
PAYROLL CS™ OR WRITE-UP CS™

Procedures for Handling Third-Party Sick Pay

Introduction

This document describes setup steps for processing third-party sick pay payments in Payroll CS™ or Write-Up CS™ within Creative Solutions Accounting™ (CSA) and your CS Professional Suite® Accounting Products software.

To process checks for sick pay that are provided by insurance companies or other third parties, you must mark the **Third party sick pay** checkbox on the Payroll tab of the File / Client Properties dialog, set up a checkbook and a department specifically for third-party sick pay, and also add pay, withholding, and deduction items for the employee's TPSP department (on the employee's record within the Setup / Employees window). Step-by-step instructions are provided below.

Employer's liability for matching FICA and FUTA tax on third-party sick pay

Deposits for the employer portion of the Social Security taxes, Medicare taxes, and the FUTA tax must be made using the employer's name and EIN. In applying the deposit rules, the employer liability for these taxes begins when the employer receives the third party's notice that payments for sick pay have been made.

Steps to follow in CSA

Adding TPSP information to the client's database

1. Open the client in CSA.
2. From the CSA main window, choose File / Client Properties.
3. In the Payroll tab of the Client Properties dialog, mark the **Third party sick pay** checkbox, and then click OK.

Properties

General Information Payroll Calculating Payroll Direct Deposit

Current period ending date: 04/30/07
 Latest period ending date: 04/30/07

Tax forms filed
 941 944 943 945

Payroll Report Options BusinessWorks client
 Third party sick pay
 Export journal entry

Payroll Journal Entry
 W/S2 Payroll JE Options

Client Invoice
 Form printing fee:
 System-posted form fees are non taxable

State tax information
 Detail Summary Reference: P89

	ST	State Name	State/WH ID	SUTA ID	Rate	Wage Limit	940 Rate
1	CA	California	123 4567 8	123 4567 8	3.6000	7000.00	3.6000
2	FL	Florida		1234567-7	3.0000	7000.00	3.0000
3	MI	Michigan	ME7654321	1234567	2.8000	9000.00	2.8000
+							

Checkpoint

- Choose Setup / Checkbook and create a new checkbook specifically for third-party sick pay payments. Be sure to mark the **Third party sick pay** checkbox in the Checkbook dialog.

Checkbook

Description	Bank Name	Checkbook Type
Primary Account	First National Bank	Both Payroll and Vendor

General Check Layout Information MICR Direct Deposit

Description: Third-Party Sick Pay Pmts Cbk
 Bank name:
 Address line 1:
 Address line 2:
 Address line 3:

Checkbook type: Both Payroll and Vendor
 Routing number:
 Account number:
 G/L account #:
 Next check #: 100

Third party sick pay

- Click the Enter button to save the new checkbook, and then click the Done button.

Note: After check records have been created in a checkbook, the Third party sick pay checkbox can no longer be marked or cleared for that checkbook.

6. **Optional:** Choose Setup / Employee Templates to create a new employee template to use for sick pay purposes.
7. Choose Setup / Payroll Departments and create a new department to use only for TPSP purposes. If you created a special TPSP employee template in Step 6 above, specify that as the default template for this department. Also mark the **Third party sick pay** checkbox.

Description	Default Template
Cafe staff	Tipped Wages
Grocery staff	Wages
Management	General Salaries
Office staff	Wages

Description:

Default employee template:

G/L Location:

G/L Department:

Third party sick pay

8. Click the Enter button and then click the Done button.

Note: After a department has been assigned to any employee, the Third party sick pay checkbox for that department can no longer be marked or cleared.

Adding TPSP information to the employee record

After you have received notification from the third-party payer that a payment for a sick pay has been made, you need to modify the employee's record by adding information for the TPSP department.

1. Choose Setup / Employees, highlight the employee record, and then click the Edit button.
2. In the General tab, click the Edit Depts button, select the TPSP department for the employee, and click OK.
3. In the Earnings tab, select the TPSP department from the Department drop-down list and add appropriate pay items for that department to the Earnings grid.
4. In the Tax Withholdings & Deductions tab, add the appropriate withholding and deduction items for the TPSP department to the Tax Withholdings and Deductions grid.
5. In the Other tab, add the appropriate SUTA state to the SUTA G/L accounts grid.
6. Click the Enter button to save your changes.

Recording TPSP payments

1. Choose Tasks / Third Party Sick Pay Check Entry.
2. Enter third-party sick pay check information as applicable.

Note that the Third-Party Sick Pay Check Entry window is a duplicate of the after-the-fact payroll check entry window in the Payroll Compliance module, and all checks are recorded as handwritten. Only the TPSP checkbook and the TPSP department(s) can be specified when using this data-entry window. (From the main Payroll Check Entry window, the TPSP department is treated as inactive.)

Printing payroll reports

When printing payroll reports, you can choose to include TPSP department information from the Options dialog for each of the following reports.

- Payroll Journal
- Earnings Report
- Employee Check Record
- Payroll Item Report
- Check Register
- State Withholding Worksheet
- Local Withholding Worksheet
- Deductions Register
- Wage Register
- Voided Checks Report
- Department Summary Report
- Condensed Payroll Journal
- Alternate Employee Check Record

Note: For TPSP departments, only the employer expenses will be included for the Depository Totals Report, the EFTPS Report, the Cash Requirements and Deposits Report, and the Tax Deposit Report. TPSP departments will be treated as inactive for the Data Entry Worksheet.

Printing forms

- **Form 941.** For TPSP departments, the program will automatically exclude the federal withholding from line 3 and will place the employee FICA amounts from the TPSP departments in the line 7b, Current quarter's sick pay.
- **Form 944.** For TPSP departments, the program will automatically exclude the federal withholding from line 2 and will place the employee FICA amounts from the TPSP departments in the line 6a, Current year's adjustments.
- **W-3.** The federal withholding amount from the TPSP departments will be entered in W-3 Box 14 amount automatically.

Note: You will need to delete any amount that appears in the FIT w/h by 3rd party field in the W-3 Information tab of the Utilities / W-2 Form Processing dialog.

- **Form 940, 943, and SUTAs.** The TPSP departments are treated the same as other payroll departments in CSA.