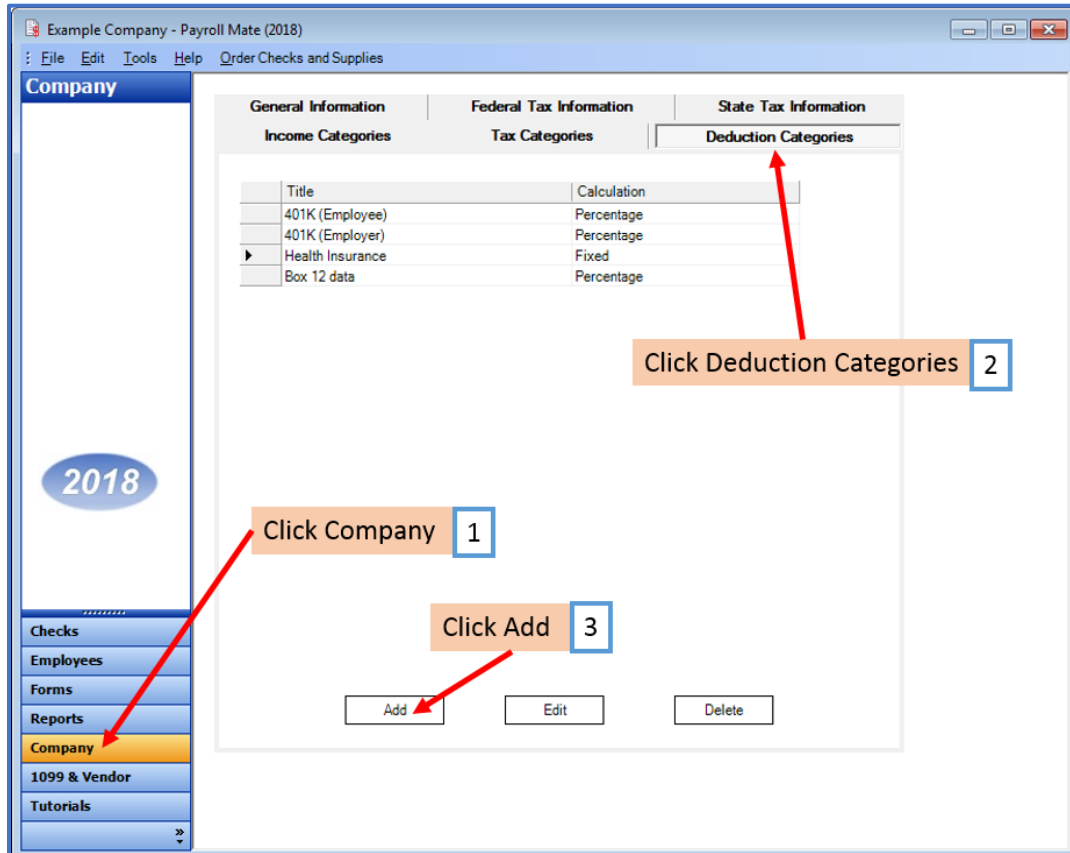


How to Set Up Medical Expense Flexible Spending Arrangements (FSA) Deduction inside Payroll Mate

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 health Flexible Spending Arrangement (FSA) allows employees to be reimbursed for medical expenses. FSAs are usually funded through voluntary salary reduction agreements with your employer. Generally, no employment or federal income taxes are deducted from your contribution. <https://www.irs.gov/pub/irs-pdf/p969.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 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, Social Security (employer/employee), Medicare (employer/employee) and Federal Unemployment

Note: This tutorial assumes that the FSA 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 deductions should be set up.

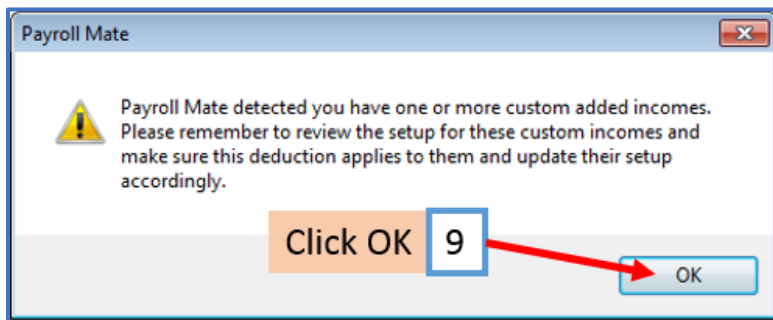
State tax laws vary. Please consult your tax professional to determine if any state taxes are affected by this payroll item and update your setup accordingly.

