

Contents

Module 1: Payroll Concepts

| | |
|---|-----------|
| Introduction to Payroll in the United States | 2 |
| Documents Employers Request | 2 |
| Social Security Numbers | 2 |
| Methods of Paying Employees..... | 3 |
| Withholding Taxes | 3 |
| Social Security..... | 4 |
| Medicare..... | 4 |
| Unemployment Insurance Tax | 5 |
| Disability Insurance Tax | 5 |
| Employee Benefits | 5 |
| Introduction to Payroll..... | 5 |
| Challenges | 6 |
| The Payroll Process | 7 |
| 1.1 Employee/Independent Contractor | 7 |
| Employee Classification..... | 8 |
| Backup Withholding | 20 |
| Statutory Employee/Nonemployee | 21 |
| New Hire Reporting | 24 |
| Social Security Numbers | 26 |
| 1.2 Fair Labor Standards | 28 |
| Fair Labor Standards: Concepts | 28 |
| Exempt/Nonexempt Employees: Concepts..... | 29 |
| Exempt/Nonexempt Employees: Definition | 30 |
| Minimum Wage..... | 42 |
| Tips..... | 45 |
| Regular Rate of Pay..... | 47 |
| The Workweek | 51 |
| Overtime..... | 60 |
| Work Hours..... | 62 |
| Other FLSA Provisions | 67 |
| 1.3 Employment Forms | 79 |
| Employee Forms | 79 |

Module 2: Calculations of Pay

| | |
|--|------------|
| 2.1 Calculation of Regular Pay | 102 |
| Calculate Regular Rate of Pay | 102 |
| Calculate Tip Pay | 103 |
| Calculate Pay for Time Worked..... | 105 |
| Calculate Other Pay..... | 106 |
| 2.2 Calculation of Overtime Premium | 107 |
| Calculate FLSA Overtime Premium Pay | 107 |
| Calculate Overtime Using a Weighted Average | 109 |
| Calculate Salaried Overtime Premium Pay..... | 110 |
| Calculate Commission Overtime Premium Pay..... | 111 |
| Calculate Piecework Overtime Premium Pay | 112 |
| 2.3 Calculation of Gross Pay..... | 114 |
| 2.4 Calculation of Federal Income Tax | 115 |
| Taxable Wages | 115 |
| Federal Income Tax Withholding | 118 |
| 2.5 Calculation of Social Security and Medicare Taxes | 126 |
| Employee Taxes | 127 |
| Other FICA Tax Issues..... | 131 |
| 2.6 Calculation of Voluntary Deductions..... | 136 |
| Calculate Other Deductions | 136 |
| Non-Tax Deduction Reporting..... | 137 |
| 2.7 Calculation of Employer Taxes | 139 |
| Calculate Employer Social Security Liability | 139 |
| Calculate Employer Medicare Liability | 139 |
| Calculate Employer Total Tax Liability..... | 140 |
| 2.8 Calculation of Gross-Ups | 141 |
| Grossing-up | 141 |
| Grossing Up When Crossing the Social Security Wage Base | 142 |
| Grossing Up With 401(k)..... | 143 |
| Grossing Up Crossing Additional Medicare Tax Threshold (\$200,000) | 145 |
| 2.9 State Income Taxation and Railroad Retirement..... | 148 |
| Multi-State Income Taxation | 148 |
| Railroad Retirement Tax Act | 152 |

Module 3: Calculations of Deductions and Net Pay

| | |
|---|------------|
| 3.1 Calculation of Involuntary Deductions..... | 156 |
| Withholding Orders..... | 156 |
| Child Support | 157 |
| Federal Tax Levy | 173 |
| Creditor Garnishment..... | 180 |
| Other Withholding Orders..... | 186 |
| Federal Agency Garnishments | 191 |
| 3.2 Calculation of Net Pay..... | 200 |
| Calculate Total Deductions | 200 |
| Calculate Total Payroll..... | 200 |
| Calculate Net Pay | 201 |

