

# *Benefit Credits*

September 1999 Revision • Item # H-BCREDITS

## **Benefit Credits**

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**DDMS, P.O. Box 507, Keller, TX 76248: 817-431-0668. Sales: 1-800-366-3367.  
Service: 1-800-366-4778. Fax: 817-431-0956**

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*This document assumes that you are already using the payroll application, and now want to implement Benefit Credits. If you are not already using payroll, see the DDMS Personnel and Payroll Manual for details.*

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# Understanding Benefit Credits

Most companies offer their employees various benefits — 401k contributions, medical group insurance, and dental group insurance are all examples of employee benefits. These benefits can often cost employers thousands of dollars. Since employees aren't always aware of the expense associated with benefits, they can't fully appreciate the company's contribution on their behalf.

The new Benefit Credits feature lets you list any benefits your employees may receive on their check stubs. This feature lets you display the Benefit Credit amount as a separate line item on the check stub. It also adds this benefit credit to the employee's gross amount. Since it appears on the employee's check stub and is added to the gross amount, employees can better appreciate the salary and benefit package that your company provides.

While the amount of the Benefit Credit appears on a separate line of the employee's check stub and is added to the gross total, the system treats the credit as a pre-tax deduction. Therefore, the amount of the Benefit Credit is deducted before any taxes are calculated.

In addition, since Benefit Credits are stored in a different file on the DDMS system, W-2 forms show the actual gross amount without the Benefit Credit information appearing on the form.

You set up Benefit Credits on your system in much the same way you set up a cafeteria plan deduction. When you set up your employees with Benefit Credits, a specific dollar amount is listed on each paycheck. The system prints Benefit Credits on various payroll reports.

This document shows you how to set up Benefit Credits.

## Field Definitions

Fields that affect the Benefit Credits feature are described below. We don't necessarily include every field you may encounter when using this feature, but we do include every field that affects how it will run. Reviewing these fields before you begin setting up Benefit Credits may highlight options you'll need to discuss with management.

### Fields in the (LHN) Screen

Parameters in the (LHN) Payroll/Personnel Parameters screen let you specify descriptions that will print on the employee's check stub. You also use the fields in this screen to specify the general ledger account numbers for the Benefit Credit amounts.

#### Cafeteria Deductions 1-5/G/L #

These fields work in conjunction with the Cafe 1-5 fields in the (HN) Personnel Master screen. You use the Cafeteria Deductions 1-5 fields to enter a description for each Benefit Credit that you want to appear on the employee's check

stub. You use the corresponding G/L # field to enter a general ledger account number for each Benefit Credit. You can enter as many as five different descriptions and general ledger account numbers. In the Cafe 1-5 fields in the (HN) screen, you enter the Benefit Credit amounts that you want to appear on the check stub.

Suppose you offer your employees both a medical group insurance plan and a dental group insurance plan. In the first Cafeteria Deductions field, you could enter Group Premium. In the second Cafeteria Deductions field, you could enter Dental Premium. See Figure 1.

When the employee's check stub prints, the system lists the Group Premium and Dental Premium amounts on separate lines. The system also prints the total amount of these two fields on a separate Benefit Credits line on the check stub.

In the corresponding G/L # fields, enter the book, major, and minor account number that corresponds to each Benefit Credit. (Be sure to set up account numbers for each of these deductions in the (J) Chart of Accounts Master screen before you enter the account numbers in the G/L # fields.)

### Fields in the (HN) Screen

The following text describes the fields in the (HN) Personnel Master screen that affect Benefit Credits.

#### Cafe 1-5

These fields work in conjunction with the Cafeteria Deductions 1-5 fields in the (LHN) screen. You use them to enter the amount of the Benefit Credit that you want to appear on the employee's check stub.