8. Click OK

The screenshot shows the 'Deduction Details' dialog box with the following fields and callouts:

- 4**: Callout pointing to the 'Title' and 'Abbreviation' fields, which both contain 'Medical FSA'. It also points to the 'Calculation' dropdown (set to 'Fixed') and the 'Paid by' dropdown (set to 'Employee').
- 5**: Callout pointing to the 'Default Amount' field (25.000000) and the 'Cutoff' field (5000). A note next to it says 'Enter Default amount and Cutoff as applicable'. There is also a 'Leave Blank for No Cutoff' option.
- 6**: Callout pointing to the 'W-2 Options' section, which includes three checkboxes: 'Use on Box 10 (Dependent Care Benefits)', 'Use on Box 12', and 'Use on Box 14 (Other)'. A note next to it says 'Checkmark W2 Options as applicable'.
- 7**: Callout pointing to the 'Exemptions' list. The list includes: Federal Income Tax, Social Security (Employee), Social Security (Employer), Medicare (Employee), Medicare (Employer), Fed Unemployment (Employer), State Income Tax, and State Unemployment (Employer). The first four items are checked. A note next to it says 'Click exemptions'.
- 8**: Callout pointing to the 'OK' button at the bottom left. A note next to it says 'Click OK'.

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



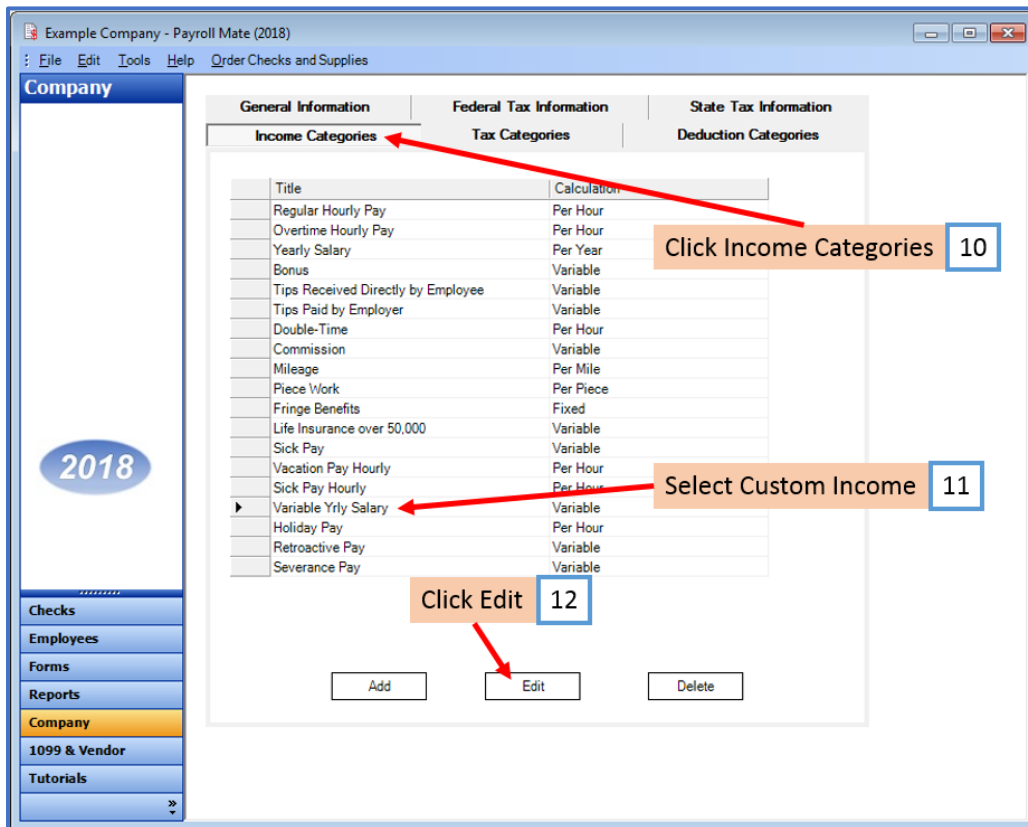
Note: If you need to update custom income categories to apply the Medical FSA deduction refer to steps 10-14. If this does not apply to you, please proceed to step 15

