

# How to Set Up Retroactive Pay inside Payroll Mate

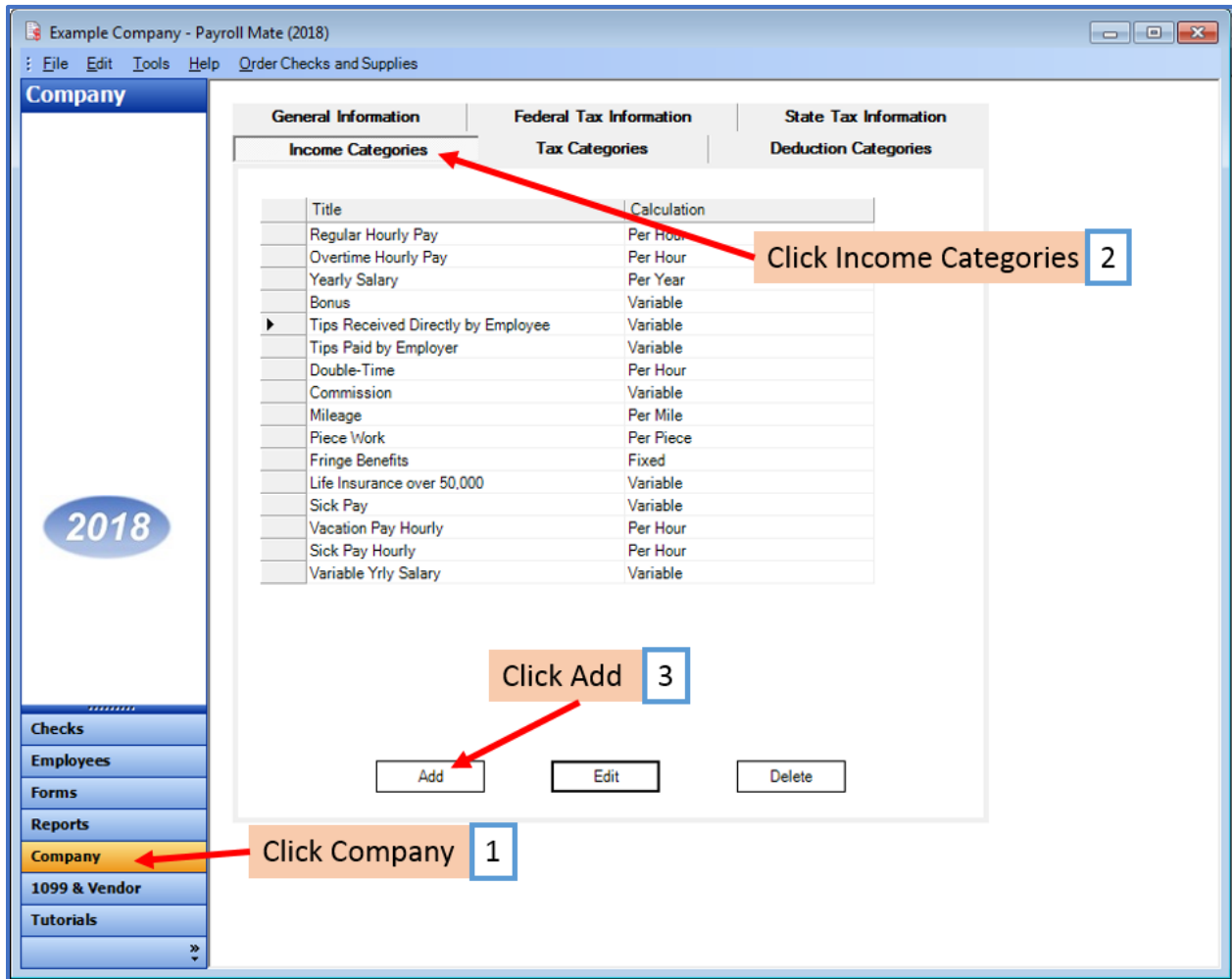
**This tutorial is for information purposes only. It is your responsibility to make sure the payroll setup is correct. Consult your accountant or tax advisor if you are unsure how a certain payroll item or your payroll in general should be set up.**

