



from your *Sunrise Support Team*

> YEAR-END PROCESSING

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## Employee Taxable Fringe Benefits

*NOTE: All consequences and treatment of employee-taxable fringe benefits should be discussed with your CPA to assure that the proper tax treatment was given.*

### **Advanced Earned Income Credits**

If you have been using the Federal Withholding Increment handling of these payments, you will need to transfer the amount of the payments into federal withholdings and show them in Box 9, Advance EIC payments.

### **Disability Payments by a 3rd Party**

If you have followed procedures from Sunrise Software utilizing SCK and DIS rate codes, you will need to list the amount (if any) not included in income because the employee contributed to the sick pay plan in Box 12 (Code J), this can be done in the Adjust Employee YE Earnings (see step 18 of the Year-End Processing instructions). Refer to your current Circular E for further information.

### **Dependent Care Benefits**

If you have employees that have received dependent care benefits which you have not setup in the system as a deduction or fringe assigned to Box 10, you will need to enter the amount of the benefit in Box 10, otherwise verify that the amount printed in Box 10 from the deduction/fringe is correct. Refer to your current Circular E for further information.

### **Car Allowances**

#### **Cost of Group-Term Life Insurance Coverage over \$50,000**

All non-cash employee taxable fringe benefits should be entered during time sheet entry along with an employee's regular wages. To achieve proper taxing status, the amount of the fringe benefit should be entered as a Miscellaneous rate code that IS shown as taxable wages. A second line of time sheet entry should then reverse out the same amount as a negative Non-taxable Expense Reimbursement. It is a good idea to set up two new rate codes specifically for this purpose so that they may be easily used in the future.

*Example: John Smith has used a company vehicle and therefore received an employee taxable fringe benefit valued at \$500.*

During Timesheet Entry, add the following lines:

	Gross Pay	Net After Taxes
Miscellaneous pay rate code (taxable)	\$500.00	\$475.00
Expense pay rate code (non-taxable)	<u>\$500.00-</u>	<u>\$500.00-</u>
Effect on Net Pay	\$ 0.00	\$25.00-

See IRS Publication "2005 Instructions for Forms W-2 and W-3" IRS Catalog #25979S for specific instructions on Group-Term Life Insurance over \$50,000 (Box 12, Code C) and Employee use of Company Vehicle (Box 14). Specific IRS documentation can be requested by phone at 1-800-TAX-FORM or via the internet at [www.irs.gov](http://www.irs.gov). See Circular E for additional information on how to obtain IRS publications and forms.