Deductions & Income

Settings · https://staging.proclock.com/help/kb/managers/manager-settings/deductions-income/

Overview

The **Company Deductions & Income** page allows Managers to define up to 18 custom (user-defined) income, deduction, or memo items for payroll processing. This feature provides flexibility to accommodate a wide range of payroll scenarios, including special allowances, reimbursements, deductions, and non-cash benefits, ensuring accurate payroll calculations and W-2 reporting.

Key Features & Functionalities

- **Customizable Entries:** Define up to 18 unique income, deduction, or memo items.
- **Tax Handling:** Specify taxability for each item by selecting applicable tax exclusion checkboxes.
- **W-2 Integration:** Assign W-2 box codes for accurate year-end reporting.
- **Automated Prompts:** Option to prompt for entry each payroll cycle or automate per-employee amounts.
- **Support for Pre-Tax, Post-Tax, and Memo Items:** Accommodates a variety of payroll needs, including pre-tax deductions and non-cash benefits.

Field-by-Field Explanation

Description

- **Purpose:** Enter a clear, user-defined label for the item (e.g., "Garnishment", "401-K", "Uniform Deduction").
- **Best Practice:** Use concise, descriptive names for easy identification in payroll reports.

Type (I, D, M)

- **I (Income):** Amount is added to gross income. Can be included or excluded from specific taxes.
- **D (Deduction):** Amount is subtracted from net pay after taxes. Used for items like advances, loans, or uniforms.
  - **Negative Deduction:** Used for non-taxable reimbursements (e.g., expense reimbursements).
- **M (Memo):** Not added or deducted from pay, but can be reported for informational or tax purposes (e.g., fringe benefits).

Tax Exclusion Checkboxes

- **Function:** Indicate if the item should be excluded from specific taxes (e.g., Federal, Social Security, Medicare, State, Local).
- **Usage:** Check all boxes if the item is excluded from all taxes but must still appear on the W-2 (e.g., unaccountable reimbursements).

W-2 Box Codes

- **Purpose:** Assign a code to display the item in the appropriate box on the employee's W-2 form.
  - **Box 13:** Use letters A–T for specific pre-tax deductions or benefits.
  - **Box 10:** Use code "1" for dependent care benefits.
  - **Box 11:** Use code "2" for non-qualified plans.
  - **Box 14:** Use code "3" for other items to be shown in Box 14.

Check If Used

- **Function:** If checked, the system prompts for a value each payroll cycle.
- **Use Case:** For items paid to most employees (e.g., car allowance), check this box to enter amounts per pay period. If set per employee, the amount is calculated automatically.

Common Use Cases & Examples

Pre-Tax Deduction (e.g., 401-K)

1. **Description:** Enter "401-K".
2. **Type:** Enter "D" for deduction.
3. **Tax Exclusion:** Check boxes to exclude from taxable income as appropriate.
4. **W-2 Box:** Enter the corresponding letter (A–T) in Box 13.

Third Party Sick Pay

1. **Description:** Enter "Sick Pay".
2. **Type:** Enter "M" for memo.
3. **Tax Exclusion:** Check applicable boxes for tax exclusion.
4. **W-2 Box:** Enter "J" in Box 13.

Dependent Care Benefits

- **If paid to employee:**
  1. Description: "Child Care"
  2. Type: "I"
  3. Tax Exclusion: Check as needed
  4. W-2 Box: "1" (Box 10)
- **If paid to facility:**
  1. Description: "Child Care"
  2. Type: "D"
  3. Tax Exclusion: Check as needed
  4. W-2 Box: "1" (Box 10)
- **If paid by third party:**
  1. Description: "Child Care"
  2. Type: "M"

3. W-2 Box: "1" (Box 10)

Non-Qualified Plans

- **W-2 Box:** Enter "2" for Box 11.

W-2 Box 14 – Other

- **W-2 Box:** Enter "3" for Box 14.

Frequently Asked Questions (FAQs)

Q1: What is the difference between Income, Deduction, and Memo types?A:

- **Income (I):** Adds to gross pay, can be taxed or non-taxed.
- **Deduction (D):** Subtracts from net pay after taxes.
- **Memo (M):** Informational only, does not affect pay but can be reported for tax purposes.

Q2: How do I set up a pre-tax deduction?

- Enter a description, select "D", check tax exclusion boxes, and assign the correct W-2 code.

Q3: What happens if I check all tax exclusion boxes?

- The item is excluded from all taxes but may still appear on the W-2 if required.

Q4: Can I automate recurring deductions or income?

- Yes, set the amount per employee in Employee Deductions for automatic calculation each pay period.

Q5: How do I ensure an item appears on the W-2?

- Enter the appropriate code in the W-2 Box field.

Troubleshooting Guide

Issue: Item not appearing on W-2

Solution:

- Verify the correct W-2 box code is entered.
- Ensure the item is marked as "Used" and has a value for the employee.

Issue: Deduction not calculating as expected

Solution:

- Check if the deduction is set as positive (for deductions) or negative (for reimbursements).
- Confirm the deduction is assigned to the employee in Employee Deductions.

Issue: Tax exclusion not applying

Solution:

- Double-check the appropriate tax exclusion checkboxes are selected for the item.

Issue: Unable to enter value during payroll

Solution:

Ensure "Check If Used" is selected for the item.