<table>
<thead>
<tr>
<th>TSOP NO:</th>
<th>3.05</th>
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<tr>
<td>SUBJECT:</td>
<td>Paycheck Modeler – Fringe Benefits</td>
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<tr>
<td>SOURCE:</td>
<td>University Tax Services, Payroll</td>
</tr>
<tr>
<td>ORIGINAL DATE OF ISSUE:</td>
<td>03/24/2017</td>
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<td>DATE OF LAST REVISION:</td>
<td>03/24/2017</td>
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**RATIONALE:**
Employees who receive a non-cash “fringe benefit” are subject to additional tax withholdings per the IRS. There are several fringe benefits provided at IU, including tuition benefit, fitness incentives and other miscellaneous items provided to employees. See the [FMS Tax Webpage on Fringe Benefits](#) for more information.

This TSOP provides IU employees, who receive a fringe benefit, with the steps to calculate the estimated impact of the additional taxable income to their paycheck. The addition of a taxable, non-cash fringe benefit to a paycheck will result in a lower overall net pay.

**PROCEDURES:**
The following steps can be used to calculate the impact of the addition of taxable, non-cash income related to a fringe benefit on your net pay:

Access the paycheck modeler tool through [One.iu.edu ➔ Employee Center ➔ Payroll and Tax Paycheck Modeling ➔ Click “View.”](#)

![Paycheck Modeler](#)
1. **Step 1**: Start Screen: Read through and then **click the checkbox** to agree to the terms and conditions. Then **click “Let’s Get Started”**. NOTE: There can be a several second delay between agreeing to the terms, and the availability of the “Let’s Get Started” button.

2. **Step 2**: On the following screen [Earnings], your regular earnings will show up under “Earnings Type.” You will need **to click “Add Earnings”** at the bottom of the screen to add the amount of the fringe benefit that you would like to add to your pay.
Step 2: Under Earnings Type, you will press the magnifying glass icon and select “Fringe Benefit” [from the pop-up], then add the amount of the Fringe in “Amount” box. You do not need to populate the “Hours” or “Override Rate” fields. Press “OK.”

From here, you are taken back to the “Earnings” screen. If you do not need to add any other Earnings, you can click “Next.”
3. **Step 3**: The next screen, Deductions, shows your current deductions taken on your paycheck. Ensure that all your normal deductions are present on this list. *If you have deductions like Parking or Jag Tag, you will need to “add” these deductions using the button, “Add Deductions”, at the bottom of the screen.* If you do not ensure that all your normal deductions are present on this list, you will not receive an accurate net pay at the end of the process.

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![Deductions Step 3 of 6](image)

**My Deductions**

- **Deduction**: Job Title (blank)
- **Type**: Before-Tax
- **Amount**: Blank
- **Percentage of Gross**: Blank
- **Edit**: Blank
- **Clear Amount**: Blank

![Add Deductions](image)

If you are unsure whether all of your regular deductions are present, you should look at your last paycheck in Employee Center for a listing of your current deductions. Once all of your deductions are present on the list, you can click “Next”. Now you will see the Taxes page.
4. **Step 4**: You should **not** alter your taxes screen unless you are going to change your tax withholdings because of the additional income from the fringe. If you just want to see how a fringe benefit affects your normal net pay, you should simply **click “Next” at Step 4**.

   ![Image of Taxes Screen]

5. **Step 5**: You are ready to **click “Calculate My Modeled Check.”** Once you get the pop up, showing the check is calculated, **click “OK”**. Then you must click **“Next” [again]** to see the calculated check.

   ![Image of Calculate Screen]

6. **Step 6**: Results Tab, Modeled Check:

   See page 6 below.
The net pay displayed on your calculated check is the net pay you should expect to see on the check when your fringe benefit is added to your income. The net pay amount will not be accurate if any other changes were made to your pay, deductions, taxes, etc.

**NOTE:** the “Total Gross Earnings” will **not** show as being different from your Regular Pay Staff Monthly amount. However, the fringe benefit amount is properly in the calculation. View by clicking on “Details”.

7. **Step 7**: You can compare the calculated check’s net pay to your normal paycheck’s net pay to see the difference in take home dollars. If you experience trouble with the Paycheck Modeler, you can also make a rough estimate by assuming **37%** to be taken in taxes. This accounts for 25% Federal, 3.23% Indiana, 1.0% Indiana County, 1.45% Medicare and 6.2% Social Security.
EXAMPLE:

A. Results WITHOUT the added fringe benefit of $600.00:

B. Results WITH the added fringe benefit of $600.00:

TAX DIFFERENCE BETWEEN B AND A = $223.35 \[1,593.58-1,370.23\], which means taxes of $223.35 would be taken for an additional $600 added in non-cash wages. Alternatively, $600 * 37% = $222.00.