Retroactive or back pay refers to income owed to an employee from a previous pay period. Retroactive pay may happen for a number of reasons, such as incorrect salary compensation or wages for hours worked, or a pay increase. Earnings are taxable payments to an employee that are separate from regular wages. The amounts are included in the wage base and used to calculate percentage-driven deductions such as 401(k). For income tax purposes, the IRS treats all retroactive pay as wages in the year paid. <https://www.irs.gov/publications/p957>

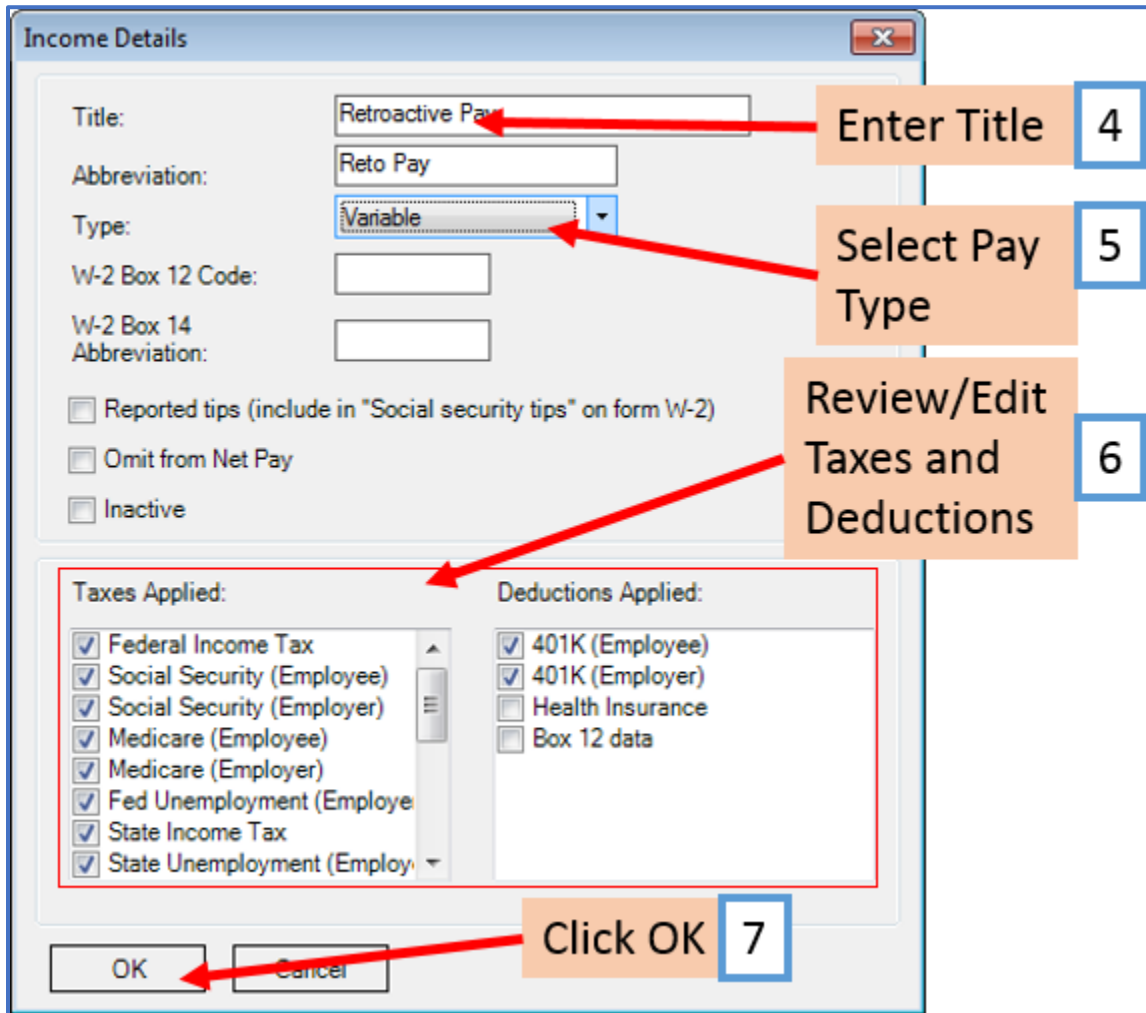
**Hourly Pay** – Calculate the retroactive pay by pay raise and the number of hours worked since the raise. For example, .50 (per hour) pay raise x 40 hours = \$20.00.

