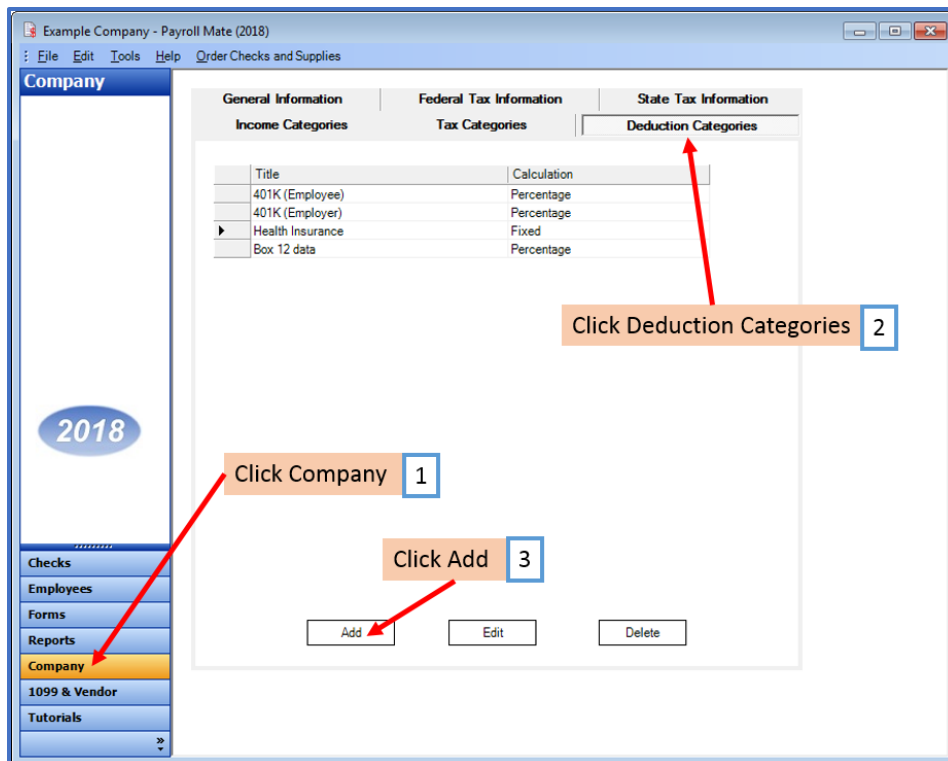


# How to Set Up Cafeteria Plan (Section 125 Plan) Deduction inside Payroll Mate

This tutorial is for information purposes only. It is your responsibility to make sure the payroll setup is correct. We do not make recommendations for setting up payroll items. Consult your accountant or tax advisor if you are unsure how a certain payroll item or your payroll in general should be set up.

A cafeteria plan is a separate written plan maintained by an employer for employees that meets the specific requirements of and regulations of section 125 of the Internal Revenue Code. It provides participants an opportunity to receive certain benefits on a pretax basis. Participants in a cafeteria plan must be permitted to choose among at least one taxable benefit (such as cash) and one qualified benefit. <https://www.irs.gov/government-entities/federal-state-local-governments/faqs-for-government-entities-regarding-cafeteria-plans>

1. Click Company from Shortcuts
2. Click Deduction Categories
3. Click Add



4. Enter Title, Abbreviation, Select Calculation (Fixed is the general method) and Paid by

5. Enter Default amount (can modify at employee level) and Cutoff as applicable

Note: There is generally a yearly maximum allowed for this type of deduction.

6. Checkmark the W2 Options as applicable

7. Click Exemptions and checkmark Federal Income Tax

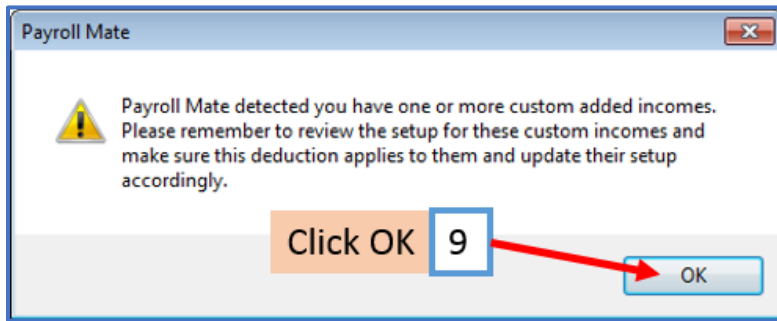
Note: This tutorial assumes that the Cafeteria Plan payroll item is exempt from federal tax withholding. You cannot rely on this tutorial for tax advice and will need to consult a tax professional if you are unsure how Cafeteria Plan deductions should be set up.

