

Contents

Module 1: Payroll Concepts

1.1 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
1.2 Introduction to Payroll	6
Challenges.....	6
The Payroll Process	7
1.3 Employee/Independent Contractor	7
Employee Classification	8
Backup Withholding	19
Statutory Employee/Nonemployee	20
New Hire Reporting.....	23
Social Security Numbers	26
1.4 Fair Labor Standards	27
Fair Labor Standards: Concepts.....	27
Exempt/Nonexempt Employees: Concepts	29
Exempt/Nonexempt Employees: Definition.....	29
Minimum Wage	41
Tips	44
Regular Rate of Pay	46
The Workweek.....	50
Overtime	59
Work Hours.....	61
Other FLSA Provisions.....	67
1.5 Employment Forms	78
Employee Forms	78

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	113
2.4 Calculation of Federal Income Tax	114
Taxable Wages	114
Federal Income Tax Withholding	117
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	138
Calculate Employer Social Security Liability	139
Calculate Employer Medicare Liability	139
Calculate Employer Total Tax Liability	140
2.8 Calculation of Gross-Ups	140
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	181
Other Withholding Orders	186
Federal Agency Garnishments.....	192
3.2 Calculation of Net Pay	200
Calculate Total Deductions.....	200
Calculate Total Payroll	201
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
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.....	250
Mileage Allowances	252
Taxation and Reporting Requirements	255
Meals and Lodging	257
4.4 Other Payments	259
Advances and Overpayments.....	259
Back Pay Awards.....	264
Bonuses	269
Commissions.....	271
Death Benefits.....	272
Disaster Relief Payments	272
Jury Duty Pay.....	273
Leave-Sharing Plans	274
Retroactive Wage Payments	276
Taxable Tips	276
Repayment of Employer-Provided Loans.....	284
Loans to Employees.....	285
Sick Pay	286
Reporting Responsibilities	291
Stock Options/Purchases.....	296
Stock Awards	303
Workers' Compensation	306
Dependent Care Assistance	307
Severance	309
Golden Parachute	310
Club Memberships	311
Adoption Assistance	313
Differential Military Pay.....	316
ID Protection Services	317

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	45
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	147
Forms 1099	165
Other Annual Returns	171
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	213
7.5 Other Reporting Requirements	215
Taxation and Reporting of Wages Paid to Deceased Employees	215
Calculate Withholding for Wages Paid to Deceased Employees	216
Purpose of Form 4070.....	217
Form 4070 Requirements.....	217
Form 8027 Requirements.....	217
Purpose of Form SS-4.....	218

Module 8: Record Keeping and Payroll Practices

8.1 Payment Methods	220
Payment by Check or Cash	220
Payment by Direct Deposit	223
Payment by Payroll Card	231
Escheat	234
Other Payment Regulations	235

8.2 Payroll Practices	236
Payroll Processing.....	236
Confidentiality	249
Legislation Impacting Payroll.....	254
Procedures and Practices.....	272
Business Continuity Plans	275
Workflow	281
Service Level Agreements	281
8.3 Record Keeping	283
DOL Record Keeping Regulations	285
IRS Record Keeping Regulations	291
USCIS Record Keeping Regulations	295
HIPAA Record Keeping Regulations	296
8.4 Systems	303
System Processes	304
System Selection and Implementation.....	312
Other System Issues.....	328
8.5 Penalties	331
DOL Penalties.....	331
IRS Penalties.....	332

Contents

Module 9: Payroll Accounting and Auditing

9.1 Accounting Terminology	2
Accounting Principles	2
Accounting Periods	8
Balance Sheet and Income Statement	9
Accounting Entries.....	15
9.2 Account Classification	18
Account Classifications	18
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	31
Repayment of Wages	31
Reconcile General Ledger Payroll Accounts	33
Reconciliation of Output Reports	34
9.5 Internal Control	35
Internal Controls	35
Audits—External and Internal	40
Sarbanes-Oxley Compliance/SSAE 16.....	42

Module 10: Payroll Administration and Management

10.1 Customer Service	48
Definition	48
Responding Efficiently to and Resolving Customer Requests	48
10.2 Communication	52
Communicate Effectively	52
Effective Communication Techniques.....	54
Effectively Manage Interpersonal Relationships	61
10.3 Time Management	62
Time Management Techniques.....	62
10.4 Procedures and Policies	65
Develop, Implement, and Organize Department Processes.....	65
Documenting Processes	66
The Payroll Department’s Objective	67

10.5 Management	68
Basic Management Skills (An Overview)	68
Planning and Organizing.....	69
Staffing.....	93
Directing Employees.....	96
Payroll Staff's Skills and Abilities.....	103
Prepare Job Descriptions.....	105
Interviewing Job Candidates.....	109
Training Resources	110
Strategic Planning	110
Budgeting.....	112
Business Planning Concepts, Methods, and Resources	114
Team Building Techniques (adapted from Tuckman's team development model).....	117
Management Theories and Skills.....	119

Module 11: Health Benefits

11.1 Health Benefits Basics	132
Types of Health Insurance Plans.....	132
11.2 Taxation of Health Plans	134
Tax Treatment of Contributions and Benefits	134
11.3 HSA/HRA & COBRA	141
Health Savings Accounts	141
Health Reimbursement Arrangements	143
COBRA Continuation.....	147
11.4 Employer Shared Responsibility and Reporting	152
Employer Shared Responsibility.....	152
Information Reporting by "Applicable Large Employers" Under the ACA	161
11.5 Health Insurance Reporting on Form W-2	173
W-2 Reporting of Cost of Employer-Provided Health Coverage.....	173

Module 12: International Payments

12.1 Non-Resident Aliens	182
Resident/Nonresident Alien Taxation.....	182
Tax Treaties	190
Purpose of Form 8233.....	191
Form 8233 Requirements.....	191
Impact of Visa Status on Taxation.....	192
12.2 Expatriates	196
Expatriates/Resident Aliens	196
Foreign Earned Income Exclusion/Expatriate Taxation	198
Totalization Agreements—Social Security/Medicare Taxes.....	202
Employer Tax Reimbursement Policies.....	204
Currency Conversion	208
Managing International Relationships	208