



2016 iCON Year-End Guide



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About This Document

This documentation is not intended as a source of information on federal, state, and/or local regulations. The examples provided here are for illustrative purposes only. For assistance with the laws and regulations that apply to your company, please contact the proper agency or department.

How is this document organized?

- *This section* – provides an overview of each section in this guide.
- *Summary of Changes* – describes set-up steps or processes that are new for this year-end.
- *Introduction* – provides a suggested sequence of events for year-end processing.
- *Imputed Income Overview* – describes types of imputed income.
- *Processing Year-End Imputed Income* – explains how to record imputed income for employees.
- *Imputed Income Setup* – explains the steps required for recording imputed income.
- *Issuing Imputed Income Payments* – explains the process of including the income in employees' wage amounts.
- *Group Term Life Insurance Overview* – explains the rules about imputing income to employees for group term life insurance that is taxable according to IRS regulations.
- *Group Term Life Insurance Setup* – explains the steps necessary to setup information for imputing income to employees.
- *Group Term Life Insurance Processing* – explains how to calculate the taxable amount of group term life insurance coverage over \$50,000, utilizing the automated iCON function for this purpose.
- *New Year Administration Overview* – provides procedures for creating records for 2017.
- *W-2 Processing Overview* – describes what is included on W-2s.
- *W-2 Setup* – explains setup steps for functions and CODs used in printing W-2 forms and creating W-2 files.
- *W-2 Data Sources* – explains where iCON stores the information that prints in each box of the W-2 form.
- *W-2 Healthcare Amount Calculation* – explains the options available to you for calculating each employee's healthcare coverage amount
- *Puerto Rico Form 499 R-2/W-2 PR Data Sources* – explains where iCON stores the information that prints in each box of the Puerto Rico Form 499 R-2/W-2 PR form.
- *Generating W-2 Forms* – explains the process of printing W-2 forms.

Summary of Changes

This section contains a list of changes that may affect your year-end processing and/or set-up steps. Please note that these are things that we are currently aware of; more changes may be announced. Also, any set-up steps that are associated with programming changes that you receive in December will be described in the Release Notes that accompany the update.

- 1) Kentucky withholding formula update for 2017 – the standard allowance will change from \$2,460 to \$2,480.

No action is required on your part.

- 2) North Carolina withholding formula update for 2017 – the standard deduction for Single filers will change to \$8,750.

No action is required on your part.

- 3) Oregon Pay Statements – effective January 1, 2017, Oregon employers must include the company phone number and Business ID (SIT Account Number) on the pay stub. The employee's hourly rate of pay must print. Also, if any pay is being paid for a prior pay period, the date range must be shown on the pay stub.

If you require the Oregon pay statement, email PaySupport@unicornbro.com requesting that Unicorn HRO set up your legal entity with the Oregon pay statement. Please be sure to indicate the phone number you would like printed on the checks. Unicorn HRO will change your settings to include the additional information. You must enter any prior date ranges in Time and Attendance or Lump Sums. For employees paid in Oregon, their Work State in Misc. Payroll must be set to Oregon.

If you enter time and attendance data or lump sums for pay earned in a prior pay period, enter the start and end dates in "From Date If Earned In Prior Period (NY/OR Only)" and "To Date If Earned In Prior Period (NY/OR) only".

- 4) South Carolina withholding formula update for 2017 - The standard deduction is 10% of gross wages up to \$2,860 if claiming 1 or more exemptions. \$0.00 if zero exemptions are claimed. The max of \$2,860 is increased from \$2,600.

No action is required on your part.

- 5) On the Puerto Rico Form 499R-2/W-4PR for 2016, the following changes will be made:

- a. On the left side of the form, a new box has been added beneath the Employee's Mailing Address to include the employee's date of birth. The day, month and year are required if exempt salaries up to \$40,000 per year are paid (Code E of Block 16 and 16A).
- b. Box 16 and 16A have been combined into one box. There is a separate area for the Code in each section of the box.

No action is required on your part.

- 6) To properly report FICA and FICM wages and tax for an employee who works in Puerto Rico for part of the year and the states for another part of the year, separate tax codes will be used for FICA and FICM in Puerto Rico, effective January 1, 2017. The new Federal tax code will be PRFS for the OASDI portion of FICA, and PRFM for the Medicare portion. If you have employees in Puerto Rico, Unicorn HRO will run an update on your system on December 30 after business hours that will create new Tax Elections, effective January 1, 2017, for PRFS and PRFM. It will also create inactive records for the employee's existing FICA and FICM records. By so doing, payments with Check Dates starting January 1 will have the Puerto Rico FICA and FICM withheld. New reports will be added to Manager Services and iCON Tools so that you may track this data:

- a. Quarterly Puerto Rico FICA/FICM Report
- b. Year To Date Puerto Rico FICA/FICM Report

Grant Function Security to the new reports to applicable users.

2016 iCON Year-End Procedures

Introduction

At the end of the year, special processing occurs in three main areas of iCON:

- Processing imputed income to be included on W-2s
- Copying data from current year to the new year
- Setting up and creating W-2 paper forms and files

The following is a suggested sequence of year-end events. Please note that this is not the only sequence that will lead to successful year-end processing, nor is it necessary to wait for the Year-End Update to be applied before processing imputed income. Timing considerations for these items are listed in the individual sections.

1. The Year-End Update will be loaded onto your system during the weekend of December 3.
2. Process imputed income.
3. Perform employee adjustments if necessary.
4. Run the last payroll of the year.
5. Print all reports for month, quarter and year-to-date information.
6. Run the Clear Fiscal Accumulators function only if your company uses a calendar year.
7. New Year data will be generated on December 16th.
8. Perform W-2 set-up steps.
9. Create W-2 paper forms and files. If your contract states that Unicorn HRO will be printing W-2s for you or you have signed up for the W-2 printing service, that will take place in the month of January.

Imputed Income

Overview

“Imputed income” is a term used to describe pay that is recorded on the system for purposes of government reporting and/or taxation. It is not cash that is paid to the employee. It is also called a “memo earning”. It may represent money that was paid to the employee via a payment other than a payroll check, for example, an Accounts Payable check. In that case, the payment must be recorded on iCON so that it is included on the employee’s W-2 form. If you used a payroll check to pay these amounts to the employee, you only need to check the W-2 Set-up steps to make sure these items are defined properly. Examples of imputed income are:

- Dependent care assistance that exceeds the tax-free amount
- Adoption assistance that exceeds the excluded amount
- Group term taxable life insurance coverage over \$50,000
- Unsubstantiated employee business expenses
- Personal use of employer-provided car
- Educational assistance above the excluded amount
- Non-deductible moving expense reimbursements

Processing Year-End Imputed Income

You may have been recording imputed income throughout the year. If so, no further processing steps are necessary at the end of the year. You only need to make sure that these earnings are set up to print in the correct W-2 box. See the *W-2 Setup* section of this document for instructions on doing that. However, many clients wait until the end of the year to record these payments. We recommend that you do not wait until the last pay date of the year to process these earnings. Instead, leave at least one extra pay cycle to make any adjustments that might be necessary.

