

Special Pay and How It Can Affect Payroll Processing and the Employee Files

Special Pay is a feature within Payroll Processing in the GMS Accounting System where the main purpose is to have an effect on gross pay or taxes by something that is not timesheet driven. Two (of many) examples of this would be payment to an employee in lieu of health insurance which would affect gross wages or recording a car allowance for personal use of a company vehicle which would not affect gross wages but is taxable to an employee.

There are various questions that need to be answered when setting up a special pay such as the taxability for all levels as well as whether or not this pay affects Unemployment, Workers Comp or Retirement eligible wages. Please see the Help Manual for further details. Another very important question is whether or not the special pay affects net pay. What this means very simply is whether or not the employee actually receives the money as an addition to the regular pay check.

Our first example is payment in lieu of health insurance. Typically, this is a payment to an employee because he/she is waiving membership to the employer's health insurance coverage due to spousal coverage or another health plan the employee already has in place. In this case, you want the amount of the special pay to be added to gross wages and the employee's check, **so you would check the Aff Net Pay box**. The employee will then receive this amount as part of the payroll check.

Our second example is recording of a car allowance for personal use of a company vehicle. This is typically a result of an employee that has access to an agency vehicle and not only does the employee use it for business functions, he/she also drives it back and forth from home to the office. The cost of driving to and from home, as well as any personal errands the car may be used for, can be calculated on a cost per mile basis and is considered taxable income to the employee. This amount is then entered as Special Pay. In this case, the actual cash is not added to the employee's paycheck, however, the amount needs to be added to the employee file so it will appear as taxable income on their W2. So in this example when setting up the special pay **the box Aff Net Pay will not be checked**.

Another item to consider when setting up special pay is whether or not this amount is to be taken into consideration when percentage based deductions are calculated. The default in the system is to include special pay as part of the gross pay to which a percentage deduction is applied. If, however, you have a case where a special pay amount is not to be included in the base for a percentage based deduction, go to Payroll\Set Up and select Deduction. On the bottom of the form select Wage Base and then the appropriate deduction from the combo box. At that point you can unselect the Include All Wages box, then select Regular Salaries, Overtime Salaries and/or any appropriate Special Pay amounts to be included in the base for this deduction.

For more detailed information about Special Pay and its characteristics, please see the Help Manual under Payroll\Payroll Set Up\Special Pay.