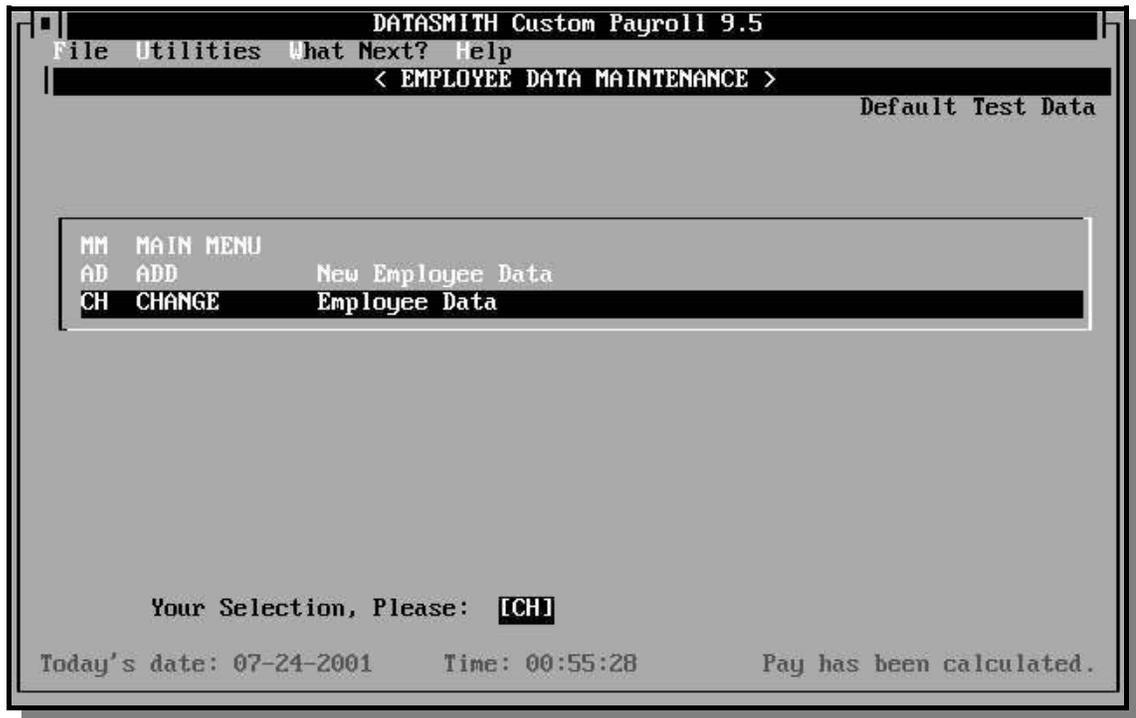


## EMPLOYEE DATA ENTRY AND CHANGES



This program contains all the necessary functions to maintain information about employees, including hiring, termination, pay rates, wage information, etc.

### AD ADD NEW EMPLOYEE DATA

This function is used when first setting up the payroll system and when new employees are hired. It establishes a permanent employee ID code and requests all information required by the system to include the employee in future payrolls.

Before adding any new employees, the Payroll Master file must have been created and filled with initial Company data by use of the "Set company data" function described in the chapter on Company Data Entry.

When "ADD New Employee Data" (AD) is chosen from the menu, the system will display the number of employees that are currently on file, the remaining capacity of the payroll system, and the remaining capacity of disk drive where the employee information is stored. If there is not sufficient capacity to add another employee, you will be informed of this fact and entry for a new employee will not be allowed.

If your capacity is limited by disk storage space, examine your payroll data directory. You may be able to increase capacity by erasing or

removing unnecessary files or by copying the files MASTER.PAY, KEYFILE.PAY, TAXTBL.PAY, and ALTKEYS.PAY (if it exists) to another disk. Remember that any files with names of the form "PRmmddy.PAY" are payroll backup files for the period ending "mmddy": some of these may be needed for comparative reports (including Quarterly reports), and others may be copied to an archive tape or disk and then removed from your hard disk.

### CH CHANGE EXISTING EMPLOYEE DATA

Use this selection to display or change information already on file about an employee. You will be asked for the employee's ID code, after which four classes of data screens will be displayed for inspection or changes. The actual number of screens available will vary with your system configuration.

The **PUBLIC** information screen consists of name, address, social security number, and other relatively permanent facts about employment. Most of the information on this screen can be obtained from the Federal W-4 form, any similar State forms applicable, and company information outlining the basic terms of employment.

The **PAY AND DEDUCTION** screens define the employee's default rate of pay, the method(s) used to withhold taxes, any balances which affect pay or benefits administered via the payroll system, the method used for determining the amount of each company-wide deduction applicable to the employee, and other information determining how taxes are calculated. A notepad is available to record miscellaneous information not essential to the program, such as telephone numbers, birthdays, etc.

The **YEAR TO DATE** screens provide access to all accumulated year-to-date information on pay received and deductions of all types. When the Payroll is in an "Initialized" state, these screens show all of the numeric data Payroll uses to prepare W-2's, Wage Reports, and other government reports. These screens normally are used only when a new employee is transferred from another payroll of the same employer, or when setting up a new system in mid-year. This information is automatically maintained and should not normally be changed once the payroll system has been established.

**Employee Lookup by Record Number:** When changing existing employee information, you can also access employee records by their position in the file. To accomplish this, the operator enters "|{record number}" when asked for an Employee Code. For example, to access the 12th employee in the file, the operator would enter:

|12

This "back door" into the employee file can sometimes be used to repair a damaged or unreadable employee record.