If you do need to process payments in 2017 for 2016 items (such as third party sick pay), you may still run a pay cycle or make adjustments for 2016. To run a separate pay cycle for adjustments, contact your Payroll Representative and ask that a 2016 pay date be opened for this purpose. When all of the entries are made, submit this payroll for processing just as you would a regular payroll.

Imputed Income Setup

To record a payment for an employee, it is important to have a separate pay code if the amount must be reported on the W-2 form, such as taxable group term life insurance. Otherwise, the system has no way to separate these pay amounts. Contact your Payroll Representative to have the additional pay codes and/or deductions defined. If your organization handles their own pay code and deduction definition, follow these instructions.

A pay code and deduction must be defined on the system. Add these to common objects:

- Payroll Deductions (Human Resources Common Object Dictionary)
- Pay Codes (Payroll Common Object Dictionary). If this type of income must be reported on the W-2, select the appropriate W-2 box. Note: do not select the W-2 fields on both the Deduction and Pay code. This will result in doubled amounts being reported. We recommend that in the case of imputed income; only enter the W-2 designation(s) for the Pay Code.

Complete the set-up using the following functions:

- Add the deduction to the Deduction Definition function.
- Add the deduction to the Employer Deduction Contributions function and assign a General Ledger number to it.
- Create a pay code in Pay Code Definition. To prevent this amount from being paid in cash to the employee, enter the corresponding deduction in the “Payroll Deduction” field. Assign a General Ledger number to the pay code. The other fields in Pay Code Definition are as follows:
 - Pensionable: This field is currently for information only. Click on this checkbox if this pay code represents pensionable earnings.
 - Supplemental Pay: Generally, imputed income is to be taxed at supplemental rates and therefore this checkbox should be selected. This includes taxable fringe benefits and expense allowances paid under a non-accountable plan. Check the latest IRS rules to determine how this payment should be taxed. (Note: for supplemental pay codes to be taxed at supplemental tax rates, the “Treat Supplemental Wages as Regular for W/H” flag in Payroll System Defaults must be “off”.)

- Use Secondary Supplemental Tax Rate: This field should be left blank, since it is currently only used for bonuses and stock options paid in California.
- Severance Pay for State Income Tax Purposes: This field should be left blank, since it does not represent a pay code that should be taxed according to severance pay rules.
- Puerto Rico Christmas Bonus: This field should be left blank, since it is only used for Christmas Bonuses paid to employees in Puerto Rico.

On the Pay Process Control window, fields will generally be entered as follows:

- Hourly Rate Override: Leave this field 0.000, since an hourly rate is not involved.
- Algorithm Method 1: This field can be left empty, since it will not be used to calculate pay differentials.
- Algorithm Method 2: This field can be left empty, since it will not be used to calculate pay differentials.
- Algorithm Method 3: This field can be left empty, since it will not be used to calculate pay differentials.
- Accrue Paid Time Off Hours and SUI Labor Hours: Leave these fields “off”, since hours are not being paid.
- SUI Labor Hours: This field can be left empty, since it does not represent time worked.
- Include in Base Wage: This field can be left empty, since it applies to tip information.
- Taxable Life: This checkbox should be selected only if it represents the pay code to record group term life insurance benefits over \$50,000. Only one pay code should be selected per legal entity.
- Include in SUI Weeks Worked: This field can be left empty, since it does not represent time worked.
- Eligible for Retro Pay: This field can be left empty, since retroactive pay adjustments would not apply.
- Include In Lifetime Hours Worked: This field can be left empty, since hours are not paid.

- New York Other Wages: This field can be left empty, since it does not constitute “Other Wages” for purposes of New York quarterly wage reporting.
- No Pay Pay Type: This field must be left empty, since a “No Pay” pay type only records hours and not dollars.
- Average Rate Overtime, Include in Avg. Rate Hours, and Include Pay in Avg. Rate: These fields can be left empty, since the pay does not represent time worked.
- Use Shift to Calculate Pay: This field can be left empty, since the pay does not represent shift hours worked.
- Third Party Sick Pay: Select this field if it represents sick pay given to your employees by an insurance company or other third party payor, and the payor notified you of the amount of sick pay involved (thereby transmitting liability).
- Include in Workers Comp. Hours – do not select this option since hours are not being paid.
- Declared Tip and Tip Credit – leave these fields empty since the imputed income is not tip-related.

If the pay is exempt from any taxes, or exempt from withholding but should be included in income, use the Pay Taxation Exemptions function to specify this.

Issuing Imputed Income Payments

Once the pay code and deduction have been set up, pay the earning to affected employees. This can be done by entering the amount in Lump Sums or any of the Time and Attendance functions. You may also use the Lump Sum Import function if the amounts are in a CSV file. See the next section for instructions on creating the group term life insurance lump sum automatically. Make sure you use the appropriate pay code. Imputed income should be paid with the employee's regular paycheck, rather than a separate payment. This is done in order to have enough pay from which to withhold any taxes related to the imputed income.

Group Term Life Insurance

Overview

If you provide a qualified group term life insurance benefit to your employees, the value of the amount over \$50,000 is taxable to those employees. Also, if any dependent had more than \$2,000 coverage under a qualified plan, the entire amount is taxable to the employee. The IRS has issued a table that determines the value of the excess coverage, based on the employee's age at the end of the year. This value must be included in Box 1 wages. Withholding for federal income tax is not required, however.

If you have not been using the automated taxable life income function throughout the year, the following is a brief description of how iCON can calculate this for you.

Group Term Life Insurance Setup

In Benefit Plans, define the life insurance benefit and select the “Taxable Life Ins.” field. This field is only to be used for group term taxable life insurance. If employees pay any portion of the cost of this benefit, enter it in the Costing section. Employee contributions, if they are not exempt from FIT, are subtracted from the taxable benefit amount.

Enroll employees in this benefit using Benefit Enrollment. If dependents are covered under this plan, enroll them and enter the amount of coverage. Any changes in coverage throughout the year must be entered here or through the Benefit Update (if the benefit is a multiple of employee salary).

In Pay Code Definition, a separate pay code with offset deduction must exist for each legal entity. See the “Imputed Income Setup” section of this document for instructions.

Taxable life rates are included with iCON. They are stored by age and are based on \$1,000 coverage for one month.

Group Term Life Insurance Processing

Use the Taxable Life Process function to calculate the value of the benefit. A lump sum earning will be given to the employee, for the Pay Period End Date that you specify, for the amount of the benefit. This process can be run on a pay period, monthly, or annual basis. It must be run before submitting employees through the Payroll Feeder, so that the new lump sums will be included with employees' standard payments.

When the Taxable Life Process is run, it will calculate the employee coverage amount over \$50,000. It then adds in dependent coverage if that coverage exceeds \$2,000. It subtracts any post-tax employee contributions. Then, the IRS table is used to get the value of the coverage based on the age the person will be at the end of the year. The employee's birth date in Demographics is accessed. For dependents, the birth date from Dependents is used.

New Year Administration Overview

Much of the data in iCON is associated with an Effective Date. Future changes can be entered as soon as you become aware of them, without having to wait until the day they go into effect. Information such as deductions, tax withholding and scheduled lump sum payments are handled in this manner. When a new year begins, no changes to these tables are necessary, since the existing set-up continues into the next year.