**Figure 1:**  
Parameters in  
the (LHN)  
Screen that  
Affect Benefit  
Credits

```

13:03:46                (LH-N)  PAYROLL/PERSONNEL PARAMETERS                08/12/99
-----
Action [I] (C-Change, I-Inquiry)                G/L Location [ 1 ]
-----
Next Personnel Number # 101                Group ?
Exempt From P/R (I) From ? To ?                Save Changes Y/N ?N
Number Of W/2's Before Totaling # 41
-----
Reindex ?DDMS  Release ?DDMS  Eoy ?DDMS  Del ?DDMS  Checks ?DDMS
-----
Hourly ?                Salary ?                Swap Name Y/N ?N
-----
DEDUCTION NAMES                CAFETERIA DEDUCTIONS
1 :FIRST DEDUCT  G/L # -                1 :GROUP PREMIUM  G/L #601-21
2 :SECOND DEDUCT G/L # -                2 :DENTAL PREMIUM G/L #601-22
3 :THIRD DEDUCT  G/L # -                3 :                G/L # -
4 :FOURTH DEDUCT G/L # -                4 :                G/L # -
5 :ADVANCES      G/L # -                5 :                G/L # -
6 :LOAN PAYMENT  G/L # -
-----

```

## Benefit Credits

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**Note:** The system deducts the Benefit Credit amounts you specify in these fields before any taxes are calculated. Benefit Credit amounts are not taxed.

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Suppose you offer your employees a medical group insurance plan and a dental group insurance plan. In the (LHN) screen, you set up the Cafeteria Deductions 1 field to Group Premium for medical group insurance. In the Cafe 1 field in the (HN) screen, you would enter the amount of the medical insurance benefit credit. For example, if the benefit credit for medical group insurance is \$90, you would enter 90 in the Cafe 1 field.

In the Cafe 2 field, you could enter the amount of the dental insurance benefit credit. If the benefit credit for dental insurance is \$20, for example, you would enter 20 in the Cafe 2 field. When the employee's check stub prints, the system will list the Group Premium amount of \$90 on one line, and the Dental Premium amount of \$20 on a separate line.

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*This amount also represents the difference between the employee's insurance contribution and the amount that the company contributes.*

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### Benefit Credits \$

In this field, enter the total Benefit Credit amount that you want to appear as a separate line on each employee's check stub. The amount you enter must be less than or equal to the sum of the cafe deductions you set up in the Cafe 1-5 fields.

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**Note:** The amount you enter appears as the default Benefit Credit amount in the (I) Payroll Update screen. You cannot override this amount when running payroll.

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## What You Need to Set Up

To set up Benefit Credits for your employees, follow these steps:

1. Go to the (J) screen, and create or modify an account for Benefit Credits. For instructions, see the *DDMS General Ledger Manual*.
2. Go to the (LHN) screen, and specify Benefit Credit descriptions and general ledger accounts in the Cafeteria Deductions fields. See the heading **Setting Up Benefit Credit Parameters in the (LHN) Screen**.
3. Go to the (HN) screen, and specify the Benefit Credit amounts for each employee. See the heading **Setting Up Benefit Credit Fields in the (HN) Screen**.

### Setting Up Benefit Credit Parameters in the (LHN) Screen

Use the following instructions to set up parameters in the (LHN) screen:

1. Go to the (LHN) screen and select the [C] Change action code.
2. In the G/L Location field, press Tab to accept the default location, or enter the location for which you are setting parameters.

- 3 When the cursor moves to the Next Personnel Number field, press Tab until the cursor moves to the Cafeteria Deductions 1 field. You use the Cafeteria Deductions 1-5/G/L # fields to enter Benefit Credit descriptions and corresponding general ledger account numbers. For more information on these fields, refer to the heading **Fields in the (LHN) Screen**.
- 4 After you enter your responses in these fields, press Return. The cursor will return to the action code field.