Module 4: Fringe Benefits and Other Payments

| | |
|--|------------|
| 4.1 Fringe Benefit Rules | 204 |
| IRS Regulations Impacting Payroll..... | 205 |
| IRS Requirements | 205 |
| IRS Requirements | 206 |
| Special Accounting Rule..... | 208 |
| 4.2 Nontaxable Benefits | 209 |
| Section 132 (Income Exclusion Basics)..... | 209 |
| No-Additional-Cost Fringe Benefits | 210 |
| Qualified Employee Discounts..... | 210 |
| De Minimis Fringe Benefits | 211 |
| Working Condition Fringe Benefits | 212 |
| Cell Phones—Working Condition Fringe Benefits..... | 213 |
| Qualified Transportation Fringe Benefits | 214 |
| On-Premises Athletic Facilities..... | 219 |
| Qualified Retirement Advice | 219 |
| Qualified Moving Expenses | 219 |
| 4.3 Employer-Provided Benefits | 221 |
| Awards and Prizes Income/Exclusion..... | 221 |
| Personal Use of Company Vehicles | 223 |
| Accounting for Vehicle Use | 224 |
| Group-Term Life Insurance | 229 |
| Whole-Life Insurance..... | 233 |
| Split-Dollar Life Insurance..... | 235 |
| Taxation Under the Loan Regime | 235 |

| | |
|--|------------|
| Taxation Under the Economic Benefit Regime | 236 |
| Personal Use of Company Aircraft | 237 |
| Educational Assistance..... | 238 |
| Business Travel Expenses | 241 |
| Reimbursements Under an Accountable Plan..... | 243 |
| Payments Under a Nonaccountable Plan | 246 |
| Per Diem Allowances..... | 247 |
| Daily Transportation Expenses | 249 |
| Mileage Allowances..... | 252 |
| Taxation and Reporting Requirements..... | 255 |
| Meals and Lodging..... | 257 |
| 4.4 Other Payments..... | 258 |
| Advances and Overpayments | 258 |
| Back Pay Awards | 264 |
| Bonuses | 269 |
| Commissions | 270 |
| Death Benefits | 271 |
| Disaster Relief Payments | 271 |
| Jury Duty Pay | 273 |
| Leave-Sharing Plans..... | 273 |
| Retroactive Wage Payments..... | 276 |
| Taxable Tips..... | 276 |
| Repayment of Employer-Provided Loans | 284 |
| Loans to Employees | 284 |
| Sick Pay | 285 |
| Reporting Responsibilities | 290 |
| Stock Options/Purchases | 295 |
| Stock Awards | 302 |
| Workers' Compensation..... | 305 |
| Dependent Care Assistance | 306 |
| Severance | 308 |
| Golden Parachute | 309 |
| Club Memberships | 309 |
| Adoption Assistance..... | 312 |
| Differential Military Pay | 315 |
| ID Protection Services..... | 316 |

Contents

Module 5: Retirement Plans

| | |
|---|-----------|
| 5.1 Qualified Plans | 2 |
| Retirement Plans | 2 |
| 5.2 Deferred Compensation Plans | 6 |
| Deferred Compensation..... | 6 |
| Annual Compensation and Contribution Limits | 7 |
| Tax Treatment of Pension and Profit-Sharing Plans | 7 |
| Qualified Annuity Plans Under §403(a)..... | 8 |
| ERISA Requirements | 8 |
| Deferred Compensation Regulations | 9 |
| 5.3 Deferred Compensation Regulations (401(k), 403(b), 457(b)) | 10 |
| Contribution Limits | 11 |
| Holding Periods for Elective Deferrals | 14 |
| Automatic 401(k) Enrollment | 14 |
| Tax Treatment of §401(k) Plans..... | 18 |
| Reporting Requirements..... | 18 |
| Roth Contributions to 401(k) Plans..... | 18 |
| Tax-Sheltered Annuities (403(b) Plans)..... | 19 |
| Deferred Comp Plans for Public Sector, Tax-Exempt Entities..... | 22 |
| Nondiscrimination Testing—401(k) Plans..... | 26 |
| 5.4 Nonqualified Plans | 29 |
| Federal Income Tax Treatment | 30 |
| Nonqualified Deferred Compensation Plan Defined | |
| for Social Security/Medicare Taxation | 43 |
| Determining the Amount Deferred | 44 |
| Withholding Rules..... | 46 |
| Reporting Requirements..... | 46 |