To update custom income categories

10. Click Income Categories

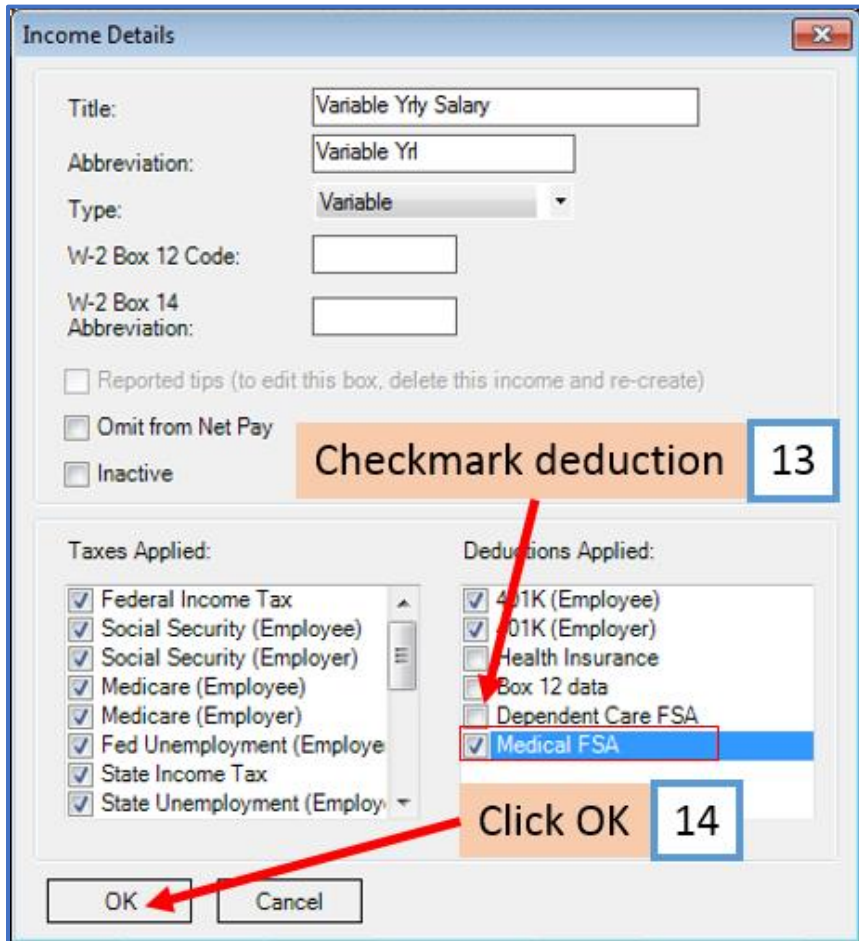
11. Select the custom income

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

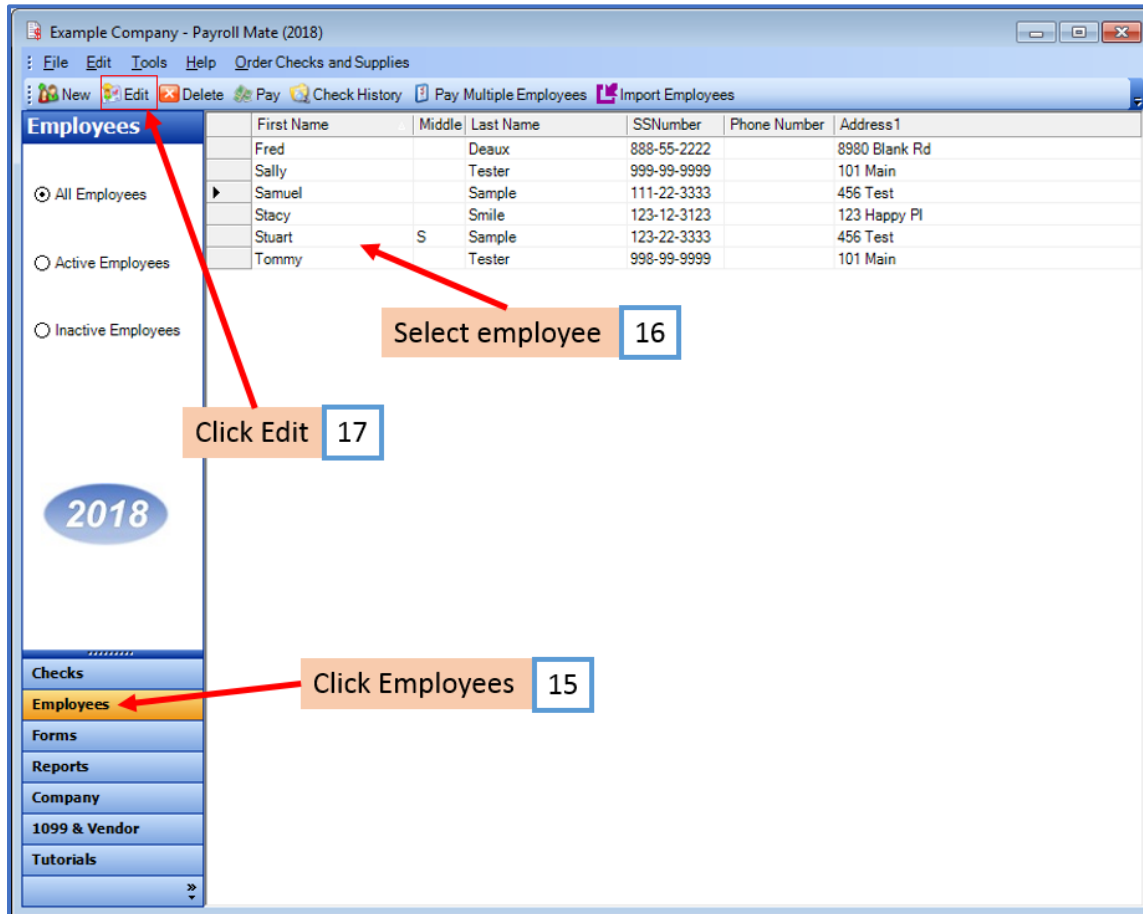