**Yearly Salary** - Calculate the old and new salary numbers per pay period by dividing annual salary by the number of pay periods in the year. For example, \$41,000 / 52 weeks = \$788.46 and \$43,050 / 52 weeks = \$827.88. Subtract the old salary from the new salary to arrive at retroactive pay \$827.88 - \$788.46 = \$39.42.

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



4. Enter Title
5. Select Pay Type from drop-down menu
6. Review/Edit Taxes and Deductions as needed
7. Click OK



New Retroactive Pay income category is now in the list of Income Categories

The screenshot shows the 'Example Company - Payroll Mate (2018)' interface. On the left is a navigation menu with 'Company' selected. The main area is divided into three tabs: 'General Information', 'Federal Tax Information', and 'State Tax Information'. Under 'General Information', the 'Income Categories' sub-tab is active, displaying a table of income categories and their calculations. The 'Retroactive Pay' category is highlighted with a red box and a red arrow pointing to it from a callout box that says 'Retroactive Pay income category is now in list'. Below the table are 'Add', 'Edit', and 'Delete' buttons.

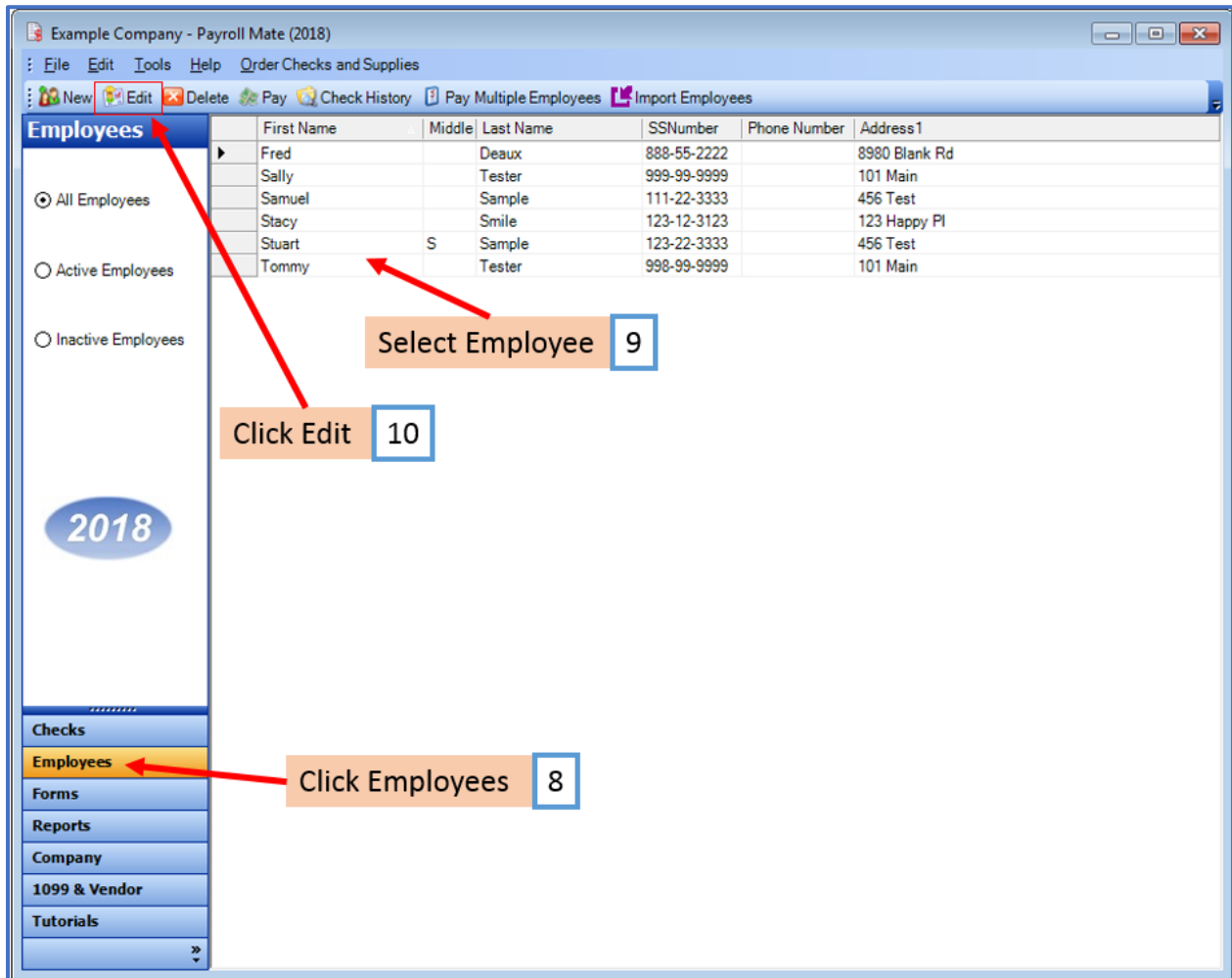
Title	Calculation
▶ Regular Hourly Pay	Per Hour
Overtime Hourly Pay	Per Hour
Yearly Salary	Per Year
Bonus	Variable
Tips Received Directly by Employee	Variable
Tips Paid by Employer	Variable
Double-Time	Per Hour
Commission	Variable
Mileage	Per Mile
Piece Work	Per Piece
Fringe Benefits	Fixed
Life Insurance over 50,000	Variable
Sick Pay	Variable
Vacation Pay Hourly	Per Hour
Sick Pay Hourly	Per Hour
Variable Yrly Salary	Variable
Holiday Pay	Per Hour
Retroactive Pay	Variable

