



**2020 iCON Year-End Guide**



25B Hanover Road \* Florham Park, NJ 07932  
Phone: 800-343-6844 \* Fax: 973-360-0699  
[www.unicornhro.com](http://www.unicornhro.com)

## Contents

About This Document.....	3
How is this document organized?.....	3
Summary of Changes.....	4
2020 iCON Year-End Procedures .....	7
Introduction.....	7
Imputed Income Overview .....	8
Processing Year-End Imputed Income .....	9
Imputed Income Setup.....	10
Issuing Imputed Income Payments.....	13
Group Term Life Insurance Overview.....	14
Group Term Life Insurance Setup .....	15
Group Term Life Insurance Processing.....	16
New Year Administration Overview .....	17
Mandatory Steps.....	17
Additional Steps.....	20
W-2 Processing Overview .....	27
W-2 Setup.....	28
Employee W-2 Information Verification Report.....	28
Tax Exception Report .....	28
Benefit Plans .....	28
W-2 Healthcare Coverage Import.....	28
W-2 Healthcare Cost Report .....	29
Misc. Payroll (Manager Services).....	29
Payroll Deductions COD.....	30
Pay Codes COD.....	32
Payroll Statuses COD.....	36
Local Tax Types COD .....	36
Localities COD.....	36
W-2 Additional State Taxes .....	36
Legal Entity Definition.....	37
SUI and W-2 Manager.....	38
W-2 Data Sources .....	39
W-2 Healthcare Amount Calculation.....	44
Benefit History.....	44
Benefit Plans – Health Costs.....	45
Employee Override Amount.....	45
Common Paymaster.....	46
Puerto Rico Form 499 R-2/W-2 PR Data Sources .....	47
Generating W-2 Forms and Files .....	50

## 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 2021.
- *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 this guide includes description of changes that we are aware of as of the writing of this document. Additional changes announced by states / taxing authorities will 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) The 2020 W-2 Forms now require the amounts of Qualified Wages for COVID Health Leaves be printed in Box 14.

*No action is required on your part.*

- 2) Connecticut Paid Leave – Employers in Connecticut are to begin to collect premiums for the Connecticut Paid Leave Insurance program for Connecticut employees starting with payments as of January 1, 2021. The costs of the premiums are funded by employees only. For 2021, the premium is 0.5% of taxable wages for each employee, up to the Social Security Cap of \$142,800.00 for 2021.

*The system will have already included the rates for the employee tax effective January 1, 2021 – coded as CTFLI. The tax will need to be assigned to applicable employees, effective January 1, 2021, either in the **Manager Services Tax Elections** function, the **iCON Tools Employee Tax Option** function, or the **Manager Services Global Tax Assignment** function.*

*If your organization has been approved to offer your employees a private plan that provides all of the same rights, protections, and benefits as the Connecticut Paid Leave program, you must indicate this on the **SUI and W-2 Manager/SUI and W-2 Legal Entity Setup** function.*

*Please note that going forward, Connecticut FLI tax will automatically be assigned to new employees if their Work State is Connecticut and the **Auto Assign** checkbox for Family Leave Insurance is selected in the **State Tax Types common object**, unless you have it as an exception in the **State Tax Assignment Override** function. Also, please review **Pay Taxation Exemptions** or **Deduction Taxation Exemptions** regarding these taxes. We recommend that you check these settings and make any needed changes.*

- 3) Puerto Rico W-2 forms now contain more checkboxes that are required to be selected if the wages on the W-2 includes payments for certain types of services, and added clarification for other services. All of the types of services on the 2020 forms are as follows:

