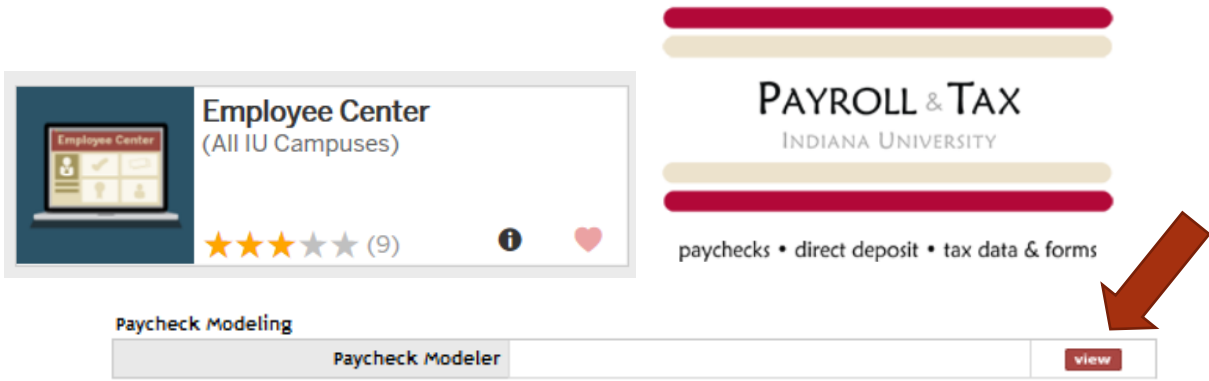


# UNIVERSITY TAX SERVICES

## STANDARD OPERATING PROCEDURE

<b>TSOP NO:</b>	3.05
<b>SUBJECT:</b>	<b>Paycheck Modeler – Fringe Benefits</b>
<b>SOURCE:</b>	University Tax Services, Payroll
<b>ORIGINAL DATE OF ISSUE:</b>	03/24/2017
<b>DATE OF LAST REVISION:</b>	03/24/2017
<b>RATIONALE:</b>	<p>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 <a href="#">FMS Tax Webpage on Fringe Benefits</a> for more information.</p> <p>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.</p>
<b>PROCEDURES:</b>	<p>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:</p> <p>Access the paycheck modeler tool through <a href="#">One.iu.edu</a> → Employee Center → Payroll and Tax Paycheck Modeling → Click “View.”</p> 

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.



Start Earnings Deductions Taxes Calculate Results

Exit | Let's Get Started >

Start - Step 1 of 6

Welcome [REDACTED]

The Paycheck Modeler can be used to calculate a hypothetical check by changing your earnings, and/or deductions, and/or tax withholding status. It will start with the standard earnings, deductions, and taxes that normally appear on your paycheck.

To start, you must acknowledge and agree that you understand the Paycheck Modeler usage terms and conditions.

#### Agree to the Usage Terms and Conditions

- The Paycheck Modeler contains confidential information that is intended for [REDACTED]. If you are not [REDACTED], exit the application immediately and notify FMS by submitting the [FMS Support Form](#).
- Use of the Modeler is intended to provide general guidance and estimates.
- The check generated by the Modeler is not a genuine paycheck. There is no guarantee that you will receive the modeled results.
- You should not make financial or benefit-related decisions based on the modeled check results.

Yes, I have reviewed and agree to the terms and conditions.

Please note, the system must calculate a paycheck before you can begin using the Modeler. This can take up to [REDACTED] seconds. The "Let's Get Started" button will be activated when the system is ready for you to proceed.

Exit | Let's Get Started >

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.



Start Earnings Deductions Taxes Calculate Results

Exit | Next >

Earnings - Step 2 of 6

Job Title: [REDACTED]

Your pay rate from your last confirmed paycheck is listed below.

- If you want to modify your regular earnings, click the 'Edit' button.
- If you want to add additional earnings, click the 'Add Earnings' button.
- If you do not want to modify your earnings, click the 'Next' button.

#### My Earnings

Earnings Type	Hours	Rate	Amount	Edit	Clear Amount
Regular Pay Staff Monthly		[REDACTED]	[REDACTED]	[Pencil icon]	[Trash icon]

Add Earnings Clear All Amounts

Exit | Next >

**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.”**



### Add Earnings

\*Earnings Type  

Hours

Amount

Override Rate

\* Required Field

OK

Cancel

From here, you are taken back to the “Earnings” screen. If you do not need to add any other Earnings, you can **click “Next.”**



Start **Earnings** Deductions Taxes Calculate Results

Exit | Next >





#### Earnings - Step 2 of 6

Job Title:

Your pay rate from your last confirmed paycheck is listed below.

- If you want to modify your regular earnings, click the 'Edit' button.
- If you want to add additional earnings, click the 'Add Earnings' button.
- If you do not want to modify your earnings, click the 'Next' button.

#### My Earnings

Earnings Type	Hours	Rate	Amount	Edit	Clear Amount
Regular Pay Staff Monthly					
Fringe Benefit			\$600.00		

Add Earnings

Clear All Amounts

Exit | 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.



Deductions - Step 3 of 6

Job Title: [REDACTED]

This step provides a list of the proposed deductions for your modeled check. You can modify or clear the amounts in the list, as well as add additional deductions. Some deductions, such as parking and Jagtag, may not appear in your deduction list because they are loaded into the system each month. If you want these deductions included in your calculation they can be added by using the “Add Deductions” button. Deductions using a percentage will be based on the total gross earnings from the modeled check and will automatically be calculated in a subsequent step.

My Deductions

Deduction	Type	Amount	Percentage of Gross	Edit	Clear Amount
Dental Plan	Before-Tax	[REDACTED]			
Health Savings Account	Before-Tax	[REDACTED]			
Medical Plan	Before-Tax	[REDACTED]			
Personal Accident Ins	Before-Tax	[REDACTED]			
Tax Deferred Account	Before-Tax	[REDACTED]			



|



Add Deductions

\*Deduction

\*Type

\*Flat Amount or Percent

Amount

Percent



\* Required Field

**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.**



Start Earnings Deductions **Taxes** Calculate Results

Exit | Previous Next

**Taxes - Step 4 of 6**

**Job Title:** [REDACTED]

You can modify your Federal, State, and/or Local tax withholding setup by clicking the 'Edit' buttons below.

If you do not want to modify your tax setup, click the 'Next' button.

**My Tax Withholding Information**

Tax Jurisdiction	Edit
Federal	
Indiana	
MONROE	

Exit | Previous Next

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.



Start Earnings Deductions Taxes **Calculate** Results

Exit | Previous Next

**Calculate - Step 5 of 6**

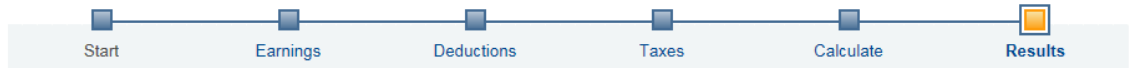
**Job Title:** [REDACTED]

You are ready to calculate your modeled check. Press the "Calculate My Modeled Check" button to calculate.

If no changes were made, press the "Next" button to view your current paycheck.

Exit | Previous Next

6. **Step 6:** Results Tab, Modeled Check:  
See page 6 below.



Results - Step 6 of 6

Exit | Previous

Job Title: [REDACTED]

**Modeled Check Results**

Total Gross Earnings	\$8,084.00	Details
Total Employee Taxes	\$2,428.80	Details
Total Deductions	\$1,016.15	Details
<b>Net Pay</b>	<b>\$4,639.05</b>	

Print My Modeled Check | Print My Changes

**Modeled Check Ratio**

Segment	Amount	Percentage
Taxes	\$2,428.80	30%
Before-Tax Deductions	\$1,016.15	13%
Net Pay	\$4,639.05	57%

**Links to Related Actions**

Select one of the links below to complete paycheck related actions.