You will apply the Medical FSA deduction to each employee as needed

To update employees to apply the Medical FSA Deduction

15. Click Employees from Shortcuts

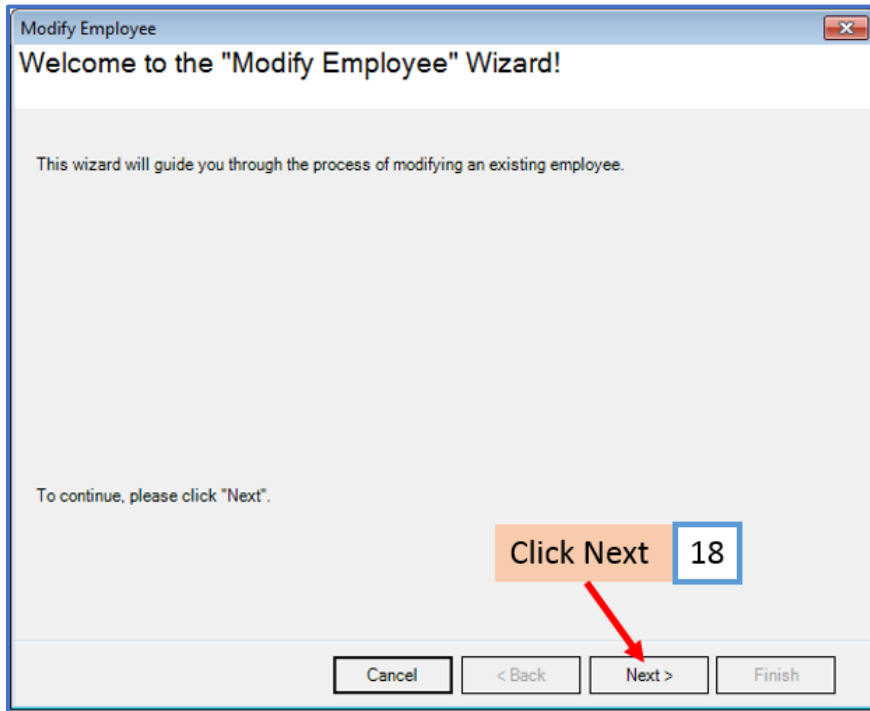
16. Select an employee from the list of employee's names