- A. Services rendered by a qualified physician who has a valid decree under Act 14-2017
- B. Domestic services in a private home, local college club, or local chapter of a college fraternity or sorority (for purposes of the Social Security Administration)
- C. Agricultural services rendered in agricultural work, as defined in Section 1062.01(a)(8) of the Code, excluding services rendered by executive, administrative, clerical or supervisory employees and by employees who hold permanent positions.
- D. Religious Services rendered by a minister of a church duly ordained, commissioned or authorized, in the exercise of his or her ministry, or by a member of a religious order in the performance of duties required by said order.
- E. Services rendered by health professionals under Circular Letter 20-1 who work in the private sector and who maintain a valid license as licensed practical nurses, licensed registered nurses, medical technologists, or resident physicians.
- F. Any other service required by the Department through regulations, administrative determination or circular letter, in which case you must indicate the salary payment concept. Values of 1, 2, 3, 4, 5, or 6 represent the following, and if a 6 is entered, you must also enter a description of the salary payment concept:
- (1) services rendered outside the course of the employer's trade or business, in any calendar quarter and whose remuneration is \$875 or less;
  - (2) services provided by a citizen or resident of Puerto Rico for a foreign government or for an international organization;
  - (3) services provided by a nonresident individual other than remuneration as pension for services rendered;
  - (4) compensation or indemnification received by an employee due to dismissal, without the need to determine their just cause, up to a maximum amount equivalent to the compensation that the employee could receive under Act No. 80 of May 30, 1976, or under a dismissal compensation agreement between the employer and employee;
  - (5) services rendered outside of Puerto Rico by a resident of Puerto Rico if, on the date of payment of the remuneration, the employer is required by law of the United States, its possessions or any foreign country, to withhold at source the income tax on all or any part of said remuneration;
  - (6) any other service required by the Department through regulations, administrative determination or circular letter, in which case you must indicate the salary payment concept.

*If your organization needs to identify wages as one of the above services, you will need to select one of these options in the **Pay Codes common object** for the applicable Pay Code.*

- 4) Puerto Rico W-2 forms has also had a new code added for Exempt Salaries. “J” represents Payments to professionals regarding hard-to-fill positions under Section 2022.03(a) of the Incentives Code.

*If your organization needs to identify wages as one this type of exempt salary, you will need to select this option in the Puerto Rico W-2 Exempt Code field in **Pay Codes common object** for the applicable Pay Code.*

- 5) New York Paid Family Leave tax rate has increased from 0.270 percent in 2020 to 0.511 percent in 2021. The wage ceiling for this withholding item has also changed based on the increase in the New York Average Weekly Wage. The New York Average Weekly Wage for 2021 is \$1,450.17 (up from \$1,401.17 in 2020), so the wage ceiling is 52 times that amount or \$75,408.84.

*No action is required on your part.*

- 6) The W-2 Register will now include Puerto Rico FICA and Puerto Rico FICM.

*No action is required on your part.*

- 7) New specs for 2020 ACA 1095-C reporting include the requirement to know whether any Benefit Plans are considered Individual Covered Health Reimbursement Accounts (HRA), and for Individual Covered HRAs, to indicate if the employer uses the Work Zip Code or the Residence Zip Code.

*If your organization has any Benefit Plans that are considered Individual Covered Health Reimbursement Accounts, you must identify this in the **Benefit Plans common object** for the applicable Benefit Plan. To indicate whether the Work Zip Code or the Residence Zip Code should be used for Individual Covered Health Reimbursement Accounts, you must select one option in the **ACA Setup** function.*

# 2020 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 5.
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. Run New Year Administration prior to running your first payroll of 2021.
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 2021 for 2020 items (such as third party sick pay), you may still run a pay cycle or make adjustments for 2020. To run a separate pay cycle for adjustments, add a Pay Period End Date in the Pay Calendars function. Once this pay cycle is completed, make sure you run the Direct Deposit File Creation to clear out the file, so that voucher information is not written to your first direct deposit file of the new year.

If you process your taxes in house and do not wish to run a pay cycle for the adjustments, use Pay Distribution Adjustments, Tax Adjustments, Deduction Adjustments or Gross Pay Adjustment. Any changes must be done before W-2s are printed and W-2 files are created in order to avoid issuing corrected W-2s.

## 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. 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.
- Include in EEO-1 Hours: This field can be left empty, since it applies to actual hours worked for purposes of EEO-1 Component 2 reporting.

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.

Check the IRS rates in Taxable Life Rates. These 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 dated 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.

Items on the next few pages include mandatory steps, as well as additional steps which may or may not apply to your system. Some of the steps can be performed from the Customer Management Module, or they can be performed from iCON Tools or Manager Services, as noted.

### Mandatory Steps

The mandatory steps include:

- Add the new 4-digit year.
  - Customer Management Module: this step is not necessary if you use the Global Legal Entity By Year Update described in the next step. However, if you want to add the year separately, you may use the Global Common Object Dictionary and select the Years table. Enter the new year. Highlight the new record and click on the "Update All Customers" button.
  - iCON Tools or Manager Services: access the Years table in the Payroll Common Object Dictionary.

*Timing: This can be done at any time, but must be added before any year-related data is copied.*

- Grant access to new year data.
  - Customer Management Module: use the Global Legal Entity By Year Update. Enter the new year and click on “Update All Customers”.
  - iCON Tools: use the Legal Entity By Year function.
 

*Timing: This can be done at any time.*
- Set up your Pay Calendars for the new year.
  - Customer Management Module: If you use Workflow to run your pay cycles, first go to Federal Holidays in the Code Tables menu and enter the federal holidays for next year. If you have any company holidays other than federal holidays, go to the Operations Holiday Calendar function in the Operations menu and enter them there. You must use the Pay Calendar Manager to set up your pay dates for next year, since this also generates the Operations Calendars. From the Pay Calendar Manager function, highlight the pay group you wish to work with. Click on the Settings button to enter or verify the information. Then go to the Generate page. The last Pay Period End Date will appear. Enter the last Pay Period End Date for the coming year and click Generate. Then go to the Calendar page. The Pay Period End Dates that were generated will appear. To select additional pay dates, click on the date and enter the corresponding information. To delete a pay date, right click on the date. You may go to the Excel page to print a list of the pay dates that were generated. If you need to delete pay dates, go to the Clear page and enter the date range you wish to clear.
  - iCON Tools: Only set up Pay Calendars in iCON if you do not use Workflow to run your pay cycles. 1) You can use the Pay Calendar Copy function, which is best suited for semi-monthly or monthly payrolls. 2) If the Pay Calendar Copy function does not meet your needs, go to the Pay Calendars function and enter the pay dates for next year. Reminder: when adding Pay Period End Dates, do not enter “Number Of Weeks Worked” for special pay dates such as bonus or commission runs; leave these as zero.
 

*Timing: New pay calendars can be set up at any time.*
- In Tax Manager, update any withholding rates that you are aware of, with the associated Effective Date. In the Year-End Update, employee rates for the new year will be loaded onto your system automatically. You are responsible for updating any employer-paid taxes such as FICA and state unemployment contributions and the associated ceilings.
  - Customer Management Module: FICA and SUI taxes can be updated here. (1) Global Setup>Global New Year Automation>Global Federal Tax Ceiling Update allows you to create records for the new tax year with the new FICA ceiling. Enter \$142,800 with an effective date of 01/01/2021.

(2) After the Year-End Update has been loaded, access the Global Setup>Global New Year Automation>Global State Tax Ceiling Update function. Enter the date that the system should use (01/01/2021) to find and copy the new state tax ceilings to each legal entity that has a tax record for the corresponding state.

- **iCON Tools:** use the Tax Manager function.

*Timing: New tax information can be set up at any time, with the exception that the Year-End Update must be applied before using the Global State Tax Ceiling Update 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 Wage Accumulators (fiscal amounts only). Once copied to the new year, you may make any necessary changes. 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. In Misc. Payroll, the Dependent Care amount is not copied, since this is associated with a particular year.

- **Customer Management Module:** use the Global New Year Administration function, which allows you to run the New Year Administration copy functions for multiple databases, depending on your Legal Entity Authorization. When you access this function, enter the year to which data should be copied. Select the area to copy. Click on Submit to start the process. By doing this, the New Year Administration job will be started on each of the databases that you have selected, for each legal entity.

- **iCON Tools:** use the New Year Administration function.

*Timing: This should be run as close to the new year's first payroll as possible. If you make changes to this year's data after the copy has been done, you must make the same changes to the new year's data, if applicable. You may rerun New Year Administration, but existing records will not be updated. Only new records are added when this function is re-run. This is done to preserve the new year's changes that you have already made.*

**Additional Steps**

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

- If you add any employees to the system after New Year Administration has been run, you must copy the employee's 2020 data to 2021 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, you may 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 – Global Tax Year Update in iCON Tools, or the Benefit Deduction Defaults Update in Manager Services.*

- 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 2021 limit for health flexible savings account contributions is \$2,750.00.

