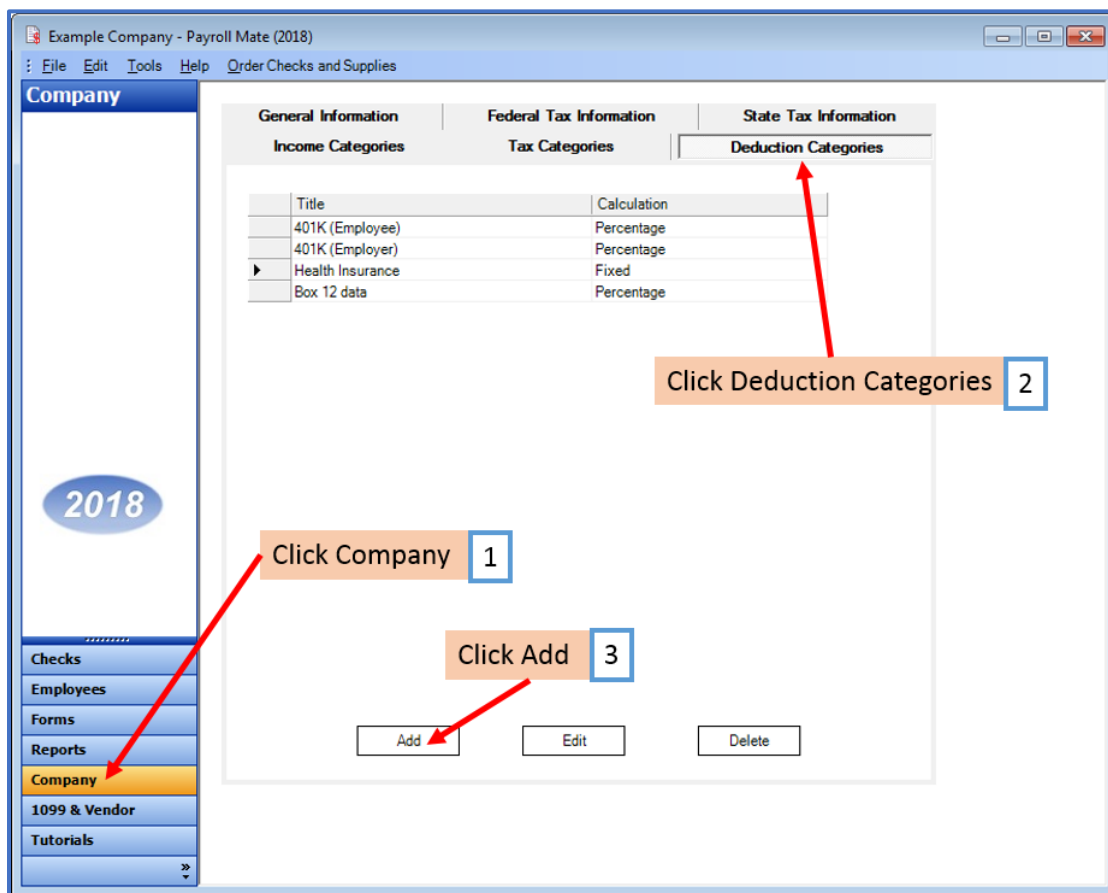


How to Set Up Dependent Care Flexible Spending Arrangement (FSA) Deduction inside Payroll Mate

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 Dependent Care Flexible Spending Arrangement (DCFSA) is a pre-tax benefit account used to pay for eligible dependent care services. <https://www.irs.gov/pub/irs-pdf/i2441.pdf>

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 deduction amount (field cannot be blank) 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, Social Security (employer/employee), Medicare (employer/employee) and Federal Unemployment

Note: This tutorial assumes that the Dependent Care FSA deduction 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 Dependent Care FSA 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 screenshot shows the 'Deduction Details' dialog box with the following fields and callouts:

- 4**: Callout pointing to the Title, Abbreviation, Calculation, and Paid by fields.
- 5**: Callout pointing to the Default Amount and Cutoff fields.
- 6**: Callout pointing to the W-2 Options section.
- 7**: Callout pointing to the Exemptions list.
- 8**: Callout pointing to the OK button.