17. Click Edit

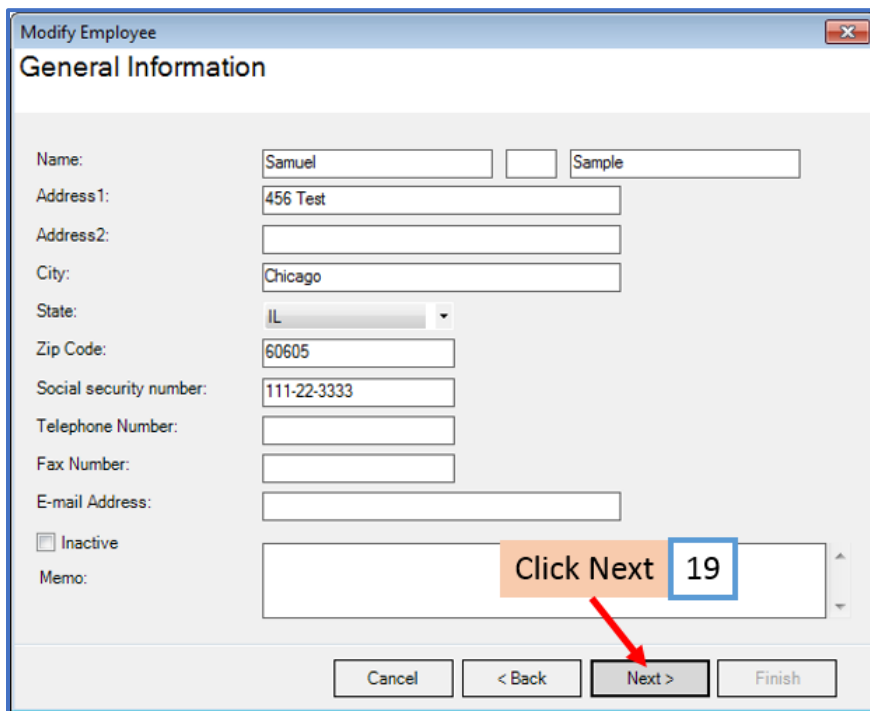


The Modify Employee Wizard will appear on the screen

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: 20
IL-W4 Line 2: 0

Buttons: Cancel, < Back, Next >, Finish

21. Click Next

Modify Employee

Incomes

<input checked="" type="checkbox"/> Regular Hourly Pay	[Per Hour]	23.0000
<input type="checkbox"/> Overtime Hourly Pay	[Per Hour]	0.00
<input type="checkbox"/> Yearly Salary	[Per Year]	0.00
<input type="checkbox"/> Double-Time	[Per Hour]	0.00
<input type="checkbox"/> Mileage	[Per Mile]	0.00
<input type="checkbox"/> Piece Work	[Per Piece]	0.00
<input type="checkbox"/> Fringe Benefits	[Fixed]	0.00
<input type="checkbox"/> Vacation Pay Hourly	[Per Hour]	0.00
<input type="checkbox"/> Sick Pay Hourly	[Per Hour]	0.00
<input type="checkbox"/> Holiday Pay	[Per Hour]	0.00
<input type="checkbox"/> Bonus	[Variable]	
<input type="checkbox"/> Tips Received Directly by Employee	[Variable]	
<input type="checkbox"/> Tips Paid by Employer	[Variable]	

Buttons: Cancel, < Back, Next >, Finish

22. Click Next

The screenshot shows the 'Modify Employee' window with the 'Taxes' section. A list of tax types is shown, all with checked boxes. At the bottom, there are four buttons: 'Cancel', '< Back', 'Next >', and 'Finish'. A red arrow points to the 'Next >' button. A callout box with an orange background and a blue border contains the text 'Click Next' and the number '22'.

Tax Type	Percentage
<input checked="" type="checkbox"/> Federal Income Tax	
<input checked="" type="checkbox"/> Social Security (Employee)	
<input checked="" type="checkbox"/> Social Security (Employer)	
<input checked="" type="checkbox"/> Medicare (Employee)	
<input checked="" type="checkbox"/> Medicare (Employer)	
<input checked="" type="checkbox"/> Fed Unemployment (Employer)	
<input checked="" type="checkbox"/> State Income Tax	
<input checked="" type="checkbox"/> State Unemployment (Employer)	
<input checked="" type="checkbox"/> Local Income Tax	
<input checked="" type="checkbox"/> State Disability Insurance (Employee)	
<input checked="" type="checkbox"/> State Disability Insurance (Employer)	
<input checked="" type="checkbox"/> NY Disability	[Percentage]
<input checked="" type="checkbox"/> Chicago City Tax	[Percentage]

23. Checkmark to select Medical FSA and enter deduction amount

24. Click Next

The screenshot shows the 'Modify Employee' window with the 'Deductions' section. A list of deduction types is shown with checkboxes and input fields. A red arrow points to the 'Next >' button. A callout box with an orange background and a blue border contains the text 'Checkmark Medical FSA and enter amount' and the number '23'. Another callout box with an orange background and a blue border contains the text 'Click Next' and the number '24'.