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## EMPLOYEE DATA

Regardless of whether you are adding new employee data or changing existing employee data, the following data item definitions apply:

**EMPLOYEE CODE (Employee ID).** The Employee Code uniquely identifies each employee. This code may be from one to ten characters in length and may contain any characters available on your keyboard, including spaces. If you are adding an employee and the code has already been assigned to another employee it will not be accepted and you will be asked to try again. If you are changing data, the employee code must have been previously assigned. If you simply press the ENTER key the "ADD New Employee" function is terminated and the program menu will be re-displayed.

Assigning employee codes requires some planning. The default printing sequence on all reports is by employee code in alphabetical order, so the codes you assign to employees will affect the sequence of standard reports.

If you wish to use a number as an employee code, all numbers should be made the same length by using leading zeros in the Employee ID. This is because alphabetic sequencing will order the numbers "11", "1", and "2" as follows:

1  
11  
2

Using enough leading zeros to pad the number to size of the largest number (2 digits in this example) will make all numbers appear in the sequence you expect:

01  
02  
11

The ability to use alphanumeric codes allows for convenient ID schemes to be used, and allows Custom Payroll to adapt to most pre-existing employee identification schemes.

- ! The employee's initials are a common ID scheme for a small payroll.
- ! Larger employers sometimes use the employee's Social Security number.
- ! Another frequent scheme is an alphabetic Location Code followed by a numeric employee identifier.

The Initialization and Utility program allows you to specify one of several alternate sorting or "key" sequences on reports, so you are not forced to use Employee ID code

sequence at all times. These "alternate keys" include Alphabetical, Department Number, Social Security Number, Check Number, and Zipcode.

This is the amount of "Other" tax of the type described by the title. Examples are County Tax (except in IN and MD), School District Tax, Supplemental Disability Insurance (SDI) or Supplemental Unemployment Insurance (SUI) actually withheld from the employee.

## PUBLIC DATA

Public data is information normally considered to be a matter of public record. It is used on hiring, termination, change of address, change of name, or change of filing status, exemptions, etc.

The screenshot shows a terminal window titled "DATASMITH Custom Payroll 9.5". The menu bar includes "File", "Utilities", "What Next?", and "Help". The main title is "PUBLIC INFORMATION: Basic Employee Data" and the subtitle is "Working on ID 'BAC': CLINTON, BRUCE A.". There are two buttons: "{F10} Save and Exit" and "+ Next Screen >>". A list of fields is displayed with the first field, "01 Employment Status: ACTIVE, > 1", highlighted. Below the list, it says "Your Selection, Please: [01]". At the bottom, it shows "Today's date: 07-24-2001" and "'ESC' to abort without saving".

ID	Field Name	Value
01	Employment Status	ACTIVE, > 1
11	Date Terminated	00/00/0000
02	Last Name	CLINTON
03	First Name	BRUCE A.
04	Middle Name	
05	Location Address	
06	Delivery Address	1234 WRIGHTSTOWN ROAD
07	City, State ZIP	WASHINGTON CROSSING, PA 19060
08	Filing Status	Married
09	Department	Dept. 5
10	Date Hired	01/02/1996

### STATUS

Enter the proper Employment Status for the employee you are adding to the master list:

**Terminated** employees remain in the employee master list until the end of the year (for use in reports, W-2's etc.), so if you are setting up a new payroll you should enter terminated as well as active employees. Terminated employees are not included in any payroll calculations, and are removed from the Payroll Master file during Year-End Initialization.

**Active** employees can be categorized as "less than 1 yr" or "more than 1 yr." On the standard systems, when an employee is categorized as "active - less than 1 yr" the system will not report vacation available information, if any, on the employee's paycheck.

Employee status is automatically changed from "less than 1 yr" to "more than 1 yr" in the first pay period following the employee's first anniversary. For "more than 1 yr" employees, the contents of the Vacation Due accumulator, if nonzero, are printed on the paycheck stubs and in the current report. Whenever the Vacation Due Accumulator is used, Vacation Due is decreased by the number of hours of Vacation-Category pay entered.

**Laid-off** employees are treated as terminated employees in that they are ignored for data entry and reports. However, they are not removed from the master file when a year-end update is performed.

#### **EMPLOYEE LAST NAME**

Enter the employee's last name (family name) as you want it to appear on reports, paychecks, and W-2 forms. If the name has a suffix like "Jr." or "III", the suffix should be entered also. Examples: "JONES", "WILLIAMS JR.", "BERRYMAN III", etc. It should be noted that using all UPPER CASE letters is preferred by some taxing authorities, including SSA (the Social Security Administration). Upper case will usually produce better impressions on carbon copies.

**Do not use any lower case if you intend to print 6-part W-2 forms** on a dot matrix printer (also see our warning about 6-part forms in the chapter on W-2 Forms). This applies to all name and address information. Do not end the last name with a comma or enter commas for any other purpose within the Last Name. The program will insert commas, if needed, at the time reports are printed.

#### **EMPLOYEE FIRST NAME(S)**

Enter the employee's first name and, if desired, the middle name or initial. Do not add any spaces after the name(s). Examples: "JOHN", "STANLEY W.", "MARY BETH", etc.

**It is vital that all names be entered in a consistent format.** Government submittals produced by DATASMITH Custom Payroll are formatted on the assumption that the instructions above are followed. Deviations or use of inconsistent name formats could cause a taxing authority to reject your W-2 or 941 filing.

**STREET ADDRESS**

Enter the employee's street address, post office box number, or other mailing address. This information is used on paychecks and W-2 forms.

**CITY, STATE, and ZIPCODE**

Provide (separately, in response to three prompts) the employee's city, state (in two-character Postal ID form) and zip or postal code. State Codes are validated against an SSA-standard list of codes for States and US territories. Contact DATASMITH if you need to add foreign country or US Possession capability (FPO is a custom feature).