*Timing: This can be done at any time.*

- 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.

*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, change the Maximum HSA Contribution Allowed in 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 Benefit Plans.*

- For employees who elect to participate in the new year's Health Savings Account Plans and have not used Open Enrollment, 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. Enter only the information to be changed when using these functions, along with the appropriate Effective Date. For individual deduction changes, use Employee Deduction Formulas or Employer Deduction Formulas. 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. To globally update employee deduction information, you have the following options:

- Customer Management Module: The Global Deduction Update function allows you to change the "Max Per Year" fields in the Employee Deduction Formulas function for multiple client databases. If you are using the global annual maximum amounts, this does not need to be run for the following deduction types: 401(k), 401(k) Catch-Up, 403(b), 403(b) Catch-Up, 457, Roth 401(k), Roth 401(k) Catch-Up, Roth 403(b), Roth 403(b) Catch-Up, Roth 457(b), Roth 457(b) Catch-Up, 1081.01(d) PR Only Plan, and 1081.01(d) PR Only Plan Catch-Up. If you need to update maximums for other deductions, select "Update Employee Deductions" and enter the Effective Date that will be used as the Start Date for the new Employee Deduction Formula records. Enter the new "Max Per Year" for this type of deduction. Then, select the W-2 Box 12 Code. The system will search all client databases, and display the Customer name and Deduction name. Select the deductions that you wish to update. Multiple selections can be made by using Shift+mouse or Ctrl+mouse. When you have highlighted all of the deductions that you wish to update, click on the "Update Selected Deductions" button.
- iCON Tools or Manager Services: Use the Global Employee Deduction Update for mass changes, or Employee Deduction Formulas for individual changes.

*Timing: This can be done at any time. However, it is recommended that you run this process as close to the new year as possible. By doing so, you will capture any recently-added deductions.*

- If deduction definition information will change for the new year, use the Deduction Definition function in Manager Services or iCON Tools. For changes to annual ceilings such as 401(k) deductions, you have the following options:
  - Customer Management Module: The Global Deduction Update function allows you to change the "Max Per Year" fields in the Deduction Definition function for multiple client databases. If you are using the global annual maximum amounts, this does not need to be run for the following deduction types: 401(k), 401(k) Catch-Up, 403(b), 403(b) Catch-Up, 457, Roth 401(k), Roth 401(k) Catch-Up, Roth 403(b), Roth 403(b) Catch-Up, Roth 457(b), Roth 457(b) Catch-Up, 1081.01(d) PR Only Plan, and 1081.01(d) PR Only Plan

Catch-Up. If you need to change any other deductions, select "Update Deduction Definitions" and enter the new "Max Per Year". Select the W-2 Box 12 Code. The system will search all databases, and display the Customer name and Deduction name. Select the deductions that you wish to update. Multiple selections can be made by using Shift+mouse or Ctrl+mouse. When you have highlighted all of the deductions that you wish to update, click on "Update Selected Deductions".

- iCON Tools or Manager Services: Use the Deduction Definition function to make changes.

*Timing: Since data in the Deduction Definition function is not effective-dated, this should be done after the last payroll of the current year and prior to running the first payroll of the new year.*

- If employer deduction match information will change for the new year, use the Employer Deduction Contributions function in iCON Tools or Manager Services. For changes to annual ceilings for the employer match, you have the following options:
  - Customer Management Module: The Global Employer Deduction Contributions Update function allows you to change the "Max Per Year" fields in the Deduction Definition function for multiple client databases. To use this function, select the Tax Year to be updated. Enter the new "Max Per Year". Then, select the W-2 Box 12 Code. For example, 401(k) plans are printed with Code "D" on the W-2 form. The system will search all databases, and display the Customer name and Deduction name. Select the deductions that you wish to update. Multiple selections can be made by using Shift+mouse or Ctrl+mouse. When you have highlighted all of the deductions that you wish to update, click on "Update Selected Deductions".
  - iCON Tools or Manager Services: Use the Employer Deduction Contributions function.

*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 Employee Compensation Method and/or Employee Compensation 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 you have 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 and then run New Year Administration to copy data to the new year.*

- If you use the “Annual Compensation Limit for Deferred Compensation Plans” in HR System Defaults, update this amount if it will change for the new year. This amount has been set at \$290,000.00 for the tax year 2021.

➤ Customer Management Module: The Global Defined Compensation Limit Update allows you to update all of the "Annual Compensation Limit for Deferred Compensation Plans" fields for all databases. Enter the new annual limit for deferred compensation. Click on the "Update All Customers" button to perform the update. Note that only databases that have an existing deferred compensation limit will be updated. If a database has zero in this field, the system assumes that this feature is not being used, and will not update the field.

➤ iCON Tools or Manager Services: use the HR System Defaults function.

*Timing: This amount is not effective-dated. Therefore, you must change this amount after your last payroll of the current year, and before the first payroll of the next year.*



- If any common object values need to be added or changed, you have the following options.
  - Customer Management Module: In the Global Common Object Dictionary, make the necessary change. Click on the button called "Copy To Customer" and select the database that you want to update. Then click "Update". The system will add the new record to the selected databases, or update any existing value.
  - iCON Tools or Manager Services: use either the HR Common Object Dictionary or Payroll Common Object Dictionary.

*Timing: This can be done at any time.*

- If any of your employees claimed an exempt FIT status in 2020, it will expire on February 16, 2021 if they do not file another exemption. Run the FIT Exemptions Expiring Report in Manager Services to see which exemptions will expire. Request new W-4 forms from employees who are claiming exempt status.
  - Customer Management Module: In Pre Year End Reports, run FIT Exemptions Set to Expire/Expired.
  - Manager Services: run the FIT Exemptions Expiring Report.

*Timing: This can be done at any time.*

- The Pre Year End Reports function includes many reports that should be reviewed prior to creating W-2 forms and files. Run all reports and review to see if any data needs to be updated on your system.
  - Customer Management Module: In Pre Year End Reports, run all reports that apply to your organization.
- If your organization processes IRS Tax Levy Garnishments, you must enter the current year exemption amounts as needed, based on Filing Status and Exemptions claimed, in the Garnishment Exemption function, using the Annual Fixed Amount field. A table of these exemption amounts are published annually by the IRS.

*Timing: This must be updated for the 2021 IRS exemption amounts after your last payroll of 2020 and before your first payroll of 2021.*



## W-2 Processing Overview

A W-2 form will print for all employees whose Payroll Status as of December 31<sup>st</sup> 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, state and local tax agencies.

### **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)** 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.

Or

**Employee Payroll (iCON Tools)**

- 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.
- Enter the amount of Permitted Benefits Under a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) in the “QSEHRA Amount” field.
- Enter the amount of “83(i) Qualified Equity Grants” and/or “83(i) Aggregate Deferrals” in the respective fields.

## 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. To print a report that shows which deductions and pay types are currently set to print in these boxes, take the following steps:

- From CMM / Reports > Payroll>Pre Year End Reports
- Select the Company and Tax Year
- Select Report 13 “Pay types and deductions marked to print in W-2 boxes”

### 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: Employee	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: Employee (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 ½ x 11” form; or the first 5 characters on the 8 ½ 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 19.
Kansas Retirement System	Select this checkbox for contributions to Kansas Public Employees’ Retirement Systems (KPERs, KP&F or Judges).
W-2 Box 12: Employer	Select a code to print the employer deduction amount: “R” for MSA, “W” for HSA, or “G” for Employer Deferred Compensation Contributions to Section 457 (b) plan
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**

<b>Field</b>	<b>Purpose</b>
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	Select the appropriate code: 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 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) P: Excludable moving expense reimbursements paid directly to employee Q: Nontaxable combat pay R: Employer contributions to an Archer MSA



### 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, “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 represents public employees' wages for overtime worked during emergency situations under Act 324-2004; "B" represents exempt income paid to 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 or under Section 2022.05 of the Puerto Rico Incentives Code, Act 60-2020 (Incentives Code); "E" represents salary not over \$40,000 per year under Section 1031.02(a)(36) of the Code; "F" represents vacation and sick leave liquidation payment to public employees under Act 211-2015; "G" represents disaster payments declared exempt by the Governor of Puerto Rico or the President of the United States; "H" represents payments to public employees under the Voluntary Transition Program, according to AAFAF's Administrative Orders; "I" represents compensation or indemnification paid to an employee due to dismissal under Section 1031.01(b)(15) of the Code; "J" represents Payments to professionals regarding hard-to-fill positions under Section 2022.03(a) of the Incentives Code.
Puerto Rico W-2 Physician Service	For Puerto Rico Form 499 R-2/W-2 PR, select this checkbox if this pay code represents services rendered by a qualified physician who has a valid decree under Act 14-2017.

<b>Field</b>	<b>Purpose</b>
Puerto Rico W-2 Domestic Service	For Puerto Rico Form 499 R-2/W-2 PR, select this checkbox if this pay code represents domestic services in a private home, local college club, or local chapter of a college fraternity or sorority (for purposes of the Social Security Administration).
Puerto Rico W-2 Agricultural Service	For Puerto Rico Form 499 R-2/W-2 PR, select this checkbox if this pay code represents services rendered in agricultural work, as defined in Section 1062.01(a)(8) of the Code, excluding services rendered by executive, administrative, clerical or supervisory employees and by employees who hold permanent positions.
Puerto Rico W-2 Religious Service	For Puerto Rico Form 499 R-2/W-2 PR, select this checkbox if this pay code represents services rendered by a minister of a church duly ordained, commissioned or authorized, in the exercise of his or her ministry, or by a member of a religious order in the performance of duties required by said order.
Puerto Rico W-2 Health Professional Service	For Puerto Rico Form 499 R-2/W-2 PR, select this field if this pay code represents services rendered by health professionals under Circular Letter 20-1 who work in the private sector and who maintain a valid license as licensed practical nurses, licensed registered nurses, medical technologists, or resident physicians.
Puerto Rico W-2 Other Services	Enter data in this field if this pay code represents any other service required by the Department through regulations, administrative determination or circular letter, in which case you must indicate the salary payment concept. Enter a value of 1, 2, 3, 4, 5, or 6 to represent the following, and if a 6 is entered, you must also enter a description of the salary payment concept: (1) services rendered outside the course of the employer's trade or business, in any calendar quarter and whose remuneration is \$875 or less; (2) services provided by a citizen or resident of Puerto Rico for a foreign government or for an international organization; (3) services provided by a nonresident individual other than remuneration as pension for services rendered; (4) compensation or indemnification received by an employee due to dismissal, without the need to determine their just cause, up to a maximum amount equivalent to the compensation that the employee could receive under Act No. 80 of May 30, 1976, or under a dismissal compensation agreement between the employer and employee; (5) services rendered outside of Puerto Rico by a resident of Puerto Rico if, on the date of payment of the remuneration, the employer is required by law of the United States, its possessions or any foreign country, to withhold at source the income tax on all or any part of said remuneration;

Field	Purpose
	(6) any other service required by the Department through regulations, administrative determination or circular letter, in which case you must indicate the salary payment concept.

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.

**Local Tax Types  
COD**

For each local tax type that must print on W-2 forms, select the checkbox marked “Print On W-2”. You must then indicate which individual localities must be printed in the Localities common object.

**Localities COD**

For each locality that must print on W-2 forms, select the checkbox marked “Print On W-2”. This checkbox must also be selected in the corresponding Local Tax Type value to print the local tax information on the W-2 form.

Indiana counties must be entered as 3-digit codes from 001 to 092, corresponding to the state’s codes, to be written to the Indiana W-2 file.

To write Ohio school districts to the Ohio W-2 file, check the “Ohio School District” field and enter the 4-digit school digit code in the “Locality Code” field. To write Ohio cities, do not check the “Ohio School District” field and enter the 3 digit code in the “City Code” field with a leading zero.

**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:

<u>State</u>	<u>Tax Type</u>
California	Disability
Massachusetts	Family Leave Insurance
Massachusetts	Medical Leave Insurance
New Jersey	Family Leave Insurance
New Jersey	Unemployment
New Jersey	Workforce Development Partnership
New York	Family Leave Insurance
Oregon	Transit Tax

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.

Use field “Previous Federal Employer ID Number” on the Additional W-2 page if your organization submitted a Form 941, 942 or 943 using a different EIN than that entered in the “Federal Employer ID Number” during the year. Leave this field blank if not applicable.

To report income tax withheld by third parties from sick or disability payments made to employees, go to the Additional W-2 page and enter the total amount in the field “Income Tax Withheld By Third Parties”. This amount is written to the federal W-2 file.

To write contact information to the federal W-2 file, click on the W-2 Information button. Enter data such as Authorized Employee’s User ID, Contact information, Notification Code, Preparer Code, Employment Code and Kind of Employer. Enter information in the Agent fields if applicable. Some of this data is also written to state W-2 files, per their specifications.

If you have employees in Puerto Rico, go to the Additional W-2 page and enter the Puerto Rico Electronic Filing Confirmation Number after you have submitted the W-2 file to Hacienda, and before you create Form 499R-2/W-2PR for your employees.

**SUI and W-2  
Manager**

In the “SUI Reporting by State” section, each state must be defined with its corresponding Numeric Code.

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 wish to create a file for the state, select the checkbox named “Create W-2 Magnetic Media” and select the 3 ½” Diskette option in the Magnetic Media Option field. This is required whether you report by diskette, CD or electronic filing.

If the state requires other information such as Origin Name and Address, enter it here. Contact the Department of Revenue of each state for their magnetic media requirements.

Connecticut: If you have been approved to use a private plan for the Connecticut Paid Leave Program, select this in the SUI and W-2 Legal Entity Setup section of SUI and W-2 Manager.

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. You must also indicate the SOC Code (Standard Occupational Classification Code) for each job title in use in Indiana in the Job Titles function, include a Zip Code in SUI Locations, then assign the SUI Location to each Indiana Employee, and select an Employment Type in Employment Status Definition for each Employment Status Code used for employees in Indiana. If your organization hires Seasonal Employees in the state of Indiana, please contact iCON Support to request a customized solution.

Massachusetts: If you use a voluntary plan for any portion of the Massachusetts Family and Medical Leave program, select this in the SUI and W-2 Legal Entity Setup section of 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.

Washington: If you use a voluntary plan for any portion of the Washington Family and Medical Leave program, select this 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

<b>Box</b>	<b>iCON Data Source</b>
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 1/2" 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

<b>Box</b>	<b>iCON Data Source</b>
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**

<b>Box</b>	<b>iCON Data Source</b>
<p>12 (continued)</p>	<p>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)  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) 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>
<p>12 Code FF</p>	<p>The IRS has specified Code FF in Box 12 to represent amounts to be reported as Permitted Benefits Under a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA). This amount is entered on Misc. Payroll in the QSEHRA Amount field.</p>
<p>12 Codes GG or HH</p>	<p>The IRS has specified Code GG in Box 12 to represent Income from qualified equity grants under section 83(i) and Code HH in Box 12 to represent Aggregate deferrals under section 83(i) elections as of the close of the calendar year. These amounts are entered on Misc. Payroll in the 83(i) Qualified Equity Grants (GG) and/or 83(i) Aggregate Deferrals (HH) fields.</p>

## W-2 Data Sources

Box	iCON Data Source
13	<ul style="list-style-type: none"> <li>• Statutory employee: If the Statutory Employee checkbox in Misc. Payroll is selected, an “X” will appear in this box.</li> <li>• 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”.</li> <li>• 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”.</li> </ul>
14: Other	<p>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. Most 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 , New Jersey FLI, SDI, SUI, and SWD, New York PFL, and Massachusetts PFML, 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.</p> <p><b>New for Tax Year 2020</b>, an employee’s Qualified Wages for any type of Federal Paid Leave related to COVID-19 will print in this section of the W-2. This has been calculated in internal database tables.</p>
15: State, Employer’s state I.D. No.	<p>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.</p>

**W-2 Data Sources**

<b>Box</b>	<b>iCON Data Source</b>
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 2020 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 2020, 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 2020 tax year.*

*If you are not subject to reporting healthcare coverage amounts for 2020, 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	1/1/2020	12/31/2020	8,000.00
Full Time	Medical	Family	1/1/2020	12/31/2020	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 2020 W-2 forms and files.

- a. Determine if your organization must report healthcare care amounts on the 2020 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, 2020 with the applicable Effective Dates. If necessary, the Benefit Update should have been run prior to your first 2021 pay cycle to write the 2020 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, 2020.
- 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 2020 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 2021.