Deduction Type	Type	Amount
<input checked="" type="checkbox"/> 401K (Employee)	[Percentage]	4.000000
<input checked="" type="checkbox"/> 401K (Employer)	[Percentage]	2.000000
<input checked="" type="checkbox"/> Health Insurance	[Fixed]	25.000000
<input checked="" type="checkbox"/> Box 12 data	[Percentage]	1.500000
<input type="checkbox"/> Dependent Care FSA	[Fixed]	20.000000
<input checked="" type="checkbox"/> Medical FSA	[Fixed]	25.000000

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:

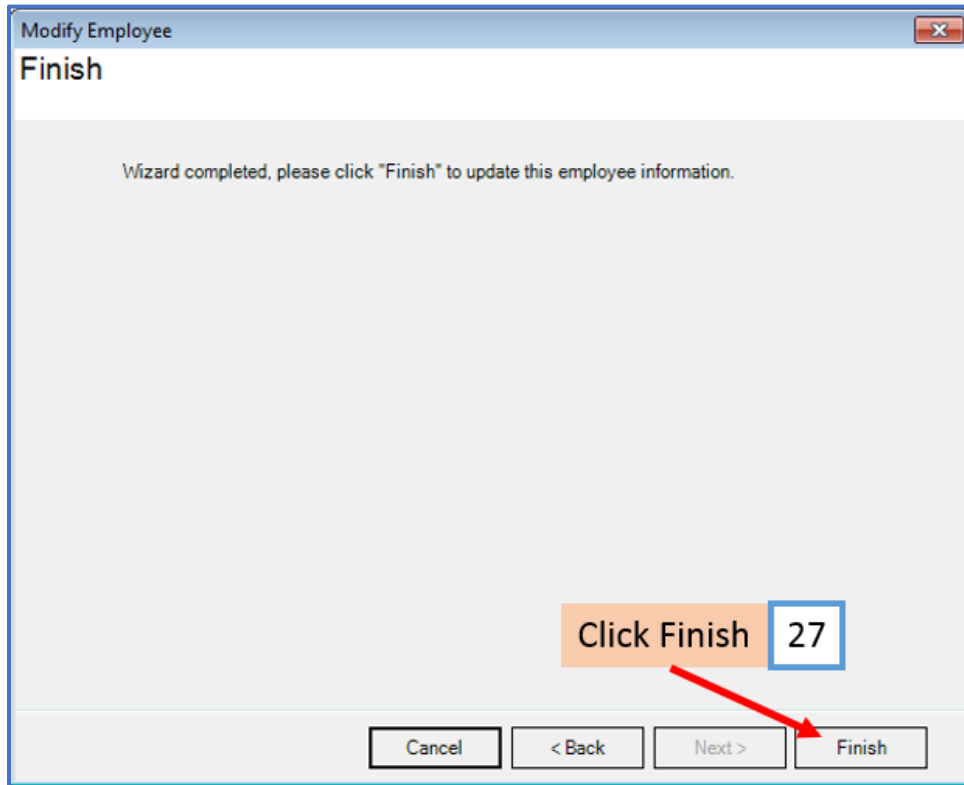
Maximum Sick Hours Earned Per Year: Keep blank for unlimited hours per year; fill with 0.00 for zero hours per year

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 medical FSA deduction category will be visible

Check Details

General Information Pay Frequency: Weekly (52 Pay Periods)

Employee: Sample, Samuel Begin Date: May 23, 2018 Recalculate

Check #: 10 Pay Date: May 23, 2018 End Date: May 23, 2018

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	Medical FSA	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

Other Optional Details			Check Summary				
	Amount:	YTD:	This Check:	Total Incomes:	Total Taxes:	Total Deductions:	Net Pay:
Hours Worked	0.00	118.00	920.00	920.00	295.07	25.00	599.93
Weeks Worked	0.00	3.00	YTD:	3634.00	295.07	25.00	3313.93

MEMO:

OK Cancel