

## PAYROLL CALCULATIONS

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DATASMITH Custom Payroll 9.5
File Utilities What Next? Help
< CALCULATIONS >
Default Test Data

MM MAIN MENU          Return To The Main Program Menu
CA CALCULATE ALL      Calculate Entire Payroll
SE SINGLE EMPLOYEE    Calculate For A Single Employee
DB DEBUGGING DISPLAY  On/Off (Display is now OFF)
AN ALLOW NEGATIVE TAX (currently NOT ALLOWED)
ST SET NEGATIVE TAX parameters
SB SET BONUS/nonrecurring amount calculation rules

Your Selection, Please: [CA]

Today's date: 07-23-2001      Time: 22:21:20      Checks have been printed.

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The Calculation function is used each pay period to combine the data from the current Periodic Entry with Tax Tables and Employee data in order to derive the current taxable wages and current tax withholding for each tax, company-wide or Special (voluntary) deduction amounts, and net pay. This program must be re-run if any changes have been made to hours data after a trial calculation.

*Advanced Calculation Features include:*

*On-line validation of employee tax withholding setup. Any employee whose pay cannot be calculated is explicitly identified.*

*On-line verification that Tax Table is appropriate for the payroll in use.*

*On-line validation of wage brackets within each Tax Table used to assure that brackets are listed in ascending order, and that each taxable wage can be assigned to a bracket.*

*Ability to selectively calculate/recalculate pay for employees who have not already received checks, or who have received paper checks, or who have received Direct Deposit payments.*

*Automatically generates a Carry-Forward if fixed-dollar deductions exceed pay for a given period. The Carry-Forward amount is automatically deducted from the next paycheck which can cover the shortage.*

*Correction of individual Employee totals is sufficient to correct Department and Company totals.*

## Calculations

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To assure the most accurate results possible, the DATASMITH Calculation module contains individual tax calculation routines for each state, and a library of Local and Other tax calculation routines which cover virtually every local withholding situation in the U.S.

*LPI Information Systems will provide setup advice and/or additional calculation modules as necessary to calculate any local income-based tax in the continental U.S., Alaska, or Hawaii at no additional charge during the term of our Limited Warranty.*

### CA CALCULATE ALL - Calculate entire payroll

This is the routine payroll calculation selection. Every employee's pay and deductions are calculated, or re-calculated at your command.

### SE SINGLE EMPLOYEE - Calculate for a single employee

Use this selection to re-calculate for a single employee at any time. This function saves time you found errors in one or a small number of employees' data after a previous calculation. It may also be used to perform a special calculation at mid-period for a small number of employees.

### DB DEBUGGING DISPLAY ON (display is OFF)

### DB DEBUGGING DISPLAY OFF (display is ON)

This selection alternately switches the Debugging Display ON or OFF. The Debugging Display allows the operator to audit details of the calculations in order to assure that the results are correct.

### AN ALLOW NEGATIVE TAX (currently NOT ALLOWED)

### PN PROHIBIT NEGATIVE TAX (currently ALLOWED)

This is an Optional Feature which is NOT PRESENT in standard-configuration systems. Negative tax is normally prohibited, reflecting tax laws which require the filing of returns in order to claim refunds. A professional tax adviser should be consulted to make sure that any use of the negative tax feature is correct for a particular situation.

### ST SET NEGATIVE TAX parameters

This selection allows the user to select deductions which can NOT be allowed to assume negative values. The operator can use this feature to prevent taxes and nonrefundable contributions from being adjusted by the same rules used for voluntary deductions.

### SB SET BONUS/nonrecurring amount calculation rules

This is an Optional Feature which is NOT PRESENT in standard-configuration systems. It provides the operator with the ability to define special tax calculation procedures for Bonus or other nonrecurring payments. These payments may be mixed in with other recurring items taxed by other methods.

### USING THE CALCULATION PROGRAM

If either selection CA or SE is chosen from the calculation menu, a warning or error message may appear.

Assuming there are no error messages, the system will proceed to calculate payroll for all active employees, displaying the employee's name on the terminal screen as data for that employee is processed, followed by "OK" as that employee's record is successfully calculated. This allows you to keep track of the program's progress, and to identify the source of any problems which do occur. Normally, it only takes a few seconds to perform the calculations for a single active employee, but there may be longer pauses if the program encounters a large number of terminated employees in the file. Terminated employees remain in the file until the "year end update" is performed, since their records must be maintained for the quarterly and W-2 reports.

The payroll calculation program can be run as many times as necessary during a payroll period. The currently calculated amounts are considered to be temporary until a check has actually been printed. Once a check has been printed, the data is protected against being changed during recalculation by requiring the operator to confirm any action which could duplicate a check.

### CALCULATION TIME ERROR MESSAGES

**New period has been initialized.** Indicates that no hours data has been entered for any employee. The program has no data, so it can not continue. You will be asked to press ENTER to return to the menu.

**Pay has been calculated.** For your information. Indicates that the calculation program has processed this dated payroll period at least once before. The system allows recalculations, so you may proceed on command.

**Checks have been printed.** For your information. Indicates that a check has been issued for at least one employee in the file. You may proceed by making one of the following selections:



**Cancel and return to menu.** Choose this if you aren't sure you are doing the right thing. Do you intend to be computing payroll more than once? Did you have to correct errors and try again? Do you calculate different departments on different days? Do you print checks more than once a pay period? If you answer "yes" to any of the above, then make a different selection.

**FORCE recomputation, even if checks have been issued.** This is only to be used when an error was detected after checks have been printed! If you make this selection, any previous record of checks being issued will be erased, on the assumption that you will be issuing new checks for the same payroll period. Any checks printed previously should be destroyed. You can use recomputation to obtain duplicate checks if your forms tear during Check Printing.

**SELECTIVE, only those employees that have not received payment.** This selection allows running the calculation program multiple times within a pay period. If an employee has already received payment during the pay period, no recomputation will take place. For example: Suppose a company is on a weekly pay period, but pays some employees on Wednesday and others on Friday. Payroll could be run for the Wednesday payday on Tuesday, complete with printed checks. The Friday employees could be added on Thursday and checks printed again. A recomputation can be forced on a single employee by setting the check number to zero with the manual check program.

**SELECTIVE REPRINT: PAPER CHECKS only.** This selection allows the correction or reissue of paper checks during a pay period. If an employee has already received payment via Direct Deposit during the pay period, no recomputation will take place.

**SELECTIVE REMAKE: DIRECT DEPOSITS only.** This selection allows the correction or reissue of a Direct Deposit ACH file during pay period. If an

employee has already received a paper check during the pay period, no recomputation will take place.

## ERRORS DURING CALCULATION

When all requested calculations have been completed, an Exception Report will be displayed if any errors or exceptions have been encountered during the process. The operator may choose to note the exceptions and continue, print details of all errors on a consolidated report, or print an individual report for each type of exception. This process allows the operator to make corrections efficiently without unnecessary handling of non-exceptional data. The exceptions which can be reported are:

- NO DATA: Salaried Employees
- NO DATA: Hourly Employees
- CHECKS ALREADY ISSUED
- DIRECT DEPOSITS already made
- CARRY FORWARDS: normal handling
- CARRY FORWARDS: Suppressed
- CARRY FORWARD REPORTS
- CARRY FORWARDS: Auto Suppression Failed
- BONUS/Nonrecurring Amount Calculations
- TAX TABLE ERRORS: Calculations aborted

The reports associated with the exceptions above include the ID and the Name of each affected employee. In addition to employee-peculiar exceptions, the following errors, if encountered, will abort the entire calculation run.

**TAXTABLE NOT FOUND.** Indicates that the taxable is not on the data drive or in the current Data Path. The program needs the file TAXTBL.PAY to look up taxes. If you are using a floppy disk for payroll data, perhaps you have the wrong disk in the drive. If you have the file MASTER.PAY, on the disk, but no taxable, you must copy the tax table from another disk or create a tax table for the program to run. See the section on entering the taxable for more information.

**MASTER.PAY NOT ON DISK.** The program can not find the employee master file (MASTER.PAY) on the data drive. Find your payroll data disk or directory and try again.

