Unicorn HCM

Taxes

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OVERVIEW

The Unicorn HCM Payroll system supports federal, state and local taxes as defined by the governmental agencies in the United States.

Unicorn HCM provides the calculation of employee and employer taxes, special forms such as Wage Continuation Forms and W-2s, and various reports which print wage and tax information.

Many of the variables used in calculating taxes are accessible to you within **Unicorn HCM**. Employer and employee tax rates, withholding allowances and supplemental tax rates can be viewed and changed on-line. There are several calculations, however, that require complex programming. These are hard-coded and cannot be viewed on-line. See the later sections on state and local income tax withholding for descriptions of special calculations.

SET-UP STEPS

Information used in the calculation of taxes may be accessed through the Tax Manager function. General ledger account numbers are assigned to taxes in the Account Manager function. When you receive the **Unicorn HCM** system, perform the following set-up steps:

1) In Tax Manager, view all federal and state information to guarantee accuracy. All federal and state employee taxes, and local employee taxes, that are withheld from employees' pay are included in the base product for Hosted and Outsource Customers. These can be viewed in the "Employee" section of Tax Manager.
2) In Tax Manager, enter all company-paid tax information in the "Employer" section. Company information must be entered for each legal entity you have. Examples of employer-paid taxes are FICA, FICM, FUTA and SUI.
3) For On-Premise Customers - if your employees are subject to local taxes, enter values in the Local Tax Types common object. Examples of these would be "CTYX" (city tax), "CNTX" (county tax), "OCTX" (occupational tax) and "SDTX" (school district tax). Next, enter values in the Localities common object. Then, enter header and rate information in Global Employee Tax Manager in Customer Management Module. Please see the end of this section for a list of local tax codes that are reserved for specific localities.
4) In Account Manager, assign general ledger numbers to each tax you will be using. Employee and employer tax amounts are accumulated and printed when the G/L Interface Actuals Generation process is run. They are estimated and reversed for partial accounting periods using the G/L Interface Estimate Generation and G/L Interface Reversal Generation functions, respectively.

All taxes in **Unicorn HCM** are effective-dated. When you process a payment, the system will use the tax rates that are equal to or the most recent record prior to, the Check Date of the payment. Therefore, when you receive a tax change that is to take place in the future, it can be entered with the correct effective date. You do not need to wait until that date to enter it on the system. New releases of **Unicorn HCM** contain all employee-paid federal and state rates. You are only responsible for maintaining changes to company-paid taxes, since these are stored by legal entity. For tax changes that occur prior to scheduled release dates, you will be notified by mail of the changes. Detailed on-line instructions will be included for changing the tax if you have any employees who will be affected by it. If no employees are assigned to the tax, no action is needed on your part. The next release will contain all updated taxes.

ADDING AND UPDATING TAX RATES

To set up a new Employer Federal State or Local tax or update an existing Employer Federal State or Local tax, access the Tax Manager function. You may also view Employee Federal, State, or Local tax data using the Tax Manager function.

Make the following selections to access the tax you wish to add, update, or view:

- Federal, State or Local
- Employee or employer: is this tax withheld from the employee's pay or paid by the company? If the tax is paid by both employee and employer, you need to access both areas of information separately.
- Effective Date: If you are entering a future tax change (for an Employer Tax), enter the date when the tax will take effect. You may enter future rates by using this feature. The new tax rates will not take effect until the Check Date of the payment is equal to or later than the Effective Date.
- If you selected a Federal tax, also select the tax type.
- If you selected a State tax, also select both the state and the tax type.
- If you selected a Local tax, also select the state, locality and tax type.
- Click on the Select button to access the rates.

<u>Employee Taxes</u>

The Tax Department of Unicorn HRO is responsible for adding Federal, State, and Local (not including Workers Compensation Insurance type taxes) tax rates that are considered Employee-paid taxes – those that the employee contributes to out of their periodic payroll payments.

You may view Federal, State, and Local (not including Workers Compensation Insurance type taxes) Employee Tax information from the Tax Manager function. The following describes the fields that appear when viewing Employee Tax information from Tax Manager.

- Effective Date: the date when this tax goes into effect. When processing a payment, the Check Date is compared to the Effective Date, and the current tax header record is used.
- Tax Filing Status: the marital status that this tax applies to. The marital status stored in Tax Elections will be matched to this status to determine the correct withholding amount. If this displays as ***no-value**, the tax is not dependent on marital status, and will be applied to all marital statuses.
- Resident (for state and local taxes only): if different rates exist for residents and non-residents, this field will display the appropriate Residential status. Otherwise, it will display **Non-Applicable**. For state taxes, resident status will be determined by the employee's active mailing address in Employee Addresses. For local taxes, resident status is determined by the employee's Resident Locality in Misc. Payroll.
- Primary Withholding Allowance: this field displays the annual amount specified by the taxing authority, if any. This amount is multiplied times the number of Exemptions that the employee has claimed in Tax Elections. The result is subtracted from annual gross wages to arrive at taxable wages.
- Secondary Withholding Allowance: this field displays the annual amount specified by the taxing authority, if any. Please see the individual state taxation methods in the State Income Tax Withholding Calculations section.

- Adopted Dependent Allowance: when an Employee State Income Tax type is selected, this field displays the annual amount specified by the taxing authority for adopted dependents. As of 2023 this only applies to the state of Indiana.
- Supplemental Tax Rate: if the taxing authority has defined a supplemental tax rate, it will be displayed here. See the Supplemental Wages section for further explanation of this feature.
- Secondary Supplemental Tax Rate: currently only used for California income tax, this value in this field is used when any pay codes are flagged to Use Secondary Supplemental Tax Rate in Pay Code Definition, such as bonuses and stock options.

Tax Rates by Income Level are displayed to the right of the screen in Manager Services, and at the bottom of the screen in Unicorn HCM Tools. The Tax Rate that displays is the ***percentage*** amount, not the multiplier amount. For example, 4% would be displayed as 4.00, not .04. If the tax has no ceiling, an Income Level of 999,999,999,999.99 is displayed for the highest Upper Income Level. If the last level is not equal to this amount, the system treats it as a "self-adjusting" tax. This feature is explained in a later section.

For State Unemployment Insurance, or other insurance taxes such as Medical Leave, Family Leave, or Long Term Care, you may enter an override to the employee tax percent by using the State Employee Tax Rate Override.

Employer Taxes

Employer-paid taxes are associated with a legal entity, since different companies may have different rates. Unicorn HCM Customers are responsible for entering Employer-paid taxes. Employer taxes use the following information:

- Effective Date: the date this tax goes into effect.
- Employer Tax Percent: enter the percentage that applies to this legal entity.
- Employer Wage Ceiling: enter the annual amount of wages to be taxed. If there is no wage ceiling, enter 999,999,999,999.99. If this amount is other than all "nines", the tax will no longer be calculated once the employee's taxable wages reach the ceiling. Taxable wages are calculated by taking gross wages, minus any pay or deduction amounts that have been exempted from the tax in Pay Taxation Exemptions or Deduction Taxation Exemptions.

Taxes in Tax Manager should never be deleted, since they are linked to employee historical information. The only exception to this would be if a tax was added incorrectly, and it had not yet been assigned to any employees. It could be deleted under these circumstances.

OVERVIEW OF TAX CALCULATIONS

The basic process of calculating withholding tax amounts is as follows – for states that use exemptions, for each tax:

1) Calculate pay which is not exempt from the tax, as defined in Pay Taxation Exemptions. If the "Add To Taxable Wages" checkbox is "yes", the pay type will be exempt from withholding, but wages will be added to the employee's wage base. Taxable wages can be viewed in the Tax Accumulators function and adjusted through Tax Adjustments.
2) Subtract deduction amounts which are exempt from the tax, as defined in Deduction Taxation Exemptions.

3) After subtracting pay and deductions which are exempt from the tax, the resulting taxable pay is multiplied times the number of pay periods the employee is paid in a year to annualize taxable pay. The number of pay periods is obtained from the "Pay Periods Per Year" value in the Pay Frequencies common object that corresponds to the Frequency in Misc. Payroll.
4) Exceptions to annualizing taxable wages occur for a lump sum that has a Check Print Option of Separate Payment or On Demand Payment where either of the following exist:
   A. Tax Over Number of Periods: If this is not equal to zero, the system will divide the taxable wages by this number, and then annualize this taxable wage amount. Taxes will be calculated on this amount, and then multiplied times the number of periods. For example, if 3 weeks of advance vacation pay is paid, and Tax Over Number of Periods is 3, the system will divide the employee's taxable wages by 3, annualize this amount and calculate the tax. The tax amount will then be multiplied times 3.
   B. Tax At Frequency: If this is not blank, the system will use the number of Pay Periods Per Year from the Pay Frequencies common object to annualized taxable wages, rather than the Tax Frequency in Misc. Payroll.
5) Multiply the number of exemptions in Tax Elections times the Primary Withholding Allowance amount in Tax Manager. Subtract this amount from annual taxable wages.
   Note: Exemptions are not part of the formula for calculating Federal Income Tax if the employee has submitted a 2020 or later W-4 Form. For Federal Income Tax calculation – see formula below.
6) Calculate the annual tax to be withheld, using the tax table found in Tax Manager.
7) Divide the annual tax by the number of pay periods per year to determine the tax amount to be withheld for the pay period.
8) The resulting tax amount is then rounded to the nearest penny: if greater than or equal to .nn5, it is rounded to the next penny. If it is less than .nn5, round to the lower penny.

Unicorn HCM uses either the Percentage Method or Computer Formula Method when calculating tax amounts. Tax tables, the other acceptable method for calculating federal and most state income taxes, are not used.

