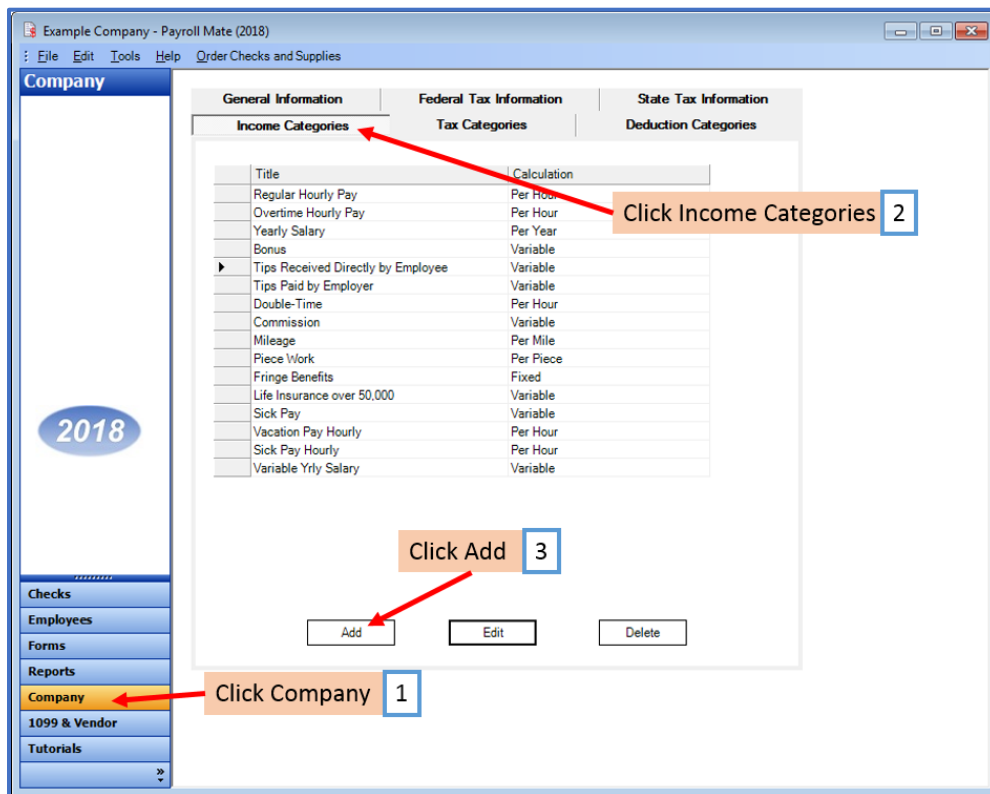


How to Set Up Severance Pay inside Payroll Mate

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.

Severance pay is an agreement between an employer and an employee (or the employee's representative) sometimes granted to employees upon termination of employment. There is no requirement in the Fair Labor Standards Act (FLSA) for severance pay. Severance 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). <https://www.irs.gov/publications/p957>

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

The screenshot shows the 'Income Details' dialog box with the following fields and options:

- Title:** Severance Pay (Step 4)
- Abbreviation:** SeverancePay
- Type:** Variable (Step 5)
- W-2 Box 12 Code:** (empty)
- W-2 Box 14 Abbreviation:** (empty)
- Reported tips (include in "Social security tips" on form W-2)
- Omit from Net Pay
- Inactive

Taxes Applied:

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

Deductions Applied:

- 401K (Employee)
- 401K (Employer)
- Health Insurance
- Box 12 data

Buttons: OK (Step 7), Cancel

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

The screenshot shows the 'Example Company - Payroll Mate (2018)' application window. The left sidebar contains a navigation menu with 'Company' selected. The main area displays a table of 'Income Categories' under the 'General Information' tab. The table has columns for 'Title' and 'Calculation'. The 'Severance Pay' entry is highlighted in red, and a red arrow points from a callout box to it. The callout box contains the text 'Severance Pay income category is now in list'. Below the table are 'Add', 'Edit', and 'Delete' buttons.

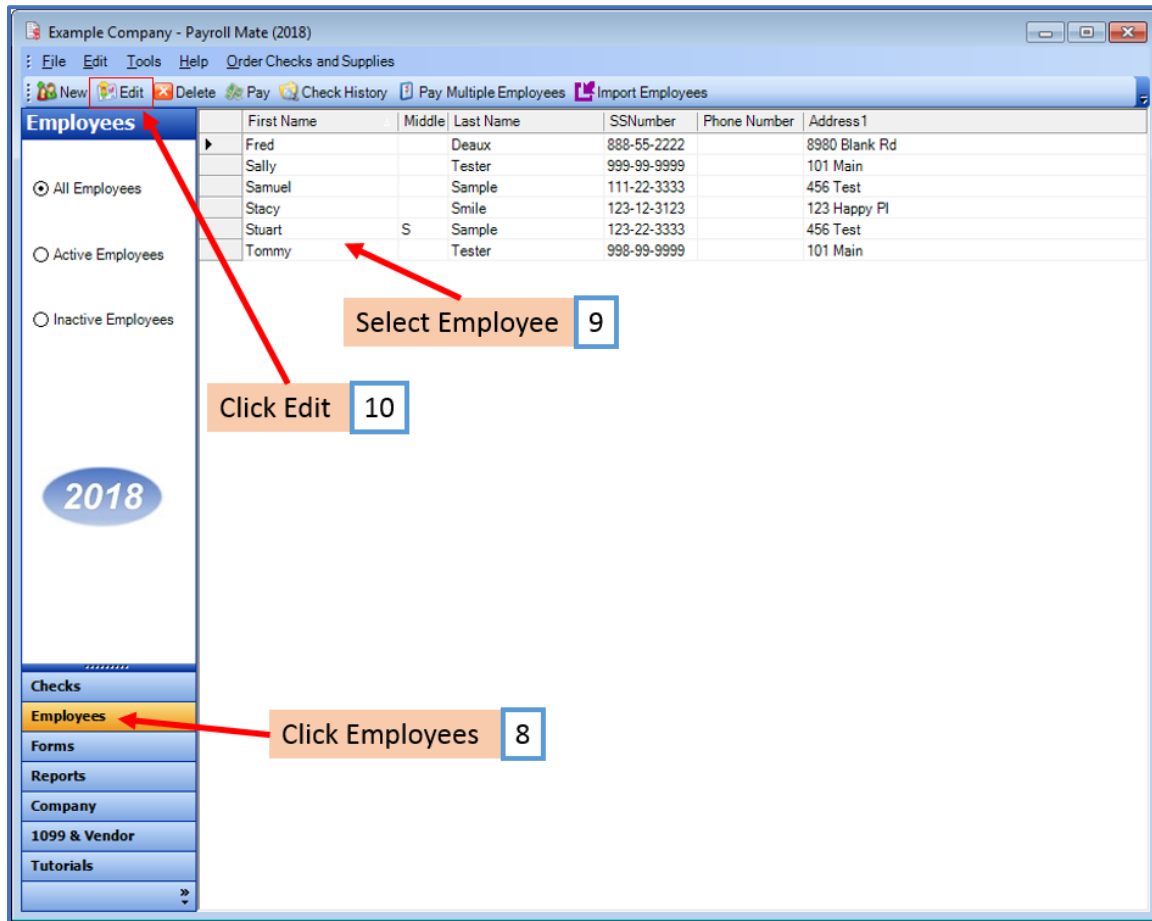
Title	Calculation
Regular Hourly Pay	Per Hour
Overtime Hourly Pay	Per Hour
Yearly Salary	Per Year
Bonus	Variable
Tips Received Directly by Employee	Variable
Tips Paid by Employer	Variable
Double-Time	Per Hour
Commission	Variable
Mileage	Per Mile
Piece Work	Per Piece
Fringe Benefits	Fixed
Life Insurance 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
Severance Pay	Variable

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

8. Click Employees from Shortcuts

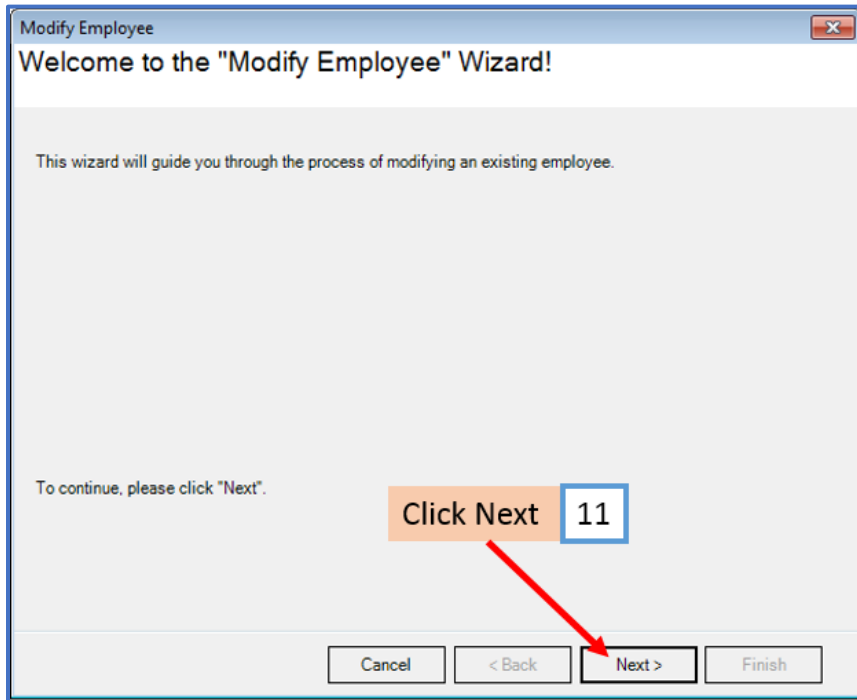
9. Select an employee from the list of employee's names

10. Click Edit

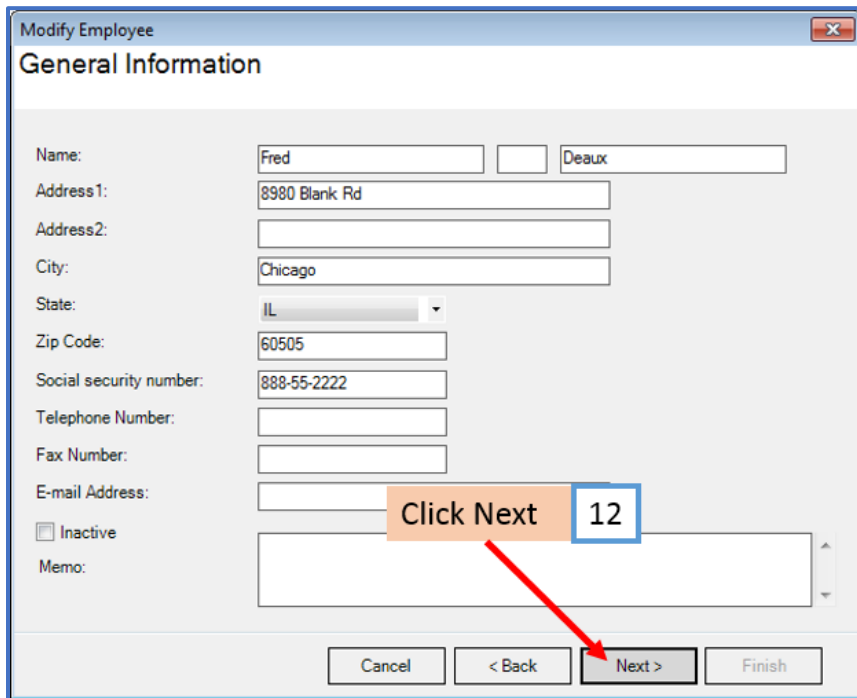


The Modify Employee Wizard will appear on the screen

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:

Buttons: Cancel, < Back, Next >, Finish

Callout: Click Next 13 (with arrow pointing to Next > button)

14. Checkmark to select severance income as applicable

15. Click Next

Modify Employee

Incomes

<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 type="checkbox"/>	Holiday Pay	[Per Hour]	<input type="text" value="0.00"/>
<input type="checkbox"/>	Bonus	[Variable]	
<input type="checkbox"/>	Tips Received Directly by Employee	[Variable]	
<input 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 type="checkbox"/>	Retroactive Pay	[Variable]	
<input checked="" type="checkbox"/>	Severance Pay	[Variable]	

Buttons: Cancel, < Back, Next >, Finish

Callout 14: Checkmark to select Severance pay income (with arrow pointing to checked box)

Callout 15: Click Next (with arrow pointing to Next > button)

16. Click Next

The screenshot shows the 'Modify Employee' window with the 'Taxes' tab selected. The window title is 'Modify Employee' and it has a close button in the top right corner. The 'Taxes' section contains a list of tax items, each with a checked checkbox:

- 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]

At the bottom of the window, there are four buttons: 'Cancel', '< Back', 'Next >', and 'Finish'. A red arrow points from a callout box to the 'Next >' button. The callout box contains the text 'Click Next' and the number '16' in a blue-bordered box.

