

# PayTrain Fundamentals

# 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 ..... 4
  - Disability Insurance Tax ..... 5
  - Employee Benefits ..... 5
- 1.2 Introduction to Payroll .....5**
  - Challenges ..... 6
  - The Payroll Process ..... 7
- 1.3 Employee/Independent Contractor .....7**
  - Worker Classification ..... 8
  - Backup Withholding ..... 15
  - New Hire Reporting ..... 16
  - Social Security Numbers ..... 19
- 1.4 Fair Labor Standards .....20**
  - Fair Labor Standards: Concepts ..... 20
  - Exempt/Nonexempt Employees: Concepts ..... 21
  - Exempt/Nonexempt Employees: Definition ..... 22
  - Minimum Wage ..... 25
  - Tips ..... 28
  - Regular Rate of Pay ..... 30
  - The Workweek ..... 35
  - Overtime ..... 38
  - Work Hours ..... 40
  - Other FLSA Provisions ..... 43
- 1.5 Employment Forms .....46**
  - Employee Forms ..... 46

## **Module 2: Calculations of Pay**

<b>2.1 Calculation of Regular Pay</b> .....	<b>60</b>
Calculate Regular Rate of Pay .....	60
Calculate Tip Pay .....	61
Calculate Pay for Time Worked .....	62
Calculate Other Pay .....	64
<b>2.2 Calculation of Overtime Premium</b> .....	<b>65</b>
Calculate FLSA Overtime Premium Pay .....	65
Calculate Overtime Using a Weighted Average .....	67
Calculate Nonexempt Salaried Overtime Premium Pay .....	69
Calculate Commission Overtime Premium Pay .....	70
Calculate Piecework Overtime Premium Pay .....	71
<b>2.3 Calculation of Gross Pay</b> .....	<b>72</b>
Final Pay .....	73
<b>2.4 Calculation of Federal Income Tax</b> .....	<b>74</b>
Taxable Wages .....	74
Federal Income Tax Withholding .....	76
<b>2.5 Calculation of Social Security and Medicare Taxes</b> .....	<b>88</b>
Employee Taxes .....	88
<b>2.6 Calculation of Voluntary Deductions</b> .....	<b>93</b>
Calculate Other Deductions .....	93
<b>2.7 Calculation of Employer Taxes</b> .....	<b>94</b>
Calculate Employer Social Security Liability .....	94
Calculate Employer Medicare Liability .....	94
Calculate Employer Total Tax Liability .....	95
<b>2.8 Calculation of Gross-Ups</b> .....	<b>96</b>
Grossing-up .....	96
<b>2.9 State Income Taxation and Railroad Retirement</b> .....	<b>97</b>
Multi-State Income Taxation .....	97

## **Module 3: Calculations of Deductions and Net Pay**

<b>3.1 Calculation of Involuntary Deductions</b> .....	<b>104</b>
Withholding Orders .....	104
Child Support .....	104
Federal Tax Levy .....	112
Creditor Garnishment .....	119
Other Withholding Orders .....	123
Federal Agency Garnishments .....	125
<b>3.2 Calculation of Net Pay</b> .....	<b>130</b>
Calculate Total Deductions .....	130
Calculate Total Payroll .....	131
Calculate Net Pay .....	131

## **Module 4: Fringe Benefits and Other Payments**

<b>4.1 Fringe Benefit Rules</b> .....	<b>134</b>
IRS Regulations Impacting Payroll .....	135
IRS Requirements .....	135
<b>4.2 Nontaxable Benefits</b> .....	<b>136</b>
Section 132 (Income Exclusion Basics) .....	136
No-Additional-Cost Fringe Benefits.....	137
Qualified Employee Discounts .....	137
De Minimis Fringe Benefits .....	138
Working Condition Fringe Benefits .....	139
Qualified Transportation Fringe Benefits .....	140
On-Premises Athletic Facilities .....	145
Qualified Retirement Advice .....	145
Moving Expenses.....	145
<b>4.3 Employer-Provided Benefits</b> .....	<b>146</b>
Awards and Prizes Income/Exclusion .....	147
Personal Use of Company Vehicles.....	149
Accounting for Vehicle Use .....	149
Group-Term Life Insurance .....	155
Educational Assistance .....	158
<b>4.4 Other Payments</b> .....	<b>159</b>
Advances and Overpayments.....	159
Bonuses.....	161
Commissions.....	161
Jury Duty Pay.....	161
Retroactive Wage Payments .....	162
Taxable Tips .....	162
Repayment of Employer-Provided Loans.....	165
Workers' Compensation .....	166

## **Module 5: Retirement Plans**

<b>5.1 Qualified Plans</b> .....	<b>168</b>
Retirement Plans .....	168
<b>5.2 Deferred Compensation Plans</b> .....	<b>171</b>
Deferred Compensation .....	171
Annual Compensation and Contribution Limits.....	172
Deferred Compensation Regulations .....	173
<b>5.3 Deferred Compensation Regulations (401(k), 403(b), 457(b))</b> .....	<b>174</b>
<b>5.4 Nonqualified Plans</b> .....	<b>175</b>

## **Module 6: Cafeteria Plans**

<b>6.1 Cafeteria Plans</b> .....	<b>178</b>
IRC Section 125 Components.....	178
IRC §125 Elections .....	179
<b>6.2 Flexible Spending Arrangements</b> .....	<b>181</b>
Flexible Spending Arrangements.....	181

## **Module 7: Payroll Reporting and Employment Taxes**

<b>7.1 Tax Deposit Requirements</b> .....	<b>188</b>
Lookback Period .....	188
Tax Deposit Frequency .....	191
Calculate Federal Tax Deposits .....	197
Tax Deposit Methods.....	197
Federal Tax Forms (An Overview).....	201
<b>7.2 Quarterly Returns</b> .....	<b>203</b>
Purpose of Form 941.....	203
Form 941 Reporting/Filing Requirements .....	204
Form 941 Line-By-Line Reporting Requirements.....	208
Schedule B (Form 941) Reporting/Filing Requirements .....	214
Schedule B (Form 941) Line-By-Line Requirements.....	215
<b>7.3 Annual Returns</b> .....	<b>220</b>
Forms W-2, W-3, and Electronic Filing .....	220
Federal Unemployment Tax .....	248
Forms 1099 .....	265
Other Annual Returns .....	271
<b>7.4 Correcting Returns</b> .....	<b>273</b>
Purpose of Form W-2c.....	273
Form W-2c Reporting/Filing Requirements .....	274
Form 843 Purpose and Reporting/Filing Requirements .....	274
<b>7.5 Other Reporting Requirements</b> .....	<b>275</b>
Taxation and Reporting of Wages Paid to Deceased Employees .....	275
Calculate Withholding for Wages Paid to Deceased Employees .....	276

## **Module 8: Record Keeping and Payroll Practices**

<b>8.1 Payment Methods</b> .....	<b>278</b>
Payment by Check or Cash .....	278
Payment by Direct Deposit.....	281
Payment by Paycard.....	290
Escheat.....	293
Other Payment Regulations .....	294

<b>8.2 Payroll Practices</b> .....	<b>295</b>
Payroll Processing.....	295
Confidentiality .....	305
Legislation Impacting Payroll.....	310
Business Continuity Plans .....	311
Workflow .....	312
Service Level Agreements .....	313
<b>8.3 Record Keeping</b> .....	<b>314</b>
DOL Record Keeping Regulations .....	316
IRS Record Keeping Regulations .....	316
USCIS Record Keeping Regulations.....	317
HIPAA Record Keeping Regulations .....	318
<b>8.4 Systems</b> .....	<b>319</b>
System Processes .....	319
Other System Issues.....	326
<b>8.5 Penalties</b> .....	<b>328</b>
DOL Penalties.....	329
IRS Penalties.....	329

## **Module 9: Payroll Accounting**

<b>9.1 Accounting Terminology</b> .....	<b>334</b>
Accounting Principles.....	334
Accounting Periods.....	340
Balance Sheet and Income Statement.....	341
<b>9.2 Account Classification</b> .....	<b>343</b>
Recording Transactions .....	343
<b>9.3 Journal Entries</b> .....	<b>345</b>
Purpose and Recording of Payroll Journal Entries .....	345
Recording and Posting Payroll Transactions .....	348
Purpose and Recording of Accruals and Reversals .....	352
<b>9.4 Reconciliations</b> .....	<b>353</b>
Repayment of Wages .....	353
Reconciliation of Output Reports .....	354
<b>9.5 Internal Control</b> .....	<b>354</b>
Internal Controls .....	354
Audits—External and Internal .....	359

## **Module 10: Payroll Administration and Management**

<b>10.1 Customer Service</b> .....	<b>362</b>
Definition .....	362
Responding Efficiently to and Resolving Customer Requests .....	362
<b>10.2 Communication</b> .....	<b>367</b>
Communicate Effectively .....	367
Effective Communication Techniques.....	367
<b>10.3 Time Management</b> .....	<b>370</b>
Time Management Techniques.....	370
<b>10.4 Procedures and Policies</b> .....	<b>374</b>
Develop, Implement, and Organize Department Processes.....	374
Documenting Processes .....	375
The Payroll Department’s Objective .....	376

## **Module 11: Health Benefits**

<b>11.1 Health Benefits Basics</b> .....	<b>380</b>
<b>11.2 Taxation of Health Plans</b> .....	<b>380</b>
<b>11.3 HSA/HRA &amp; COBRA</b> .....	<b>380</b>
<b>11.4 Employer Shared Responsibility and Reporting</b> .....	<b>380</b>
Information Reporting by Applicable Large Employers Under the ACA.....	380
<b>11.5 Health Insurance Reporting on Form W-2</b> .....	<b>382</b>

## **Module 12: International Payments**

<b>12.1 Non-Resident Aliens</b> .....	<b>384</b>
Resident/Nonresident Alien Taxation.....	384
<b>12.2 Expatriates</b> .....	<b>384</b>
Expatriates/Resident Aliens .....	384