**SOCIAL SECURITY NUMBER**

Enter the employee's social security number as it is shown on the W-4 form. The number is automatically stored without any formatting characters, but the program allows you to enter them if you wish. Any embedded dashes, spaces, or other non-numeric characters will be automatically added or removed as required for certain reports. The social security number is required for Federal form W-2 and some state unemployment reports. If this entry is blank at the time magnetic media W-2's are produced, an "I" will be written in the employee's magnetic media W-2 record to indicate that the number is missing or unavailable.

**DEPARTMENT NUMBER**

Enter the number of the employee's department as you defined them in Company Data Entry. If you cannot remember the department numbers, enter zero to see a list of department names and numbers displayed.

**FILING STATUS**

Four choices are possible: Single, Married, Head of Household, or Independent Contractor. This filing status code determines which tax tables are accessed to calculate all taxes. Usually, the laws applicable for the State taxing authority will determine which filing status you use.

Do not use Head of Household unless that status is allowed by the withholding regulations of the state for which you are withholding.

If you choose "Married" filing status, the Payroll program will ask:

Filing Singly/both spouses working (Y/N)?

This question is necessary in order to calculate withholding for some states: consult your state's withholding regulations and any State Notes received with your Custom Payroll to

determine how to answer this question properly: your answer makes no difference for federal tax purposes. If you answer "N" to this question, state tax treatment will be for "Married filing jointly" or "one spouse working": whichever is applicable to your state. If not applicable to the state for which you are withholding, your answer to this question will be ignored during calculation of state withholding.

The category of "independent contractor" is provided for convenience in paying independent contractors, as defined by statute, as part of a regular payroll. No taxes are withheld from an independent contractor's pay, although user-defined deductions may be specified. The W-2 printing program will generate form 1099-MISC for the purpose of reporting amounts paid to independent contractors.

If you are setting up a Minister or full-time church worker who is an independent contractor but reported on a W-2 form, DO NOT use the "independent contractor" status. Instead, answer "NO" to the "Withhold FICA?" and "Withhold Medicare?" questions, and set the Federal, State, and Local withholding methods to "NONE". If you are not required to withhold FICA or Medicare, but you are withholding for the convenience of the employee, withhold the entire amount as Federal tax. Use the "REGULAR PLUS EXTRA %", "FLAT AMOUNT", or "FLAT PERCENT" federal withholding methods to make the amount withheld accurately reflect the required tax.

#### **WITHHOLD FICA**

You may direct the system to withhold FICA tax or not, at your option. Answer Y or N. Most employees are subject to FICA taxes, so the answer is usually "Y".

#### **STATE TAX CODE**

The state for which your payroll system calculates tax is a function of the custom configuration for your particular system. Choose the state code for which you want state reporting and/or withholding calculated. Standard payroll can be used with as many as 56 states and "state-like" taxing authorities (DC, PR, VI, etc.).

**You should always choose a state: even if there is NO TAX to be withheld! Choosing "none" will exclude the employee from all state wage and unemployment reports!** Instead, you should choose the applicable state, and then either mark the employee's withholding method "No Tax" or set the state's tax table rates to zero.

#### **LOCAL TAX CODE**

Like state withholding tax, the local tax routines are configured for your particular area. To establish a local tax, you must first enter the name of the locality on the Locality Names screen in the Company Record (see Chapter 4). You will then be able to choose from all of the localities you have defined. Enter zero for "none" or a nonzero code from the Locality Name codes you defined in the Company Record. Choose the local code for

which you want withholding calculated. Payroll can be configured for use with any number of different localities (standard configuration is 12).

**OTHER TAX CODE**

This is used for any payroll-based withholding deductions which are to be reported separately from the state and local taxes. Items such as Supplemental Disability Insurance (SDI) and Supplemental Unemployment Insurance (SUI), school district taxes, and county taxes which may overlap city taxes may be added and reported as "other" withholding taxes. As with state and local tax codes, enter your selection or zero for "none".

**W-4 EXEMPTIONS**

Enter the number of exemptions claimed on the employee's federal W-4 form. This number is used to calculate taxable income.

**PAY TYPE**

The following standard choices are available.

- Hourly:** The operator must enter hours (or gross pay) each pay period to enable Payroll to determine taxes and net pay.
  
- Salaried:** The operator may allow the system to automatically pay the employee's regular salary regardless of actual hours worked. The effective hourly rate used as a default for Overtime calculations will be computed from the salary and the pay period in use, assuming a 40 hour week.
  
- Regular:** A special case of salaried, usually applied to cases where the employee works less than 40 hours per week. When "Regular" is chosen, the system will ask for the number of hours per pay period. The salary is the same each pay period, but the effective hourly rate used as a default for Overtime calculations will be computed from the salary and the regular hours per pay period entered.
  
- Reporting Salaried:** Salaried, but the operator is asked to enter actual hours each pay period for reporting purposes only. The hours entered are NOT used to determine gross pay.

**E I Credit (EARNED INCOME CREDIT PAYMENTS)**

If the employee is eligible to receive earned-income credit payments, a "YES" here will allow the payroll system to automatically calculate and include Earned Income Credit payments in the paychecks of your eligible employees. These payments will be listed separately on the paycheck stub, and subtracted from the Federal Deposit requirement on

the Current Report. If you answer "YES", you will be asked if the employee's spouse has also filed for EIC. The answer to this question comes from the W-5 form ("Earned Income Credit Advance Payment Certificate") submitted by the employee.

DATASMITH Payroll systems shipped after the first quarter of 1988 automatically handle the "spouse eligible" case for years when the regulations did not require knowledge of spousal income for the calculation (1988 and subsequent years to date).

