

Did you know that it's very important to use the correct earnings codes for medical insurance?

The earnings code for medical insurance is known as a memo code. A memo code is set up as an accumulator so that each time you run payroll, a year-to-date accumulation takes place. The medical insurance memo code reflects the amount the EMPLOYER contributes to an employee's medical plan premium on their behalf. The accumulation of this memo code is necessary for reporting employer sponsored medical premiums, which will be a reporting requirement on Form W-2 beginning in calendar year 2015.

In addition, medical insurance earnings codes are "smart coded" so you will be able to tell which health plan an employee has by their code. For example, "ERM2S" in the earnings codes means, employer medical option 2, single. To confirm that employees are coded correctly, log into Paylocity and bring up an employee record. Select Payroll Setup, then Earnings. Click on the current earning code, which will allow you to make changes. You can also add a new earnings code here by clicking on the Add button at the bottom of the page. It is important that the employer share reflects the correct amount. If payroll is run weekly it should reflect a weekly amount, etc... Reporting for the calendar year 2014 is optional and has been deactivated so that the accumulator will not be reported on Form W-2 for 2014 because the amount accumulated to date is only a partial year. **However, it is important to make sure it is populated correctly for your first payroll in 2015 so that it will begin accumulating correctly for calendar year 2015.**

Did you know that it's very important to use the correct deduction codes for medical insurance?

Deductions codes for medical insurance are also "smart coded" so you will be able to tell which plan an employee has just by their code. For example, "EEM2S" in the deduction code means, employee medical option 2, single. To confirm that employees are coded correctly, log into Paylocity and bring up an employee record. Select Payroll Setup, then Deductions. Click on the current deduction which will allow you to make changes. You can also add a new deduction here by clicking on the Add button at the bottom of the page. Just remember to save after entering data.

Enclosed are materials to assist you with year-end processing. These reports can also be found on the Paylocity website at: <http://www.paylocity.com/resources/year-end-information.aspx>

In summary, below is a list of action items to be completed before year-end:

- A) **Preview Form W-2:** verify information
- B) **Worker's Compensation Codes:** ensure that all employees, including inactive and former employees that will receive a Form W-2 for 2014 are coded with the proper workers compensation code.
- C) **Medical Earnings & Deduction Codes:** Verify applicable employee records reflect accurate medical insurance earnings and deduction codes.

Please feel free to contact Chris Hagen at 603-663-0161 or Pat Goneau at 603-663-0141 for assistance with these or any other issues you may have with Paylocity.