TAX USER EXITS

To perform a tax calculation other than that supplied with **Unicorn HCM**, use the Tax User Exits function. For any federal, state, or local tax you can specify a program to use rather than the system calculation.

ASSIGNING TAXES TO A NEW EMPLOYEE

After a new employee's data has been entered into Human Resources functions (i.e., Add Employee, etc.), use Payroll Activation to enter the additional data needed to process payments for the employee. The data that you enter in Payroll Activation or New Hire will automatically populate the following functions: Misc. Payroll, Payroll Status, Tax Elections and Deductions. For tax purposes, the system has the ability to assign income taxes (as defined by the field Employee Income Tax in the State Tax Types common object) to the employee's resident state in Address, the Work State, or both. Since many of the fields in the Payroll Activation affect taxation, explanations of the fields are given below.

Employee Number: enter the employee number as defined in Add Employee.

Legal Entity: enter the legal entity in which the employee will be working. If an employee works in multiple legal entities, this process must be performed for each one.

Effective Date: This date will default to the employee's hire date. It will become the Effective Check Date for information in Tax Elections, Payroll Status and Deductions. The year of the Effective Date will become the Tax Year in Misc. Payroll. **IMPORTANT**: Make sure that the year is the same as the next payroll you will be processing. However, if you are migrating employees from another system, it is important that for Federal Income Tax records have an Effective Date of the most recent date of the employee providing a Federal W-4, because the calculation for Federal Income Tax depends on whether the employee provided a Federal Form W-4 before or after January 1, 2020. For other Tax Records, such as State or Local Tax assignments, do not use the default hire date. Change the Effective Date so that it falls within the payroll year *and* is prior to the employee's first Pay Period End Date of payroll.

Federal Filing Status: Enter the filing status that the employee claimed on the W-4 form. This status will be written to the FIT record in Tax Elections.

Federal Exemptions: The number of exemptions the employee claimed on the W-4 form pre-2020. This number was written to the FIT record in Tax Elections. (Note: This field is only valid for employees who have not submitted a 2020 or later W-4 form.)

Multiple Jobs: Select Yes if the employee has checked the box in Step 2 of the 2020 or later W-4 Form. (Note: This field is only valid for employees who have submitted a 2020 or later W-4 Form.)

Dependent or other Credit Amount: Enter the amount that the employee provided in Step 3 of the 2020 or later W-4 Form. (Note: This field is only valid for employees who have submitted a 2020 or later W-4 Form.)

Other Income Amount: Enter the amount that the employee provided in Line 4(a) of the 2020 or later W-4 Form. (Note: This field is only valid for employees who have submitted a 2020 or later W-4 Form.)

Other Deductions Amount: Enter the amount that the employee provided in Line 4(b) of the 2020 or later W-4 Form. (Note: This field is only valid for employees who have submitted a 2020 or later W-4 Form.)

Additional amount to be withheld per pay period: Enter the amount that the employee provided in Line 4(c) of the 2020 or later W-4 Form.

State Filing Status: Enter the filing status that the employee is claiming for state income tax purposes, whether from a separate state form or from the W-4 form. This status will be written to the state income tax record in Tax Elections. When you activate the employee, special programming will occur for the following states:

> Arizona: A window will prompt you to select the tax percentage that the employee wishes to use.
> Maryland: For residents of Maryland, a state and county taxes are combined into one set of withholding rates. If you entered a county in the Resident Locality field, the system will assign the appropriate state/county tax combination. If the Resident Locality is blank, a message will appear which states "By selecting no Resident Locality, this employee will be assigned to the state income tax rate for Maryland with no county rate…Do you want to select a Resident Locality…?" with OK and Cancel buttons. To continue without selecting a county rate and process the employee with only the state income tax, click

"Cancel" – but to return to select a Resident Locality click "OK". You may then enter a Resident Locality and click Submit.
New Jersey: In addition to the regular income tax rates, the state allows employees to withhold at higher tax tables. A window will prompt you to select the regular rate or one of the special rates.

Note that if the employee's residence state is different than the Work State, a separate window will appear at the end of the process. If the State Filing Status you chose is not valid for both states, the system will only allow you to select the state for which the filing status is valid. You may later access Tax Elections in Manager Services or Employee Tax Options in Unicorn HCM Tools to assign the income tax record for the second state as needed.

State Exemptions: Enter the number of exemptions the employee is claiming for state income tax purposes.

State Secondary Exemptions: If the state has a provision for secondary exemptions, enter them here.

# of Adopted Dependents: This field will only appear if the Worked State selected is Indiana. If the employee is claiming Adopted Dependents on the Indiana Form WH-4 on line 7 for withholding purposes, enter that amount here.

Additional Allowance: If the state allows a dollar amount to be subtracted from wages before calculating taxes, enter the amount as an annual amount.

Additional amount to be withheld per pay period: If the state allows a dollar amount that can be added to the calculated State Tax withholding per pay period, enter the amount.

Work State/Province: Select the state where the employee will be working. The assignment of non-income state taxes, such as Unemployment and Disability, will be based on the work state. It can be changed in Tax Elections, if necessary. If the Work State is different than the Resident State, a window will appear where you can select the state(s) from which to withhold income tax.

SUI Location: The locations which have been entered for the employee's Work State will appear in the drop down list. Locations are set up in SUI and W-2 Manager. If a state requires quarterly wage reporting by locality, the SUI Location must be entered for each employee. This information is written to Employee Locations.

Work Locality: The locality where the employee works. This is informational only and does not affect payroll processing or taxation.

Resident Locality: The locality where the employee resides. If a local tax is assigned to the employee, and withholding rates are different for residents and non-residents, the Resident Locality will determine which rate the employee receives.

Payroll Status: This status is written to Payroll Status with the Effective Date. The definition of payroll status in the common object Payroll Statuses affect many areas of processing, such as standard payments, lump sums, inclusion in W-2s, etc.

Frequency: Enter the frequency of standard payments that the employee will receive, such as weekly, bi-weekly, semi-monthly, etc. The common object Pay Frequencies must contain the number of pay periods per year and number of hours per year, in order to calculate pay and taxation correctly.

Payroll Processing Group: Enter the group in which the employee will be processed. A group corresponds to a calendar of pay dates, defined in Pay Calendars.

Deduction Group: Enter the deduction group that this employee is associated with. Deduction groups are set up in Deduction Definition. If any deductions have been set to "Assign on Activation", they will be automatically assigned to the employee during the Payroll Activation Process. Deductions that are linked to employee-paid benefits will be assigned automatically at this time. If an employee has elected to participate in Flexible Spending Accounts or Health Savings Accounts, any related deduction(s) will also be assigned.

Pay Scheduled Hours: Enter the number of hours that the employee is scheduled to work per pay period. This field is required for time card exempt employees. For time card employees, the number of hours may be entered or left blank. It will not affect payroll processing, since only the number of hours in Time and Attendance will be paid to the employee.

Time Card Exempt: If the employee receives a standard pay each pay period and does not submit a time card, this checkbox should be "on". The employee will automatically be paid the number of hours in Pay Scheduled Hours. If the checkbox is "off", the employee will only be paid hours that have been entered in Time and Attendance.

Check Distribution Code: When checks and vouchers are printed, they will be sorted by this code. You may use the field to designate a department number, location number, or any other value by which checks should be sorted. Within the Check Distribution Code, documents are sorted by employee name.

Officer Code: For purposes of quarterly wage reporting in Massachusetts and Wyoming, enter any applicable officer code.

Washington Risk Code: For employees subject to Washington insurance taxes, enter the risk code that corresponds to the employee's job function. Insurance rates by risk code are stored in Tax Manager under Industrial Insurance Fund, Medical Aid Fund and Supplemental Pension Fund.

Home Account Number: If the employee's payroll information is to be charged to only one general ledger area, enter the account number here. If the employee works in more than one department, and his or her time is to be allocated by percentage of dollars earned, leave the Home Account Number blank. Instead, access the Account Distribution function and enter all account numbers, with the corresponding percentage that applies to each. An employee cannot have entries in Account Distribution if a Home Account Number has been entered.

During Payroll Activation, federal and state taxes are automatically assigned to the employee. If the employee's state of residence or work has corresponding local taxes set up in Tax Manager, you will be prompted to assign any applicable local tax(es). You may assign them at this time or at a later time. When the Payroll Activation process has completed, the system will display Tax Elections. You may make any changes or assign any additional taxes at this time.

FEDERAL INCOME TAX CALCULATION STARTING IN 2020

To calculate federal income tax withholding in 2020, the following worksheet formula is used. This method comes from IRS Publication 15-T and works for Forms W-4 from 2019 or earlier and Forms W-4 from 2020 or later. This method also works for any amount of wages. If the Form W-4 is from 2019 or earlier, this method works for any number of withholding allowances claimed.

Step 1 – Adjust the employee's wage amount

1a Enter the employee's total taxable wages this period (Step 3 from Overview above)…… 1a $_____
1b Enter the number of pay periods you have per year…… 1b_____
1c Multiply the amount on line 1a by the number on line 1b……... 1c $_____

If the employee HAS submitted a Form W-4 for 2020 or later, figure the Adjusted Annual Wage Amount as follows:

1d Enter the amount from Step 4(a) of the employee's Form W-4…… 1d $_____
1e Add lines 1c and 1d……... 1e $_____
1f Enter the amount from Step 4(b) of the employee's Form W-4…… 1f $_____
1g If the box in Step 2 of Form W-4 is checked, enter -0-. If the box is not checked, enter $12,900 if the taxpayer is married filing jointly or $8,600 otherwise (3 or 2 times Prim WH allowance amount)……..... 1g $_____
1h Add lines 1f and 1g…… 1h $_____
1i Subtract line 1h from line 1e. If zero or less, enter -0-. This is the Adjusted Annual Wage Amount…… 1i $_____*

If the employee HAS NOT submitted a Form W-4 for 2020 or later, figure the Adjusted Annual Wage Amount as follows:

1j Enter the number of allowances claimed on the employee's most recent Form W-4……. 1j _____
1k Multiply line 1j by $4,300…….. 1k $_____
1l Subtract line 1k from line 1c. If zero or less enter -0-. This is the **Adjusted Annual Wage Amount**…… 1l $_____*

Step 2 – Figure the Tentative Withholding Amount

based on the employee's Adjusted Annual Wage Amount; filing status (Step 1(c) of the 2020 Form W-4) or marital status (line 3 of Form W-4 from 2019 or earlier); and whether the box in Step 2 of 2020 Form W-4 is checked.
Note: Don't use the Head of Household table if the Form W-4 is from 2019 or earlier.