If you use this feature, you must make sure that the EIC information is correct in your Federal Auxiliary Constants Tax table. For more information on earned income credit, see the federal Employer's Tax Guide.

#### **DATE HIRED**

Enter the date the employee was hired. First month, then day, then year. You may separate month, day, and year by using dashes "-", slashes "/", or in a simplified numeric format (MM-DD-YY, MM/DD/YY, or MMDDYY).

February 15, 1984 may be entered 2-15-84, 2/15/84, or 21584.

No matter which format is used for entry, the date is stored internally as a number and written with dashes on all reports. When entering in the simplified numeric format, a leading zero need not be entered for the month, but leading zeros are always required for the day and year.

Examples: Feb. 15, 1983 would be entered as either 21583 or 021583.  
November 7, 1984 must be entered as 110784.

#### **DATE TERMINATED**

This item is used only to correct a previously-entered termination date. When the Status of an employee is changed to "Terminated", the operator will be asked to enter this date. The program will not allow this date to be changed unless the employee's Status is "Terminated".

#### **STATE EXEMPTIONS**

Enter the number of exemptions for state income tax purposes. If your state follows the federal rules, enter number claimed on your Federal W-4. Some States require a different entry, such as the dollar amount of exemptions or excess exemptions: if so, State Tax Notes will be shipped with your Payroll system. State Tax Notes describe any special or unusual information required here.

**SALARIED EMPLOYEE PAY CATEGORY**

In the case of salaried employees, you may specify any of the Predefined or User Defined Pay Categories to be used for accumulation of the employee's salary. Normally this is "Regular" pay, but you may wish to make a different choice. YTD totals of pay in each category are accumulated and recorded separately in each employee record.

**PENSION PLAN ACTIVE PARTICIPANT  
RECEIVING DEFERRED COMPENSATION  
NOW DECEASED**

These items are used only to determine which "ballot box" items get checked on the W-2 forms (Box 15 of the 2000 form). See current Internal Revenue Service Instructions for Forms W-2 and WP. for detailed and current explanations. Your answers to these questions do not affect the calculation of pay.

**EXEMPT FROM UNEMPLOYMENT TAX**

A "YES" here will unconditionally prevent the data for this employee from being included in Unemployment Reports, regardless of other entries.

**WITHHOLD MEDICARE**

You may direct the system to withhold Medicare tax or not, at your option. Answer Y or N. Most employees are subject to Medicare taxes, so the answer is usually "Y".

**UNEMPLOYMENT STATE**

This item is used when the state in which unemployment is reported is different from the primary state identified for tax withholding. If the unemployment state and the withholding state are the same, no entry is necessary.

**CARRY FORWARD CONTROL**

If pay is not sufficient to cover fixed-amount deductions, processing is governed by the Carry Forward Control setting. The choices are as follows:

**NORMAL:** The payroll system will withhold fixed dollar deductions (\$) even if an employee has insufficient gross pay for the period to cover them. In this case, the negative net amount will be carried forward and deducted from the next paycheck (and additional paychecks, if necessary). On the reports, all deductions are shown as "taken", and tax liability adjustments, if any, are shown in the current period.

**REPORT:** Carry forward is handled as described under "NORMAL", but a report is generated during Calculation when a carry-forward occurs. This offers the operator a chance to intervene and make adjustments.

**SUPPRESS:** The system will attempt to automatically eliminate a carry-forward condition by adjusting deduction amounts. A report is generated during Calculation showing the unadjusted and adjusted amounts of each deduction. Only fully-taxable deductions (tax code "A") are adjusted, and they are adjusted in the order in which they were defined in the Company Record. A code "A" deduction can be made MANDATORY (excluded from the automatic adjustment process) by making the first character of the deduction name a "~" (tilde) character. The total of all adjustments will be just enough to bring the net pay to zero. There is no guarantee that this process will be able to correct all cases of negative net pay, so a "CANNOT ADJUST..." message will appear on the report in certain cases.

### **STOP PAYCHECK** (optional feature)

The STOP PAYCHECK question will appear when the payroll is configured for Positive Balance Forward/Minimum Paycheck processing (an optional feature). When present, the feature is enabled by a YES answer to a "Carry Positive Balances Forward" selection in the Company Record. This feature can be used to put payments "on hold" pending resolution of balances due, or at the employee's request (out of town, etc.).

When the Stop Paycheck question in the employee record is answered "Yes", the paycheck for the employee is unconditionally suppressed, and the net pay is carried forward. All pay, deductions, and taxes will appear on the reports as though a normal check had been issued: only Net Pay and Carry Forward are affected.

Subsequently, if the Stop Paycheck question is changed to "No", the employee will receive carried-forward amounts as a positive adjustment to his net pay in the next paycheck issued.

If the net pay is less than the Minimum Paycheck amount shown in the Company Record, the effect is the same as a Stop Check.

## **PAY & DEDUCTION DATA**

DATASMITH Custom Payroll 9.5			
File Utilities What Next? Help			
PAY and DEDUCTIONS			
Working on ID 'BAC': CLINTON, BRUCE A.			
<< - Previous Screen		{F10} Save and Exit	
		+ Next Screen >>	
PT	Pay Type: .....	Salaried	UC Vacation Due (hr): 10.00
SC	Salary category ..	REGULAR	AB Advance Balance .: 0.00
PA	Pay: ....\$	1730.76 salaried	XB Auxiliary Balance: 0.00
CC	Carry Forward Control:	NORMAL	
CF	Carry Fwd Amount.:	0.00	
ST	STOP Paycheck....:	No	
N1	Note 1 ...:		
N2	Note 2 ...:	Note 2	
N3	Note 3 ...:	Note 3	
N4	Note 4 ...:	Note 4	
Your Selection, Please: <b>[PT]</b>			
Today's date: 07-24-2001		'ESC' to abort without saving	

## PAY AMOUNT

Provide the employee's pay rate for the unit of pay selected above. If the employee is "Hourly", enter the employee's "normal" hourly pay rate. If the employee is "Salaried" or "Regular", enter the employee's salary each pay period. The pay period in use is chosen in the Company Data Record.

It is often customary for salaried employees' pay to be expressed in "per month" terms, even though they may receive paychecks more than once a month. However, for the purposes of the payroll system, it is necessary to enter a salaried employee's pay **for the pay period set for the system**. For example, if an employee has a salary of \$1000.00 per month, but is paid weekly, convert the salary to a weekly basis by multiplying by 12 to get an annual salary and then dividing by 52 to convert to the weekly salary of \$230.80 (rounded to the nearest cent).

**TAX CONTROL (FEDERAL, STATE, LOCAL, OTHER)**

You may specify one of six different methods of computing Federal and State tax, as follows:

- 0 NO tax
- 1 REGULAR tax from schedule
- 2 EXTRA AMOUNT over regular
- 3 CONSTANT amount
- 4 FIXED percentage
- 5 EXTRA PERCENTAGE over regular

**No tax** always sets the withholding to zero. Under certain circumstances, an employee may claim to be "tax exempt" on the Federal W-4 form.

**Regular tax:** This is the method used for the vast majority of employees. Tax is computed according to the tax tables maintained for each filing status. Be sure the tax tables being used by the program are kept up-to-date. See the chapter on Tax Table Maintenance.

**Extra Amount** over a regular amount may be requested by the employee when he thinks the regular withholding tax will not be sufficient to cover his tax liability. This relieves the employee of making estimated tax payments when he has taxable income other than wages. If you make this selection, you will be asked to enter an amount. This amount will be added to the tax calculated by the regular method (above) every pay period, without regard to the employee's actual income. **WARNING: This method may not be legally acceptable in your State!** Always check your state's tax guide.

**Constant amount** withholding is useful when an employee is paid at regular intervals, but in widely fluctuating amounts. U.S. tax tables assume that an employee makes 1/52nd of a year's pay every week and are not equitable if any single pay period's income varies much from the average. The amount chosen should be the estimated tax liability on the employee's annual income, divided by the number of pay periods in a year.

**Fixed percentage** of gross pay is used when an employee is paid at irregular intervals. Similar to the fixed amount above, the percentage chosen should be the employee's estimated annual tax liability expressed as a percentage of annual income. You may want to temporarily activate this feature when paying bonuses that cause an employee's income to deviate significantly from average income.

**Extra percentage** over a regular amount is an alternative to "Extra amount" withholding. This method is especially useful for independent contractors, owners, ministers, and others when you are withholding for the convenience of the individual, and cannot withhold FICA and Medicare as such without needlessly incurring employer liability. **WARNING: This method may not be legally acceptable in your State!** Always check your state's tax guide.

NOTE: You can always override the tax calculation to handle an exceptional case by using the Manual Check facility after the payroll has been calculated, but before checks have been issued.

**STATUTORY EMPLOYEE**

In Payroll, the answer to this question does not affect pay or taxes: only the check box on the W-2. If you withhold Federal, FICA, and Medicare taxes, the employee is generally NOT a "Statutory Employee". See Federal Circular E for a definition of a "Statutory Employee", and if you can't figure this one out (you're not alone!), call and ask the IRS. Payroll can proceed with either answer: correct it before you print W-2's.

**NOTEPAD**

You have four fields, each 32 characters long, where you may record any information you wish. You may wish to record telephone numbers, birthdays, spouse's names, job title, etc. This information can is not processed, but is printed as part of the "Employee Master List" report.

Special Uses: First character of Note 1 is "1" for MO "Probationary Employees".

**VACATION DUE**

The system maintains an amount of vacation due for each employee in hours. Automatic Vacation Due reporting with adjustment for usage is a standard feature. Vacation Benefit Accrual is a semi-custom option described in the chapter on "Vacation/Sick Pay Accrual Option".

The amount in the Vacation Due Accumulator (if other than zero) is reported on the payroll report and check stub. When an employee receives vacation pay, the amount is automatically reduced by the number of hours in the vacation pay category.

For salaried employees, "regular" hours are also reduced by the number of vacation hours. If you want the payroll system to maintain the amount of vacation due each employee, you must enter a beginning amount in this field initially, and at intervals where the employee becomes eligible for additional vacation time.

**ADVANCE BALANCE**

The payroll system maintains an advance balance for each employee, representing an advance payment on future wages or a loan. Advances or loans are used when company policy allows advances on wages or when vacation pay is advanced to employees before they leave on vacation. Special deduction entries during periodic entries automatically reduce this figure. The advance amount is also reduced when using a fixed deduction with a code of I, J, K, or L. See the section on Deductions in the Company Data chapter.

If an employee has received an advance separately from his regular payroll check, such as a hand-written check or cash, you may add the amount of the advance to the amount currently maintained by the system manually. Alternatively, you can establish a code K pay category with NON-CASH handling to document cash advances which are not to be included in the net amount of the paycheck.

#### AUXILIARY BALANCE

As explained under "Auxiliary Accumulator" in the company data section, you may specify a limit for amounts withheld from the employee's wages. The auxiliary amount is reduced when using a fixed deduction with a code of Q, R, S, or T. When the balance is zero, the deduction stops: the last deduction is automatically adjusted to the exact balance remaining if necessary to prevent a negative balance. This is useful for garnishment, pension or "cafeteria" plans, etc.

If you need additional Accumulators, these can be provided in groups of 12 by either the Extra Deduction Limit Option or the Deduction Limit and Switch Option.

**DATASMITH Custom Payroll 9.5**

File Utilities What Next? Help

**Company-Wide Regular Deductions'**

Working on ID 'BAC': CLINTON, BRUCE A.

{F10} Save and Exit

01	Pension	*.....	73.85	\$	11	Ded 11	.....	0.00
02	Insurance	.....	2.00	\$	12	Ded 12	.....	0.00
03	Uniform	*.....	100.00	\$				
04	Ded 4	.....	0.00					
05	Ded 5	.....	0.00					
06	Ded 6	.....	0.00					
07	Ded 7	.....	0.00					
08	Ded 8	.....	0.00					
09	Ded 9	.....	0.00					
10	Ded 10	.....	0.00					

'\*' indicates that Deduction has been enabled in the Current period.

Your Selection, Please: **[01]**

Today's date: 07-24-2001 'ESC' to abort without saving

## DEDUCTION AMOUNTS

You will be asked to enter information for each recurring deduction named in your Company Data Record. If a deduction does not apply to the employee, enter zero and nothing will be withheld. Deductions entered at this time become automatic, and will continue to be withheld from the employee's pay at the rate set during each pay period for which the deduction is made "active" by the operator (see the chapter on Periodic Entry). After you have entered the amount, you will be asked to enter a Withholding Method Control code. Control codes are as follows:

- \$** The amount is in Dollars per pay period.
- %** The amount is a percentage of gross pay. Special case: If the first character of the name of the Deduction (appearing in the Company Data Record) is "%", the amount will be a percentage of Regular pay only.
- H** The amount is in Dollars per hour.
- R** Reclassification feature: The amount field specifies a Pay Category number. The deduction amount will be equal to the amount of pay in the identified Pay Category.

NOTE: DATASMITH Payroll also has a Special Deduction feature which can be used to handle nonrecurring or infrequent deductions for which detailed YTD tracking is not necessary. Special deductions do not require any setup in the employee record or the Company record. See the Periodic Entry section of this manual.

## AUXILIARY AUTOMATIC SALARY ENTRIES

**DATASMITH Custom Payroll 9.5**

File Utilities What Next? Help

**Automatic Auxiliary Pay**

Working on ID 'BAC': CLINTON, BRUCE A.

{F10} Save and Exit      + Next Screen >>

01	Category	Amount or Percent	Control	Job #
	PENSION	1000.00	\$	8224
02	(not used)			
03	(not used)			
04	(not used)			

Primary Salary Category: REGULAR      Primary Salary Amount: 1730.76

Your Selection, Please: **[01]**

Today's date: 07-24-2001      'ESC' to abort without saving

#### AUXILIARY AUTOMATIC SALARIES

You may enter up to four Auxiliary Pay Categories, in addition to the mandatory Primary Pay Category, for each Salaried employee: a total of five salary components.

**Category:** You may use any of the eight Predefined Pay Categories (1-8) or any of the additional User-Defined Pay Categories for each Auxiliary Automatic Salary component. Use of the User-Defined Pay Categories gives you a way to control the Tax Treatment and Handling of each pay component, so that you can automatically include pension plan contributions (rather than handling them as deductions), non-cash items to reflect imputed pay or benefits paid on your behalf to a third party, etc.

**Gross Amount:** The amount of Auxiliary Pay expressed in dollars, a percentage of Primary Category Pay, or a dollar amount per Primary Category Hour.

**Control:** This code identifies the meaning of the Gross Amount:

- \$ a flat dollar amount
- % a percentage of Primary Category Pay
- H an amount per Primary Category Hour
- C a percentage of the Commission basis for this category and pay period. Commission Basis is entered by the operator during Periodic Entry. More than one Auxiliary Pay item may be used to pay different rates on different Commissionable bases.

**R** a flat dollar amount paid only if it is less than the total Regular salary paid this period.

**Job #:** An optional entry allowing automatic allocation of this item to a Job. A zero entry results in no allocation to a Job.

## YEAR-TO-DATE TOTALS

If you are entering a new employee, the program will automatically ask you for all the hours, pay, and deduction types maintained by the system. If you are setting up the payroll at the beginning of a year, simply enter zero or press the ENTER key for each entry. Otherwise, enter the employee's year-to-date amounts as of the last payroll calculated before switching to the system. If you make a mistake, the program will give you an opportunity to review the data screen by screen, and correct any errors before adding the data to your payroll master file.

The ability to change year-to-date figures remains available throughout the year as a convenience in updating the database in an emergency. However, this should not be necessary if all individual periods are entered accurately. Before doing calculations or printing checks, you should double check your entries to assure accuracy.

**Indiscriminate changes in year-to-date amounts may result in inaccuracies in payroll information that could subject you to financial or even criminal liability.** If you do make changes, make sure they reflect accurate figures. You should also take steps to assure that unauthorized persons do not have access to this feature. If you cannot use password protection to do this, you can protect this data by removing the program "PAY2.EXE" from your system, keeping it on a separate diskette in a safe place, and allowing access only to those authorized to add or change employee information.

### STARTING IN MID-YEAR

The following YTD values **must** be set when starting a payroll in mid-year in order to produce Quarterly reports & W-2's:

Federal W-2 wages (Federal Tax Basis)	Federal Tax withheld
FICA wages (FICA Tax Basis)	FICA Tax withheld
State W-2 wages (State Tax Basis)	State Tax withheld
Local W-2 wages (Local Tax Basis)	Local Tax withheld
Unadjusted Gross pay	Earned Income Credit
Tips reported and taxed (also include in FICA wages)	

In addition, any YTD amounts contributing to Deferred Compensation, Fringe Benefits, or Employer Cost of Group Term Life Insurance should be isolated in either User-Defined Pay Categories and/or Deductions established for those purposes. This will allow proper reporting of these items at year end on paper or magnetic media W-2's.