The dialog box contains the following information:

Title: Dependent Care FSA
Abbreviation: Dependent Ca
Calculation: Fixed
Paid by: Employee

Default Amount: 20.000000
Cutoff: 5000
Leave Blank for No Cutoff

Inactive

W-2 Options

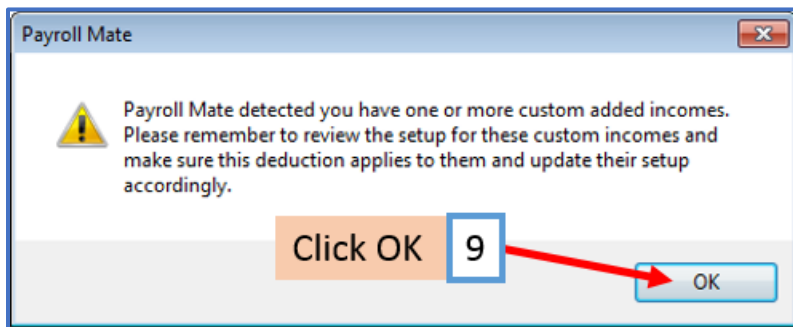
- Use on Box 10 (Dependent Care Benefits)
- Use on Box 12
- Use on Box 14 (Other)

Exemptions This Item Will Be Exempt From:

- Federal Income Tax
- Social Security (Employee)
- Social Security (Employer)
- Medicare (Employee)
- Medicare (Employer)
- Fed Unemployment (Employer)
- State Income Tax
- State Unemployment (Employer)

Buttons: OK, Cancel

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



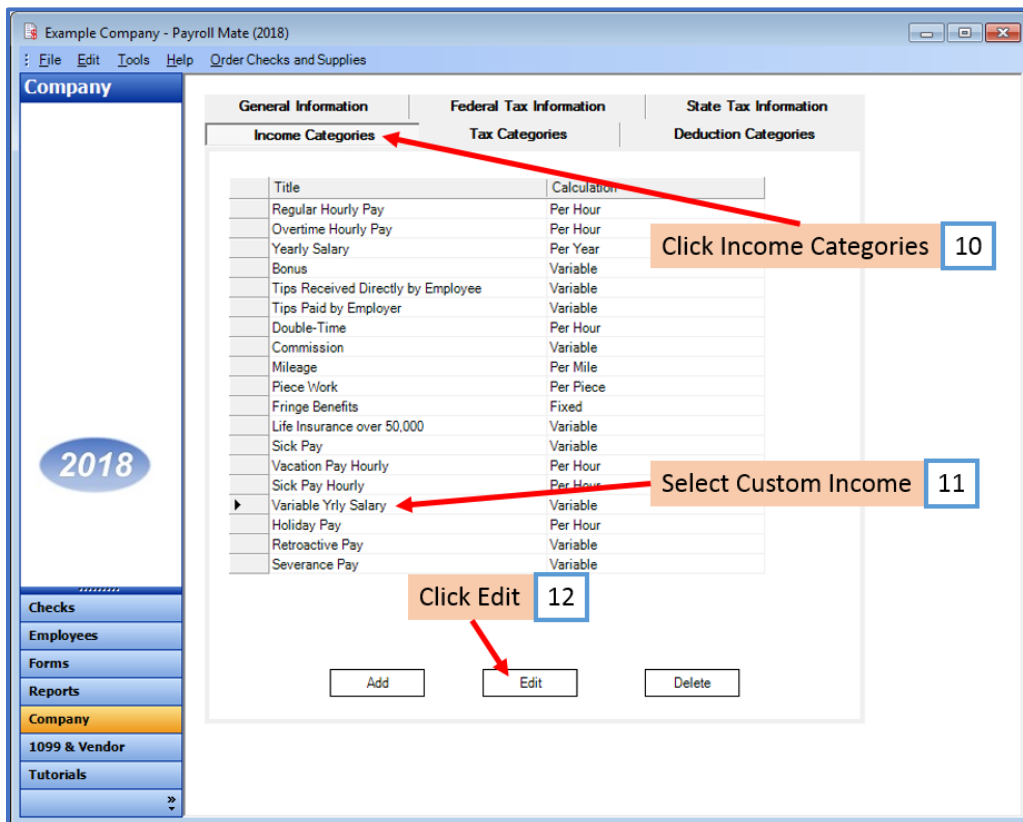
Note: If you need to update custom income categories to apply the Dependent Care deduction refer to steps 10-14. If this does not apply to you, please proceed to step 15