On the other hand, several tables are stored by year. This allows you to view and update information from another year. There are no “cut-off” times that restrict your ability to record and report accurate data for another time period. With iCON, a prior year’s data can be updated. This is especially useful for preparing W-2 information, when you may not have data such as third party sick pay information until January of the next year.

Since certain data is stored by year, new records must be created prior to the start of the new year. This section describes the steps to follow. Please note the timing considerations. Some steps must be done before others can be completed; some should not be done until the end of the year; and others can be done at any time, allowing you to complete many of the steps before the end of the year.

Unicorn HRO Steps

The steps performed by the Unicorn HRO Outsource Department are:

- In Payroll Common Object Years, add the new 4-digit year.
- Set up the Pay Calendars for the new year. Unicorn HRO will provide you with your 2017 pay calendar no later than November 30, 2016. Please review and if you are in agreement, sign, date and fax back to Pay Support. If you determine you need a change, please contact your Payroll Representative.
- In Tax Manager, update tax rates and ceilings. In the Year-End Update, employee rates for the new year will be loaded onto your system automatically. You are responsible for informing Unicorn HRO of any changes to your unemployment tax rates.

- Grant access to new year data using the Legal Entity By Year function.
- Use the New Year Administration function to automatically copy data in the following functions: Employer Deduction Contributions, Deduction Taxation Exemptions, Pay Taxation Exemptions, Taxable Life Rates, Misc. Payroll, Deduction Accumulators (only fiscal, total and arrears amounts are copied) and Employee Wages (fiscal amounts only). Please note that when copying employee-related data, only employees whose current payroll status is set to “Transfer to New Year” in the payroll common object Payroll Statuses will be copied. Statuses such as “terminated” should have an empty checkbox at this field. Note that the Dependent Care Amount is not copied, since this is associated with a particular year.

Client Steps

Evaluate each area in this section to see if data must be generated for the new year. Steps in this section are your responsibility.

- If you add any employees to the system after New Year Administration has been run, you must copy the employee’s 2016 data to 2017 by using the New Year Employee Copy function.

Timing: This can be done at any time prior to processing the first Check Date of the new year.

- If you use rate indexes, make any upcoming changes in the Rate Indexes function with the appropriate Effective Date. This would include rates by job class and grades, special rates and shift rates. If you have flat amount or percentage changes that affect all hourly rates, use the Copy feature to create the new records.

Timing: This can be done at any time.

- If benefit coverage or cost changes will occur in the new year for employees or COBRA participants, use the Benefit Plans function. After the plans have been updated, use the Benefit Update function to automatically change employees’ coverage and cost amounts.

Timing: Although cost changes can be entered at any time because they are associated with Effective Dates, coverage changes must be made at the time of the change. The Benefit Update should then be run.

- If any of your benefits have corresponding employee deductions, update the Tax Year and any other necessary information in the Benefit Deduction Defaults function.

Timing: Update this information at the start of the new year, since it is not Effective-Dated. Each user must update the Tax Year on his or her system, since the information is stored by User Name. You may update the Tax Year for all users by using the Benefit Deduction Defaults Update in Manager Services or the Benefit Deduction Defaults – Global Tax Year Update in iCON Tools.

- If you use eligibility date rounding in Benefit Plans, set up next year's rounding calendar in the Date Rounding Formula function. These dates can be set up for several years in advance; click Submit after entering each year's data.

Timing: This can be done at any time.

- If you have any benefit groups defined as “flex”, enroll employees in the new year's benefits through Flex Benefit Enrollment or Flex Benefit Enrollment Copy.

Timing: This can be done at any time.

- If you offer FSAs to your employees, set up the plans for the next year in Flexible Spending Account Plans or Flexible Spending Accounts Copy. Note the 2017 limit for health flexible savings account contributions is \$2,600.

Timing: This can be done at any time.

- For employees who elect to participate in the new year's Flexible Spending Account Plans and have not used Open Enrollment, enter their elections in Flexible Spending Accounts.

Timing: This can be done at any time. The corresponding deductions are effective-dated. While you are enrolling employees in FSAs for the coming year, you should change the Tax Year in Benefit Deduction Defaults to the next year. This will ensure that the new deduction is created properly. When you have finished entering the FSA elections for next year, change the Tax Year back to the current year.

- If you offer HSAs to your employees, set up the plans for the next year in Health Spending Account Plans or Health Savings Accounts Copy. The limit for single plans in 2017 is \$3,400; for family it is \$6,750.

Timing: This can be done at any time.

- If you offer HSAs, change the Maximum HSA Contribution Allowed in Employer Benefit Plans to the amount for next year.

Timing: This should be done just prior to enrolling your employees in next year's Health Savings Accounts, since the system will only allow you to enroll them in an HSA plan where the Maximum Amount in Health Savings Account Plans matches the Maximum HSA Contribution Allowed in Employer Benefit Plans.

- For employees who elect to participate in the new year's Health Savings Account Plans, enter their elections in Health Savings Accounts.

Timing: This can be done at any time. The corresponding deductions are effective-dated. While you are enrolling employees in HSAs for the coming year, you should change the Tax Year in Benefit Deduction Defaults to the next year. This will ensure that the new deduction is created properly. When you have finished entering the HSA elections for next year, change the Tax Year back to the current year.

- If any changes will occur to deductions that are not related to benefits, the Global Employee Deduction Update or Global Employer Deduction Update can be used for mass changes. This would include deduction amounts, ceiling amounts, or any other data that is stored with the deduction. If you have set up separate deductions for retirement plans (such as 401(k) and the catch-up deduction), and you are using the global ceilings, we recommend that you run the Global Employee Deduction Update and change the Max YTD to 999,999,999.99. By doing so, any override amounts in the Max YTD field (such as a maximum entered for an employee who was hired mid-year and had contributed to a previous employer's plan) will be changed to 999,999,999.99 for the upcoming year. Contact your Payroll Representative to have these functions run. For individual deduction changes, use Deductions or Employer Deductions.

Timing: This can be done at any time.

- To copy Job Evaluation Points, use the Job Evaluation Point Copy function. You may copy the amounts exactly as they are, or make changes for the new year.

Timing: This can be done at any time.

- To copy Salary Ranges, use the Salary Range Copy function. Ranges may be copied to the new year as is, or changes can be made.

Timing: This can be done at any time.

- If any changes will take place within your paid time off set-up, use the Paid Time Off Policies function.

Timing: If changes are related to a new plan date, a new record can be entered at any time. However, if the existing plan will be changed, update the record at the actual time of the change.

- For salary-related changes, entries can be made in Compensation Methods and/or Salary Change with the corresponding Effective Dates. For mass salary changes, you may wish to use the Global Salary Increase function.

Timing: This can be done at any time.

- Hourly rate differentials can be entered in any of these functions with the corresponding effective dates: Shift Overrides, Pay Rate Overrides and Special Rate Overrides.

Timing: This can be done at any time.

- If you use the Work Day Index to specify the number of hours per work week for purposes of calculating average rate overtime, enter Work Dates for the new year in this function.

Timing: This can be done at any time.

- If your company is on a calendar year, run Clear Fiscal Accumulators when you have finished your last payroll for the current year.

Timing: If Unicorn HRO has already copied your data to the new year, clear the accumulators for the new year. If data has not yet been copied to the new year, clear the accumulators for the current year before Unicorn HRO runs New Year Administration to copy data to the new year.