State tax laws vary. Please consult your tax professional to determine if any state taxes are affected by this payroll item and update your setup accordingly.

8. Click OK

The image shows a screenshot of the 'Deduction Details' dialog box in a payroll software application. The dialog box is titled 'Deduction Details' and contains several sections. At the top, there are fields for 'Title' (Cafeteria Plan), 'Abbreviation' (Cafeteria PI), 'Calculation' (Fixed), and 'Paid by' (Employee). Below these are fields for 'Default Amount' (25.000000) and 'Cutoff' (Leave Blank for No Cutoff). There is an 'Inactive' checkbox. The 'W-2 Options' section has three checkboxes: 'Use on Box 10 (Dependent Care Benefits)', 'Use on Box 12', and 'Use on Box 14 (Other)'. The 'Exemptions' section has a list of items with checkboxes, including 'Federal Income Tax' (checked), 'Social Security (Employee)', 'Social Security (Employer)', 'Medicare (Employee)', 'Medicare (Employer)', 'Fed Unemployment (Employer)', 'State Income Tax', and 'State Unemployment (Employer)'. At the bottom are 'OK' and 'Cancel' buttons. Numbered callouts (4-8) in blue boxes with red arrows point to these specific elements: 4 points to the title/abbrev/calc/paid by fields; 5 points to the default amount and cutoff fields; 6 points to the W-2 options checkboxes; 7 points to the 'Exemptions' list; and 8 points to the 'OK' button.

Note: If you have any custom incomes, you will receive the following notice  
9. Click OK



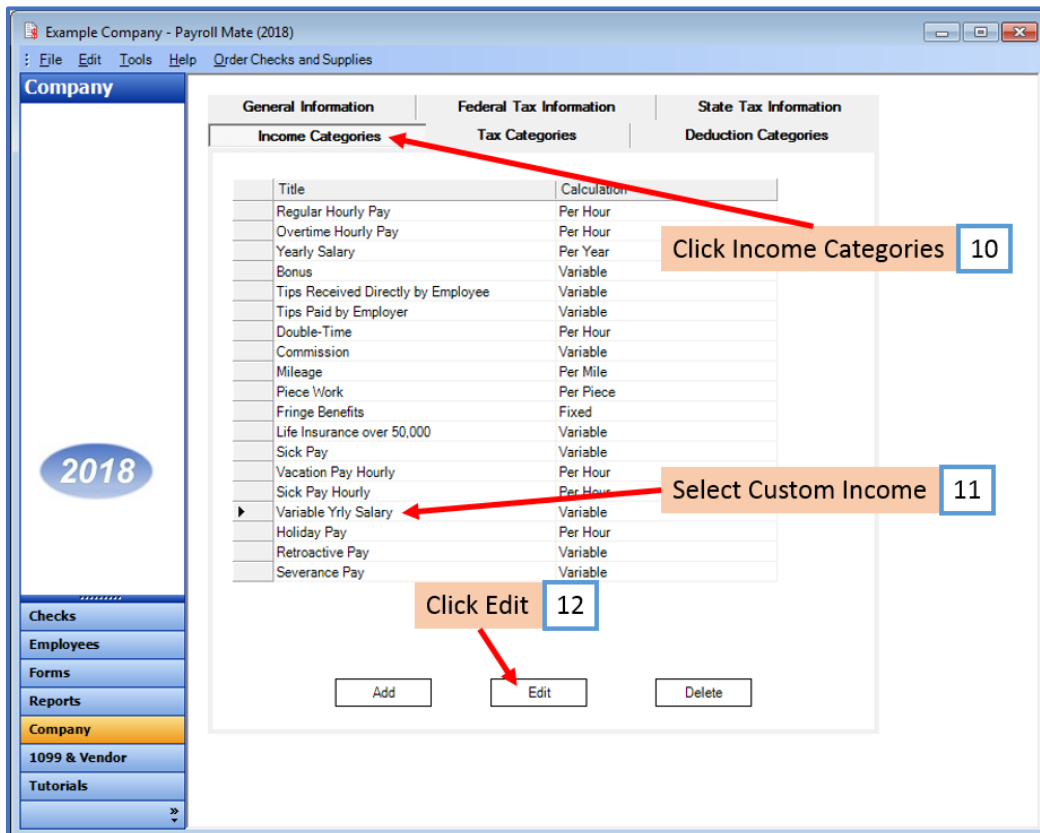
Note: If you need to update custom income categories to apply the Cafeteria Plan deduction refer to steps 10-14. If this does not apply to you, please proceed to step 15

### To update custom income categories

10. Click Income Categories

11. Select the custom income

12. Click Edit



13. Checkmark to apply new deduction to this income

14. Click OK

The screenshot shows the 'Income Details' dialog box. The 'Title' field contains 'Variable Yrly Salary' and the 'Abbreviation' field contains 'Variable Yrl'. The 'Type' dropdown is set to 'Variable'. There are empty fields for 'W-2 Box 12 Code' and 'W-2 Box 14 Abbreviation'. Below these are three checkboxes: 'Reported tips (to edit this box, delete this income and re-create)', 'Omit from Net Pay', and 'Inactive'. The 'Deductions Applied' section is highlighted with an orange box and labeled '13'. It contains a list of deductions with checkboxes: '401K (Employee)', '401K (Employer)', 'Health Insurance', 'Box 12 data', 'Dependent Care FSA', 'Medical FSA', 'Health Saving Acct HSA', and 'Cafeteria Plan'. The 'Cafeteria Plan' checkbox is checked and highlighted with a blue box. At the bottom of the dialog, the 'OK' button is highlighted with an orange box and labeled '14', and the 'Cancel' button is also visible.

You will need to repeat steps 10 through 14 for each custom income category

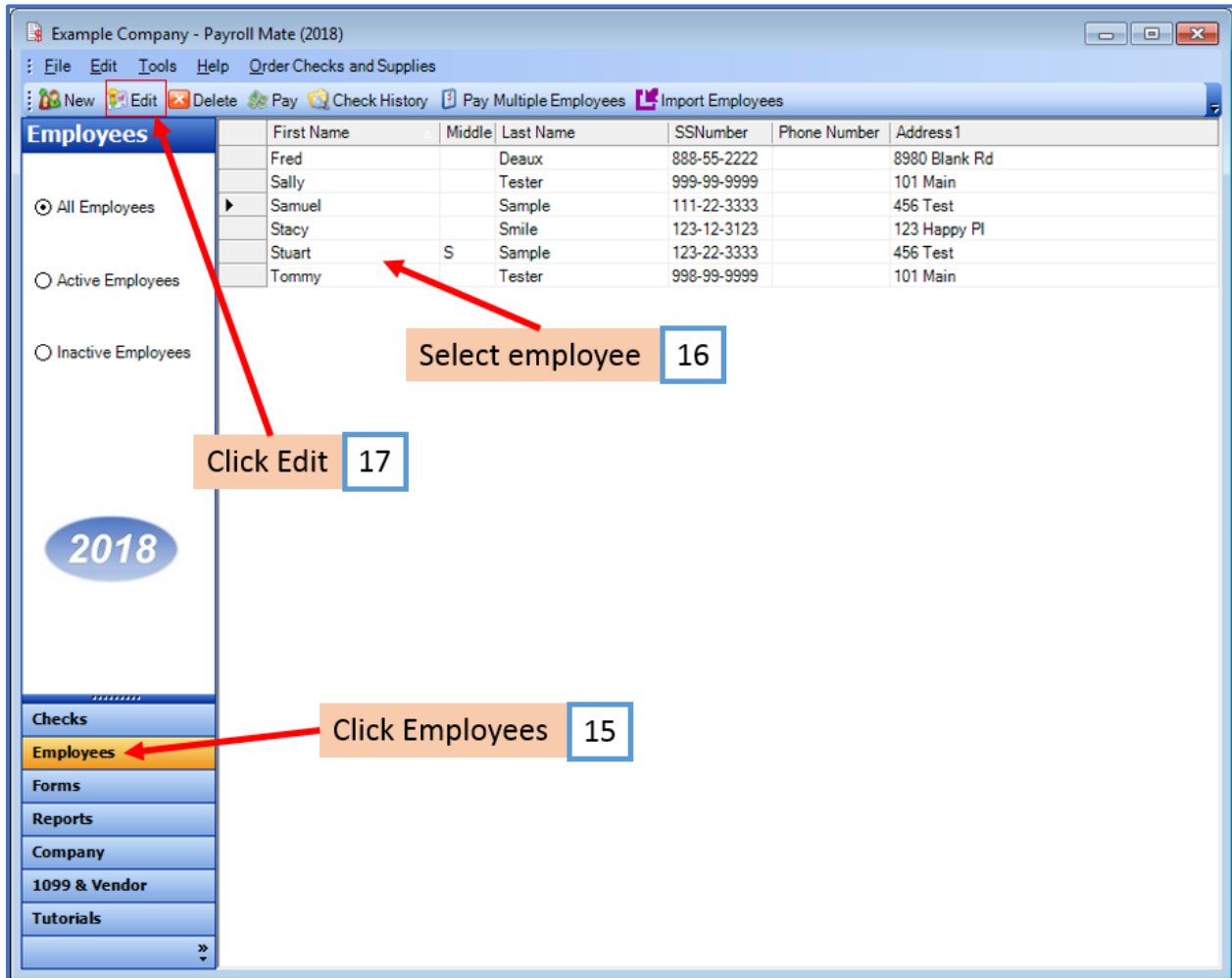
You will apply the Cafeteria Plan deduction to each employee as needed

### To update employees to apply the Cafeteria Plan Deduction

15. Click Employees from Shortcuts

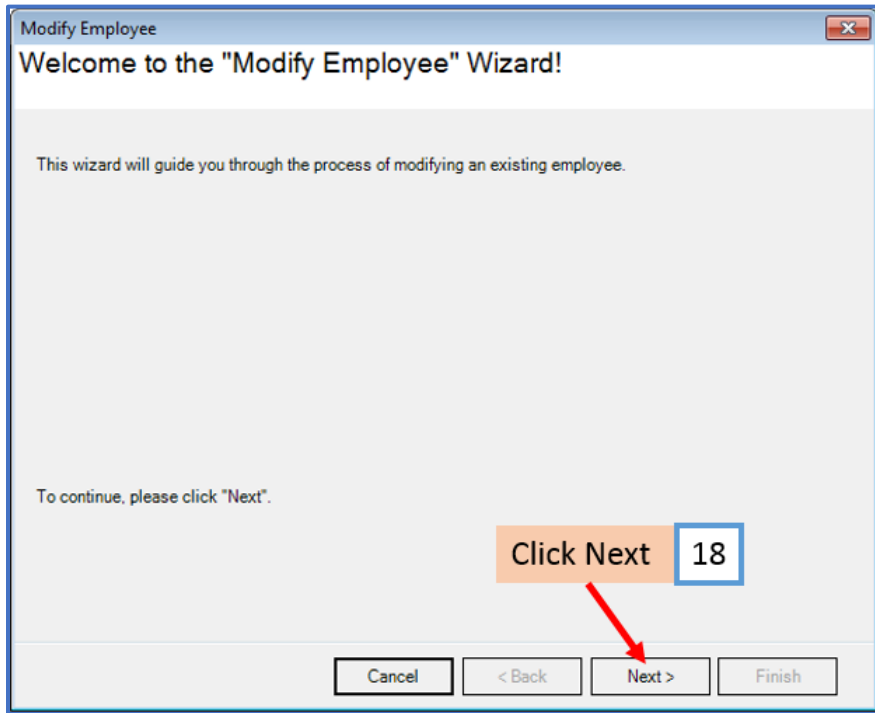
16. Select an employee from the list of employee's names

17. Click Edit

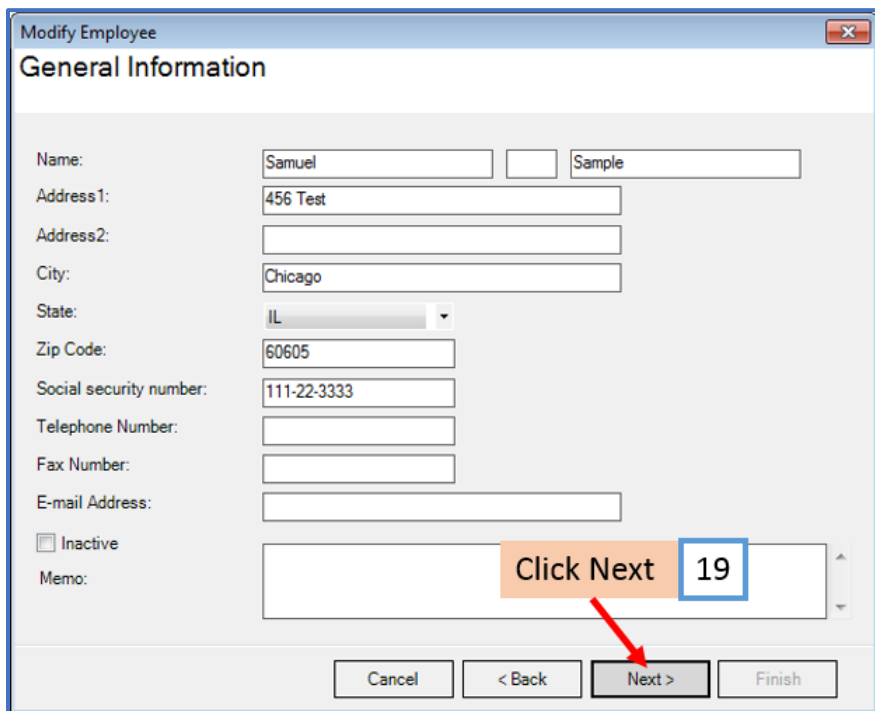


The Modify Employee Wizard will appear on the screen

18. Click Next



19. Click Next



20. Click Next

Modify Employee

### Tax Setup

**Federal Income Tax Setup**

Filing Status: Single  
Number of Allowances: 0  
Pay Frequency: Weekly (52 Pay Periods)  
Additional Federal Withholding: 0.00

**W-2 Options**

Statutory Employee  
 Retirement Plan  
 This employee receives Advance EIC payment

Set the following Taxes to zero on the check

Federal Income  State Income  SS. & Med. (Employee)  SS. & Med. (Employer)

**State Income Tax Setup**

State: IL  
Additional State Withholding: 0.00

IL-W4 Line 1: 0  
IL-W4 Line 2: 0

Click Next 20

Cancel < Back Next > Finish

21. Click Next

Modify Employee

### Incomes

Regular Hourly Pay [Per Hour] 23.0000  
 Overtime Hourly Pay [Per Hour] 0.00  
 Yearly Salary [Per Year] 0.00  
 Double-Time [Per Hour] 0.00  
 Mileage [Per Mile] 0.00  
 Piece Work [Per Piece] 0.00  
 Fringe Benefits [Fixed] 0.00  
 Vacation Pay Hourly [Per Hour] 0.00  
 Sick Pay Hourly [Per Hour] 0.00  
 Holiday Pay [Per Hour] 0.00  
 Bonus [Variable]  
 Tips Received Directly by Employee [Variable]  
 Tips Paid by Employer [Variable]

Click Next 21

Cancel < Back Next > Finish

22. Click Next

Modify Employee

### Taxes

- Federal Income Tax
- Social Security (Employee)
- Social Security (Employer)
- Medicare (Employee)
- Medicare (Employer)
- Fed Unemployment (Employer)
- State Income Tax
- State Unemployment (Employer)
- Local Income Tax
- State Disability Insurance (Employee)
- State Disability Insurance (Employer)
- NY Disability [Percentage]
- Chicago City Tax [Percentage]

Click Next 22

Cancel < Back Next > Finish

23. Checkmark to select Cafeteria Plan and enter applicable amount

24. Click Next

Modify Employee

### Deductions

<input type="checkbox"/> 401K (Employee)	[Percentage]	0.00
<input type="checkbox"/> 401K (Employer)	[Percentage]	0.00
<input type="checkbox"/> Health Insurance	[Fixed]	0.00
<input type="checkbox"/> Box 12 data	[Percentage]	1.500000
<input type="checkbox"/> Dependent Care FSA	[Fixed]	20.000000
<input type="checkbox"/> Medical FSA	[Fixed]	25.000000
<input type="checkbox"/> Health Saving Acct HSA	[Fixed]	20.000000
<input checked="" type="checkbox"/> Cafeteria Plan	[Fixed]	25.000000

Checkmark Cafeteria Plan and enter amount 23

Click Next 24

Cancel < Back Next > Finish



25. Click Next

Modify Employee

### Direct Deposit

Include in Direct Deposit Process

Banking Information

Account Type:

Bank Routing Number:

Account Number:

Click Next 25

Cancel < Back Next > Finish

26. Click Next

Modify Employee

### Vacation / Sick Hours Settings

Method of Calculating Vacation and Sick Hours:

Per Check

Per Total Hours on Check

Vacation Hours Earned Per Total Hours on Check:

Maximum Vacation Hours Earned Per Year:  Keep blank for unlimited hours per year; fill with 0.00 for zero hours per year

Sick Hours Earned Per Total Hours on Check:

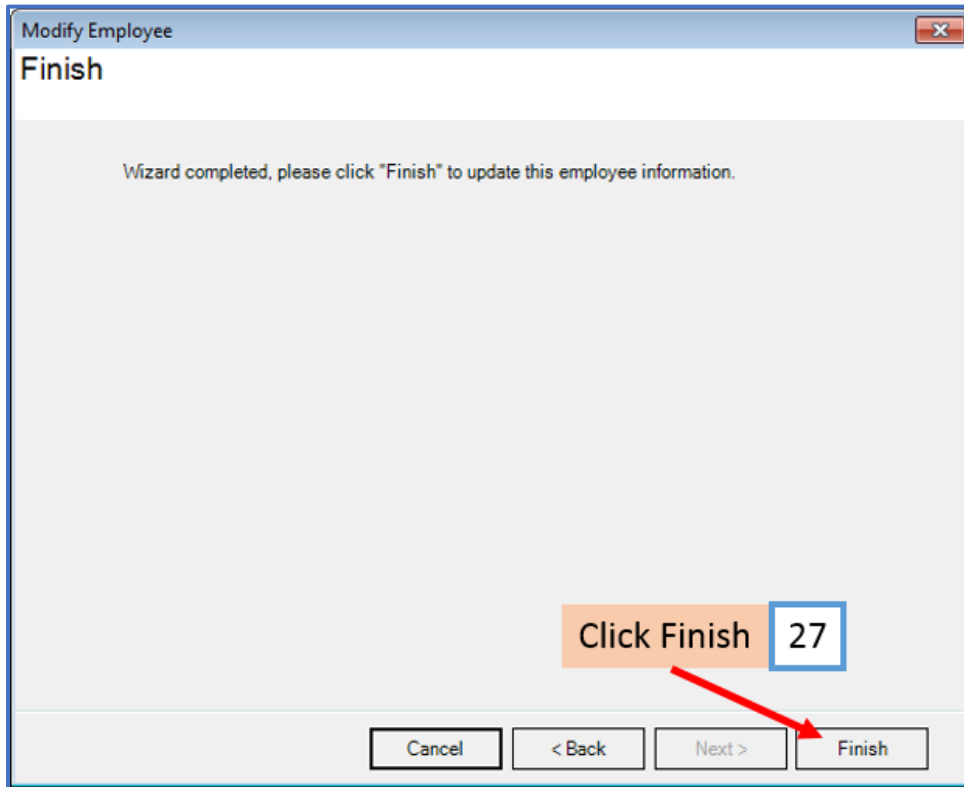
Maximum Sick Hours Earned Per Year:  Keep blank for unlimited hours per year; fill with 0.00 for zero hours per year

Click Next 26

Cancel < Back Next > Finish

27. Click Finish

Note: Your information will not be saved if you do not click Finish



Repeat steps 15-27 for each applicable employee

28. When creating a new payroll check for the employee the Cafeteria Plan deduction category will be visible

**Check Details** x

General Information Pay Frequency: Weekly (52 Pay Periods)

Employee:  Begin Date:

Check #:  Pay Date:  End Date:

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**Income Details** Vacation / Sick Hours

Income:	Rate:	Type:	Quantity:	Amount:	YTD:		Amount:	YTD:
Regular Hourly Pay	23.0000	Per Hour	40.0000	920.00	3634.00	Vac. hours earned	0.00	0.00
						Vac. hours used	0.00	0.00
						Sick hours earned	1.00	1.00
						Sick hours used	0.00	0.00

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**Tax Details** Deduction Details

Tax:	Amount:	YTD:		Deduction:	Amount:	YTD:
Social Security (Employee)	57.04	57.04		Cafeteria Plan	25.00	25.00
Medicare (Employee)	13.34	13.34				
Federal Income Tax	108.66	108.66				
State Income Tax	45.54	45.54				
Local Income Tax	0.00	0.00				
State Disability Insurance (Employee)	0.00	0.00				
NY Disability	0.60	0.60				
Chicago City Tax	0.92	0.92				
Cook County Tax	66.70	66.70				
WA LI Employee	2.27	2.27				
Social Security (Employer)	57.04	57.04				



Deduction

28

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**Other Optional Details** Check Summary

	Amount:	YTD:		Total Incomes:	Total Taxes:	Total Deductions:	Net Pay:
Hours Worked	0.00	118.00	<u>This Check:</u>	920.00	295.07	25.00	599.93
Weeks Worked	0.00	3.00	<u>YTD:</u>	3634.00	295.07	25.00	3313.93

MEMO: