

HELPFUL HINTS FOR THE W2

NON-CASH EARNINGS

Pay Types relating to Non-Cash Earnings used in UPDCAL_CUR or UPDCAL_FUT:

NC1	Life Insurance Premium. This pay type is used in the processing of the taxable amount of life insurance premiums on W2's for coverage in excess of \$50,000. More on that process can be found in the "Useful Procedures Section" of the USPS User Guide . Any NC1 amounts are taxed by Medicare and Social Security, as applicable. No Federal, state, or OSDI tax is deducted from this amount. The software provides the ability to withhold city tax on non-cash earnings. This can be activated by setting the "Tax non-cash earnings" flag to Y (yes) on the city tax record in the USPSDAT/DEDNAM program.
NC2	Adoption Assistance.
NC3	Non-cash taxable benefit. This pay type will represent the non-cash taxable benefit amount.

NC1: Process through payroll the taxable amount of Life Insurance premiums for any benefit amount over \$50,000 using the NC1 Calculator that includes the rates established by the IRS so that it will be reflected on the W2. Once it is processed:

- The taxable premium is added to the 001 Federal Tax deduction record in the "Life Ins. Cost" field
- The total and taxable gross amounts are increased on the Federal, Ohio, Medicare, and Municipality (if flagged "Y" to non-cash earnings)
- No Federal, Ohio, or OSDI tax amount will be withheld
- Medicare, Social Security, or City Tax (with a the correct setting) amounts are withheld
- The non-cash amount is increased on job record

Add the NC1 pay types to UPDCAL_CUR after the final run of INICAL and as the very last step right before CALCPAY to avoid INICAL balancing issues.

Please note: if the NC1's are not entered into payroll before the last pay of the year, see the documentation on our webpage under Calendar Yearend Documentation/NC1 Payroll Proc.

NC3: Two options are available to process taxable non-cash benefits (or fringe benefit) amounts:

- Option 1 is to process through payroll the actual value of the benefit by entering it into UPDCAL_CUR or UPDCAL_FUT. With this option, all the taxes are paid now including Medicare taxes.
- Option 2 is to insert the value of the benefit in the Fringe Benefit field of the Federal Tax deduction record. With this option, the taxes are paid when the employee files their tax return and no Medicare taxes are ever paid.

Please see the supporting document for the NC3 pay type that will further explain this.