a Limit option was selected when the deduction/benefit (Setup > Payroll Details > Deductions & Benefits) was setup (step A).

10. Click **Save**. Repeat Step B for each employee that needs a deduction/benefit added to their employee record.
11. **Employees > Earnings** tab. From the upper-left side of the screen, select the earning that was added, and then on the right side of the screen review the details.

Step C - Add a Deduction/Benefit to Multiple Employee Records

1. Select **Setup > Payroll Details > Deductions & Benefits**.
2. Select the deduction/benefit you want to add to multiple employee records.
3. Right-click and select **Add to Employees**.



4. Select the employees that this deduction/benefit should be added to and then click the right arrow . To select all employees, click the double-right arrow .
5. Click **Add**.
6. At the Are you sure you want to add the deduction/benefit to selected employees? message, click **Yes**.
7. The number of employees the deduction/benefit was added to will display, click **OK**.
8. To review deduction/benefit details for the employees, select **Setup > Employees > Deductions & Benefits** tab. From the upper-left side of the screen, select the deduction/benefit that was added, and then on the right side of the screen review the details.

Activate/Deactivate a Deduction/Benefit for an Employer

If a deduction is marked as inactive on an employer, it will not available to assign it to employees. This would normally be done only if you will no longer be adding this deduction to new employees.

1. On the **Setup** menu, click **Employers**.
2. Select the employer you want to activate or deactivate a deduction/benefit for, and then click **Edit**.
3. Click the **Deductions & Benefits** tab.
4. In the **Selected Items Window** (upper-left), select **Deductions & Benefits**.
5. Select the deduction/benefit that you want to activate.
6. Under **Deduction/Benefit Detail** (right), select or unselect the Active check box (depending on if you want the deduction/benefit active for this employer or not).
7. Click **Save** to save the employer and return to the List tab, or click Close to save the employer and close the Employers screen.



Note: To return to the List tab without saving the employer, click Cancel. To close the Employers screen without saving the employer, click in the upper-right corner.

Activate/Deactivate a Deduction/Benefit for an Employee

If a deduction/benefit is marked inactive on an employee, it will no longer be calculated when processing payrolls for this employee.

1. On the **Setup** menu, click **Employees**.
2. Select the employee you want to activate a deduction/benefit for, and then click **Edit**.
3. Click the **Deductions & Benefits** tab.
4. In the **Selected Items Window** (upper-left), select the **Employer** this deduction/benefit should be activated for.
5. In the **Selected Items Window**, select the deduction/benefit you want to activate.
6. Under **Deduction/Benefit Detail** (right), select or unselect the **Active** check box.
7. Click **Save** to save the employee and return to the List tab, or click Close to save the employee and close the Employees screen.

Change an Existing Deduction/Benefit

1. On the **Setup** menu, point to **Payroll Details**, and then click **Deductions & Benefits**.
2. Select the deduction/benefit you want to change, and then click **Edit**. Note: If you change the information in the Name box, past deduction/benefit information is automatically linked to the new name. For example, if you change the deduction Health Insurance to Health Insurance - Preferred One , your reports will no longer show Health Insurance and any existing information for Health Insurance is now part of Health Insurance - Preferred One..
3. Edit or view the deduction/benefit detail.



Note: If you change a deduction/benefit setting on the Taxes tab that has already been used on a pay run, a warning message will display. Any changes made will not be applied to previously posted pay runs. If the setup was incorrect at the time pay runs were posted, it can cause discrepancies in your Tax reporting.



Note: Voiding a pay run after changing a deduction that was used in it could result in an incomplete voiding where deduction information is re-gathered and processed.

4. Click **Save** to save the deduction/benefit and return to the List tab, or click Close to save the deduction/benefit and close the Deductions & Benefits screen. Note: To return to the List tab without saving the deduction/benefit , click Cancel. To close the Deductions & Benefits screen without saving the deduction/benefit click in the upper-right corner.

Delete a Deduction/Benefit

1. On the **Setup** menu, point to **Payroll Details**, and then click **Deductions & Benefits**.
2. Select the deduction/benefit you want to delete, and then click **Delete**. Note: You cannot delete a record that is linked to other records in the system. For example, if a deduction or benefit is attached to an employer or employee or the deduction or benefit has been used in a pay run. However, you can deactivate a deduction or benefit on both the employee or employer levels.
3. At the "**Are you sure you want the item deleted?**" message, click **Yes**.

Delete a Deduction/Benefit from an Employer

A deduction/benefit can only be removed from an employer if it's not assigned to any employees.

1. On the **Setup** menu, point to **Payroll Details**, and then click **Employers**.
2. Select the employer you want to delete an deduction/benefit from, and then click **Edit**.
3. Click the **Deductions/Benefits** tab.
4. In the **Selected Items Window** (upper-left), select **Deductions & Benefits**.
5. In the **Items Available for Selection Window** (lower-left), select the check box next to the deduction/benefit you want to delete to clear the check box.
6. At the "**Are you sure you want to delete this item?**" message, click **Yes**.
7. Click **Save** to save the employee and return to the List tab, or click Close to save the employee and close the Employees screen. Note: To return to the List tab without saving the employee, click Cancel. To close the Employees screen without saving the employee, click in the upper-right corner.

Delete a Deduction/Benefit from an Employee

1. On the **Setup** menu, click **Employees**.
2. Select the employee you want to delete a deduction/benefit from, and then click **Edit**.
3. Click the **Deductions & Benefits** tab.
4. In the **Selected Items Window** (upper-left), select the **Employer** this deduction/benefit is for.
5. In the **Items Available for Selection Window** (lower-left), select the check box next to the deduction/benefit you want to delete to clear the check box.

6. At the "**Are you sure you want to delete this item?**" message, click **Yes**. Note: You cannot delete a record that is linked to other records in the system. For example, if a deduction or benefit is attached to an employee or the deduction or benefit has been used in a pay run. However, you can deactivate a deduction or benefit on both the employee or employer levels. Deductions cannot be deleted until the deduction is first removed from the Deduction Direct Deposit Information grid from the Direct Deposit tab in Setup > Employees.
7. Click **Save** to save the employee and return to the List tab, or click Close to save the employee and close the Employees screen.



Note: To return to the List tab without saving the employee, click Cancel. To close the Employees screen without saving the employee, click in the upper-right corner.