Module 6: Cafeteria Plans

| | |
|---|-----------|
| 6.1 Cafeteria Plans | 50 |
| IRC Section 125 Components | 50 |
| IRC Section 125 Elections | 51 |
| 6.2 Flexible Spending Accounts | 67 |
| Flexible Spending Accounts..... | 67 |

Module 7: Payroll Reporting and Employment Taxes

| | |
|--|------------|
| 7.1 Tax Deposit Requirements | 74 |
| Lookback Period | 74 |
| Tax Deposit Frequency | 77 |
| Calculate Federal Tax Deposits..... | 83 |
| Tax Deposit Methods | 83 |
| Federal Tax Forms (An Overview) | 87 |
| 7.2 Quarterly Returns..... | 89 |
| Purpose of Form 941 | 89 |
| Form 941 Reporting/Filing Requirements | 89 |
| Form 941 Line-By-Line Reporting Requirements | 93 |
| Employment Tax e-file System for Forms 940 and 941 | 100 |
| Schedule B (Form 941) Reporting/Filing Requirements | 105 |
| Schedule B (Form 941) Line-By-Line Requirements | 106 |
| Multiple Worksite Reporting | 111 |
| 7.3 Annual Returns | 113 |
| Forms W-2, W-3, and Electronic Filing..... | 113 |
| Federal Unemployment Tax..... | 145 |
| Other Annual Returns..... | 169 |
| 7.4 Correcting Returns | 178 |
| Purpose of Form W-2c | 178 |
| Form W-2c Reporting/Filing Requirements | 179 |
| Form 843 Purpose and Reporting/Filing Requirements..... | 211 |
| 7.5 Other Reporting Requirements | 213 |
| Taxation and Reporting of Wages Paid to Deceased Employees | 213 |
| Calculate Withholding for Wages Paid to Deceased Employees..... | 214 |
| Purpose of Form 4070 | 215 |
| Form 4070 Requirements | 215 |
| Form 8027 Requirements | 215 |
| Purpose of Form SS-4 | 216 |

Module 8: Record Keeping and Payroll Practices

| | |
|----------------------------------|------------|
| 8.1 Payment Methods | 218 |
| Payment by Check or Cash | 218 |
| Payment by Direct Deposit | 221 |
| Payment by Payroll Card..... | 230 |
| Escheat | 233 |
| Other Payment Regulations..... | 234 |

| | |
|---|------------|
| 8.2 Payroll Practices | 235 |
| Payroll Processing | 235 |
| Confidentiality..... | 247 |
| Legislation Impacting Payroll | 252 |
| Procedures and Practices | 269 |
| Business Continuity Plans | 272 |
| Workflow | 278 |
| Service Level Agreements | 278 |
| 8.3 Record Keeping..... | 280 |
| DOL Record Keeping Regulations | 282 |
| IRS Record Keeping Regulations | 288 |
| USCIS Record Keeping Regulations | 292 |
| HIPAA Record Keeping Regulations | 294 |
| 8.4 Systems..... | 301 |
| System Processes..... | 301 |
| System Selection and Implementation | 309 |
| Other System Issues | 325 |
| 8.5 Penalties | 328 |
| DOL Penalties | 328 |
| IRS Penalties | 329 |

Contents

Module 9: Payroll Accounting

| | |
|---|-----------|
| 9.1 Accounting Terminology | 2 |
| Accounting Principles | 2 |
| Accounting Periods | 8 |
| Balance Sheet and Income Statement | 9 |
| Accounting Entries | 15 |
| 9.2 Account Classification | 17 |
| Account Classifications | 17 |
| 9.3 Journal Entries..... | 20 |
| Purpose and Recording of Payroll Journal Entries..... | 20 |
| Recording and Posting Payroll Transactions | 22 |
| Purpose and Recording of Accruals and Reversals..... | 26 |
| 9.4 Reconciliations | 30 |
| Repayment of Wages | 30 |
| Reconcile General Ledger Payroll Accounts | 32 |
| Reconciliation of Output Reports..... | 33 |
| 9.5 Internal Control..... | 34 |
| Internal Controls..... | 34 |
| Audits—External and Internal | 39 |
| Sarbanes-Oxley Compliance/SSAE 16 | 41 |

Module 10: Payroll Administration and Management

| | |
|--|-----------|
| 10.1 Customer Service | 46 |
| Definition | 46 |
| Responding Efficiently to and Resolving Customer Requests..... | 46 |
| 10.2 Communication | 50 |
| Communicate Effectively..... | 50 |
| Effective Communication Techniques | 52 |
| Effectively Manage Interpersonal Relationships | 59 |
| 10.3 Time Management | 60 |
| Time Management Techniques | 60 |
| 10.4 Procedures and Policies..... | 63 |
| Develop, Implement, and Organize Department Processes | 63 |
| Documenting Processes..... | 64 |
| The Payroll Department’s Objective..... | 65 |

| | |
|--|-----------|
| 10.5 Management..... | 66 |
| Basic Management Skills (An Overview)..... | 66 |
| Planning and Organizing..... | 67 |
| Staffing | 90 |
| Directing Employees | 94 |
| Payroll Staff's Skills and Abilities | 101 |
| Prepare Job Descriptions | 103 |
| Interviewing Job Candidates | 107 |
| Training Resources..... | 108 |
| Strategic Planning | 108 |
| Budgeting | 110 |
| Business Planning Concepts, Methods, and Resources | 112 |
| Team Building Techniques (adapted from Tuckman's team development model) ... | 114 |
| Management Theories and Skills | 116 |

Module 11: Health Benefits

| | |
|--|------------|
| 11.1 Health Benefits Basics | 128 |
| Types of Health Insurance Plans | 128 |
| 11.2 Taxation of Health Plans | 130 |
| Tax Treatment of Contributions and Benefits..... | 130 |
| 11.3 HSA/HRA & COBRA | 136 |
| Health Savings Accounts | 136 |
| Health Reimbursement Arrangements | 138 |
| COBRA Continuation | 142 |
| 11.4 Employer Shared Responsibility and Reporting | 146 |
| Employer Shared Responsibility | 146 |
| Information Reporting by "Applicable Large Employers" Under the ACA..... | 154 |
| 11.5 Health Insurance Reporting on Form W-2 | 166 |
| W-2 Reporting of Cost of Employer-Provided Health Coverage | 166 |

Module 12: International Payments

| | |
|---|------------|
| 12.1 Non-Resident Aliens | 176 |
| Resident/Nonresident Alien Taxation | 176 |
| Tax Treaties..... | 184 |
| Purpose of Form 8233 | 185 |
| Form 8233 Requirements | 185 |
| Impact of Visa Status on Taxation | 186 |

| | |
|--|------------|
| 12.2 Expatriates..... | 190 |
| Expatriates/Resident Aliens | 190 |
| Foreign Earned Income Exclusion/Expatriate Taxation | 192 |
| Totalization Agreements—Social Security/Medicare Taxes | 196 |
| Employer Tax Reimbursement Policies..... | 198 |
| Currency Conversion..... | 202 |
| Managing International Relationships | 202 |