### **SPECIAL CALCULATION FOR BONUS OR OTHER NONRECURRING PAY**

The Optional Bonus/Nonrecurring Amount Calculation feature contains extended programs which introduce the special Bonus calculation into your payroll. The extensions introduce the ability to let the employee record govern the selection of bonus calculation method, and modify the calculation of current tax so that the entire amount of tax due to the bonus (and any other nonrecurring amounts) is collected in the current period. The results of these special calculations are consolidated with other amounts calculated by different methods in order to determine the total amounts which appear on the current paycheck.

To enable the program to segregate Bonus (or any other nonrecurring pay) in order to use special withholding methods:

1. At least one Bonus Pay category is defined in the Company Record with a special flag ("\*") as the first character of its name to identify it for special handling during calculation.
2. The operator is permitted to select the tax withholding method for paychecks containing the special Bonus Pay item. This is done by selecting "SB" from the Calculate menu. The Withholding Method is selected from a list of available methods for Federal, FICA, State, Local, and Other taxes. For FICA and Medicare, only methods A, B, and G are permitted. Any of the withholding methods A-G may be selected for other taxes. The special withholding methods are defined as follows:
  - A. NO SPECIAL HANDLING: all taxes calculated in the normal manner with no special handling of bonus or nonrecurring amounts (default).
  - B. REGULAR with special annualization of bonus pay.
  - C. EXTRA AMOUNT over regular with special annualization.
  - D. CONSTANT AMOUNT of tax for entire current period taxable pay.
  - E. CONSTANT PERCENTAGE of entire current period taxable pay.
  - F. EXTRA PERCENTAGE of entire current period taxable pay over regular with special annualization.
  - G. NONE: no tax withheld on this item, but tax basis accumulators are updated in accordance with the Tax Code specified for the pay category used for this item.
  - H. SPECIFIED BY EMPLOYEE: the withholding method chosen for each tax in the employee record governs bonus withholding as follows:
    1. REGULAR with special annualization of bonus pay.
    2. EXTRA AMOUNT over regular with special annualization.
    3. CONSTANT AMOUNT of tax for entire current period taxable pay.
    4. CONSTANT PERCENTAGE of entire current period taxable pay.

5. EXTRA PERCENTAGE of entire current period taxable pay over regular with special annualization.
6. NONE: no tax withheld on this item, but tax basis accumulators are updated in accordance with the Tax Code specified for the pay category used for this item.

When the paycheck contains a special bonus/nonrecurring pay item and methods A-G above are used, the operator-specified withholding method is used instead of any method specified in the employee record. Paychecks which do not contain a special Bonus Item are calculated by the normal method specified in the employee record. In any case, the tax basis reported will be the full amount of the taxable pay with no special adjustment.

### SPECIAL ANNUALIZATION

Normal annualization assumes that Bonus Pay occurs each pay period. When the Optional Bonus/Nonrecurring Amount Calculation feature is used, the normal annualization is bypassed when Bonus Pay is encountered. This will cause taxes to be calculated on the assumption that the Bonus Pay is distributed once a year. Use of this technique assures correct results even when multiple states and/or localities are involved in a single pay period.

**EXAMPLE:** Federal Tax for Biweekly (26x) payroll, \$2000 regular pay + \$2000 bonus: Married, 4 exemptions, 1998 tax rates. Bonus Calculation method for Federal Tax is set to REGULAR.

Normal Annualization would calculate Federal tax assuming annual pay will be \$104000 (= 26 \* \$4000): \$732.73 current tax.

Special Annualization calculates Federal tax assuming annual pay will be \$54000 (= 26 \* \$2000 + \$2000): \$500.52 current tax.

Determination of Bonus portion of tax: Remove bonus from tax basis and calculate current tax on \$52000 (=26 \* \$2000): \$200.48 current tax. Therefore, annual tax on bonus is (\$500.52 - \$200.48) = 300.04.

Total current tax is \$200.48 on current regular pay + \$300.04 on bonus = \$500.52

In either case, the current Federal Tax Basis is \$4000.