



Unicorn HRO

Pay Code Definition

To set up a new pay code, the minimum requirements are:

- Add a value in the Pay Codes common object.
- Add the pay code in Pay Code Definition.

Information may also need to be set up in the following additional functions:

- Pay Taxation Exemptions: Use this function to exclude a pay code from taxation, for example, when you are reimbursing nontaxable expenses through payroll.
- Deduction Pay Exclusions: If certain deductions should not be taken from this pay code, use this function to select the deductions.
- Pay Rate Overrides: This function is used for pay codes such as Overtime, where either an additional amount per hour and/or a factor can be defined.
- Eligible Retirement Plan Earnings: Use this function to add a pay code to employees' retirement plan wage accumulators.

The following fields are entered on the Pay Code Definition window.

Type of Pay: select the value from the Pay Code common object that is value for the selected Legal Entity.

Payroll Deduction: if this pay represents imputed income, or “memo earnings”, enter the deduction that will offset the amount of pay that is given. An example of this would be the taxable value of group term life insurance over \$50,000. An earning will be paid to the employee so that it is included in taxable wages. So as not to give the employee the additional pay in cash, the offset deduction is created for an amount equal to the earnings. If you select a deduction in this field, you must also set it up in Deduction Definition so that is validated to the legal entity. Leave the Payroll Deduction field blank if the pay does not represent imputed income.

Account #: The format of this field is determined by the Chart of Account Definition you selected in Legal Entity Definition. Enter the segment values that apply to this pay code.

Pensionable: If this pay code is to be considered for pension purposes, click on this checkbox. This field is informational only.

Supplemental Pay: If this pay is supplemental, this checkbox should be on. By doing so, the system will tax this pay at the supplemental pay rates found in Tax Manager. When processing deductions, the system will use the Percentage of Supplemental Pay and Fixed Amount from Supplemental Pay to determine the deduction amount.

Use Secondary Supplemental Tax Rate: If this pay represents supplemental pay that is to use the separate tax rate, this checkbox should be on. This corresponds to the Secondary Supplemental Tax Rate in Tax Manager. Currently, only bonuses and stock options paid in California use this rate.

Severance Pay for State Income Tax Purposes: Click on this option if the pay type represents severance pay that is to follow state rules for income tax purposes. For example, Alabama considers the first \$25,000 of severance pay exempt from state income tax, and North Carolina considers the first \$35,000 exempt. Georgia and Washington, D.C. do not tax severance pay for non-residents.

Puerto Rico Christmas Bonus: Click on this option if the pay type represents a Christmas bonus and the pay is subject to Puerto Rico income tax. If this option is selected, the system will also automatically select the Supplemental Pay option. Also, the Use Secondary Supplemental Tax Rate will be unselected, and these two fields will become display-only. When an employee is paid this pay type, special tax calculations will be performed.

When you click Save, the system will automatically display the Pay Process Controls window. Further define the pay code using these fields:

Hourly Rate Override: If an amount is entered here, it will override the employee's base rate and any differentials that may exist.

Use Hourly Rate: This field is used in conjunction with the compensation method of Designated Hourly Rate (DHR). If an employee is paid by this method, up to 5 hourly rates can be entered. Enter the corresponding number (1 - 5) in this field.

Algorithm Method 1: By default, the system processes differentials as follows: For employees paid by the Standard, Job and Position compensation methods: if a Special Rate Override exists, it will be calculated. If none exists, any Pay Rate Override will be applied. Then, Any Shift Override will be applied. For employees paid by Rate Index: Any special Rate Override is applied, then any Pay Rate Override, then any Shift Override. Within each of the Override functions, the Additional Amount will be added first, and then the Factor will be applied, unless you specify otherwise. If you wish to change the order in which differentials are calculated, enter the three methods here. The differential that is entered in Algorithm Method 1 will be calculated first, Method 2 will be calculated next, and Method 3 will be calculated last. If you enter at least one of these methods, the system will force you to enter all three.

Algorithm Method 2: The second type of differential that is to be applied. See Method 1 for the full explanation.

Algorithm Method 3: The third and last type of differential that is to be applied. See Method 1 for the full explanation.

Accrue Entitlement with Hours: If this is set to "on", when the employee gets paid, the hours worked will accumulate for purposes of accruing entitlements which are based on hours worked.

SUI Labor Hours: If this is set to “on”, hours for this pay code will be accumulated into Tax Accumulators (employee and/or employer hours, depending upon the tax’s definition in Tax Manager). The Payroll Feeder will write hours into Pending Hours for the employee’s federal, state and local taxes. The close process will move them into MTD, QTD, YTD and GL buckets. Manual Payments will immediately update MTD, QTD, YTD and GL buckets. When SUI forms or diskettes are requested, the system will pull the appropriate quarter’s hours from Tax Accumulators when Hours Worked is required. It does not add up the sum of hours from each pay type in Payment History. This is also used to calculate insurance rates based on hours, such as those for Washington state.

Include in Base Wage: For pay that represents tipped hours, this checkbox must be on. For non-tipped hours, it must be off.

Taxable Life: An “on” status signifies that this pay code will be processed as imputed income for employees who receive greater than \$50,000 in group term life insurance. The Taxable Life Process creates a lump sum with this pay code.

Include in SUI Weeks Worked: Weeks Worked is stored in Pcheck_mast when the update is run. It is only stored on payments that are “standard”, meaning they originated from time and attendance data, both exempt and non-exempt. When the pay period is closed, Weeks Worked are moved to the Check_Mast table. Lump sums paid as separate payments or manual payments (where Standard Payment is “off”) are not standard and therefore have no weeks worked associated with them. For unemployment quarterly reporting, if a state requires that Weeks Worked be reported, the system will accumulate weeks worked for all pay types where this flag is set to “on”.

Eligible for Retro Pay: When creating a lump sum payment from the Retroactive Pay Adjustments function, an "on" status in this checkbox signifies that retroactive pay increases will be applied to this pay type. For example, regular pay would be eligible for retroactive pay adjustments, but commission pay would not.

Include in Lifetime Hours Worked: In Entitlement Policies, if Hours Of Service is selected (rather than Years/Months of Service), hours worked in pay codes that have this checkbox “on” will be accumulated for lifetime hours. These hours are used for purposes of entitlement accruals.

New York Other Wages: select this checkbox if this pay type represents "other wages" for New York quarterly wage reporting purposes. This represents the first six months of sick pay, severance pay, and reimbursable moving expenses. Note that if you use this checkbox for sick pay, you must set up another pay code for sick pay paid after six months, since that is not considered "other wages".

No Pay Pay Type: An “on” status signifies that this pay type will only post hours, rather than dollars. An hourly rate of zero will be processed.

Average Rate Overtime: If set to “on”, the system will pay this pay code for employees who receive overtime pay based on an average hourly rate.

Include in Avg. Rate Hours: All pay types set to “on” will be included in the calculation of an employee’s total number of hours, divided into the total amount of pay, for average overtime purposes.

Include Pay in Avg. Rate: All pay types set to “on” will be included in the calculation of an employee’s average rate, for overtime purposes.

Use Shift to Calculate Pay: If set to “on”, any shift differential which exists for the employee’s home shift will be applied to this pay type. This will occur for hours entered through time and attendance entry, manual checks and lump sum earnings.

Third Party Sick Pay: If set to "on", and an employee has a year-to-date amount for this pay type, the W-2 form and federal diskette will indicate that the employee received third party sick pay. This field is also used in conjunction with the Payroll Tax Summary Interface. For any payments containing this type of pay, FICA and FICM amounts will be written to a separate record on that file.

Include in Workers Comp. Hours: this checkbox should be “on” if a workers compensation tax is calculated as an amount per labor hour, and this pay code should be taxed. If this checkbox is on, the hours worked will be accumulated in Tax Hours.

Declared Tip: this checkbox must be on if it represents amounts declared to be tips by tipped employees. In most cases, this type of pay must have an offset deduction, since the employee has already received the money and it is only being recorded.

Tip Credit: if you pay tipped employees, define only one pay type per legal entity as the tip credit. When the system processes a standard payment for a tipped employee, it will compare the employee's rate of pay to minimum wage, and create a tip credit if necessary.