- If any of your employees claimed an exempt FIT status in 2016, it will expire on February 18, 2017 if they do not file another exemption. Run the FIT Exemptions Expiring Report to see which exemptions will expire. Request new W-4 forms from employees who are claiming exempt status.

Timing: The report can be run at any time.

- If you are subject to ACA reporting and utilizing iCON to generate your forms, enter information in ACA Setup for the new year.

Timing: This can be done at any time.

W-2 Processing

Overview

A W-2 form will print for all employees whose Payroll Status as of December 31st of the selected tax year has the Generate W-2 checkbox “on” in the Payroll Statuses Common Object, and who have a year-to-date amount greater than zero for at least one of the following:

- Federal Income Taxable Wages
- Federal Income Tax Withheld
- FICA Taxable Wages
- FICA Tax Withheld
- FICM Taxable Wages
- FICA Tax Withheld
- Box 12 amount (if only a Box 12 Code DD amount would print on the W-2, no form will be produced)

No negative amounts will print. The default sort for W-2 forms is first by legal entity, then by check distribution code, and then by employee name. If an employee has tax information for more than one state or locality, another W-2 form will be printed with only the state or locality information. Federal information is not re-printed on subsequent forms. A second W-2 form would also be produced if the employee has more than four Box 12 entries, or more than five Box 14 entries. In this case, the form will print immediately following the first form; no Federal information is re-printed on the subsequent form(s).

Much of the data that prints on W-2 forms has already been set up in your system, such as company name and employee names and addresses. Other information, such as benefit and deduction amounts, must be defined so that the system knows where to print them on W-2 forms. This section will tell you the data that iCON accesses to print W-2s so that you may perform the necessary set-up steps and verify that existing data is correct. You can perform the set-up steps at any time.

W-2 Setup

The following functions and common objects are used to prepare for the printing of W-2 forms and creation of files for federal and state agencies.

Please note that all of your W-2 changes must be made and W-2 data validated (including W-2 Healthcare cost) by the quarterly deadline of Thursday, January 5, 2017. This earlier deadline is due to the federal and state government agencies accelerating the due date for filing.

Employee W-2 Information Verification Report

Run and print this report and provide it to your employees so that they may verify their address, Social Security Number and state and local taxes to which they are subject.

The report will print one employee per page, and is formatted so that it can be inserted into a standard window envelope, with the employee name and address appearing in the window.

You may add instructions which will print on the report, telling employees what to do in the case of incorrect information. All corrections must be made prior to printing the W-2 forms.

Tax Exception Report

Run and print this report to see if any exceptions are listed. This report will print errors for various conditions, including employees with FUTA but no SUI (or vice versa), and employees whose home state has an income tax, but that tax was not withheld.

It will also print states for which taxes were calculated, but no SIT or SUI Account Number is set up.

Benefit Plans

For purposes of W-2 healthcare reporting, if any of your benefit plans need to have separate W-2 costs entered, go to the Benefit Plans function. Click on the Health Costs button to enter the W-2 costs. Examples of plans that require Health Costs to be entered are self-funded plans, plans that change during the calendar year, plans that have separate costs for dependents, plans that are costed by age ranges or plans that are costed by smoker status. See the W-2 Healthcare Amount Calculation section of this document, or the W-2 Healthcare Cost Report document in the Help Index of Manager Services for a full description of how the system determines the health care coverage amount for employees.

W-2 Healthcare Coverage Import

If you need to specify override healthcare coverage amounts for employees, you may use this import function rather than manually entering the amounts in Misc. Payroll.

W-2 Healthcare Cost Report

Run and print this report to verify the W-2 healthcare coverage amounts that will be printed on W-2 forms and written to W-2 files. Make any necessary corrections prior to creating W-2 forms and files. If you need to use the W-2 Healthcare Coverage Import function for many employees, you may first wish to create the CSV file from the W-2 Healthcare Cost Report, since the columns are arranged in the necessary order for the import. You will need to delete the three name columns before importing the data; these columns are shown for identification purposes only when working with the CSV data.

Misc. Payroll (Manager Services)

Or

Employee Payroll (iCON Tools)

Several items are stored in this function. Please note that the W-2 Data Generation process will use the Misc. Payroll record from the Tax Year that is selected when the W-2 data is generated. Therefore, make sure the correct year's record is updated when changing any of these fields.

- If an employee is a statutory employee as defined by the IRS, select the checkbox named "Statutory Employee".
- If the employee is a member of a retirement plan and does not have an associated deduction with a selected checkbox in "W-2 Retirement Plan" in the Payroll Deductions common object, select the checkbox named "Retirement Plan".
- If the employee received a dependent care benefit from the company, and does not have an associated pay code or deduction with a selected checkbox in "W-2 Box 10: Dependent Care" in the Pay Codes or Payroll Deductions common object, enter the amount received in the Dependent Care Amount field.
- If the employee is in Puerto Rico, enter the "Pension Start Date" if applicable.
- In the Health Coverage Option field, select "Use Health Coverage Override Amount" if the employee's amount(s) in Benefit History cannot be used to report healthcare on the W-2. Enter the override amount. If an employee should not have a healthcare amount reported on the W-2, select the "Do Not Report Health Coverage" option.

**Payroll Deductions
COD**

For a deduction that meets the following criteria, the corresponding code or the appropriate checkbox needs to be entered. Note that for imputed income that needs to be reported, only the pay type should be set to print on the W-2 form, not the offset deduction. If both are set up to be printed on the W-2 form, the amounts will be totaled and thus print incorrect information. Unicorn HRO will provide you a report of which deductions and pay types are currently set to print in these boxes. Please contact your Payroll Representative to make any changes.

Payroll Deductions COD

Field	Purpose
W-2 Box 10: Dependent Care	Select this checkbox if the deduction represents dependent care benefits under a dependent care assistance program (section 129) paid or incurred by the company. This box also includes contributions made by the employee to a section 125 dependent care flexible spending account.
W-2 Box 11: Nonqualified Plans	If a distribution was made to an employee from a nonqualified plan section 457, select "G". If no distributions were made, select "G" for deferrals (plus earnings) under a nonqualified plan 457. Select "Y" if the amount represents a non-qualified plan not Section 457 distribution or contribution. See the IRS' Instructions for Forms W-2 and W-3 for full details on what is reported in this box.
W-2 Box 12: EE	Select the code to print an employee deduction amount: A: Uncollected social security or RRTA tax on tips B: Uncollected Medicare tax on tips C: Taxable cost of group-term life insurance over \$50,000 D: Elective deferrals to a section 401(k) cash or deferred arrangement. Also includes deferrals under a SIMPLE retirement account that is part of a section 401(k) arrangement. E: Elective deferrals under a section 403(b) salary reduction agreement F: Elective deferrals to a section 408(k)(6) salary reduction SEP G: Elective deferrals and employer contributions (including non-elective deferrals) to a section 457(b) deferred compensation plan H: Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan J: Nontaxable sick pay (not included in box 1, 3 or 5) K: 20% excise tax on excess golden parachute payments L: Substantiated employee business expense reimbursements (nontaxable) M: Uncollected social security or RRTA tax on taxable cost of group-term life insurance coverage over \$50,000 (for former employees) N: Uncollected Medicare tax on taxable cost of group-term life insurance coverage over \$50,000 (for former employees)