2a Enter the employee's Adjusted Annual Wage Amount ***from line 1i *or* 1l above**…… 2a $_____
2b Find the row in the appropriate Annual Percentage Method table in which the amount on line 2a is at least the amount in column A but less than the amount in column B, then enter here the amount from column A of that row…….. 2b $_____
2c Enter the amount from column C of that row…… 2c $_____
2d Enter the percentage from column D of that row…….. 2d _____%
2e Subtract line 2b from line 2a…….. 2e $_____
2f Multiply the amount on line 2e by the percentage on line 2d……. 2f $_____
2g Add lines 2c and 2f …… 2g $_____
2h Divide the amount on line 2g by the number of pay periods on line 1b. This is the **Tentative Withholding Amount** …… 2h $_____

Step 3 – Account for Tax Credits

3a If the employee's Form W-4 is from 2020, enter the amount from Step 3 of that form; otherwise enter -0-…….3a $_____
3b Divide the amount on line 3a by the number of pay periods on line 1b……..3b $_____
3c Subtract line 3b from line 2h. If zero or less, enter -0-……3c $_____

Step 4-Figure the final amount to withhold

4a Enter the additional amount to withhold from the employee's Form W-4 (Step 4(c) of the 2020 form or line 6 on earlier forms)……4a $_____
4b Add lines 3c and 4a. **This is the amount to withhold from the employee's wages this pay period**……4b $_____

CHANGING AN EMPLOYEE'S WITHHOLDING

If an employee is exempt from tax withholding, set the Exempt checkbox to "yes" in Tax Elections. The tax base will accumulate, but no tax will be withheld. If the employee is exempt from Federal Income Tax, a field called Exempt Expiration Date will appear. It will be automatically populated with the first business day that falls on February 15 or later of the year following the Effective Date. This date can be overridden in the Add mode if needed. If the employee does not file a new W-4 form claiming exempt status, and a Check Date on or after the Exempt Expiration Date is processed, the system will calculate FIT using the employee's filing status and number of exemptions from his or her previous non-exempt FIT record. If no previous non-exempt FIT tax election exists, the system will calculate FIT as Single filing status with zero exemptions, per IRS regulations.

If an employee's tax is suspended, set the Active checkbox to "no" in Tax Elections. The tax base will not be updated, nor will any tax be withheld. An example of a suspended tax is when an employee moves from one state to another. His prior state tax would be suspended, and the new state taxes would be added in Tax Elections.

When calculating tax to withhold, the system will check Tax Elections and use the records that are in effect as of the Check Date for the Pay Period End Date that is being processed. The system will check to see if any overriding information exists. To adjust withholding per an employee's instructions, enter the override amount in Tax Elections.

If you receive an IRS Lock-In letter for Federal Income Tax, enter information in the following fields: IRS Lock-In In Effect, IRS Lock-In Letter Date (informational only), Lock-In Filing Status and Maximum Number Of Exemptions. When the IRS Lock-In in effect checkbox is on, the system will not allow the employee's Filing Status to be changed to Married if the Lock-In Filing Status is Single, and will not allow the Federal Exemptions to be greater than the Maximum Number Of Exemptions.

For an employee who is a nonresident alien, a withholding adjustment must be made. Enter the annual adjustment amount as a negative amount in the Nonresident Alien Annual Adjustment field in the Tax Elections function in Manager Services or the Employee Tax Options in Unicorn HCM Tools. The system will also add an amount to the annual calculated tax as per IRS Publication 15-T for the current tax year if the employee is using the W-4 Forms function in Employee Self Service and claims themselves as a Non-Resident Alien.

MAKING AN ADJUSTMENT TO AN EMPLOYEE'S WITHHOLDING

If a one-time adjustment needs to be made to an employee's tax amount, either positive or negative, enter it in the Adjustment Amount field in Tax Elections. Also enter the pay period end date when the adjustment should be taken in the Adjustment Effective Date field. When the Pay Period End Date is equal to or greater than the Adjustment Effective Date, the adjustment will be taken. After the payment is created, the system will clear the two adjustment fields in Tax Elections.

VIEWING AND ADJUSTING TAXES

To view tax information for an employee, use the Tax Accumulators function. The following will be written for each employee and employer tax.

- Pending Tax, Tax Base, Gross Wages and Hours
- Month-to-date Tax, Tax Base, Gross Wages and Hours
- 1st Quarter Tax, Tax Base, Gross Wages and Hours
- 2nd Quarter Tax, Tax Base, Gross Wages and Hours
- 3rd Quarter Tax, Tax Base, Gross Wages and Hours
- 4th Quarter Tax, Tax Base, Gross Wages and Hours
- Year-to-date Tax, Tax Base, Gross Wages and Hours
- General Ledger Tax, Tax Base, Gross Wages and Hours

Gross Wages accumulates all payments to the employee, whether they were subject to the tax or not.

The Tax Base represents Gross Wages less any amounts that are not subject to the tax. The Tax Base does not stop at the ceiling. Taxes that have a wage ceiling (i.e., FUTA and SUI) display the full amount of "taxable" wages. The amount of Taxable Wages up to the ceiling are calculated by report programs such as the SUI Quarterly Report, Quarterly FUTA Report and Tax Frequency Report. For example, an employee may have a FUTA Tax Base of $20,000 in Tax Accumulators, but the Quarterly FUTA Report and the Tax Frequency Report will show Taxable Wages of $7,000.

Employee tax information is stored by Tax Year. Multiple years can be stored on the system indefinitely, or can be backed up to storage and then purged from the **Unicorn HCM** system.

To change any of these amounts, use the Tax Adjustments function. Please keep in mind that each amount must be changed individually. The only automatic change occurs in the year-to-date amount, which is updated whenever a quarter-amount is changed. For example, if you are making a month-to-date change, you should also update the quarter, total and G/L amounts if applicable.

To view taxes withheld on individual payments, use the Payment History function.

SELF-ADJUSTING TAXES

If an employee's year-to-date wage amount is equal to or higher than the wage ceiling specified by a government authority, no tax will be calculated. Wage ceilings are stored in the Upper Income Level defined in Tax Manager. The employee's wages will continue to accumulate, however. Thus, if the wage ceiling is raised during the year, it can be changed in Tax Manager and the employee's next pay check will automatically be adjusted for the difference in tax.

When the highest upper income level in Tax Manager is not equal to "999,999,999,999.99", the system will treat the tax as "self-adjusting". This means that when an employee's check is processed, the system will add the year-to-date and pending taxable wages together, and calculate the tax on that amount. If it is not equal to the sum of the year-to-date and pending tax withheld, the employee's tax amount will reflect the adjustment necessary to bring the yearly tax in line with the yearly wages. An example of this would be the FICA tax. The upper income level is not 999,999,999,999.99; therefore, any adjustments that are needed will be made to the employee's tax amount in his/her next check.

An exception to the year-to-date self-adjusting occurs for employer-paid SUI taxes, which are adjusted back to the first day of the quarter of the Effective Date. This is to handle rate changes that are effective the first of the quarter.

SPECIAL CALCULATION FOR FICM

There is special programming for the Medicare portion of the Federal Insurance Contributions Act (FICM), per the Affordable Care Act. For all FICM Taxable Wages over $200,000, the employee tax is 2.35% instead of 1.45%, effective for Check Dates beginning 1/1/2013. The employer tax remains 1.45% for all wages. In the case of common paymaster entities, FICM taxable wages for all related entities will be added together when checking for the $200,000 limit.

SUPPLEMENTAL WAGES

Unicorn HCM provides the ability to enter a separate withholding rate for supplemental wages, such as bonuses. If a federal or state tax requires a specific supplemental rate, it will be included with **Unicorn HCM**'s base product. Pay types that have the Supplemental Pay checkbox set to "yes" in Pay Code Definition will be taxed at the supplemental rate. Pay types that have the Use Secondary Supplemental Tax Rate set to "yes" will be taxed at the Secondary Supplemental Tax Rate (note that this is currently only applicable to California income tax).

There is special programming for Federal Income Tax (FIT). If an employee's supplemental wages, minus any pre-tax deductions that have been taken from those wages, have reached $1 million for the year, any supplemental wages over $1 million will be taxed at the highest rate in the tax tables, currently 37%. If an employee is exempt from FIT, withholding on supplemental wages over $1 million will take place at the higher supplemental rate. In the case of common paymaster entities, supplemental wages for all related entities will be added together when checking for $1 million in supplemental wages.

If no supplemental rate has been specified, the tax is calculated as follows:

- The employee's last regular pay will be added to the supplemental pay amount.
- The tax is computed on the combined pay amount.
- The tax for the last regular pay is subtracted from the tax for the combined amounts.
- The result is the tax attributable to the supplemental pay.

If you wish to use a tax percentage other than the one that is supplied with the system, enter it in Supplemental Tax Overrides. This is available for federal and state income tax.