To update custom income categories

10. Click Income Categories

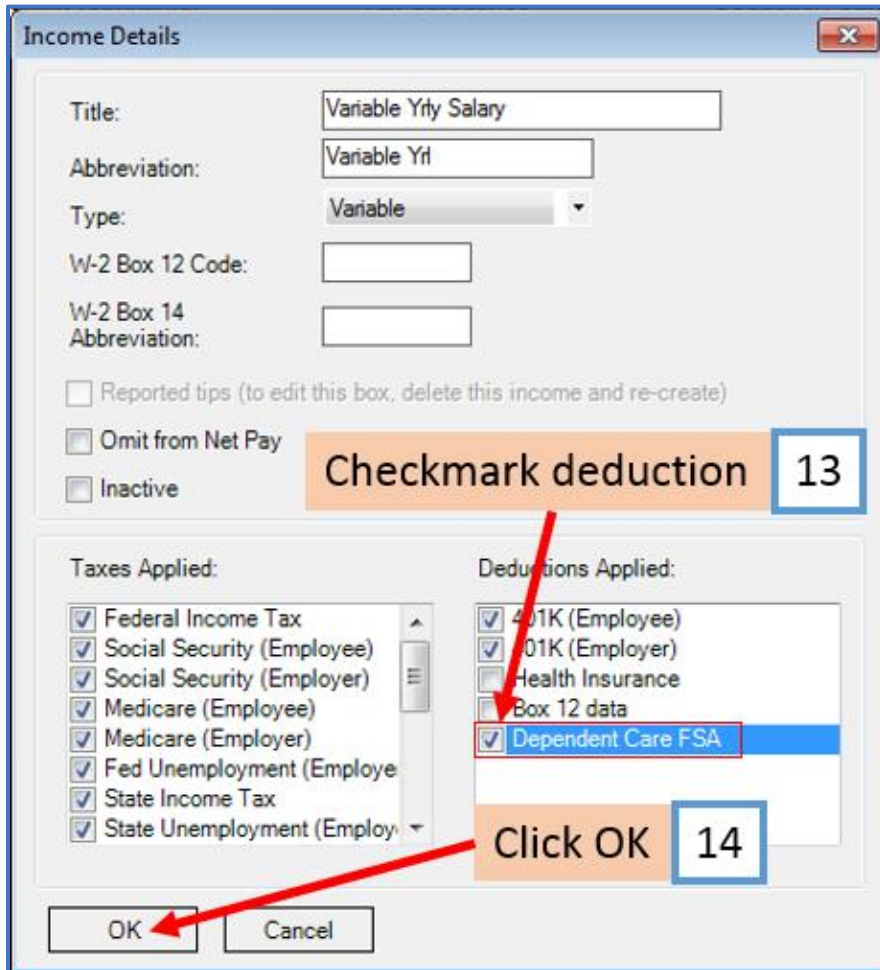
11. Select the custom income

12. Click Edit



13. Checkmark to apply new deduction to this income