**IMPORTANT NOTE:** Year-to-date figures are updated automatically only when the master file is initialized for a new period. Until this procedure is performed, the year-to-date figures represent amounts from the previous pay period, and there are additional current-period amounts which are treated as "tentative" until Initialization. The Current Report (RE on the Main Menu) adds the current and year-to-date amounts together to show the results of accepting the current payroll data as "correct". Because you cannot see the current data on the YTD screen, you should normally change year-to-date values only after Initialization, and before next-period data entry.

**Mid-year Setup Tip:** To confirm that you have entered YTD data correctly, print sample W-2's on plain paper and examine them to make sure that all pay items and deductions are being reported correctly. The program will allow you to print W-2's any time the Payroll is Initialized. This capability is also very useful for mid-year audits of payrolls in progress. For further information and mid-year startup help, see "Starting in Mid-Year", which appears as Appendix C in this manual.

DATASMITH Custom Payroll 9.5					
File Utilities What Next? Help					
YTD SUMMARY screen 3a: Hours, Gross, Taxes					
Working on ID 'BAC': CLINTON, BRUCE A.					
<< - Previous Screen		{F10} Save and Exit		+ Next Screen >>	
01	HOURS	...:	273.67	6B	No Local ...: 0.00
02	GROSS	...:	10473.72	6C	No Local ...: 0.00
03	FED TAX	...:	2661.30	07	EI CREDIT ...: -34.56
04	KANSAS	*...:	309.95	08	TIPS ...: 216.35
4A	No State	...:	0.00	09	NON CASH ...: 302.88
4B	No State	...:	0.00	10	SUI/SDI ...: 55.00
4C	No State	...:	0.00	11	MEDICARE ...: 151.87
05	SOC SECRTY...	...:	649.37	14	No Other ...: 50.59
06	No Local	*...:	84.54	15	NET ...: 1565.89
6A	No Local	...:	0.00		
CAUTION: File not initialized. Totals do not include CURRENT data.					
Your Selection, Please: <b>[01]</b>					
Today's date: 07-24-2001			'ESC' to abort without saving		

## HOURS

These hours are the sum of all hours in all pay categories except TIPS and User-Defined Pay Categories with TIPS Handling. This value is only used on internal reports, and does not currently appear on government reports.

## GROSS

This is Payroll's "adjusted gross" pay figure. Payroll's "adjusted gross" is essentially the portion of gross pay which is subject to any tax: that is, it excludes exempt pay (coded C, K, or S) and exempt deductions (coded C,K, or S). When this value is different from "Non-adjusted Gross", the differences will be detailed on the pay stub.

NOTE: With the advent of more complex tax laws since 1986, there is no longer a simple and universal definition of "adjusted gross". To overcome this problem, DATASMITH Payroll maintains a separate "Tax Basis" for each taxing authority. The "adjusted gross" used on the pay stub may or may not match any given Tax Basis. The important thing to recognize is that it is the individual Tax Basis Accumulators which are reported on W-2's and which govern tax calculations: not the pay stub "adjusted gross"!

## FED TAX

This is the amount of Federal Income Tax actually withheld from the employee. DATASMITH Payroll assumes that the employer is liable for deposit of this amount.

## STATE TAX

This is the amount of State Tax actually withheld from the employee.

**FICA TAX**

This is the amount of FICA Tax actually withheld from the employee. DATASMITH Payroll also assumes for reporting purposes that the employer FICA liability is equal to this amount, and that the total FICA deposit required is therefore double this amount.

**LOCAL TAX**

This is the amount of Local Tax (City, or Town, etc.) actually withheld from the employee. County taxes in IN and MD are also withheld as "LOCAL" taxes.

**EI CREDIT**

This is the amount of Earned Income Credit actually paid to the employee. DATASMITH Payroll assumes that the Federal Deposit liability is to be reduced by this amount.

**TIPS**

This is the amount of Tips reported by the employee to the employer. DATASMITH Payroll assumes that amounts reported here are taxable, but not paid by the employer in cash (the employee collected the tip money, kept it, and reported it). Other kinds of Tips (pooled, allocated, etc.) can be handled by setting up cash or non-cash User-Defined Pay Categories with appropriate Tax Treatment Codes.

**NON CASH**

This is the sum of any non-cash amounts not included in TIPS above which are necessary to reconcile Net Pay with Gross Pay, Taxes withheld, and other deductions. This item includes both direct "Non-Cash" entries and automatic entries resulting from User-Defined Pay Categories with "Non-Cash" Handling.

**OTHER TAX**

The meaning of this item is determined by the tax authority name entered in the Other Tax Authority Name screen of the Company Record. The entry shows the amount of "Other" tax withheld of the type described by the title. Examples are County Tax (except in IN and MD), School District Tax, Supplemental Disability Insurance (SDI) or Supplemental Unemployment Insurance (SUI) actually withheld from the employee.

**NET**

This is the sum of the net pay actually received by the employee in cash. This figure is normally reported on paycheck stubs.

**SPECIAL TAXABLE PAY**

This is the total of all fully-taxable (code A) Special Pay amounts from which tax has been withheld. Details of these amounts are available part of the "special amount summary" on the payroll reports for the individual pay periods involved.