If you do not wish to use the special supplemental pay rates, access Payroll System Defaults. Set the "Treat Supplemental Wages as Regular for W/H" checkbox to "yes". Please note that this will affect federal, state and local taxes.

SEVERANCE PAY TAXATION

Certain states have special rules for severance pay. For each applicable pay code, select the Severance Pay for State Income Tax Purposes checkbox in Pay Code Definition. By doing so, the employee's severance pay will be exempt from state income taxation as follows:

- The first $25,000 of severance pay is exempt from Alabama income tax

- Non-residents of Georgia are not taxed on severance pay.
- Non-residents of Washington, D.C. are not taxed on severance pay.
- There is currently no exemption for severance pay for North Carolina.

RECIPROCAL STATE INCOME TAXES

If an employee lives in one state and works in another state, reciprocal tax agreements may exist for those states. If so, the system will subtract the amount of income tax withheld for the work state from the amount to be withheld for the resident state. The system uses the employee's Work State from Misc. Payroll, and uses the resident state from the employee's current mailing address record stored in Employee Addresses (address type "01", with status "A"). Use the Reciprocal Tax Agreements function to define the states that allow this procedure.

If states have an agreement whereby income tax is withheld for only one of the states, this can be set up as well. To specify whether a newly hired employee's income tax assignment will go to the work state or resident state, go to the State Codes common object. Use the "Allow SIT Assignment to Work State" checkbox. If an employee lives in one state and works in another, the Payroll Activation Process will default to assigning the resident state's income tax if this checkbox is "off". If the checkbox is "on", the work state's income tax will be the default. You may override this when entering the employee's data on the system. You may also assign both states' taxes at this time.

TAX REPORTING ENTITIES

If you have more than one legal entity with the same SUI Account Number assigned by the state, add the main legal entity to the Tax Reporting Entities function. Next, associate all other "linked" legal entities. By doing so, the system will consider wages earned in any of these legal entities as being earned in the tax reporting entity; the wage ceiling will be applied to the total amount of wages and the unemployment tax will stop when that ceiling is reached. When generating the following, employees will be considered as working for the tax reporting entity, and all wages will be reported to that legal entity:

- Quarterly SUI Report
- SUI File
- Tax Frequency Report

If you run one of the above functions for a "linked" legal entity, the employee will not be included. He or she will only be included with the tax reporting entity. All other payroll reports, such as Payment Register, will show the wage and tax amounts in the legal entity where the payment was paid.

REPORTING

The following reporting options are provided in **Unicorn HCM**. They can be run at any time, since no tables are updated as part of the reporting functions. Wage and tax information is stored by quarter and year, and can be kept on the system indefinitely. Therefore, reports for prior periods can be run easily. Monthly data, however, is purged at the end of each month and cannot be retrieved after the purge by these standard reports. Previous monthly data may be obtained from Payment History.

Tax Frequency Report: This report prints all federal, state and local tax information. It includes pending amounts, month-to-date, quarter-to-date, and year-to-date amounts. Data can be selected by legal entity, quarter, year and employee detail/totals only.

Quarterly FIT/FICA/FICM Report: This report prints quarter-to-date wage and tax amounts for FIT, FICA and FICM. Data can be selected by legal entity, payroll processing group, year and quarter.

Quarterly FUTA Report: This report prints quarter-to-date gross wages, taxable wages, FUTA taxable wages and taxes. Data can be selected by legal entity, payroll processing group, year and quarter.

Quarterly State Income Tax Report: This report prints, by state, taxable wages and tax amounts for month, quarter and year. Data can be selected by legal entity, state, payroll processing group, year and quarter.

Quarterly Disability Report: This report prints quarter-to-date gross wages, taxable wages, and tax amounts. Data can be selected by legal entity, payroll processing group, year and quarter.

Quarterly Local Tax Report: This report prints, by locality, taxable wages and tax amounts for month, quarter and year. Data can be selected by legal entity, state, locality, year and quarter.

Quarterly SUI Report: By selecting the Detail option, Wage Continuation Forms will be printed. Either this form or a file is acceptable to all states except Michigan, Oklahoma and Wyoming. For these three states, special forms are printed when the SUI Quarterly Report function is run. When you select the Summary option, totals are printed by SUI Location, as well as the number of employees who worked during the pay period which includes the 12th of each month within the selected quarter. When you select the Negative Wages option, a report will print which shows employees with negative wages for the quarter. These must be reported separately. When you select the Work Report option, detailed information per employee will be printed.

Quarterly Workers Compensation Report: This report prints, by state and worker's compensation code, taxable wages and tax amounts for the quarter. Data can be selected by legal entity, state, payroll processing group, year and quarter.

W-2 Register: This report prints employee names and addresses, as well as all federal, state and local wage and tax amounts. For federal income tax, the system will calculate gross wages minus pay and deductions that are exempt from FIT, as defined in Pay Taxation Exemptions and Deduction Taxation Exemptions. If there is a difference between the calculated amount and the employee's FIT Taxable Wages, the result will be printed. Also, the system will calculate the amount of FICA and FICM that should have been withheld based on the employee's annual wages. If there is a difference between the calculated amounts and the actual amounts, the difference(s) will be printed. You also have the option to print employees with negative year-to-date amounts. A separate report is provided, since negative amounts are not permitted on W-2 forms, and therefore do not print on the standard W-2 Register.

Files can be produced using the following functions:

Monthly SUI Data Generation: Use this function to gather data for monthly files for Illinois.
Monthly SUI File Creation: Use this function to create the monthly files.
SIT File Creation: This function creates an electronic file in ICESA format, that details employee tax amounts for the quarter (as of this writing currently only required for Maine). Data can be selected by legal entity, state, tax year and quarter.

SUI Data Generation: Use this function to gather the applicable data. When it has completed, use the **SUI File Creation:** Use this function to create the files.

W-2 Data Generation or **W-2 Data Generation for Administrator:** Use this function to print W-2 forms and gather the data for W-2 files for federal and state agencies. When this has completed, use the **W-2 File Creation** function to create the files.

W-2 Local Data Generation: Use this function to gather the data for W-2 files for local agencies. When this has completed, use the **W-2 Local File Creation** function to create the files.

STATE INCOME TAX WITHHOLDING CALCULATIONS

Many of the parameters used to calculate state income taxes are incorporated into the tax programs themselves. Since these hard-coded values cannot be seen on-line in Tax Manager, it is important to understand what takes place behind the scenes. By knowing how each tax is calculated, you will be able to verify the accuracy of tax calculations.

Below are definitions of terms used in this section:

State Exemptions: When the employee is initially added to the system, this number is entered in the Payroll Activation Process to indicate the number of exemptions claimed. After activation, it can be viewed or updated in the employee's income tax assignment in Tax Elections. Only taxes defined as "income taxes" in the State Tax Type common object will display this field.

State Secondary Exemptions: This field is also found in Tax Elections. It is only applicable to certain states. Details on how this field is used can be found under the individual state descriptions.

Additional Allowance: This field must be entered as an annual amount in Tax Elections. It is subtracted from annual wages before the taxes are calculated. Only certain states allow this feature. Details are provided in the individual state descriptions.

Primary Withholding Allowance: This field is found on the header portion in Tax Manager. The amount in this field is typically multiplied by the number of State Exemptions the employee claims. The employee's taxable wages are reduced by the resulting amount, prior to the application of state tax rates.

Secondary Withholding Allowance: This field is also found on the header portion in Tax Manager. It is generally used to further reduce taxable wages before calculating tax. It is only used by certain states; explanations for its use can be found under the individual state descriptions.

Standard Deduction: This is usually a flat amount that, like the primary allowance amount, reduces the employee's taxable wages prior to the application of tax rates. It is hard-coded within the state tax programs.

Tax Credit: While deductions and allowances reduce taxable wages prior to applying tax rates, tax credits reduce tax amounts after the annual tax has been calculated. See the individual state descriptions to determine which states utilize tax credits. These amounts are usually hard-coded.

Refer to the "Overview of Tax Calculations" section for the basic steps in calculating state income taxes. All exceptions to this formula are described in detail below.

ALABAMA

For all employees, annualized federal income tax is subtracted from annual wages. In addition, the following calculations are performed based on marital status.

Single Employee (marital status = S):
Employee receives a standard deduction according to the schedule established by the state.

Employee receives a $1,500 personal exemption (the amount in the Primary Withholding Allowance field) and an amount for each dependent claimed, according to the state table. The number of dependents claimed on the A-4 form is entered in the State Exemptions field.

Married Employee (marital status = M):
The employee receives a standard deduction according to the schedule.

The employee receives a personal exemption of $3,000. In addition, the employee receives an amount for each dependent.

Married or Single Employee, Claiming Zero Exemptions (marital status = 0):
Employee receives a standard deduction according to the schedule. No additional allowances are given.

Head of Household (marital status = H):
Employee receives a standard deduction according to the schedule. Employee receives a personal exemption of $3,000. In addition, the employee receives an amount for each dependent.

Married Filing Separately Claiming One Personal Exemption (marital status = 1):
Employee receives a standard deduction according to the schedule established by the state.

Employee receives a $1,500 personal exemption (the amount in the Primary Withholding Allowance field) and an amount for each dependent claimed, according to the state table. The number of dependents claimed on the A-4 form is entered in the State Exemptions field.

ALASKA

No state income tax

ARIZONA

Employees choose a percentage of state taxable wages to be withheld. They may also elect to have an additional amount withheld each pay period. The available rates will display in the system as follows:

State Tax Type	Percentage	Label
SIT6	0.5%	0.5% AZ SIT6
SIT1	1.0%	1.0% AZ SIT1
SIT5	1.5%	1.5% AZ SIT5
SIT4	2.0%	2.0% AZ SIT4
SIT	2.5%	Income Tax
SIT2	3.0%	3.0% AZ SIT2
SIT3	3.5%	3.5% AZ SIT3

The state allows employers to not withhold Arizona income tax in December. To do this, go to the Legal Entity Definition function and select the option called “Suspend AZ SIT in December”.

ARKANSAS

The system annualizes taxable wages and subtracts the $2,340 standard deduction (effective January 1, 2024) to arrive at net taxable income. As of January 1, 2024, if the employee’s net taxable income is below $100,001, the amount in the $50 range (midrange of higher and lower $100) is used with the following indexed tax brackets, percentages, and minus adjustments to arrive at the annual tax amount. For net taxable income amounts of $100,001 and over, the exact dollar figure is used.

Tax Bracket			
Over	But Not Over	Percentage	Minus Adjustment
$0	$5,299	0.00%	
$5,300	$10,599	2.00%	$105.98
$10,600	$15,099	3.00%	$211.97
$15,100	$24,999	3.40%	$272.37
$25,000	$89,600	4.40%	$522.36
$89,601	$89,700	4.40%	$506.40
$89,701	$89,800	4.40%	$496.40
$89,801	$89,900	4.40%	$486.40
$89,901	$90,000	4.40%	$476.40
$90,001	$90,200	4.40%	$466.40
$90,201	$90,300	4.40%	$456.40
$90,301	$90,400	4.40%	$446.40
$90,401	$90,500	4.40%	$436.40
$90,501	$90,600	4.40%	$426.40
$90,601	$90,700	4.40%	$416.40
$90,701	$90,800	4.40%	$406.40
$90,801	$90,900	4.40%	$396.40
$90,901	$91,100	4.40%	$386.40
$91,101	$91,200	4.40%	$376.40
$91,201	$91,300	4.40%	$366.40
$91,301	$91,400	4.40%	$356.40
$91,401	$91,500	4.40%	$346.40
$91,501	$91,600	4.40%	$336.40
$91,601	$91,700	4.40%	$326.40
$91,701	$91,800	4.40%	$316.40
$91,801	$91,900	4.40%	$306.40
$91,901	$92,000	4.40%	$296.40
$92,001	$92,100	4.40%	$286.40
$92,101	$92,200	4.40%	$276.40
$92,201	$92,300	4.40%	$266.40
$92,301	$92,400	4.40%	$256.40

Over	But Not Over	Percentage	Minus Adjustment
$92,401	$92,500	4.40%	$246.40
$92,501	$92,600	4.40%	$236.40
$92,601	$92,700	4.40%	$226.40
$92,701	$92,800	4.40%	$216.40
$92,801	$92,900	4.40%	$206.40
$92,901	$93,000	4.40%	$196.40
$93,001	$93,100	4.40%	$186.40
$93,101	$93,200	4.40%	$176.40
$93,201	$93,300	4.40%	$166.40
$93,301	$93,400	4.40%	$156.40
$93,401	$93,500	4.40%	$146.40
$93,501	$93,600	4.40%	$136.40
$93,601	$100,000	4.40%	$126.40
$100,001	and above	4.40%	$126.40

The system multiplies the primary withholding allowance ($29 as of 10/1/2022) times each exemption and subtracts it from the rounded annual tax amount to arrive at the annual net tax amount. The annual net tax amount is then divided by the number of pay periods per year to get the tax to withhold for the pay period.

As of March 1, 2020, the system will no longer support the low income rates, as these rates need to include income from all sources for an employee, which would include income outside of their payroll wages.

CALIFORNIA

The program checks to see that the employee's income is above the low income exemption amount. If so, the tax calculations are applied. Otherwise, taxes are not withheld.

For 2024, the low income exemption amount (from the Low Income Exemption Table – Table 1) is currently set based on the employee's filing status as follows:

- The Low Income Exemption amount is set to $17,769 if filing status is Single, or Married with 0 or 1 allowance.
- The Low Income Exemption amount is set to $35,538 if filing status is Married with 2 or more allowances or is Head of Household.

For 2024, the standard deduction amount (from the Standard Deduction Table – Table 3) is subtracted from gross wages. This amount is based on the employee's filing status, as follows:

- The current standard deduction amount for an employee with a filing status of Single, or Married with 0 or 1 allowance is $5,363.
- The standard deduction amount for an employee with a filing status of Married with 2 or more allowances, or Head of Household is $10,726.

The State Secondary Exemptions field is used to enter the number of additional allowances for estimated deductions. For each estimated allowance claimed, $1,000 is subtracted from the employee's annual taxable wages. This Annual allowance amount is in the Estimated Deduction Table (Table 2).

After the annual tax has been calculated, the employee receives a tax credit for each exemption in the State Exemptions field. The annual tax credit is $158.40 in 2024. This credit is shown in the Exemption Allowance Table (Table 4).

There is special programming for California to accommodate two supplemental tax rates. For bonuses and stock options, the secondary supplemental tax rate is used. Define which pay types are subject to this tax in Pay Code Definition by using the Use Secondary Supplemental Tax Rate field. These pay types will then be taxed using the Secondary Supplemental Tax Rate in Tax Manager. Currently, the Supplemental Tax Rate is 6.6%, and the Secondary Supplemental Tax Rate is 10.23%.

COLORADO

Starting for Tax Year 2022, Colorado created its own Employee Withholding Certificate document – Form DR 0004. This allows employees to provide their employer with an allowance amount, with no limits, to deduct from an employee's annualized taxable wages before applying the Colorado Tax Rate of 4.4% when calculating Colorado SIT. Users can enter this amount in the Colorado Allowance Amount field for New Hires on the Payroll Activation screen, and in Tax Elections. This form is not required for employees, and employees who do not choose to use the new Colorado DR 0004 will have an allowance amount based on their Tax Marital Filing Status reduce their taxable income before the Colorado tax rate is applied. For 2024 these amounts will be: $10,000 for Married filing jointly, or $5,000 otherwise.
The amount of tax is rounded to the nearest dollar.

CONNECTICUT

An exemption is calculated based on the employee's marital status and annual wages. The Withholding Codes in the Personal Exemptions table (Table A) are used to determine that amount based upon the CT-W4 Marital Status. Using the table below to map the state marital status and exemption amount, it is then subtracted from wages to arrive at taxable income. A credit percentage is calculated based on annual wages and marital status; the tax is then reduced by this percentage.

If employees expect additions or reductions to their gross income, they may adjust their withholding accordingly. This must be indicated on their CT-W4 forms, line 2 or 3. To enter an adjustment, enter the pay period amount (positive or negative) in the Additional Tax Amount field. A positive amount will be added to the calculated tax to be withheld; a negative amount will be subtracted from the calculated tax to be withheld.

The chart below shows the marital status codes to be used in Tax Elections. If an employee selects Code E, select the Exempt status.

If Form CT-W4 Marital Status is:	Use State Marital Status:
A	0
B	H
C	1
D	2 or M
F	S

DELAWARE

The employee receives an annualized deduction of $3,250 if single (marital status = S), $6,500 if married filing jointly (marital status = M), or $3,250 if married filing separately (marital status = 0). For each State Exemption, the employee receives an annual tax credit of $110.

DISTRICT OF COLUMBIA

Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field).

FLORIDA

No state income tax

GEORGIA

A standard deduction is subtracted from annual wages, based on the marital status:

Married Filing Joint Return, assuming one spouse working (M)	24,000
Married Filing Joint Return, one spouse working (1)	24,000
Married Filing Joint Return, both spouses working (2)	12,000
Head of Household (H)	12,000
Single (S)	12,000
Married Filing Separate Return (0)	12,000

As of Tax Year 2024, the personal allowance is no longer part of the tax calculation.

Employee receives an annualized allowance for each State Secondary Exemption/Dependent claimed (allowance amount is found in the Secondary Withholding Allowance field). If State Secondary Exemptions is zero, the system will assume that the first two State Exemptions are for the employee and spouse, and the remaining exemptions are dependent allowances, if the employee claims the M, 1 or 2 filing status. Likewise, the system will assume that the first State Exemption is for the employee, and the remaining exemptions are dependent allowances, if the employee claims the S, 0 or H filing status.

If an amount exists in the Additional Allowance field (entered in annual dollars), the system will subtract this amount from annual wages before calculating the tax amount. Thus, to allow no standard deduction for an employee, enter the standard deduction as a negative amount in the State Additional Allowance field.

Taxes for supplemental wages are calculated using a table based on annual income. These amounts are hard-coded within the tax program. If the employee's annual income is under $8,000, 2% is calculated. From $8,000 to $10,000, the rate is 3%; from $10,000 to $12,000, the rate is 4%; from $12,000 to $15,000, the rate is 5%; over $15,000, the rate is 5.49% (as of Tax Year 2024).

HAWAII

Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field).

IDAHO

Employee receives an annualized allowance for each child who qualifies for the Idaho tax credit (allowance amount is found in the Primary Withholding Allowance field).
Tax is rounded to the nearest dollar.

ILLINOIS

Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field), and an allowance for each State Secondary Exemption claimed (amount is found in the Secondary Withholding Allowance field).

INDIANA

Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field), an allowance for each State Secondary Exemption claimed (amount is found in the Secondary Withholding Allowance field), another allowance amount for Number of Adopted Dependents (amount is found in the Adopted Dependent Allowance field) (as of October 1, 2022), and – finally – as announced in June 2023 for Tax Year 2023, an additional allowance for each dependent you are claiming for the first time in a tax year. The Field in the UHCM system is labeled "Number of First-Time Dependents" and the allowance amount is the same that is used for the Number of Adopted Dependents and can be found in the Adopted Dependent Allowance field in Tax Manager.

IOWA

Annualized federal income tax is NO LONGER SUBTRACTED FROM ANNUAL WAGES AS OF JANUARY 1, 2023.