## 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, Last Name, 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).
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.
Services Checkboxes	Indications on which type of services employee's wages represent, based on the Pay Codes identified in Pay Codes common object as one or more of the following: -Puerto Rico W-2 Physician Service -Puerto Rico W-2 Domestic Service -Puerto Rico W-2 Other Services -Puerto Rico W-2 Agricultural Service -Puerto Rico W-2 Religious Service -Puerto Rico W-2 Health Professional Service
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, 17, 18: 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. Three amounts may be printed: in sections for 16, 16A, and 16B. The codes are as follows: A. Public employees' wages for overtime worked during emergency situations under Act 324-2004; B. Exempt income paid to a Puerto Rico Police member under Section 1031.02(a)(34) of the Code; C. Stipends received by certain physicians during the internship period under Section 1031.02(a)(9) of the Code; D. Compensation paid to an eligible researcher or scientist for services rendered under Section 1031.02(a)(26) of the Code or under Section 2022.05 of the Puerto Rico Incentives Code, Act 60-2020 (Incentives Code); E. Salary not over \$40,000 per year under Section 1031.02(a)(36) of the Code; F. Vacation and sick leave liquidation payment to public employees under Act 211-2015; G. Disaster payments declared exempt by the Governor of Puerto Rico or the President of the United States; H. Payments to public employees under the Voluntary Transition Program, according to AAFAF's valid Administrative Orders; I. Compensation or indemnification paid to an employee due to dismissal under Section 1031.01(b)(15) of the Code; J. Payments to professionals regarding hard-to-fill positions under Section 2022.03(a) of the Incentives Code. The payments corresponding to Codes E and F must appear only in Box 16 with their corresponding exemption codes. The remaining exempt salaries under the other concepts must be totalized in Boxes 17 and 18 with the corresponding exemption codes.
19: 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
20: Social Security Wages	Year-to-date amount of PR FICA/OASDI 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.
21: Social Security Tax Withheld	Year-to-date amount of PR FICA/OASDI Tax Withheld from Tax Accumulators



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

<b>Box</b>	<b>iCON Data Source</b>
22: Medicare Wages and Tips	Year-to-date amount of PR FICA/Medicare Tax Base from Tax Accumulators
23: Medicare Tax Withheld	Year-to-date amount of PR FICA/Medicare Tax Withheld from Tax Accumulators
24: Social Security Tips	Year-to-date amount of pay types defined as declared tips
25: Uncollected Social Security Tax on Tips	Difference between the calculated amount of PR FICA/OASDI tax based on PR FICA/OASDI wages vs. actual amount of PR FICA/OASDI tax withheld
26: Uncollected Medicare Tax on Tips	Difference between the calculated amount of PR FICA/Medicare tax based on PR FICA/Medicare wages vs. actual amount of PR FICA/Medicare tax withheld

## Generating W-2 Forms and Files

After all of the set-up steps have been completed, run the W-2 Data Generation function to print W-2 forms to review and/or create data to be written to files. W-2 forms can be run at any time throughout the year for testing or reconciliation purposes.

Unicorn HRO supports the forms available from American Business Forms, Centro Information Systems, RR Donnelley and Proforma Print Solutions.

A separate entry will appear in Report Master Listing for Form 499 R-2/W-2 PR forms for employees with wages subject to Puerto Rico income tax. If you are printing Form 499 R-2/W-2 PR forms, or producing a Puerto Rico W-2 file, you must enter the 5-digit access Code, and a Sequence Number range that is 9 digits and is unique for the employer, form type, and tax year, and does not include numbers in the range from 900000000 to 999999999 (reserved for use of Hacienda). Note that the access Code is not printed on forms; it is only written to the W-2 file.

Run the W-2 Diskette Creation function to write the information to a diskette or folder for federal and state agencies.

You may use the W-2 Diskette Inquiry function to determine which tables have been created and whether it has been transferred to a diskette or folder.

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/PR FICA withheld	vs.	FICA/PR FICA year-to-date Base Wages up to the ceiling from Tax Accumulators times the tax rate stored in Tax Manager
FICM/PR FICM withheld	vs.	FICM/PR FICM year-to-date Base Wages from Tax Accumulators times the tax rate stored in Tax Manager
FICA/PR FICA wages	vs.	FICM/PR 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.