You will need to apply the retroactive pay income to each employee as needed

8. Click Employees from Shortcuts

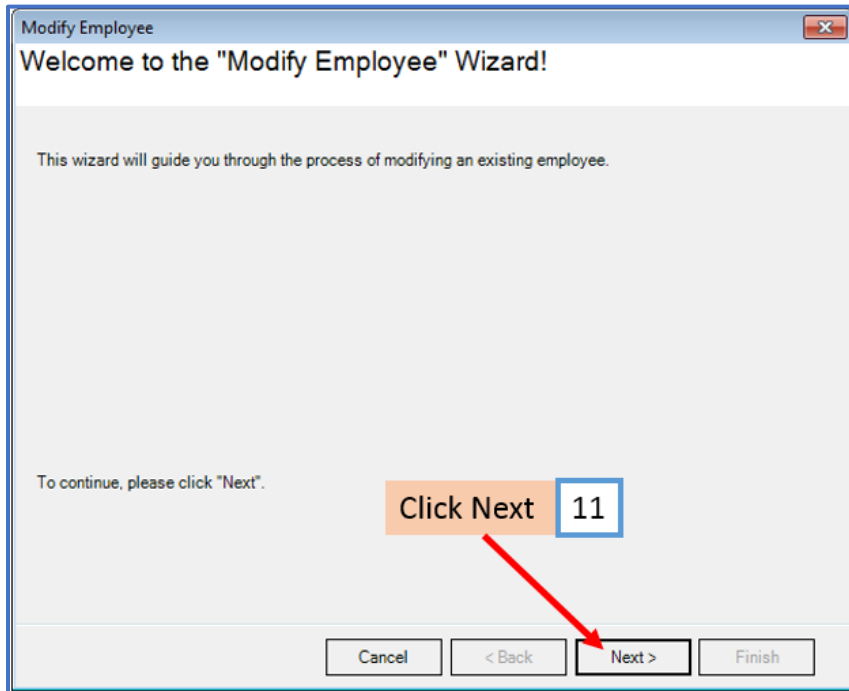
9. Select an employee from the list of employee's names