For Tax Year 2024, the calculation for Iowa State Income Tax has completely changed. The program determines the Standard Deduction used in the calculation based on whether the employee provided an Iowa W-4 as of January 1, 2024 or later, and what the employee had entered in Line 6 of the 2024+ Iowa W-4.

If the employee has provided a new Iowa W-4 for 2024 or later, the amount from Line 6 of that form - Total Allowances - should populate (if using Classic Employee Self Service W-4 Forms function) or should be entered in (if using paper W-4 forms with manual entry into Manager Services) the Additional Annual Allowance field in the Tax Elections function in Manager Services. If the Annual Allowance is less than $80 – the calculation will use a Standard Deduction of $14,600. If the Annual Allowance is $80 or more – the calculation will use a Standard Deduction of $29,200. The Annual Allowance amount is also used later in the calculation to reduce the annualized tax amount. The annualized tax amount cannot be less than zero.

If the employee has NOT provided a new Iowa W-4 for 2024 or later, the system will apply a Standard Deduction of $14,600 in the calculation, and will reduce the annualized tax amount by $40.

Iowa has also changed the selections for Marital Status on the 2024 Iowa W-4 form. A taxpayer can now select one of the Marital Statuses below – and they will be mapped to the Tax Filing Status codes in the Unicorn HCM application as indicated below (this is only for display purposes – all tax filing statuses use the same tax table):

- Other will map to S-Single
- Head of Household will map to H-Head of Household
- Married Filing Jointly will map to M-Married
- Married Filing Jointly selected with "If so does your spouse also have earned income?" will map to 2-Marr 2 Sp Wk

KANSAS

Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field).

KENTUCKY

A standard deduction of $3,160 (2024) is subtracted from annual wages, then the annual tax is calculated.
For employers approved for the Kentucky Rural Economic Development Authority (KREDA), set up the following:

1) State Tax Types common object must contain value "KRED". Set Employee Income Tax to "off". Set Auto Assign to "off" (unless all Kentucky employees are subject to the fee).
2) In Tax Manager, enter the rate, i.e., 4% of wages up to 999,999,999,999.99 (to signify unlimited wages).
3) In Account Manager, assign a G/L account number to the KREDA fee.
4) In Pay Taxation Exclusions, the KREDA fee should be exempt from the same pay types as Kentucky income tax.
5) In Deduction Taxation Exemptions, the same deductions should be exempt from the KREDA fee as they are the Kentucky income tax.
6) In W-2 Additional State Taxes, add the KREDA fee so that it prints on W-2 forms. The KREDA and SIT amounts are combined, per state requirements, and printed in Box 17.
7) In Tax Elections, assign the KREDA fee to all employees involved in the program.

The system will withhold the specified percent as the KREDA fee. It will only withhold the difference between the calculated amount of Kentucky income tax and the KREDA fee as the actual income tax.

When printing W-2 forms, the KREDA fee will be added to the Kentucky SIT tax and printed in Box 17, per state requirements. If local taxes apply, withhold them per normal procedures and use the first seven positions of the Localities common object Long Description to print on the W-2 forms.

LOUISIANA

Taxable wages are annualized, and the annual tax is calculated. Then, the total exemption amount (explained below) is calculated, and the tax is calculated on that amount. The tax from the exemption amount is subtracted from the annual tax amount, and then pro-rated per pay period.

The program will use the M tax table if the employee claims 2 primary exemptions. The program generates a standard deduction of $4,500 for each of the first 2 exemptions claimed in the State Exemptions field. A standard deduction of $1,000 is generated for each exemption in excess of the first two. This programming occurs only if the State Secondary Exemption field is equal to zero.

The program will use the S tax table if the employee claims 0 or 1 exemption. The system generates a standard deduction of $4,500 for the first exemption claimed in the State Exemptions field. A standard deduction of $1,000 is generated for each exemption in excess of the first one. This programming also occurs only if the State Secondary Exemption field is equal to zero.

If the State Secondary Exemption field is a value other than zero, the system will multiply the number of State Exemptions times the Primary Withholding Allowance, and multiply the number of State Secondary Exemptions times the Secondary Withholding Allowance. Enter the number of exemptions in the State Exemptions field and the number of credits in the State Secondary Exemptions field.

MAINE

Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field) of $5,000 for 2024. If annual wages are $97,150 or less for Single employees, the standard deduction is $11,750. If annual wages are $194,300 or less for Married employees, the standard deduction is $26,350. Single employees with $172,150 or more or Married employees with $344,300 or more do not receive a standard deduction. The standard deduction is reduced for Single employees earning more than $97,150 but less than $172,150 and Married employees earning more than $194,300 but less than $344,300.

State income tax is rounded to the nearest dollar.

MARYLAND

If the employee's annualized taxable wages are less than $5,000, no tax is withheld.

Employee receives an annualized deduction of 15% of wages, not to be less than $1,800 or greater than $2,700. State Exemptions are multiplied by the Primary Withholding Allowance amount and subtracted from wages. The rates for state and county taxes are combined into one tax type.

Employees who live in Maryland but work in Delaware should only be assigned Maryland income tax with no county rates. Special resident rates apply to these employees. Employees who work in Maryland but do not live there, and have been assigned the state income tax, will have nonresident rates applied.

MASSACHUSETTS

The employee's wages are reduced by the amount of FICA, FICM, FRR1, FRR2 and FRRM tax withheld, until $2,000 has been deducted year to date. If an employee claims one State Exemption, an allowance of $4,400 is received. If an employee claims more than 1 exemption, he/she receives $1,000 per exemption (exemption amount is found in the Primary Withholding Allowance field), plus an additional allowance of $3,400. If annual taxable wages are less than $8,000, and the employee claims 1 or more exemptions, no tax is withheld.

MICHIGAN

Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field).

MINNESOTA

Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field).

MISSISSIPPI

A standard deduction amount is subtracted from gross wages:

- Single (S) 2,300
- Married, both spouses employed (0) 2,300
- Married with one spouse working (M) 4,600
- Head of Household (H) 3,400

If the client uses the W-4 Forms function in Employee Self Service - the dollar amount from Line 6 of the 89-350 will populate the Additional Annual Allowance field. The system will use this in the calculation of the tax and will not use the Number of Withholding Allowances or Number of Secondary Allowances fields.

If the employee is not using the W-4 Forms function in Employee Self Service, and has information in the Number of Withholding Allowances and/or Number of Secondary Allowances field, the calculation will work as follows:

S: $6,000 is received for the first allowance and a $1,500 allowance is received, per allowance, for each allowance above the first allowance. This programming occurs only if the Number of Secondary Allowances field is equal to zero.

0: $500 is received for each allowance claimed in the Number of Withholding Allowances field only. Spouses may split deduction amounts in increments of $500.

M: $12,000 is received for the first allowance and a $1,500 allowance is received, per allowance, for each allowance above the first allowance. This programming occurs only if the Number of Secondary Allowances field is equal to zero.

H: $9,500 is received for the first allowance and a $1,500 allowance is received, per allowance, for each allowance above the first allowance. This programming occurs only if the Number of Secondary Allowances field is equal to zero.

If the Number of Secondary Allowances field has a value other than zero, and the State Filing Status is other than Married, both spouses employed (0), the system will multiply the Number of Withholding Allowances times the Primary Withholding Allowance amount from Tax Manager, and multiply the number of Number of Secondary Allowances times the Secondary Withholding Allowance amount from Tax Manager.

The amount of tax is rounded to the nearest dollar.

MISSOURI

A standard deduction is subtracted for marital status of S (single), M (married and spouse works), and statuses 0 (spouse not working, filing separately), 1 (married and spouse does not work), and H (head of household).

Number of withholding allowances claimed by employees are no longer included in the tax calculation as of January 1, 2018.

Tax amount is rounded to the nearest dollar.

MONTANA

As of October 2023 – the Montana W-4 – Form MW-4 Montana Employee's Withholding and Exemption Certificate - now asks the taxpayer to select their Federal Filing Status for Montana State Income Tax withholding calculation purposes. These will map in Unicorn HCM as follows: (If using Classic Employee Self Service and the W-4 Forms function, these will map automatically. If using paper forms – please select the correct filing status per the below.)

- Box 1a Single or Married Filing Separately will map to S-Single
- Box 1b Married Filing Jointly or Qualifying Widower will map to M-Married
- Box 1c Head of Household will map to H-Head of Household

- Line 2 checkbox - if the taxpayer selects/checks the checkbox on Line 2 for Married Filing Jointly with Both Spouses Working along with selecting the checkbox for Line 1b Married Filing Jointly – this will map the employee's Montana Tax Filing Status to S-Single in the Unicorn HCM product, being that there is one Tax Table for Single, Married Filing Separately, or Married Filing Jointly with Both Spouses Working.

The formula for calculating Montana State Income Tax no longer uses exemptions and the Tax Tables no longer include a Primary Withholding Allowance amount.

NEBRASKA

Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field). Effective 2008, a minimum of 1.5% of taxable wages must be withheld, unless the employee has shown proof to the employer that he or she is eligible to have less than 1.5% withheld (to do so, select the checkbox called "Allow Less than Minimum %" in Tax Elections).

NEVADA

No state income tax

NEW HAMPSHIRE

No state income tax

NEW JERSEY

Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field). Marital statuses S (single) and 0 (married/civil union couple filing separately) use Rate Schedule "A" from the state's tables. Marital statuses M (married/civil union couple filing jointly), H (head of household) and X (surviving spouse) use Rate Schedule "B". To assign one of the optional rate schedules (at the employee's election), assign the following tax record in place of the normal state income tax record:

- Rate Schedule "C" Tax record "SITX"
- Rate Schedule "D" Tax record "SITY"
- Rate Schedule "E" Tax record "SITZ"

NEW MEXICO

As of January 1, 2020, employee no longer receives an annualized allowance for each State Exemption claimed – as New Mexico uses the Federal W-4 for determining an employee's withholding, and exemptions are not included in the Federal W-4 forms for 2020 and beyond. Even if the employee had claimed exemptions using a pre-2020 Federal Form W-4, the withholding allowance deduction is not removed from wages to calculate the New Mexico State Income Tax withholding amount.

NEW YORK

Employee receives a standard deduction of $7,400 if single (S), or $7,950 if married (M). Employee also receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field).

Starting for Tax Year 2022, there is special programming – Method III Top Income Tax Rates Method - for wages greater than $1,077,550 for Single taxpayers and for wages greater than $2,155,350 for Married taxpayers.

NORTH CAROLINA

Starting in Tax Year 2022, employee receives a standard deduction of $12,750 if single (S) or married (M), or $19,125 if head of household (H). Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field).

The tax amount is rounded to the nearest dollar.

NORTH DAKOTA

Employee uses the Federal Form W-4 to select Filing Status. As with the Federal Income Tax Calculation, there are different formulas to calculate North Dakota State Income Tax depending upon when the last Federal Form W-4 was submitted. If an employee has submitted a Form W-4 in 2020 or later, exemption allowances are not included in the calculation formula. If an employee's latest Form W-4 was submitted before 2020, the employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field).

OHIO

Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field).

OKLAHOMA

Valid marital statuses are M (married), S (single) and 2 (married but withhold at higher Single rate). Tax tables for statuses S and 2 are the same.

Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field).

The amount of tax is rounded to the nearest dollar.

OREGON

Annualized federal income tax is subtracted from the employee's annual wages (this does not include any additional federal income tax the employee elected to have withheld). However, as of January 1, 2024, this deduction cannot exceed $8,250 (subject to a phase out based on wages) divided by the number of pay periods per year. The standard deduction of $2,745 (Single) or $5,495 (Married) is then subtracted.

If an employee is Single with three or more exemptions, the Married tax rates are used. A tax credit of $249.00 is subtracted for each State Exemption claimed.

PENNSYLVANIA

Tax is a flat rate of the employee's wages. There are no standard deductions or exemptions.

PUERTO RICO

If the employee's gross annual salary does not exceed $20,000, he or she is not subject to income tax withholding. Select the Exempt checkbox if the employee does not wish to have income tax withheld. If he or she indicates that withhold should take place on Withholding Exemption Certificate Form 499 R-4.1, leave the Exempt checkbox blank. If the employee would be exempt, but wants taxes withheld, enter the additional tax amount in the Override Tax Amount field. If the employee wants an additional percentage to be withheld, enter it in the Override Tax Percent field. By using the Override fields, this will prevent the standard tax calculation from happening, and will withhold only the amount or percent that the employee has indicated.

A personal exemption is subtracted from gross wages, based on marital status:

- Single (S) $3,500
- Head of Household (H) $7,000
- Married – Full Exemption (M) $7,000
- Married – ½ Exemption (1) $3,500
- No exemption (2) $ 0

The employee receives an annualized allowance for each State Exemption claimed.

Enter the employee's standard deduction in the Additional Allowance field in Tax Elections: $2,100 for marital status "S", $2,730 for status "H", $3,150 for statuses "M", "1" or "2". This field may be left blank if no allowance is taken.

To enter the Optional Allowance, enter the number of optional allowances in the State Secondary Exemptions field, and also enter $500 in the Additional Allowance field. These fields are then multiplied, and the total amount is subtracted from wages. (If the State Secondary Exemptions field is zero, the Additional Allowance amount is subtracted from wages.)

If the employee is eligible to claim the allowance amount for the special deduction of certain individuals (Appendix 2), it must be added to the Additional Allowance field. Note that if the employee has a value in the State Secondary Exemptions field, it must be multiplied times the $500 and the result must be added to the Additional Allowance field. The State Secondary Exemptions field must be zero so that it is not multiplied times the amount in the Additional Allowance field.

To use special taxation for the Christmas Bonus, select the Puerto Rico Christmas Bonus checkbox in Pay Code Definition. When a Christmas Bonus over $1,500 is paid, the system will get the employee's last standard paycheck, divide the tax amount by the taxable wages, and apply this percentage to the Christmas Bonus. When the Christmas Bonus is up to $600, no tax will be withheld. When the Christmas Bonus exceeds $600, but does not exceed $1,500, 7 percent will be withheld.

RHODE ISLAND

Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field) if annual wages are not more than $274,650 in 2024.

SOUTH CAROLINA

Employee receives an annualized allowance for each State Exemption claimed. The employee also receives a standard deduction of 10% of wages, up to a fixed amount of $6,925 if one or more exemptions are claimed.

The tax amount must be rounded to the nearest whole dollar.

SOUTH DAKOTA
No state income tax

TENNESSEE
No state income tax

TEXAS
No state income tax

UTAH
Withholding amounts are calculated according to a formula published by the state. The Base Allowance amount is stored in the Primary Withholding Allowance field.

VERMONT
Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field).

There is special programming for taxing supplemental wages. If an employee's supplemental wages minus any pre-tax deductions have reached $1 million for the year, any supplemental wages over $1 million will be taxed at 11.10% (30% of the highest FIT rate of 37%).

VIRGINIA
Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field). Employee also receives an annualized allowance for each State Secondary Exemption times the Secondary Withholding Allowance. This is used for Age 65 And Over and Blind exemptions. Wages are also reduced by a standard deduction.

WASHINGTON
No state income tax

WEST VIRGINIA
Employee receives an annualized allowance for each State Exemption claimed (allowance amount is found in the Primary Withholding Allowance field). The tax amount is rounded to the nearest dollar.

WISCONSIN
A standard deduction is subtracted from gross wages, based on marital status.

The calculation for Single Employees (marital status = S) is:

$6,702 if annual gross wages are less than $17,780
0 if annual gross wages are $73,630 or more
If annual gross wages are at least $17,780 but less than $73,630, the deduction amount is amount is obtained by subtracting from $6,702, 12% of the annual gross wages in excess of $17,780.

The calculation for Married Employees (marital status = M) is:

$9,461 if annual gross wages are less than $25,727
0 if annual gross wages are $73,032 or more
If annual gross wages are at least $25,727 but less than $73,032, the deduction amount is obtained by subtracting from $9,461, 20% of the annual gross wages in excess of $25,727.

An exemption amount, found in the Primary Withholding Allowance field, is subtracted for each State Exemption.

WYOMING

No state income tax

OTHER STATE TAXES

The following discussion describes state taxes, other than income taxes, that have special programming.

WORKERS' COMPENSATION

In order to calculate workers' compensation taxes, two tax types must be used when setting up the rates in Tax Manager: WCTX for workers' compensation tax or premium, and WCAF for any administrative fee associated with workers' compensation. Workers compensation taxes are stored in different tables than other state taxes: WC_EEheader, WC_EERates, WC_ERHeader, and WC_ERRates. To have access to these tables, you must have Function Authority to Workers Compensation Employee Rates and Workers Compensation Employer Rates. When setting up the tax headers, you have four options: Percent of pay, Percent of pay up to an annual wage ceiling, Amount per labor hour (for pay types that have the Workers Comp Hours "on" in Pay Code Definition), and Amount per quarter. When the system calculates the tax, it will get the employee's workers compensation class from the employee's primary Position; if it finds no workers compensation class, it will get the workers compensation class from the Job Title record. It will check the Tax Manager to see if there is a tax rate for that particular class. If not, it will tax the employee at the rate that has a blank workers' compensation class.

MASSACHUSETTS FAIR SHARE CONTRIBUTION

If you are subject to the Massachusetts Fair Share Contribution, set up State Tax Type FSC in the State Tax Types common object. In Tax Manager, enter the flat dollar amount per employee per quarter. Assign the tax to full time employees.

OREGON WORKERS COMPENSATION

You can enter Oregon's workers compensation in two ways. Either follow the instructions in the previous section called "Workers Compensation", or set up as follows: Hours must be entered with employee pay, whether pay is given through time and attendance, lump sums or manual payments. In Pay Code Definition, the field "SUI Labor Hours" must be set to "on" for all pay that represents hours worked. The employee tax is calculated as a flat rate of $.012 per hour, and the employer tax is $.012. Tax Manager must contain a header record for tax type SWCF for the employee portion of the tax. Only the Effective Date should be entered; all other fields should be blank, since the calculation is hard-coded.

OREGON STATEWIDE TRANSIT TAX

If your employees are subject to Oregon Statewide Transit Tax, an additional 0.1 percent tax on employee wages will be separately withheld without regard to exemptions from withholding or withholding allowance amounts.

WASHINGTON INSURANCE

In Pay Code Definition, the field "SUI Labor Hours" must be set to "on" for all pay that represents hours worked. When setting up header information in Tax Manager, the only valid tax types are SIIF (state industrial insurance fund), SMAF (state medical aid fund) and SSPF (state supplemental pension fund).

When entering rates, use the Upper Income Level to enter the Washington State Risk Code, and the Tax Rate to enter the risk class rate. The rate should be entered as the full rate from the state's tables. The program will calculate SIIF as an employer-paid tax. For SMAF and SSPF, the system will withhold 50% of the rate from the employee, and will calculate the remaining 50% as an employer-paid tax. For employees, enter the Washington Risk Class in Misc. Payroll, and assign the tax in Tax Elections. Check the following Washington State website for the latest information rate information by fund: http://lni.wa.gov/ClaimsIns/Files/Rates/2015RatesByClassCodeFund.pdf

WASHINGTON LONG TERM CARE INSURANCE

As of July 1, 2023, Washington employers will collect from employees a contribution of 0.58 percent of their wages to the Washington Long Term Care Fund, with no cap on income. Employees who already have a Long Term Care Insurance plan may apply for an exemption. Employers may also choose to cover this contribution for employees.

STATE DISABILITY TAX

State disability tax will be calculated according to the standard withholding methods described earlier, with the following exceptions:

Hawaii: A maximum weekly tax of $6.59 is hard-coded. This uses the 2023 weekly wage limit and multiplies it times the state disability rate of .5%.

New York: The employee's taxable wages are multiplied by .5%, up to a weekly maximum amount of $.60. Use the State Tax Assignment Override function if you do not want to automatically assign New York Disability to new hires.

STATE FAMILY LEAVE TAX

State family leave tax will be calculated according to the standard withholding methods described earlier, with the following exception:

New York: The employee's taxable wages are multiplied by 0.455%, up to an annual maximum amount of $399.43 for tax year 2023 which is based on the latest statewide average weekly wage of $1,688.19. Use the State Tax Assignment Override function if you do not want to automatically assign New York Family Leave to new hires.

WASHINGTON FAMILY AND MEDICAL LEAVE TAX

Beginning January 1, 2019, Washington Employers need to collect premiums and report wage and hours data for the State Paid Family and Medical Leave Insurance program**.** As of January 1, 2024, the employee's taxable wages are multiplied by 0.74%, capped at the Social Security cap, and the resulting premium cost is generally shared between employee and employer. The max that employers can withhold from employees is 71.43% of the total premium, and the employer is responsible for paying the other 28.57%.

MASSACHUSETTS FAMILY AND MEDICAL LEAVE TAX

Beginning July 1, 2019, Massachusetts Employers need to collect premiums for the State Paid Family and Medical Leave Insurance program**.** As of January 1, 2024, the employee's taxable wages are multiplied by 0.88%, capped at the Social Security cap, and the resulting premium cost is generally shared between employee and employer. The max that employers can withhold from employees is 40% of the medical portion of the premium (0.70%) or 0.28%, and all of the family leave portion of the premium which is 0.18%. The employer is responsible for paying the other 60% of only the medical portion of the premium – which calculates to a rate of 0.42%.

Employers with fewer than 25 covered individuals are not required to pay the employer share of the medical leave contribution.

LOCAL TAX WITHHOLDING

Tax rates are set up using the same method as for federal and state taxes, using Tax Manager. Local taxes are assigned to employees through Tax Elections. If a local tax is defined with a Resident or Non-Resident status in Tax Manager, enter the employee's Resident Locality in Misc. Payroll. If the Resident Locality is the same as the tax, the resident rate will be applied. If the Resident Locality is different than the tax, or blank, the non-resident rate will be applied.

Please note that the following localities use special programming during the calculation of taxes to be withheld. Therefore, these codes must be used for the corresponding localities:

Locality Code	Description	Local Tax Type
AUR	Aurora, Colorado	Occupational (OCTX)
CHI	Chicago, Illinois	City (CTYX)
DEN	Denver, Colorado	Occupational (OCTX)
GRV	Greenwood Village, Colorado	Occupational (OCTX)
NYC	New York City, New York	City (CTYX)
YON	Yonkers, New York	City (CTYX)

The following locality uses special programming as part of Tax Collection Agency Data Generation. If an override agency has been set up for the legal entity, the program will include all Pennsylvania localities except Philadelphia, since it is not part of Act 32.

Locality Code	Description	Local Tax Type
PHI	Philadelphia, Pennsylvania	City (CTYX)

INDIANA COUNTY TAXES

Indiana counties must be entered as 3-digit values in the Localities common object. The county code should be preceded with zero(s). Tax type "CNTX" must be used. This is required for the Indiana W-2 file. When calculating the tax to be withheld, the employee receives an annualized allowance for each Local Exemption claimed (allowance amount is found in the Primary Withholding Allowance field), and an allowance for each State Secondary Exemption claimed (amount is found in the Secondary Withholding Allowance field). The follow page contains a list of the counties with their codes.

Locality Code	Description	Locality Code	Description
001	Adams	047	Lawrence
002	Allen	048	Madison
003	Bartholomew	049	Marion
004	Benton	050	Marshall
005	Blackford	051	Martin
006	Boone	052	Miami
007	Brown	053	Monroe
008	Carroll	054	Montgomery
009	Cass	055	Morgan
010	Clark	056	Newton
011	Clay	057	Noble
012	Clinton	058	Ohio
013	Crawford	059	Orange
014	Daviess	060	Owen
015	Dearborn	061	Parke
016	Decatur	062	Perry
017	Dekalb	063	Pike
018	Delaware	064	Porter
019	Dubois	065	Posey
020	Elkhart	066	Pulaski
021	Fayette	067	Putnam
022	Floyd	068	Randolph
023	Fountain	069	Ripley
024	Franklin	070	Rush
025	Fulton	071	St. Joseph
026	Gibson	072	Scott
027	Grant	073	Shelby
028	Greene	074	Spencer
029	Hamilton	075	Starke
030	Hancock	076	Steuben
031	Harrison	077	Sullivan
032	Hendricks	078	Switzerland
033	Henry	079	Tippecanoe
034	Howard	080	Tipton
035	Huntington	081	Union
036	Jackson	082	Vanderburgh
037	Jasper	083	Vermillion
038	Jay	084	Vigo
039	Jefferson	085	Wabash
040	Jennings	086	Warren
041	Johnson	087	Warrick
042	Knox	088	Washington
043	Kosciusko	089	Wayne
044	Lagrange	090	Wells
045	Lake	091	White

Locality Code	Description	Locality Code	Description
046	Laporte	092	Whitley

OHIO SCHOOL DISTRICT TAXES

In the Localities common object, select the Ohio School District checkbox and enter the Locality Code. When setting up the tax in Tax Manager, you must use Tax Type "SDTX" in order to write the wage and tax information to the Ohio W-2 file.

OREGON LOCAL TAX

To set up the TriMet tax that is employer-paid, select the Employer option in Tax Manager and set up the tax with a Localities code of "TRC" and a Local Tax Type of "CNTX".

PENNSYLVANIA LOCAL TAXES AND NEW JERSEY STATE INCOME TAX RECIPROCITY

If an employee who lives in New Jersey works solely in Philadelphia, and if the Philadelphia tax is greater than the New Jersey income tax, the system will not withhold New Jersey income tax and will not accumulate taxable wages, per a reciprocal agreement with New Jersey and Philadelphia. If the employee has additional local Tax Elections for Pennsylvania localities, or the Percent of Base to Tax for the Philadelphia Tax Election is other than 0% or 100%, the system will withhold New Jersey income tax. If the employee does not work 100% of the time in Philadelphia, any Pennsylvania local tax amounts are subtracted from the New Jersey income tax.

PENNSYLVANIA LOCAL TAXES AND ACT 32

Act 32 requires that employers withhold the higher of the resident rate where the employee lives versus the non-resident rate where the employee lives. The tax must be sent to the tax collector of the work address.

Beginning with check dates 1/1/2012, the higher of the employee's resident rate where he or she lives, or the non-resident rate for the work locality, is withheld.

When adding a new employee whose Work State is Pennsylvania, using either the New Hire or Payroll Activation function, the system will automatically assign the earned income tax and local services tax for the Work Locality. A warning will appear if either the Resident Locality or the Work Locality is blank, since these fields are needed for local taxation purposes.

When changing the Work Locality for an employee whose Work State is Pennsylvania, the system will prompt you for an Effective Check Date of the change. If you enter a date, the system will add inactive tax election records for the employee's current local taxes, and also add active tax election records for the new Work Locality.

Use the Pennsylvania Local Tax Report to check for following possible error conditions. These include:

- Employee has a blank Resident Locality in Misc. Payroll.
- Employee's address' PSD Code doesn't match the Resident Locality's PSD Code.
- Employee's address doesn't have a PSD Code.

- The employee doesn't have an active Tax Election for earned income tax.
- The employee's Tax Election doesn't have a PSD Code in the Localities table.
- Employee's address' PSD Code doesn't match any PSD Code in the Localities table.

Use the following functions to report wage and tax information monthly or quarterly:

- Tax Collection Agency Setup
- Tax Collection Agency Data Generation
- Tax Collection Agency File Creation
- Tax Collection Agency File Inquiry

The locality's PSD Code will print in the Locality Name box of the W-2 form.

PENNSYLVANIA LOCAL SERVICES TAXES

If a Pennsylvania local tax with tax type "OCTX" is more than $10 per year, the tax will be pro-rated each pay period on the first payment of each pay period. Employees may claim an exemption for this tax if they meet the income requirements. Select the Exempt option in Tax Elections to indicate this. If an employee is not paid for one or more pay periods, and a catch-up amount needs to be taken, enter it in the Adjustment Amount field with the corresponding Adjustment Effective Date in Tax Elections. If the tax is $10 or less, the entire amount will be taken on the employee's first pay period of the year.

The system will stop withholding once the full annual amount has been withheld. For example, if a locality's tax is $10, and the full amount was withheld on the first January payroll, and the tax is changed to $52, the system will withhold the pro-rated tax until the year-to-date total reaches $52.

PRODUCT UPDATES

When a new update from Unicorn HRO is loaded onto your system, your federal and state employee-paid tax records (as seen in Tax Manager) are copied to your tax tables (Fed_Header, Fed_Rates, State_Header and State_Rates). This is the method by which your tax tables are kept up-to-date. During this process, all employee-paid federal taxes are copied to your system. All employee-paid state taxes are copied, with the following exceptions. This is because these rates can be different for each client. Whatever you have on your system will remain there; the Unicorn HRO updates will not affect them.

- All non-income taxes for Oregon (SWCF)
- All non-income taxes for New York (SDI)
- All Washington state taxes (SIIF, SMAF, SSPF)