Payroll Deductions COD

Field	Purpose
W-2 Box 12: EE (continued)	P: Excludable moving expense reimbursements paid directly to employee Q: Nontaxable combat pay R: Employer contributions to an Archer MSA S: Employee salary reduction contributions under a section 408(p) SIMPLE T: Adoption benefit V: Income from exercise of nonstatutory stock option(s) W: Employer contributions to a Health Savings Account Y: Deferrals under a section 409A nonqualified deferred compensation plan Z: Income under section 409A on a nonqualified deferred compensation plan AA: Roth contributions to a section 401(k) plan BB: Roth contributions under a section 403(b) salary reduction agreement EE: Designated Roth contributions under a governmental section 457(b) plan. This amount does not apply to contributions under a tax-exempt organization section 457(b).
W-2 Box 14: Other	Select this checkbox if you wish the deduction amount to be printed in Box 14. The first 7 characters of the Short Description will print next to the amount if you are using the 8 1/2 x 11" form; or the first 5 characters on the 8 1/2 x 14" form.
W-2 Deferred Comp. (PR CODA, Annual Comp. Limit)	This box is used for: (1) Puerto Rico W-2 reporting. Select this checkbox if the amount is Deferred Compensation to be reported to Puerto Rico. (2) If the system should stop taking the deduction when the employee's compensation reaches the limit in Payroll System Defaults, select this checkbox.
W-2 Retirement Plan	Select this checkbox to designate retirement plan coverage.
Puerto Rico W-2	For Puerto Rico Form 499 R-2/W-2 PR, select "D" for Charitable Contributions to print in box 6, "C" for Commissions in Box 8, "A" for Allowances in Box 9, "R" for Reimbursed Expenses in Box 12 or "M" for Contributions to the Save and Duplicate Your Money Program in Box 16B.
Kansas Retirement System	Select this checkbox for contributions to Kansas Public Employees' Retirement Systems (KPERS, KP&F or Judges).
W-2 Box 12: ER	Select a code to print the employer deduction amount: "R" for MSA or "W" for HSA.
W-2 Box 12: Prior Year	If this deduction represents a makeup amount for a prior year under USERRA, enter the 2-digit year in this field.

Examples of deductions and their setup are:

	Box 10	Box 11	Box 12	Box 14	Retirement Plan
401(k) plan			D		On
403(b) plan			E		On

Pay Codes COD

The following table explains the options in the Pay Codes common object.

Pay Codes COD

Field	Purpose
W-2 Box 10: Dependent Care	Select this checkbox if the pay code represents dependent care benefits the company paid to the employee or incurred on his/her behalf.
W-2 Box 11: Nonqualified Plans	If a distribution was made to an employee from a nonqualified plan section 457, select "G". If no distributions were made, select "G" for deferrals (plus earnings) under a nonqualified plan 457. Select "Y" if the amount represents a non-qualified plan not Section 457 distribution or contribution. See the IRS' Instructions for Forms W-2 and W-3 for full details on what is reported in this box.
W-2 Box 12: Code	<p>Select the appropriate code:</p> <p>A: Uncollected social security or RRTA tax on tips</p> <p>B: Uncollected Medicare tax on tips</p> <p>C: Taxable cost of group-term life insurance over \$50,000</p> <p>D: Elective deferrals to a section 401(k) cash or deferred arrangement. Also includes deferrals under a SIMPLE retirement account that is part of a section 401(k) arrangement.</p> <p>E: Elective deferrals under a section 403(b) salary reduction agreement</p> <p>F: Elective deferrals to a section 408(k)(6) salary reduction SEP</p> <p>G: Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan</p> <p>H: Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan</p> <p>J: Nontaxable sick pay (not included in box 1, 3 or 5)</p> <p>K: 20% excise tax on excess golden parachute payments</p> <p>L: Substantiated employee business expense reimbursements (nontaxable)</p> <p>M: Uncollected social security or RRTA tax on taxable cost of group-term life insurance coverage over \$50,000 (for former employees)</p> <p>N: Uncollected Medicare tax on taxable cost of group-term life insurance coverage over \$50,000 (for former employees)</p> <p>P: Excludable moving expense reimbursements paid directly to employee</p> <p>Q: Nontaxable combat pay</p> <p>R: Employer contributions to an Archer MSA</p>

Pay Codes COD

Field	Purpose
W-2 Box 12: Code (continued)	S: Employee salary reduction contributions under a section 408(p) SIMPLE T: Adoption benefit V: Income from exercise of nonstatutory stock option(s) W: Employer contributions to a Health Savings Account Y: Deferrals under a section 409A nonqualified deferred compensation plan Z: Income under section 409A on a nonqualified deferred compensation plan
W-2 Box 14: Other	Select this checkbox if you wish the pay amount to be printed in Box 14. The first seven characters of the Short Description will print next to the amount if you are using the 8 ½ x 11" form; the first five characters will print if you are using the 8 ½ x 14" form.
Puerto Rico W-2 Box	For Puerto Rico Form 499 R-2/W-2 PR, select "C" if this amount represents Commissions to be printed in Box 8, "A" if this amount represents Allowances to be printed in Box 9, or "R" if this amount represents Reimbursed Expenses to be printed in Box 12.
Puerto Rico W-2 Exempt Code	For Puerto Rico Form 499 R-2/W-2 PR, select "A" if this amount represents Public employees' wages for overtime worked during emergency situations under Act 324-2004; "B" represents Income from overtime worked by a Puerto Rico Police member under Section 1031.02(a)(34) of the Code; "C" represents Stipends received by certain physicians during the internship period under Section 1031.02(a)(9) of the Code; "D" represents Compensation paid to an eligible researcher or scientist for services rendered under Section 1031.02(a)(26) of the Code; "E" represents Salary not over \$40,000 per year under Act 135-2014 (Section 1031.02(a)(35) of the Code).

Examples of pay types and their setup are:

	Box 9	Box 10	Box 11	Box 12
Group term life insurance				C
Dependent care		On		
Excludable moving expenses				P

**Payroll Statuses
COD**

For each payroll status that must be included in W-2 processing, select the checkbox named “Generate W-2”. Under normal circumstances, all statuses must have this checkbox selected. The checkbox should be empty only if you have used the payroll system for payments outside of normal payroll processing and do not require W-2 forms/files for such information.

**W-2 Additional State
Taxes**

Certain states require that data in addition to income tax be reported on the W-2 form. The additional state taxes must be defined in this function. This will cause the year-to-date tax amount from Tax Accumulators to be printed in Box 14. Currently, the following additional state taxes are required to be printed on W-2 forms and have been set up by Unicorn HRO:

<u>State</u>	<u>Tax Type</u>
California	Disability
New Jersey	Disability
New Jersey	Family Leave Insurance
New Jersey	Unemployment
New Jersey	Workforce Development Partnership

If you have withheld any of the above taxes, they must be entered in this function. You may also enter additional optional taxes that you wish to print on employees’ W-2 forms.

**Legal Entity
Definition**

Verify that your company name(s), address(es) and Federal Employer Identification Number(s) are correct. For Puerto Rico Form 499 R-2/W-2 PR, verify that the Phone Number is correct. Enter the Cease of Operations Date if applicable.

**SUI and W-2
Manager**

In the “SUI and W-2 Legal Entity Setup” section, the State Income Tax Account# must be entered for all states that have an income tax. If you applied for a state income tax account number in a new state this year, please be sure this information has been sent to Tax Support so that Unicorn HRO can update your records.

Indiana: If you have been assigned TID Location numbers by Indiana, set them up as SUI Locations, and then assign each employee to a location. If you have one TID Location number such as 000 or 001, enter it in positions 11-13 of the SIT Account Number in SUI and W-2 Manager.

New Jersey: If you have a private plan for disability and/or family leave insurance, enter the plan number(s) in the SUI and W-2 Legal Entity Setup section of SUI and W-2 Manager.

W-2 Data Sources

Data that is used to produce W-2 forms and files can be found in the following functions:

- Legal Entity Definition
- SUI and W-2 Manager
- Demographics
- Address
- Misc. Payroll
- Tax Accumulators
- Deduction Accumulators
- Pay Distribution
- Tip Inquiry
- Benefit Plans

The following table specifies which functions iCON accesses to populate each W-2 box so you can perform the necessary setup steps and verify the existing data is correct.

W-2 Data Sources

Box	iCON Data Source
A: Employee's social security number	National ID/SS# from Demographics
B: Employer's identification number	Federal Employer ID Number from Legal Entity Definition
C: Employer's name, address, and ZIP code	Address, City, State and Zip from Legal Entity Definition
D: Control number	For 8 ½" x 11" forms, you may choose to print the employee number in this box.
E: Employee's name, address, and ZIP code	Employee's name from Demographics in the following format: <First Name> <Initial> <Last Name>-<Second Last Name>. Address is taken from the Address function. iCON uses the Mailing Address (type "01") that is Active (status "A") and equal to or less than the day you run the W-2 process.
1: Wages, tips, other compensation	Year-to-date Tax Base for Federal Income Tax is taken from Tax Accumulators (tax type FIT).
2: Federal income tax withheld	Year-to-date Tax for Federal Income Tax is taken from Tax Accumulators.
3: Social security wages	Year-to-date Tax Base for the Social Security portion of FICA is taken from Tax Accumulators (tax type FICA). Declared tips, if any, are subtracted from this amount. If the amount is greater than the FICA maximum found in Tax Manager, the maximum amount is printed.

W-2 Data Sources

Box	iCON Data Source
4: Social security tax withheld	Year-to-date Tax for the Social Security portion of FICA is taken from Tax Accumulators.
5: Medicare wages and tips	Year-to-date Tax Base for the Medicare portion of FICA is taken from Tax Accumulators (tax type FICM).
6: Medicare tax withheld	Year-to-date Tax for the Medicare portion of FICA (FICM) is taken from Tax Accumulators.
7: Social security tips	Year-to-date amount of pay types defined as declared tips is taken from Pay Distribution.
8: Allocated tips	Year-to-date amount of allocated tips, as displayed in Tip Inquiry.
10: Dependent care benefits	If a Dependent Care Amount exists in Misc. Payroll, it will print. If not, the system will go to the Pay Codes and Payroll Deductions common objects where the field “W-2 Box 10: Dependent Care” is selected. The year-to-date amount from Pay Distribution and Deduction Accumulators will print in that case.
11: Nonqualified plans	If an entry in the Pay Codes or Payroll Deductions common object has the field “W-2 Box 11: Nonqualified Plans” equal to “G” or “Y”, the year-to-date amounts from Pay Distribution and Deduction Accumulators will be totaled and printed.
12	<p>The IRS has specified certain codes that represent amounts to be reported. If a code exists on the “W-2 Box 12: EE” field in either the Pay Codes or Payroll Deductions common object, the year-to-date amounts from Pay Distribution and Deduction Accumulators (employee deductions) will be totaled and print in this box next to the code. If code D, E, F, G, H or S also have a “W-2 Box 12: Prior Year” value, the code will print with the 2-digit prior year. If a code exists on the “W-2 Box 12: ER” field in the Payroll Deductions common object, the year-to-date employer paid amounts from Deduction Accumulators will be totaled and printed. Available codes are:</p> <p>A: Uncollected social security or RRTA tax on tips B: Uncollected Medicare tax on tips C: Taxable cost of group-term life insurance over \$50,000 D: Elective deferrals to a section 401(k) cash or deferred arrangement. Also includes deferrals under a SIMPLE retirement account that is part of a section 401(k) arrangement. E: Elective deferrals under a section 403(b) salary reduction agreement F: Elective deferrals to a section 408(k)(6) salary reduction SEP G: Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan H: Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan J: Nontaxable sick pay (not included in box 1, 3 or 5) K: 20% excise tax on excess golden parachute payments</p>

W-2 Data Sources

Box	iCON Data Source
12 (continued)	<p>L: Substantiated employee business expense reimbursements (nontaxable)</p> <p>M: Uncollected social security or RRTA tax on taxable cost of group-term life insurance coverage over \$50,000 (for former employees)</p> <p>N: Uncollected Medicare tax on taxable cost of group-term life insurance coverage over \$50,000 (for former employees)</p> <p>P: Excludable moving expense reimbursements paid directly to employee</p> <p>Q: Nontaxable combat pay</p> <p>R: Employer contributions to an Archer MSA</p> <p>S: Employee salary reduction contributions under a section 408(p) SIMPLE</p> <p>T: Adoption benefit</p> <p>V: Income from exercise of nonstatutory stock option(s)</p> <p>W: Employer contributions to a Health Savings Account</p> <p>Y: Deferrals under a section 409A nonqualified deferred compensation plan</p> <p>Z: Income under section 409A on a nonqualified deferred compensation plan</p> <p>AA: Roth contributions to a section 401(k) plan</p> <p>BB: Roth contributions under a section 403(b) salary reduction agreement</p> <p>EE: Designated Roth contributions under a governmental section 457(b) plan. This amount does not apply to contributions under a tax-exempt organization section 457(b) plan.</p> <p>Note for code DD: If there is an override amount in Misc. Payroll, it will print. If no override exists, the system will determine the coverage the employee had during the year. If Health Costs exist for any of the Benefit Plans, they will be used. If no Health Costs exist for the plans, the employee and employer costs from Benefit History will be used.</p>
13	<ul style="list-style-type: none"> • Statutory employee: If the Statutory Employee checkbox in Misc. Payroll is selected, an “X” will appear in this box. • Retirement plan: If the Retirement Plan checkbox in Misc. Payroll is selected, an “X” will appear in this box. Also, if the employee has a positive year-to-date amount in Deduction Accumulators for a deduction where the “W-2 Retirement Plan” flag in the Payroll Deductions common object is selected, this box will contain an “X”. • Third party sick pay: If the Third Party Sick Pay checkbox in Pay Code Definition is selected, and the employee has year-to-date amounts for the pay code(s), the Third Party Sick Pay section of Box 13 will contain an “X”.