14. Click OK



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

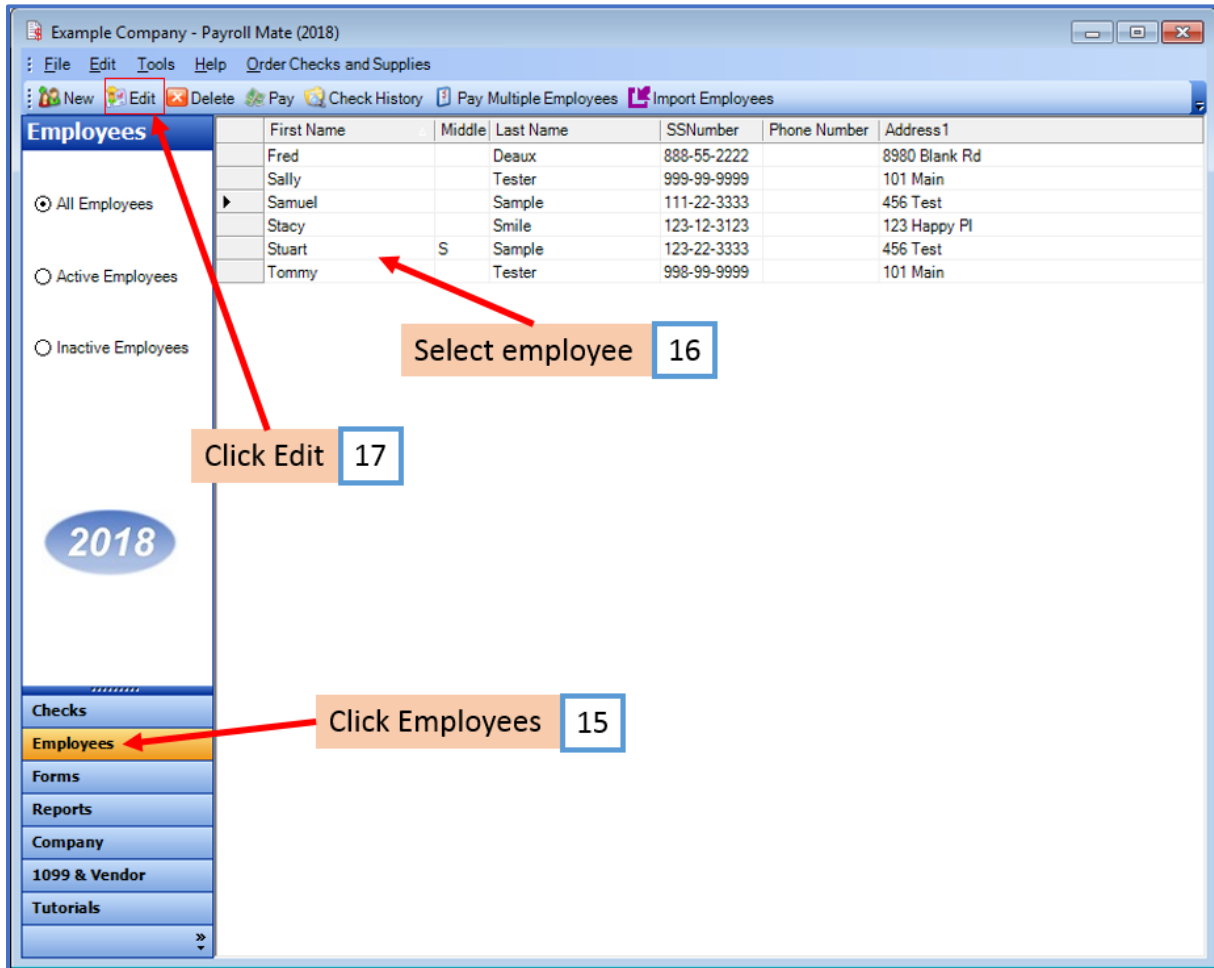
You will apply the Dependent Care deduction to each employee as needed