- [W-4 Federal Tax Withholding Form](#)
- [WH-4 State/Local Tax Withholding Form](#)
- [Direct Deposit Banking Information](#)

Exit | Previous

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".

**Earnings Details**

Earnings Type	Hours	Rate	Amount
Regular Pay Staff Monthly		\$46.638462	\$8,084.00
Fringe Benefit			\$600.00
<b>Totals</b>			<b>\$8,084.00</b>

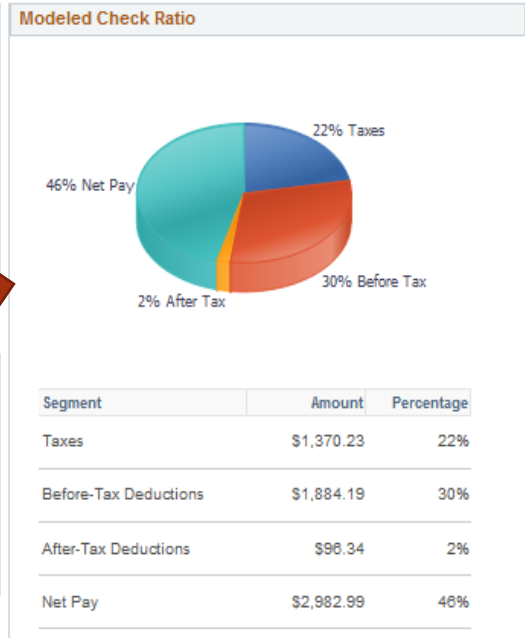
Return

**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:**

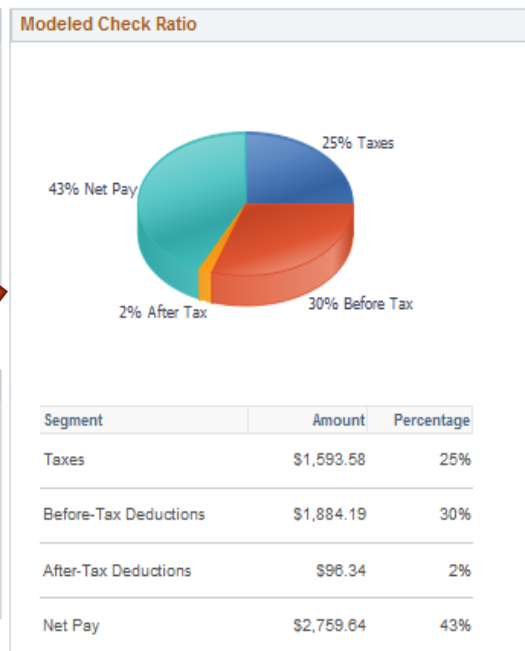
Modeled Check Results			
Total Gross Earnings	\$6,333.75		Details
Total Employee Taxes	\$1,370.23		Details
Total Deductions	\$1,980.53		Details
Net Pay	\$2,982.99		
<input type="button" value="Print My Modeled Chec"/>			



Links to Related Actions
Select one of the links below to complete paycheck related actions.
<a href="#">W-4 Federal Tax Withholding Form</a>
<a href="#">WH-4 State/Local Tax Withholding Form</a>
<a href="#">Direct Deposit Banking Information</a>

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

Modeled Check Results			
Total Gross Earnings	\$6,333.75		Details
Total Employee Taxes	\$1,593.58		Details
Total Deductions	\$1,980.53		Details
Net Pay	\$2,759.64		
<input type="button" value="Print My Modeled Chec"/> <input type="button" value="Print My Changes"/>			



Links to Related Actions
Select one of the links below to complete paycheck related actions.
<a href="#">W-4 Federal Tax Withholding Form</a>
<a href="#">WH-4 State/Local Tax Withholding Form</a>
<a href="#">Direct Deposit Banking Information</a>

**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.**

**CROSS REFERENCES:**

- Employee Fringe Benefits [FMS Tax Webpage - Employee Fringe Benefits](#)
- Federal Income Tax Calculation [TSOP 3.1 Federal Income Tax Withholding Calculation](#)