



**Unicorn HRO**

**Garnishments**

iCON supports the calculation of several garnishment calculations. A garnishment is defined as the deduction of a specified sum of wages from an employee's paycheck to satisfy a creditor. A garnishment order and the amount to be garnished are usually specified by a court. Non-compliance with the garnishment is a violation of the law. Garnishments are also set up to insure that an employee does not bring home less than a certain, specified amount. This amount is "exempt" from the garnishment.

In iCON, garnishments are a special type of deduction. Below are the set-up steps that must be taken to define a deduction as a garnishment.

**Set-up:**

- 1) In the Payroll Deductions common object, set up a separate value for each garnishment. Set the Garnishment checkbox to "on".
- 2) Also in Payroll Deductions, for each deduction that must be subtracted from disposable earnings before the garnishment is calculated, set the Reduces Disposable checkbox to "on". This may occur if, for example, medical deductions are considered to be deductions required by law. If any of your employees have multiple garnishments, set this checkbox to "yes" for each garnishment deduction. By doing so, the first deduction to be taken will reduce disposable earnings, which will be used for the next garnishment. Note that this setting may be overridden at the employee deduction level.
- 3) In Garnishment Exemptions, for each deduction that will be used as a garnishment, define a "FED" exemption. This should be set to the federal exemption, currently 75% of pay or 30 times minimum wage. Set up other exemption rules as needed for each garnishment deduction. See the following section for a description of this function.
- 4) Define the garnishment deductions in Deduction Definition. Due to the nature of garnishments, the Arrears Option will in most cases be Partial Deduction/No Arrears. This signifies that if there is not enough net pay to take the full deduction, take a partial deduction up to the allowable amount. The system will not put the remainder in arrears. For the Garnishment Exemption, enter one of the rates that have been set up in the Garnishment Exemption function. This exemption is for information only; it does not affect any employee's calculations.
- 5) In Account Manager, assign general ledger account numbers to the garnishment deductions.
- 6) In the Minimum Wage function, define the federal minimum hourly wage amount, and any state minimum wage amounts. If the garnishment exempts a multiplier of the minimum wage, the system will check Misc. Payroll to get the employee's Work State. From Minimum Wage, it will get the hourly rate corresponding to the Work State. If no state minimum wage exists for the state, the federal minimum wage will be used to calculate pay exempt from a garnishment that uses a minimum wage multiplier. If Unicorn HRO processes your payroll, the Minimum Wage amounts will be updated for you.
- 7) If you will be printing garnishment checks or processing electronic child support payments, enter the names and addresses of the entities to receive payments in Garnishment Payees. Enter the name and address information. If the garnishment will be paid electronically, select the Electronic Payment Receiving Agency and enter the FIPS code if applicable. Select the checkbox to Use Electronic Funds Transfer. Outsource clients should contact Pay Support if a new Electronic Payment Receiving Agency needs to be set up. Leave the electronic payment fields blank if the garnishment will be paid by check.
- 8) If you process your own payroll and will be printing garnishment checks, set up bank information in the Bank Names common object. Then set up the bank account information in the Bank Accounts function. Enter information about the bank account and check stock your organization uses to make payments to garnishment payees in Garnishment Bank Accounts.

- 9) In Deductions, enter a deduction for the garnishment. Make sure that all of the employee's deductions are prioritized correctly. Garnishments usually take first priority. If, however, deductions for health care are allowed before the garnishment, give them the higher priority. (If a deduction is set to reduce disposable income, it must be given a higher priority than the garnishment in order to reduce disposable income before the garnishment is calculated.) In the Priority field, the lowest number receives the highest priority, i.e., 0 will be taken first and 999 will be taken last. In the case of multiple garnishments, prioritize them as dictated by law or court order. In the Garnishment Exemption field, select the exemption that will determine how much of the employee's pay is not available to be taken. In the Algorithm Category field, if this is a child support garnishment, and there is more than one, select Prorate Child Support if you want to assign a pro-rated amount to each child support deduction based on the available amount of pay. To make the system find the highest exemption among multiple garnishments, and use that exemption for all of the employee's garnishments, select Highest Exemption in the Algorithm Category field for all affected deductions. If you will be printing garnishment checks, the following fields must be entered: Garnishment Payee Name, Type of Reference (on the Additional Information screen) and Reference Number.

An explanation of information entered in the Garnishment Exemptions function is as follows:

**Garnishment Deduction:** This drop down list will display all deductions that have been defined as a Garnishment in the Payroll Deductions common object. Exemption formulas, or Rate Definitions, must be set up for each deduction.

**Rate Definitions:** each of these defines a separate way to calculate the employee's exempt pay. Exempt pay is subtracted from disposable earnings to determine the available amount that may be garnished.

Within Rate Definitions, fields are as follows:

**Type Of Garnishment:** This value is the record identifier. It may be any 3-character value. The only value that is required by the system is Type Of Garnishment "FED". When a garnishment exemption is designated as "Default To Fed Formula", it uses the "FED" definition. A "FED" value must exist for each Garnishment Deduction that defaults to the federal formula.

**Rate Definition:** This field stores a 20-character description of the exemption. It is user-defined. When you enter a garnishment deduction in Deductions, the Rate Definition field will become mandatory. The Rate Definitions that you have defined will appear in a drop down list.

**Percent Exemption:** Enter the percent of disposable wages that is exempt from garnishment. For example, if only 25% of pay may be garnished, 75% is considered exempt.

**Minimum Wage Multiplier:** Enter the amount to be multiplied times the minimum hourly wage that will be exempt from garnishment on a weekly basis. Currently, the federal minimum wage multiplier is 30. When calculating exempt wages, the system will get the employee's Work State from Misc. Payroll. If that state has a minimum wage defined in Minimum Wages and it is higher than the federal minimum wage, it will be used. Otherwise, the federal minimum wage amount will be used.

**Annual Fixed Amount:** Enter the annual dollar amount that is exempt from wages. If you have an exemption that is expressed as an amount other than annual, it must be annualized. For example, if you have a weekly exemption amount, multiply it times 52 and enter the result in this field.

**Default To Fed Formula:** If this exemption is the same as the federal formula, click on this checkbox. If you have other exemption rules, and have been instructed to take the higher amount of those rules or the federal amount, fill in the specified rules and also click on this checkbox. By doing so, all of the exemption amounts will be calculated, and the highest exemption amount will be applied to the employee's disposable earnings. When a garnishment exemption is designated as "Default To Fed Formula", it uses the "FED" definition. A "FED" value must exist for each Garnishment Deduction that defaults to the federal formula.

**Court ID:** If this garnishment exemption is associated with a particular court, enter the information here.

**Judge Name:** If this garnishment exemption is associated with a particular judge, enter his/her name here.

If you have various exemption percentages depending on income level, use the Rate by Tier Maintenance window. Enter the Upper Income Level, as an annual amount. In the Rate Percentage field, enter the percentage of income that is exempt from garnishment. An example is as follows:

Rule: These amounts are subject to garnishment: 5% of the first \$100 of wages per month, 10% of the next \$100 per month, and 20% of all sums in excess of \$200 per month.

<u>Set-up:</u>	<u>Upper Income Level</u>	<u>Rate Percentage</u>
	\$1200.00	95%
	2400.00	90
	999,999,999.99	80

### **Processing:**

When an employee's pay is being processed, and the system determines that at least one of the deductions is a garnishment, it will subtract all tax amounts from gross pay. If any deductions have been set to Reduce Disposable (either in the Payroll Deductions common object or in the Override Reduce Disposable field in Deductions) and their priorities cause them to come before garnishments, the amounts of these deductions will also be subtracted. The resulting amount is "disposable earnings".

Based on the rules set up in Garnishment Exemptions, the system will calculate all possible exemption amounts and take the highest one. If there is more than one garnishment, the system will use the highest exemption amount, and make sure that the total of all garnishment deductions does not exceed the allowable amount. It will subtract the highest exemption amount from the disposable earnings amount. From this available amount of wages, the system will process deductions in the order of their priority, applying the rules set up in Deductions.

If a garnishment deduction is set up to take 100% of pay, it will take the entire available amount.

If the deduction is set up as a flat amount, it will take the amount up to the available amount.

If there are multiple child support garnishments that are entered as flat amounts, and they must be prorated, enter the Prorate C.S. value (code "CHG") in the Algorithm Category field. If there is not enough money for all of these deductions to be taken in full, the system will add up all of the flat amounts. It will determine which percentage each deduction is of the total amount. It will then multiply the available amount times each deduction's percentage, and will arrive at an amount for each

deduction. If child support garnishments are not pro-rated, the deductions will be processed in the order of their priority until all of the available money is used up.

To print garnishment checks, use the Garnishment Check Print function. You can choose to print all garnishment checks for your legal entity, for a specific employee, payee, or pay date, and then choose the bank account where the checks should be drawn from. Payroll deductions with garnishment information and a garnishment payee code can be printed in this function. All deductions that are associated with a specific garnishment payee will be combined into one check to be sent to the payee. For example, if Student Loan Collections, Inc. has court orders to garnish wages from 8 of your employees, iCON will issue one check that combines the deductions from the pay of the 8 employees.

If you want to use a garnishment check format other than the one supplied with iCON (GarnCheckPrint.imr), create an Impromptu imr file and save it in your payroll mods directory. In the Garnishment Reports common object, add an entry where the value is the name of your imr file (do not include “.imr” in the COD entry). When you run Garnishment Check Print, select the report layout that you wish to use.

Use the Garnishment Payment Worksheet function to change information associated with a garnishment check, void a garnishment check, or reset a check number that needs to be reprinted. You can also void garnishment information for payments that were sent electronically. When you void a payment and recreate it, it will be recreated in its current format (either check or electronic payment), regardless of the type of payment it originally was. You can specify what payments you want to work with by selecting the Check Date, employee number, garnishment payee, or check number, or you can work with all garnishment payments. You can also select whether you want to work with printed payments, transmitted payments or all payments by using the Options menu.

The Garnishment Check Register can be used to print information about checks which have been produced. You select the legal entity, payee or employee number you want to work with and the date the checks were issued to them. The report displays the following information:

- name and address of the selected payee
- legal entity
- check number
- issuance date
- total amount of check
- name and ID number of employees whose garnishments are included in the check
- amount garnished from each employee

Garnishment checks can be reconciled using the Payment Reconciliation function.

Run Electronic Payment Generation to create electronic child support payments. The Electronic Payment Register will print as part of this process. You may also run the Electronic Payment Register separately.