17. Click Next

The screenshot shows the 'Modify Employee' window with the 'Deductions' tab selected. The window title is 'Modify Employee' and it has a close button in the top right corner. The 'Deductions' section contains a list of deduction items, each with a checked checkbox and a corresponding input field:

<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

At the bottom of the window, there are four buttons: 'Cancel', '< Back', 'Next >', and 'Finish'. A red arrow points from a callout box to the 'Next >' button. The callout box contains the text 'Click Next' and the number '17' in a blue-bordered box.

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:

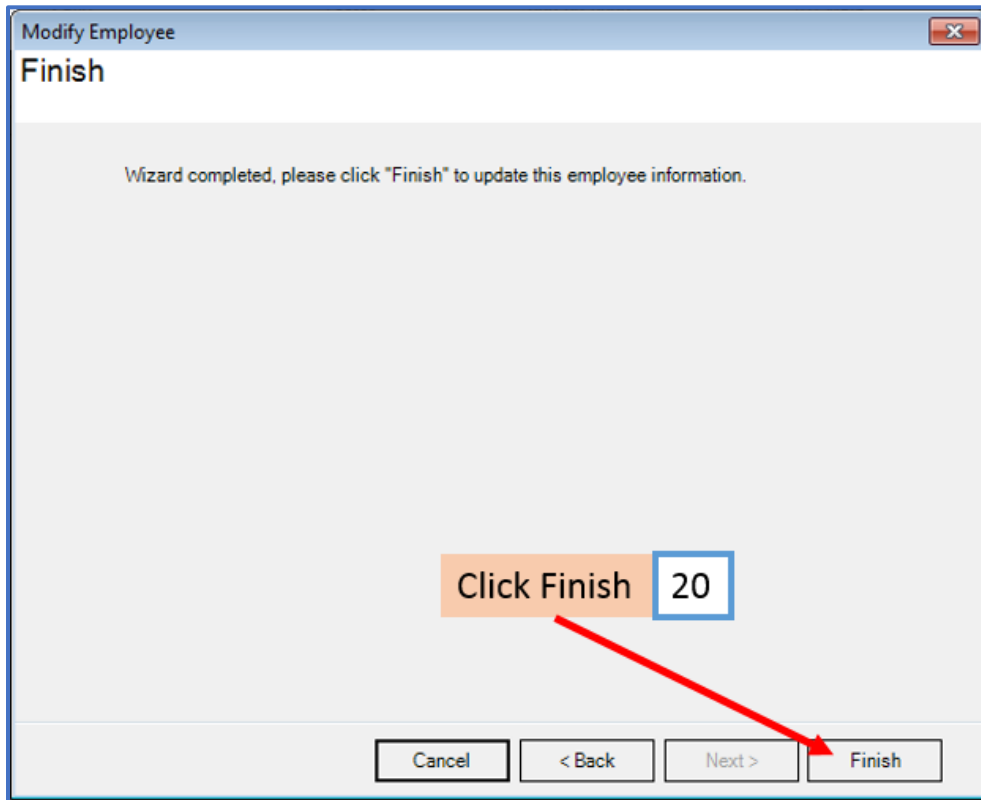
Maximum Sick Hours Earned Per Year: limited hours per year; fill with 0.00 for zero hours per year

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 Severance 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

Income:	Rate:	Type:	Quantity:	Amount:	YTD:
Regular Hourly Pay	20.0000	Per Hour	40.0000	800.00	1500.00
Severance Pay	0.0000	Variable	N/A	0.00	0.00

Vacation / Sick Hours

	Amount:	YTD:
Vac. hours earned	4.62	4.62
Vac. hours used	0.00	0.00
Sick hours earned	4.62	4.62
Sick hours used	0.00	0.00

Tax Details

Tax:	Amount:	YTD:
Federal Income Tax	83.80	152.24
Social Security (Employee)	49.60	93.00
Medicare (Employee)	11.60	21.75
State Income Tax	39.60	72.86
Local Income Tax	0.00	0.00
State Disability Insurance (Employee)	0.00	0.00
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

Deduction Details

Deduction:	Amount:	YTD:
401K (Employee)	32.00	60.00
Health Insurance	25.00	50.00
Box 12 data	12.00	22.50
Medical FSA	25.00	25.00
401K (Employer)	16.00	30.00

Other Optional Details

Check Summary

	Amount:	YTD:	Total Incomes:	Total Taxes:	Total Deductions:	Net Pay:
Hours Worked	0.00	.00	This Check: 800.00	244.00	94.00	462.00
Weeks Worked	0.00	.00	YTD: 1500.00	451.30	157.50	891.20

MEMO:

OK Cancel

Enter Severance Pay Income amount in the Rate column 21