



Hi TownHall Software clerks,

Again there are changes to our payroll because of recent government acts. Below is a guide to accommodate the new acts which affect employee contributions for retirement and health insurance. You will only need this if your municipality participates in these programs.

2011 Wisconsin Act 10 and 2011 Wisconsin Act 32 contain a number of provisions that affect the retirement and health insurance programs administered by the Department of Employee Trust Funds (ETF). Below is a guide on how to set deductions for which the employee contributes.

(For more details on these changes, see http://etf.wi.gov/news/Changes_to_your_WRS_Benefits.pdf)

STEP ONE: Setting up Payroll Deductions

Go into **Payroll > Maintenance > Miscellaneous Deductions > Insert**

You will already have WRS as a deduction - DO NOT CHANGE THIS DEDUCTION TYPE. It should remain the same so your reports are consistent. (In Step Two below, you will go into employee maintenance to change the percentage - but the definition of the deduction will remain the same.)

To create the Employee Contribution of the WRS deduction, simply click INSERT, and set up the deduction as follows:

Description: self-explanatory.

FOR AFTER-TAX CONTRIBUTION:

Be sure "Deduction Type" is DEDUCTION (for employEE portion).

The Liability Account is how YOU designate it. Some will create sub-accounts for employees. Some clerks have designated 21522-00 and a WRS account. Be consistent with your municipality's designations.

Be sure the "Exempt from Social Security" is **NO**

Be sure the "Exempt from Medicare" is **NO**

NOTE: While this deduction is "PRE-TAX" – WRS contributions ARE NOT exempt from Social Security/FICA and Medicare withholding. When it indicates "pre-tax" it is only for federal and state taxes. FICA and MED are calculated on gross pay, regardless of deductions/tax

standings. Below is found in: http://etf.wi.gov/news/Act_10_Employer_Communications.pdf

- Are WRS employee required contributions excluded from the employee's gross income for FICA purposes?
- No. FICA deductions will be calculated on the full gross salary, unlike state and federal income taxes. Under the Federal Insurance Contributions Act, 12.4% of earned income up to an annual limit must be paid into Social Security, and an additional 2.9% must be paid into Medicare. A provision of the Internal Revenue Code (IRC), § 3121(v)(1), has been interpreted by the IRS to mean that all salary reduction pickups are subject to FICA.

Please fill in the "Exempt from Tax Id" field as shown with the exemptions for Wisconsin married and single and Federal married and single (see example).

Also, there should be NO letter indication in "Box 12" for the W-2. Box 12 is for deferrals that may be limited before it is subject to taxes. This is explained on the W-2 itself. So leave Box 12 BLANK for the WRS-employee contribution. (See instructions on the W-2: <http://www.irs.gov/pub/irs-pdf/fw2.pdf>)

STEP TWO - Updating Employee Maintenance to Reflect Employee's Deduction

Additionally, in each person's Employee Record (under Employee Maintenance), you need to have selected this deduction for them under the tab DEDUCTION DATA, and include the percentage. See below:

Deduction Id	Rate Type	Deduction Rate	Limit	Deduction Status
DCO	Fixed	40.0000	8,000.00	Active
INS	Fixed	6.9200	180.00	Active
WRS	Prcntg	5.8000	99,999.00	Active
WRS-E	Prcntg	5.8000	99,999.00	Active
	Fixed	0.0000	0.00	Inactive
	Fixed	0.0000	0.00	Inactive
	Fixed	0.0000	0.00	Inactive
	Fixed	0.0000	0.00	Inactive

For most employees, both the Municipality's and the Employee's contributions will be 5.8% each (total of 11.6%). For some elected officials, it should be 6.65% each for a total of 13.3%. This example shows 5.8% for each contribution (up to \$100,000). Be sure to mark the deduction status as ACTIVE.

DO THIS FOR ALL AFFECTED EMPLOYEES.

STEP THREE - Including the Deduction during processing of Payroll

NOW.. When you run Payroll, be sure to mark the deduction you will be taking for that payroll period in the place below. Only those indicated will be taken for that payroll period. This is done because some deduction may only be taken once per month (and the employee may be paid twice a month). With WRS, the deductions should be taken for every payroll. This is done under Step One / Payroll Setup Information under the CHECKS menu:

Payroll Setup Information

G/L Reporting Period: **08**

Current Fiscal Year: 2011 G/L Period End Date: 8/31/11

Payroll Number: **15** P/R End Date: 8/14/11

Payroll Check Date: 8/14/11

Starting Check Number: 006725

Current Pay Group: 1

Misc Deductions to be taken with this payroll:

DCO	...	IRA T	...
INS	...	IRA	...
WRS	...	GARNISH	...
WRS-E
UNI
UN DUES

Ok
Cancel

REPEAT FOR HEALTH INSURANCE DEDUCTIONS IF THEY APPLY TO YOUR MUNICIPALITY/EMPLOYEES.

As with any major deduction, It's helpful to make a backup prior to doing the first payroll with the new deduction(s). Be sure to send the Tcopy to us, so we can revert it back should we need to so that you can make adjustments.

Thanks! Let us know if you need additional information.

support@townhallinc.com

1-800-528-9086