W-2 Data Sources

Box	iCON Data Source
14: Other	This box may be used by employers for any other information to be given to employees. Examples would be union dues, health insurance premiums, etc. Entries in this box are optional. If the checkbox is selected in the “W-2 Box 14: Other” field in the Pay Codes or Payroll Deductions common object, the year-to-date amounts from Pay Distribution and Deduction Accumulators will be totaled and print. The first seven characters from the Short Description will print to the left of the amount if you are using the 8 ½” x 11” forms; the first five characters will print if you are using the 8 ½” x 14” forms. If you have defined taxes in W-2 Additional State Taxes, they will print in this box. Examples would be California SDI and New Jersey FLI, SDI, SUI and SWD, required by law to be printed on W-2 forms. If the employee has Railroad Tier I, Tier II and Railroad Medicare taxes, they will print in this box.
15: State, Employer’s state I.D. No.	If the employee had state income tax withheld, the two-character state code from Tax Accumulators will print in the first area of Box 15. The State Income Tax Account# from SUI and W-2 Manager will print in the second area. If the employee had income tax withheld for more than one state, federal information will print with the state that comes first alphabetically. A separate form will print for each additional state; no Federal data prints on subsequent forms.
16: State wages, tips, etc.	The year-to-date Tax Base from Tax Accumulators will print for the state printed in Box 15. An exception to this is New York, which requires that Box 1 wages be printed here.
17: State income tax	The year-to-date Tax Amount from Tax Accumulators will print for the state printed in Box 15.
18: Local wages, tips, etc.	If the employee has had any local tax withheld, and the “Print On W-2” field is selected in the Local Tax Types common object, and the “Print On W-2” field is selected in the Localities common object, the Year-to-date Tax Base from Tax Accumulators will print. An exception to this is Yonkers, New York. Yonkers requires that Box 1 wages be printed in this box.
19: Local income tax	The year-to-date Tax Amount from Tax Accumulators will print.
20: Locality name	The Short Description of the Locality from Tax Accumulators will print. If tax for more than one locality was withheld, additional W-2 forms will print. If the state is Indiana and the tax type is CNTX (county tax), “C nn TAX” will print, where nn is the two-digit county code. If the state is Ohio, and the local tax type is SDTX (school district tax), and Ohio School District is set to “yes” in the Localities common object, the four-digit Locality Code will print, followed by a space, followed by the Short Description of the Locality. If the state is Pennsylvania, and the local tax type is CTYX or CNTX and the locality is other than Philadelphia, the 6-digit PSD Code will print.

W-2 Healthcare Amount Calculation

This section describes how the system calculates the amount of each employee's healthcare amount, as reported in Box 12, code DD.

Perform these set-up steps in order to print the amounts on W-2 forms and include them on W-2 files for the 2016 tax year.

The Affordable Care Act requires employers to report the cost of coverage under an employer-sponsored group health plan. This requirement was made optional by Notice 2010-69 for all employers in 2011. IRS Notice 2011-28 provided further relief by making this requirement optional for smaller employers in calendar-year 2012. You will need to decide if your organization is subject to the W-2 healthcare reporting requirements for 2016, and if so, which of your plans must be reported. The IRS website has details on these areas.

The total healthcare amount must be reported as code "DD" in Box 12 of the W-2, as well as on the Federal W-2 file and any state and local files that follow the federal format.

Unicorn HRO provides the following three methods of calculating healthcare coverage amounts.

Benefit History

For plans that do not have separate costs per Dependent, or are not costed by Age or Smoker Status, that use the same cost for the entire calendar year: If you set up employee and/or employer benefit costs in Benefit Plans, the system will get the Benefit History for each employee to see which plans they have been enrolled in during the year. The system uses the greater of the Enrollment Date or Eligibility Date to determine when the employee's coverage began. It will use the Coverage End Date to determine when the coverage ended. It will calculate the number of days the employee was in each plan for the selected Tax Year. It will then go to Benefit Plans to see if an override plan cost exists. If not, it will use the standard plan cost. It will calculate the cost, per day, to come up with a total for the year.

iCON will accumulate the amounts for all Benefit Plans that are marked as Report Cost on W-2. Follow the IRS regulations for determining which plans to include.

You may mark the Report Cost on W-2 checkbox in Benefit Plans for your applicable plans at any time. It must be done prior to generating W-2s for the 2016 tax year.

If you are not subject to reporting healthcare coverage amounts for 2016, and do not wish to optionally report them, do not mark these checkboxes.

Employee and employer costs are stored in the Benefit Costs tab.

Costs can be entered at any time, since they are effective-dated.

Benefit Plans – Health Costs

If you cannot use the first method, such as the case where you are self-funded, or if there are separate costs per Dependent, or if your costs are set up by Age or Smoker Status, or if your benefit costs change during the calendar year, etc., go to Benefit Plans and click on the Health Costs button. Enter the total annual cost per benefit plan. This new table will only be used for W-2 healthcare reporting, and will not affect Benefit History or Benefit Deductions. If an amount exists in this table, the system will use this amount, rather than using the amounts in Benefit History. Here is an example of the fields that are available when you click on the Health Costs button. This button only appears for benefit plans marked as Report Cost on W-2.

Benefit Group	Benefit Plan	Benefit Option	Start Date	End Date	Total Cost
Full Time	Medical	Single	1/1/2016	12/31/2016	8,000.00
Full Time	Medical	Family	1/1/2016	12/31/2016	12,000.00

Health costs can be entered at any time, since they are effective-dated.

Employee Override Amount

If you cannot use either of these methods, there is an “override” field, both in the Misc. Payroll function in Manager Services and the Employee Payroll function in the iCON Tools module. The Health Coverage Option field can be used for one employee, a handful of employees, or your entire employee population, as needed. You only need to use this field for employees whose coverage amounts can’t be calculated by the first two methods. You may also select “Do not report health coverage” in this field if needed.

There is a W-2 Healthcare Coverage Import function, in case it is easier for you to bring in these amounts from a spreadsheet rather than manually entering them.

Override amounts can be entered or imported at any time.

A report called the W-2 Healthcare Cost Report should be run to verify that your employees' healthcare coverage amounts are correct. If you have many employees who need to have overridden healthcare amounts imported, you may select the CSV option in this function. It will create a file that you can then manipulate. Make sure you remove the three name columns before importing the file.

This can be run at any time; it does not affect data in any way.

Common Paymaster

For Common Paymaster, the system will report the healthcare coverage amount to the common paymaster legal entity only.

The following actions should be performed prior to creating your 2016 W-2 forms and files.

- a. Determine if your organization must report healthcare care amounts on the 2016 W-2s.
- b. If so, determine which of the 3 methods you will need to use. You can use any or all of the 3 methods.
- c. If you will be using option 1 or 2 for any of your employees, indicate the Benefit Plans to be reported by selecting the Report Cost On W-2 field.
- d. If you will be using option 1, your costs must have been entered by January 1, 2016 with the applicable Effective Dates. If necessary, the Benefit Update should have been run prior to your first 2016 pay cycle to write the 2016 costs to Benefit History.
- e. If you will be using option 1 or 2 for any employees, they must have been enrolled in the applicable benefits by January 1, 2016.
- f. When an employee's benefit coverage ends, you must enter the Coverage End Date. The system uses the greater of the Enrollment Date or Eligibility Date to determine when the employee's coverage began. It will use the Coverage End Date to determine when the coverage ended. These dates in Benefit History are the key to determining the employee's coverage in the plan(s) marked as Report Cost on W-2s in Benefit Plans. The system will determine which plan(s) the employee was in on each day of the year.
- g. If you will be using option 2, enter the annual total benefit cost amounts in the Benefit Plans function. These must be entered prior to generating your 2016 W-2s.
- h. If you will be using option 3, enter or import the annual total benefit cost per employee. This must be completed prior to generating your W-2s in January of 2017.

Puerto Rico Form 499 R-2/W-2 PR Data Sources

Boxes on Puerto Form 499 R-2/W-2 PR are listed below with the functions where the data is stored.

Puerto Rico Form 499 R-2/W-2 PR Data Sources

Box	iCON Data Source
1: First Name, Surname, Employee's Mailing Address	Employee's first name from Demographics prints in the first box. Employee last name and second last name print in the second box. In the third box, the employee's Address is taken from the Address function. iCON uses the Mailing Address (type "01") that is Active (status "A") and equal to or less than the day you run the W-2 process.
Date of Birth	The employee's date of birth from Demographics will print if the employee has exempt salaries under section 1031.02(a)(36) of the Code of up to \$40,000 (Code E of Box 16 or 16A).
2: Employer's Name and Mailing Address and Telephone Number	Name, Address, City, State, Zip and Phone Number from Legal Entity Definition.
Cease of Operations Date	Cease of Operations Date from Legal Entity Definition
Electronic Filing Confirmation Number	Puerto Rico Electronic Filing Confirmation Number from the Additional W-2 page of Legal Entity Definition for the selected Tax Year
Control Number	The system will print the first Control Number you enter on the W-2 Data Generation page, and increase the number by one for each subsequent W-2 form.
3: Social Security No.	National ID/SS# from Demographics
4: Employer's Ident. No. (EIN)	Federal Employer ID Number from Legal Entity Definition
5: Cost of employer-sponsored health coverage	If there is an override amount in Misc. Payroll, it will print. If no override exists, the system will determine the coverage the employee had during the year for Benefit Plans marked as Report Cost on W-2. If Health Costs exist for any of the Benefit Plans, they will be used. If no Health Costs exist for the plans, the employee and employer costs from Benefit History will be used.
6: Charitable Contributions	Year-to-date amounts for deductions which have a "D" value in the "Puerto Rico W-2" field of the Payroll Deductions common object are totaled from Deduction Accumulators.
7: Wages	Year-to-date Base Wages from Tax Accumulators for Puerto Rico income tax, minus any Commissions, Allowances or Tips
8: Commissions	Year-to-date amounts for pay codes which have a "C" value in the "Puerto Rico W-2" field of the Pay Codes common object are totaled from Pay Distribution.

Puerto Rico Form 499 R-2/W-2 PR Data Sources

Box	iCON Data Source
9: Allowances	Year-to-date amounts for pay codes which have an “A” value in the “Puerto Rico W-2” field of the Pay Codes common object are totaled from Pay Distribution.
10: Tips	Year-to-date amount of pay types defined as declared tips, from Pay Distribution
11: Total=7 + 8 + 9 + 10	Year-to-date Tax Base from Tax Accumulators for Puerto Rico
12: Reimbursed Expenses and Fringe Benefits	Year-to-date amounts for pay codes which have an “R” value in the “Puerto Rico W-2” field of the Pay Codes common object, and deductions which are designated in Payroll Deductions are totaled from Pay Distribution and Deduction Accumulators
13: Tax Withheld	Year-to-date amount of Puerto Rico income tax withheld from Tax Accumulators
14: Governmental Retirement Fund	iCON does not populate this box.
15: Contributions to CODA Plans	Year-to-date amounts of deductions where the “W-2 Deferred Comp. (PR CODA, Annual Comp. Limit)” field is selected in Payroll Deductions common object are totaled from Deduction Accumulators
16: Exempt Salaries	Code and the year-to-date amount for pay codes which have a value in the “Puerto Rico W-2 Exempt” field of the Pay Codes common object. Two amounts may be printed: one next to “16”, and one next to “16a”. The codes are as follows: "A" represents Public employees' wages for overtime worked during emergency situations under Act 324-2004; "B" represents Income from overtime worked by a Puerto Rico Police member under Section 1031.02(a)(34) of the Code; "C" represents Stipends received by certain physicians during the internship period under Section 1031.02(a)(9) of the Code; "D" represents Compensation paid to an eligible researcher or scientist for services rendered under Section 1031.02(a)(26) of the Code; "E" represents Salary not over \$40,000 per year under Act 135-2014 (Section 1031.02(a)(35) of the Code).
16B: Contributions to the Save and Duplicate your Money Program	Year-to-date amounts for deductions which have an “M” value in the “Puerto Rico W-2” field of the Payroll Deductions common object are totaled from Deduction Accumulators
17: Social Security Wages	Year-to-date amount of FICA Tax Base from Tax Accumulators minus declared tips. If this amount is greater than the FICA maximum found in Tax Manager, the maximum is printed.
18: Social Security Tax Withheld	Year-to-date amount of FICA Tax Withheld from Tax Accumulators
19: Medicare Wages and Tips	Year-to-date amount of FICM Tax Base from Tax Accumulators

Box	iCON Data Source
20: Medicare Tax Withheld	Year-to-date amount of FICM Tax Withheld from Tax Accumulators
21: Social Security Tips	Year-to-date amount of pay types defined as declared tips
22: Uncollected Social Security Tax on Tips	Difference between the calculated amount of FICA tax based on FICA wages vs. actual amount of FICA tax withheld
23: Uncollected Medicare Tax on Tips	Difference between the calculated amount of FICM tax based on FICM wages vs. actual amount of FICM tax withheld

Generating W-2 Forms

After all of the set-up steps have been completed, run the W-2 Data Generation function to print W-2 forms to review (optional). W-2 forms can be run at any time throughout the year for testing or reconciliation purposes.

Run the W-2 Register function to print a report which contains amounts that print on W-2 forms. This report will highlight differences between year-to-date amounts and calculated amounts for the following:

Box 1 Wages	vs.	Gross Wages minus pay and deductions that are defined as exempt from Federal Income Tax in Pay Taxation Exemptions and Deduction Taxation Exemptions
FICA withheld	vs.	FICA year-to-date Base Wages up to the ceiling from Tax Accumulators times the tax rate stored in Tax Manager
FICM withheld	vs.	FICM year-to-date Base Wages from Tax Accumulators times the tax rate stored in Tax Manager
FICA wages	vs.	FICM wages (ignoring the FICA ceiling)
Deferred Compensation YTD Deduction	vs.	Max Per Year in Global Deduction Limits
Box 16 Wages	vs.	Gross Wages minus pay and deductions that are defined as exempt from State Income Tax in Pay Taxation Exemptions and Deduction Taxation Exemptions. This check is only performed if the State Gross Wages equal FIT Gross Wages, so that employees who earned wages in this state for only part of the year will not be shown as having a difference.
Box 18 Wages	vs.	Gross Wages minus pay and deductions that are defined as exempt from Local Tax in Pay Taxation Exemptions and Deduction Taxation Exemptions. This check is only performed if the Local Gross Wages equal FIT Gross Wages, so that employees who earned wages in this locality for only part of the year will not be shown as having a difference.