To update employees to apply the Dependent Care Deduction

15. Click Employees from Shortcuts

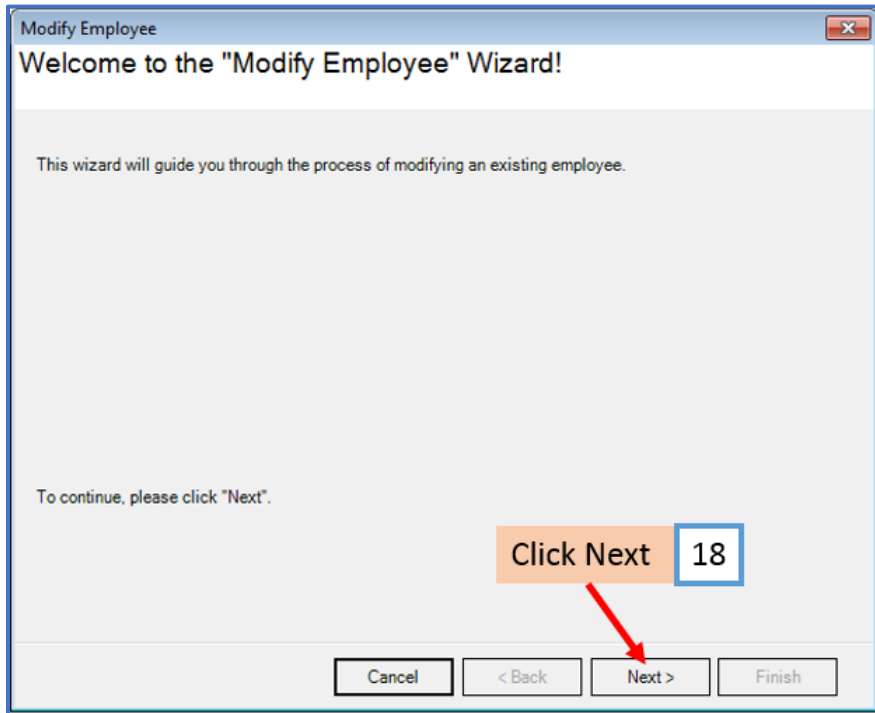
16. Select an employee from the list of employee's names

17. Click Edit

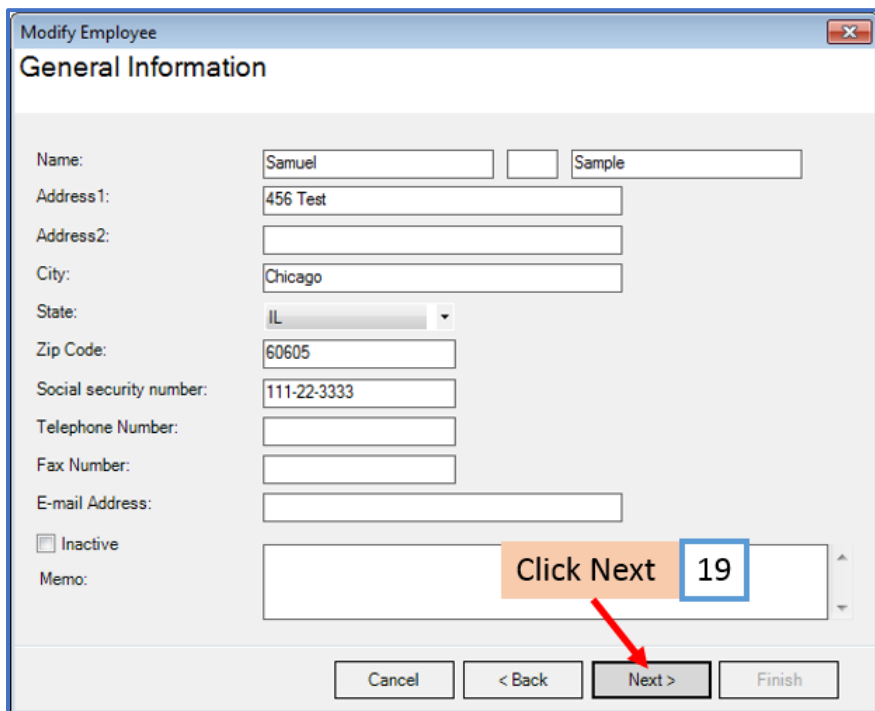


The Modify Employee Wizard will appear on the screen

18. Click Next



19. Click Next



20. Click Next

Modify Employee

Tax Setup

Federal Income Tax Setup

Filing Status:

Number of Allowances:

Pay Frequency:

Additional Federal Withholding:

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:

Additional State Withholding:

IL-W4 Line 1:

IL-W4 Line 2:

Buttons: Cancel, < Back, Next >, Finish

21. Click Next

Modify Employee

Incomes

Regular Hourly Pay [Per Hour]

Overtime Hourly Pay [Per Hour]

Yearly Salary [Per Year]

Double-Time [Per Hour]

Mileage [Per Mile]

Piece Work [Per Piece]

Fringe Benefits [Fixed]

Vacation Pay Hourly [Per Hour]