**TAX DEFERRED DEDUCTIONS**

This is the total of all Special Deductions which have been coded as "tax deferred" as described in the Periodic Entries section. These amounts have been deducted from the employee's pay before taxes were calculated.

**AFTER TAX PAYMENTS**

This is the total of all Special Payments (usually reimbursements) coded as "tax exempt" (code C) which have been made to the employee as a result of special entries. These are not part of gross pay and no taxes were withheld.

**SPECIAL DEDUCTIONS**

This is the total of all after-tax deductions made from the employee's pay as a result of Special entries. Details are shown only on individual payroll reports for the pay period involved.

**YTD TAX BASIS ACCUMULATORS**

Separate accumulators are maintained for taxable wages for each employee, representing Federal, FICA, State, and Local taxable income. These amounts are used for quarterly and annual wage reporting. If you were to use only Tax Codes A, I, or Q for all deductions and pay, these amounts would all be the same as gross wages. In all but the simplest payrolls, these values will assume different values as necessary during the year to reflect any tax-deferred, tax-exempt, or partially-taxed payments and deductions. IRA, 401(K), and 403(B) qualified pension plans are common reasons why the taxable wages may be less than gross wages. FICA wages are accumulated only until the FICA wage limit for the current year is reached.

**FED W-2 WAGES**

This is the Federal Tax Basis, which is reported as "Wages, Tips, Other Compensation" on the W-2 form.

**FICA WAGES**

This is the FICA Tax Basis, which is reported as "FICA Wages" on the W-2 form.

**STATE WAGES**

This is the State Tax Basis, which is reported as "State Wages, Tips, Other" on the W-2 form.

**LOCAL WAGES**

This is the Local Tax Basis, which is reported as "Local Wages" on the W-2 form.

**NON-ADJUSTED GROSS**

This is the sum of all pay, except exempt pay (tax code "C"), in all pay categories.

DATASMITH Custom Payroll 9.5							
File Utilities What Next? Help							
YTD SUMMARY: Company-Wide Deductions							
Working on ID 'BAC': CLINTON, BRUCE A.							
<< - Previous Screen		{F10} Save and Exit		+ Next Screen >>			
01	Pension	.....	147.70	11	Ded 11	.....	0.00
02	Insurance	.....	2.00	12	Ded 12	.....	0.00
03	Uniform	.....	100.00				
04	Ded 4	.....	0.00				
05	Ded 5	.....	0.00				
06	Ded 6	.....	0.00				
07	Ded 7	.....	0.00				
08	Ded 8	.....	0.00				
09	Ded 9	.....	0.00				
10	Ded 10	.....	0.00				
CAUTION: File not initialized. Totals do not include CURRENT data.							
Your Selection, Please: <b>[01]</b>							
Today's date: 07-24-2001				'ESC' to abort without saving			

**YTD DEDUCTION TOTALS**

The Titles and Tax Codes for these deductions are established in the Company Record, and appear whether this employee is currently subject to the deduction or not. The figures on this screen should reflect only amounts actually deducted from this employee's paycheck. Additional Deduction Total screens will appear if the Payroll system is configured for more than 12 User-Defined Recurring Deductions.

DATASMITH Custom Payroll 9.5					
File Utilities What Next? Help					
YTD SUMMARY: Pay by Category					
Working on ID 'BAC': CLINTON, BRUCE A.					
<< - Previous Screen		{F10} Save and Exit		+ Next Screen >>	
01	REGULAR	...	126.670	YTD Hours	3461.52 YTD Pay
02	OVERTIME	...	2.000	YTD Hours	129.81 YTD Pay
03	VACATION	...	120.000	YTD Hours	4260.32 YTD Pay
04	HOLIDAY	...	4.000	YTD Hours	173.08 YTD Pay
05	TIPS	...	5.000	YTD Hours	216.35 YTD Pay
06	SICK	...	6.000	YTD Hours	259.61 YTD Pay
07	NON CASH	...	7.000	YTD Hours	302.88 YTD Pay
08	OTHER	...	0.000	YTD Hours	0.00 YTD Pay
CAUTION: File not initialized. Totals do not include CURRENT data.					
Your Selection, Please: <b>[01]</b>					
Today's date: 07-24-2001			'ESC' to abort without saving		

## YTD TOTALS FOR PREDEFINED PAY CATEGORIES

YTD Gross Pay by category is reported on pay stubs of Salaried personnel: YTD Hours by category are optionally reported on pay stubs of Salaried personnel.

DATASMITH Custom Payroll 9.5					
File Utilities What Next? Help					
YTD SUMMARY: Pay by Category					
Working on ID 'BAC': CLINTON, BRUCE A.					
<< - Previous Screen		{F10} Save and Exit			
09	WEDDINGS	...	8.000	YTD Hours	346.15 YTD Pay
10	HOUSING	...	0.000	YTD Hours	0.00 YTD Pay
11	PENSION	...	0.000	YTD Hours	0.00 YTD Pay
12		...	0.000	YTD Hours	0.00 YTD Pay
13		...	0.000	YTD Hours	0.00 YTD Pay
14		...	0.000	YTD Hours	0.00 YTD Pay
15		...	0.000	YTD Hours	0.00 YTD Pay
16		...	0.000	YTD Hours	0.00 YTD Pay
CAUTION: File not initialized. Totals do not include CURRENT data.					
Your Selection, Please: <b>[09]</b>					
Today's date: 07-24-2001			'ESC' to abort without saving		

**YTD TOTALS FOR USER-DEFINED PAY CATEGORIES**

YTD Gross Pay by category is reported on pay stubs of Salaried personnel: YTD Hours by category are optionally reported on pay stubs of Salaried personnel.

Additional screens will appear if Payroll is configured for more than 16 Pay Categories.