10. Click Edit

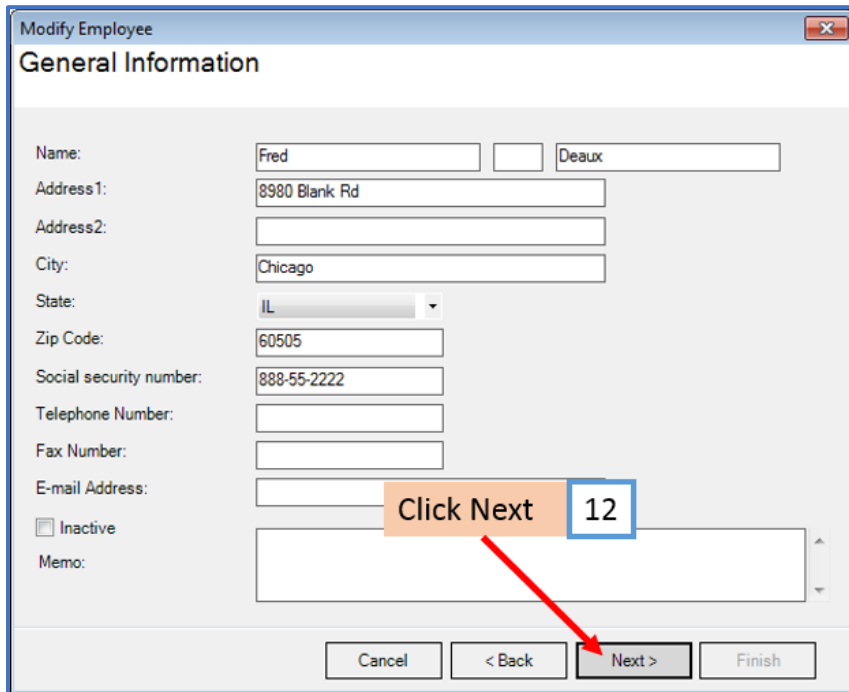


The Modify Employee Wizard will appear on the screen

11. Click Next



12. Click Next



13. 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:

Click Next 13

Cancel < Back Next > Finish

14. Checkmark to select retroactive income as applicable

15. Click Next

Modify Employee

### Incomes

<input type="checkbox"/>	Piece Work	[Per Piece]	<input type="text" value="0.00"/>
<input type="checkbox"/>	Fringe Benefits	[Fixed]	<input type="text" value="0.00"/>
<input type="checkbox"/>	Vacation Pay Hourly	[Per Hour]	<input type="text" value="0.00"/>
<input type="checkbox"/>	Sick Pay Hourly	[Per Hour]	<input type="text" value="0.00"/>
<input checked="" type="checkbox"/>	Holiday Pay	[Per Hour]	<input type="text" value="20.0000"/>
<input type="checkbox"/>	Bonus	[Variable]	
<input checked="" type="checkbox"/>	Tips Received Directly by Employee	[Variable]	
<input checked="" type="checkbox"/>	Tips Paid by Employer	[Variable]	
<input type="checkbox"/>	Commission	[Variable]	
<input type="checkbox"/>	Life Insurance over 50,000	[Variable]	
<input type="checkbox"/>	Sick Pay	[Variable]	
<input type="checkbox"/>	Variable Yrly Salary	[Variable]	
<input checked="" type="checkbox"/>	Retroactive Pay	[Variable]	

Checkmark to select Retro pay income 14

Click Next 15

Cancel < Back Next > Finish

16. 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 16

Cancel < Back Next > Finish

17. Click Next

Modify Employee

### Deductions

- 401K (Employee) [Percentage] 4.000000
- 401K (Employer) [Percentage] 2.000000
- Health Insurance [Fixed] 25.000000
- Box 12 data [Percentage] 1.500000

Click Next 17

Cancel < Back Next > Finish



18. Click Next

Modify Employee

### Direct Deposit

Include in Direct Deposit Process

Banking Information

Account Type:

Bank Routing Number:

Account Number:

Click Next 18

Cancel < Back Next > Finish

19. 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 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 Check:

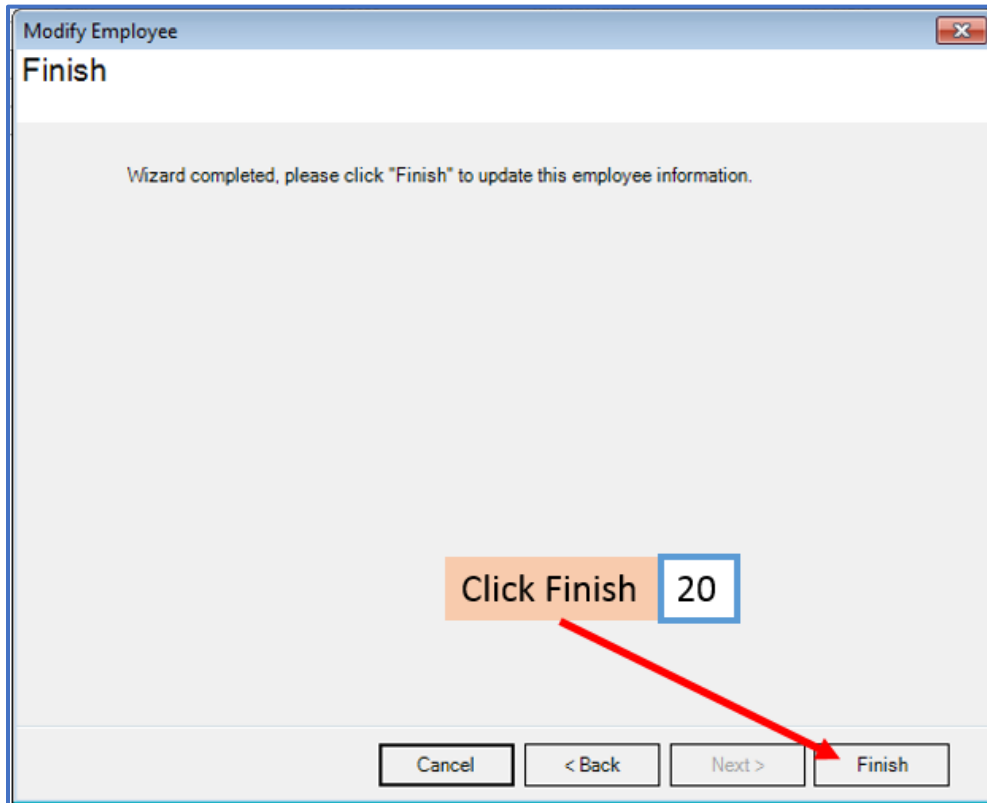
Maximum Sick Hours Earned Per Year:  limited hours per year; fill with 0.00 for unlimited hours per year

Click Next 19

Cancel < Back Next > Finish

20. Click Finish

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



Repeat steps 8-20 for each applicable employee

21. When creating a new payroll check for the employee the new income category will be visible

Enter the amount of Retroactive Pay to record for this paycheck in the Rate column

Check Details

General Information Pay Frequency: Weekly (52 Pay Periods)

Employee: Deaux, Fred Begin Date: May 23, 2018

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

Income Details						Vacation / Sick Hours	
Income:	Rate:	Type:	Quantity:	Amount:	YTD:	Amount:	YTD:
Regular Hourly Pay	20.0000	Per Hour	40.0000	800.00	1500.00	Vac. hours earned	4.62
Retroactive Pay	0.0000	Variable	N/A	0.00	0.00	Vac. hours used	0.00
						Sick hours earned	4.62
						Sick hours used	0.00

Tax Details			Deduction Details		
Tax:	Amount:	YTD:	Deduction:	Amount:	YTD:
Federal Income Tax	83.80	152.24	401K (Employee)	32.00	60.00
Social Security (Employee)	49.60	93.00	Health Insurance	25.00	50.00
Medicare (Employee)	11.60	21.75	Box 12 data	12.00	22.50
State Income Tax	39.60	72.86	Medical FSA	25.00	25.00
Local Income Tax	0.00	0.00			
State Disability Insurance (Employee)	0.00	0.00	401K (Employer)	16.00	30.00
NY Disability	0.60	1.20			
Chicago City Tax	0.80	1.50			
Cook County Tax	58.00	108.75			
Social Security (Employer)	49.60	93.00			
Medicare (Employer)	11.60	21.75			

Enter Retro Pay Income amount in the Rate column 21

Other Optional Details		Check Summary				
Amount:	YTD:	Total Incomes:	Total Taxes:	Total Deductions:	Net Pay:	
Hours Worked	0.00	This Check:	800.00	244.00	462.00	
Weeks Worked	0.00	YTD:	1500.00	451.30	891.20	

MEMO:

OK Cancel