Sick Pay Hourly [Per Hour]

Holiday Pay [Per Hour]

Bonus [Variable]

Tips Received Directly by Employee [Variable]

Tips Paid by Employer [Variable]

Buttons: 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 Dependent Care and enter deduction 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]	25.000000
<input type="checkbox"/> Box 12 data	[Percentage]	1.500000
<input checked="" type="checkbox"/> Dependent Care FSA	[Fixed]	20.000000

Checkmark Dependent Care 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:

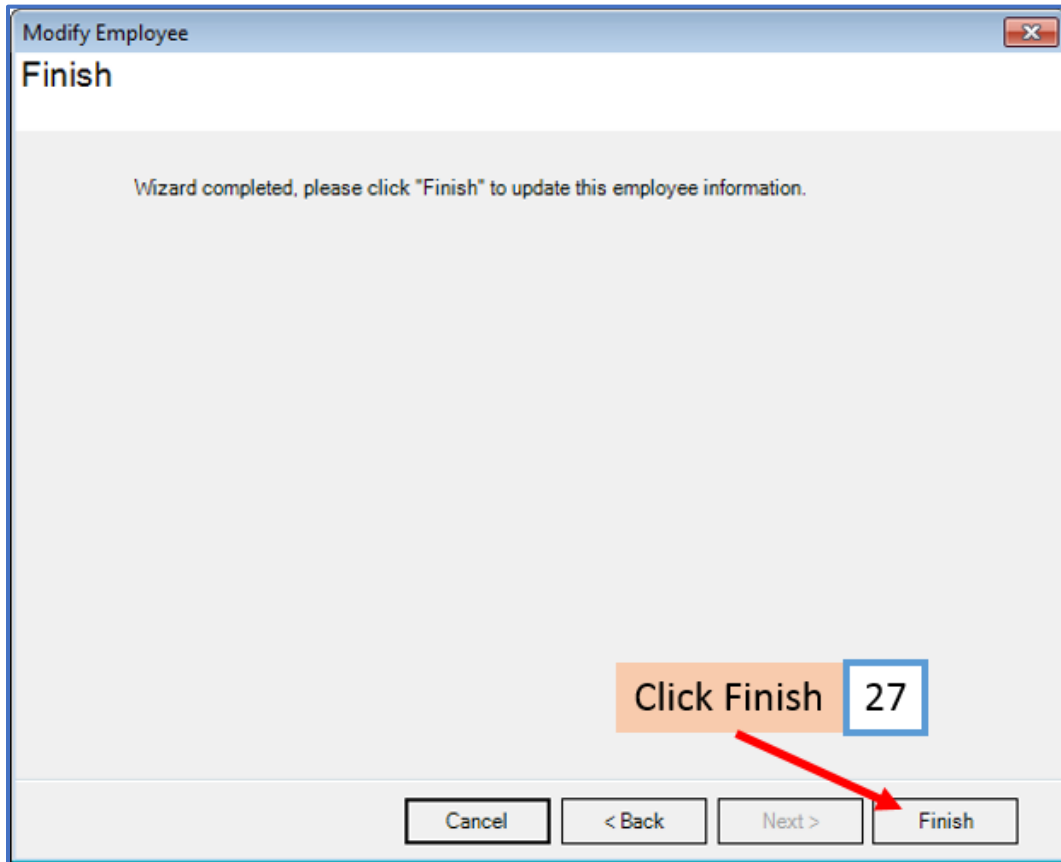
Maximum Sick Hours Earned Per Year: Keep blank for unlimited hours per year; fill with 0.00 for zero hours per year

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 dependent care deduction category will be visible

Check Details x

General Information Pay Frequency: Weekly (52 Pay Periods)

Employee: Begin Date: Recalculate

Check #: Pay Date: End Date:

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

Tax Details Deduction Details

Tax:	Amount:	YTD:		Deduction:	Amount:	YTD:
Social Security (Employee)	57.04	57.04		Dependent Care FSA	20.00	20.00
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

↑

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	20.00	604.93
Weeks Worked	0.00	3.00	<u>YTD:</u> 3634.00	295.07	20.00	3318.93

MEMO: