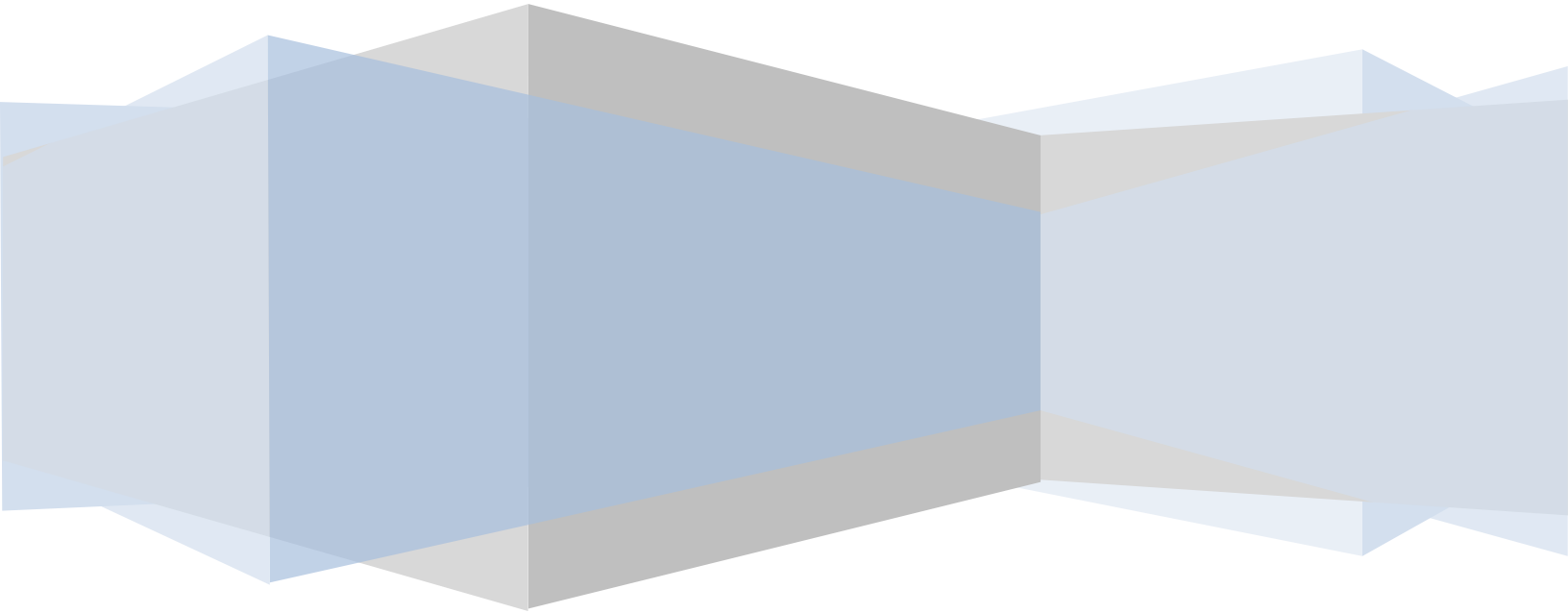
Specialized Data Systems

Cost of Group Term Life Insurance over $50,000 for W2's

Revised Date: 11/23/2021



SPECIALIZED DATA SYSTEMS
A LINQ SOLUTION

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WELCOME

Thank you for attending the Cost of Group Term Life Insurance over $50,000 Online Course. This manual takes you through two different methods that can be used when processing the extra cost of Group Term Life Insurance over $50,000. You need to pick which method works best for you. If at any time during the course you have a question, please feel free to contact SDS support by going to https://sc.schooloffice.com/supportconnect/default.aspx as we are here to help! We hope you enjoy the course.

Cost of Group Term Life Insurance over $50,000 for W2's

Method 1 Setup Process (running the additional cost through the payroll system)

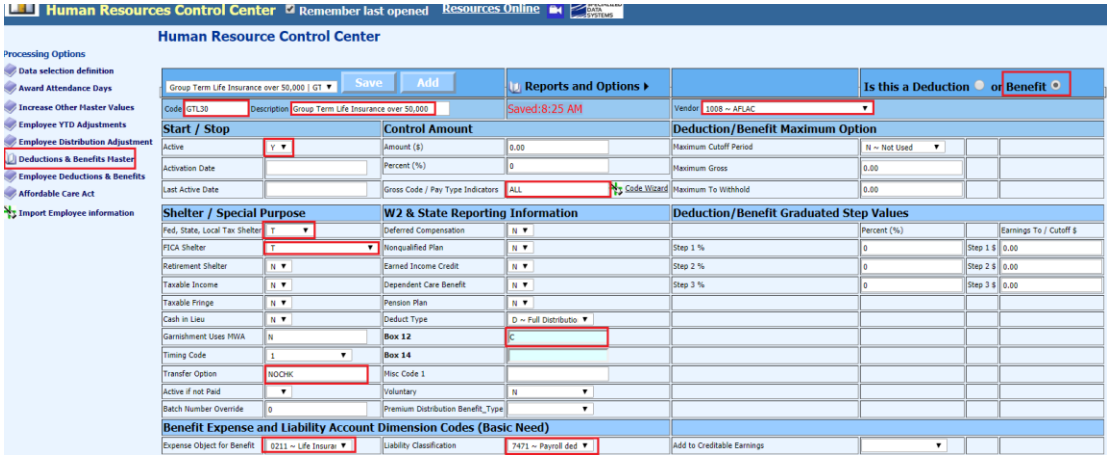
The first method is to run the additional cost of the insurance over $50,000 through the payroll. This process can either be done in the last payroll for the calendar year or it can be setup and processed during each payroll in the calendar year.

The first thing to do for "Method 1" is to set up a benefit code.

1. Select Human Resources.
2. Select Human Resources Control Center.
3. Select Deductions & Benefits Master.
    a. If you do not have this code setup in your system, select the "Add" button and enter in the code and description you would like to use. An example for this code would be "GTL or GLT50" and the description could be "Group Term Life Insurance over 50,000".
    b. In the drop-down selection Vendor, select the "Vendor".
    c. In the field Active, put in the letter "Y".
    d. In the field Gross Code Indicators, enter "All".
    e. In the field Fed, State, Local Tax Shelter, enter in the letter "T". See note below.
    f. In the field FICA Shelter, enter in the letter "T". See note below.
    g. **NOTE:** By putting the letter "T", in the Fed, State, Local Tax Shelter and the FICA Shelter fields, the system increases "Taxable Gross Earnings" and "FICA Gross Earnings". This allows the correct amount of taxes to be taken out for the employees that are assigned to this code. If you do not have the option of a "T" in these fields, select the following link to learn how to setup a coded field. http://help.schooloffice.com/financehelp/#!Documents/mastercodefielddefinitionandmaintenance.htm
    h. In the field Transfer Option, enter in "NOCHK". This keeps the benefit amount from posting to the Accounts Payable disbursements area when the payroll liabilities are posted.
    i. In the field Box 12, enter a "C". This places the amount of this code for each employee into the Box 12 on the W2.

NOTE: For more information on the codes used for the W2 processing review the following documentation on the https://www.irs.gov/ website https://www.irs.gov/pub/irs-pdf/iw2w3.pdf.

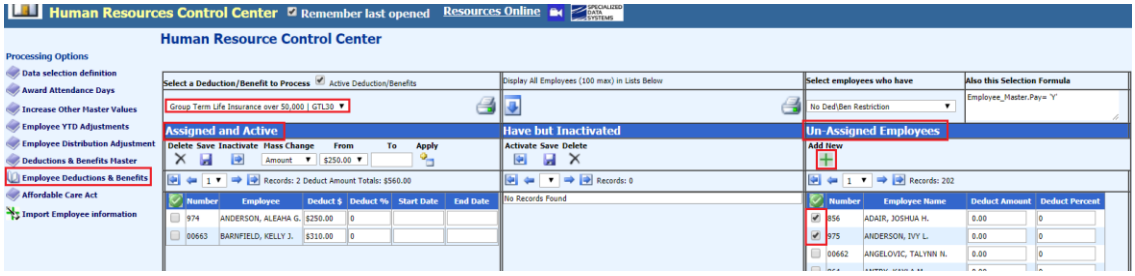
j. Enter the appropriate "Expense Object for Benefit" code and the "Liability Classification" code for the life insurance benefit.



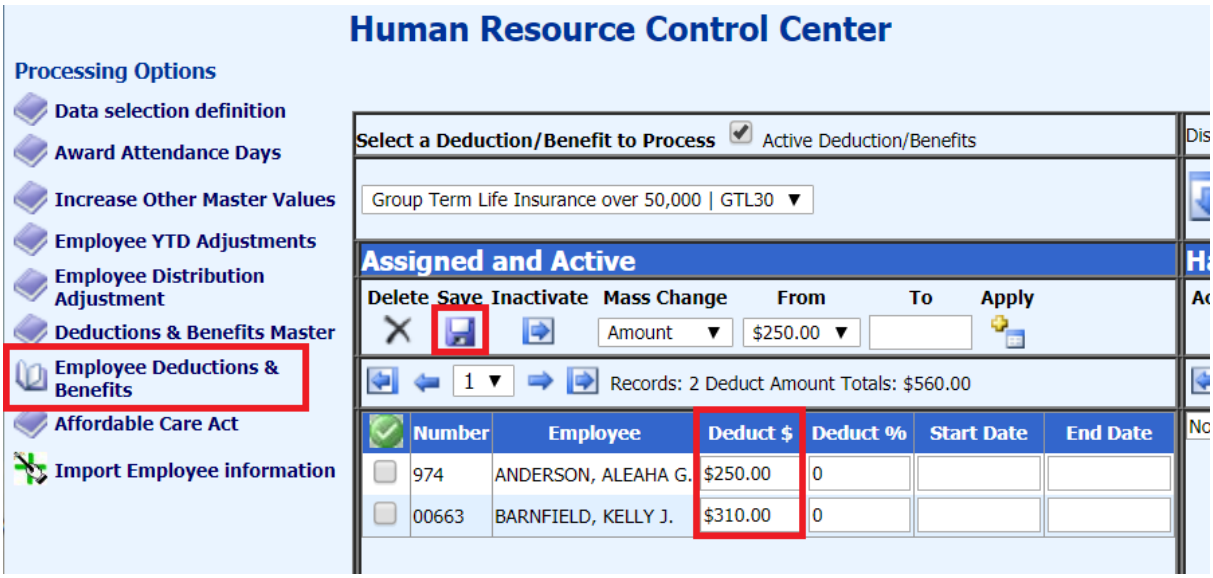
Assign the Group Term Life Insurance over $50,000 code to the Employees

Once the Group Term Life Insurance benefit code has been created, you need to assign the employees to this code that are affected by the extra cost of the Group Term Life Insurance.

1. Select Human Resources
2. Select Human Resources Control Center.
3. Select Employee Deductions and Benefits.
4. Select the code for the Group Term Life Insurance.
    a. Verify the employees that are listed in the "Assigned and Active" area of the screen.
    b. If you need to add employees to this code from the "Un-Assigned Employees" area, select them by placing a check by their name and then select the "Add New" option. This moves the checked employees to the "Assigned and Active" area.



5. Once the employees are in the Assigned and Active area of the screen, the amount of the additional cost needs to be added for each employee in the “Deduct $” field. Then select the save button.



Processing the Payroll using Method 1

1. Activate, process and complete payroll.
2. After payroll is closed, change the Group Term Life Insurance code to inactive if you are only processing the Group Term Life Insurance once a year.
   NOTE: If you are processing this cost each payroll, then you need to leave it active.
3. Inactivate the code by selecting Human Resources and Human Resources Control Center.
4. Select Deductions and Benefits Master.
5. Select the Group Term Life Insurance Code.
6. Change the Active field from a “Y” to an “N” and save.

7. After processing and closing the payroll, you need to do a journal entry to remove the expense and liability created from the Group Term Life Insurance code.
8. To find the amounts needed for the journal entry, use the Payroll Transaction Report. In this report look for the amounts that are flagged with the benefit code used for the Group Term Life Insurance.
9. A credit amount needs to be posted to the expense accounts, and a debit amount needs to be posted to the payroll liability accounts.
10. To post the entry, go to General Ledger Processing.
11. Select Ledger Transaction Entry and Changes.
12. For more information on processing a journal entry review the link below. http://help.schooloffice.com/financehelp/#!Documents/ledgertransactionsentryandchanges.htm

Method 2 Setup Process (Assigning the cost without running it through payroll)

The Second Method allows you to enter the additional cost of the group term life insurance over $50,000 for each employee without running it through payroll.

The first thing to do for "Method 2" is to setup a benefit code.

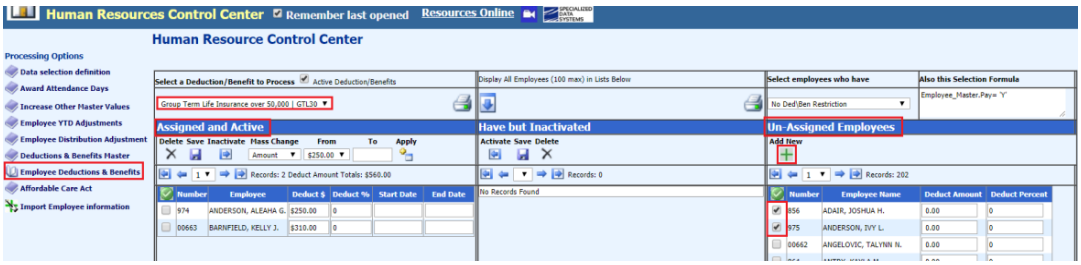
1. Select Human Resources.
2. Select Human Resources Control Center.
3. Select Deductions & Benefits Master.
    a. If you do not have this code setup in your system, select the "Add" button and enter the code and description you would like to use. An example for this code would be "GTL or GLT50" and the description could be "Group Term Life Insurance over 50,000".
    b. In the Active field, put in the letter "Y".
    c. In the field Box 12, enter a "C". This places the amount of this code for each employee into the Box 12 field on the W2. For more information on the codes used for the W2 process review the following documentation on the https://www.irs.gov/ website https://www.irs.gov/pub/irs-pdf/iw2w3.pdf.

Assign the Group Term Life Insurance over $50,000 code to the Employees

Once the Group Term Life Insurance benefit code has been created, you need to assign the employees to this group that are affected by the extra cost of the Group Term Life Insurance.

1. Select Human Resources.
2. Select Human Resources Control Center.
3. Select Employee Deductions and Benefits.
4. Select the code for the Group Term Life Insurance.
    a. Verify the employees that are listed in the "Assigned and Active" area of the screen.

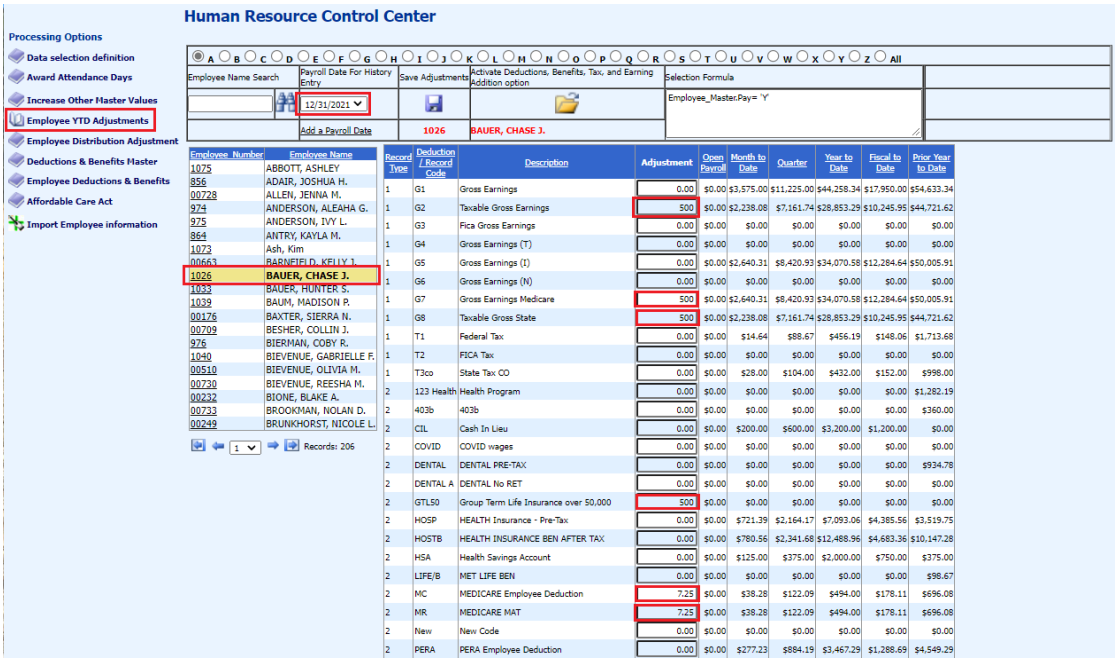
b. If you need to add employees to this code from the "Un-Assigned Employees" area, select them by placing a check by their name and then select the "Add New" option. This moves the checked employees to the "Assigned and Active" area.



Adjusting the Employee's year to date amount for the Cost of Group Term Life Insurance over $50,000

There are several adjustments that are necessary for each employee that has the additional cost of Group Term Life Insurance over $50,000 code.

1. Select Human Resources.
2. Select Human Resources Control Center.
3. Select Employee YTD Adjustments.
4. Select the first employee and use the last payroll date in the Payroll Date for History Entry area.
5. Here is a list of the items that need to be adjusted:



a. Add amount to Group Term Life Insurance over $50,000 code
b. Increase the Taxable, State Taxable, FICA and Medicare wages by the amount of the premium over $50,000 that is to be reported on the W2.
c. Increase the amount of the FICA/Medicare withholdings on the employee's record. This increase would reflect the additional amount of FICA/Medicare, based on what would have computed on the increased wage amount entered in Step B above.
    i. If this method is used, the school would be responsible for collecting the additional FICA/Medicare withholdings that were manually adjusted in the YTD area.
d. Increase the matching amount of the Board Paid FICA/Medicare withholdings on the employees. Use the same practices as described in Step c above.

6. After making these adjusts, make sure to review the W2 documentation so that the adjustments you make for the Group Term Life Insurance over $50,000 shows on the employee's W2.