### Setting Up Benefit Credit Fields in the (HN) Screen

Use the following instructions to set up Benefit Credit parameters in the (HN) screen, as shown in Figure 2:

- 1 Go to the (HN) screen and select the [C] Change action code.
- 2 When the cursor moves to the ID# field, you can retrieve the personnel record of the employee for whom you are setting up Benefit Credits. You can retrieve a personnel record using the personnel identification number or employee's name.
  - To retrieve the record using the personnel identification number, enter the employee's number in the ID# field. At the Correct Record prompt, specify whether this is the correct employee record.
  - To retrieve the record using the employee's name, press Tab. In the Name field, enter part or all of the employee's name and press Return. At the Correct Record prompt, specify whether this is the correct employee record.

**Figure 2:**  
Parameters in  
the (HN) Screen  
that Affect  
Benefit Credits

```

13:00:52                (H) PERSONNEL MASTER REV. (06/17/99)                08/12/99
-----
ACTION CODE [ ] (A-Add, C-Change I-Inq, D-Delete, R-Rebuild Index)
-----
I.D. #___ SS #___-___-___ Exp ?_ 401k %___ SRA $___ Ins. $___
Name :_____ Ded 1. $___ Cafe 1. $___
Street :_____ Ded 2. $___ Cafe 2. $___
City :_____ ST :___ Ded 3. $___ Cafe 3. $___
Zip #___ PH. :___-___-___ Ded 4. $___ Cafe 4. $___
Dob :MM/DD/YY Dept :___ Sex ?_ Adv. $___ Cafe 5. $___
Relative :_____ #___-___-___ Loan $___ Payment $___
Hire Date :MM/DD/YY Term. :MM/DD/YY Vac. #___ Used #___ Benefit Credits
Vac Date :MM/DD/YY Sick :MM/DD/YY Sick #___ Used #___ $___
G/L #___-___-___ Status ?_ (M/S) ----- YEAR TO DATE TOTALS -----
Pay Code ?_ Rate $___ Group ?_ Gross $___ SRA $___
Remarks [ _____ ] S.S. $___ 401k $___
[ _____ ] Medicare $___ Cafe. $___
---- TAX RECORD --- State Code :___ -- Fed. Tax $___ Ins $___
Dep # Type Percent Amt St. Tax $___ Ded 1. $___
Fed. :_ ?_ %___ $___ City Tax $___ Ded 2. $___
State :_ ?_ %___ $___ Advances $___ Ded 3. $___
City :_ ?_ %___ $___ Loan Rep $___ Ded 4. $___
----- Net $___
    
```

## Benefit Credits

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*The amount you enter in the Benefit Credits \$ field must be less than or equal to the sum of the cafe deductions you set up in the Cafe 1-5 fields in the (HN) screen.*

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- 3 Press Tab until the cursor moves to the Cafe 1 field. You use the Cafe 1-5 fields to enter the Benefit Credit amounts. For more information on these fields, refer to the heading **Fields in the (HN) Screen**.
- 4 After you enter the Benefit Credit amounts, press Tab until the cursor moves to the Benefit Credits \$ field. Enter the total Benefit Credit that you want to appear on the employee's check stub. The amount you enter in this field will be added to the employee's gross amount. For more information on this field, refer to the heading **Fields in the (HN) Screen**.
- 5 After you enter the amount in the Benefit Credits \$ field, press Return. The system displays the next personnel record in the database and repeats the Correct Record prompt.
- 6 You can continue to enter Benefit Credit information for all your employees. When you finish changing personnel records, press Esc at the Correct Record prompt.

## Using the Benefit Credit Features

After you set up Benefit Credits for your employees, you can process payroll as you normally would. The following payroll functions or reports are affected by the Benefit Credits feature.

### Processing Payroll

When you enter pay period information, the system displays the default Benefit Credit amount for this pay period in the Benefit Credits \$ field in the (I) screen. You cannot change the default amount in this screen.

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**Note:** You enter pay period information using the [A] Add or [S] Set Period action codes in the (I) screen. For details, see the *DDMS Personnel and Payroll Manual*.

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### Payroll Check Stubs

When you print checks, Benefit Credit descriptions that you have set up in the (LHN) screen appear above the Pension Plan heading on the right side of the employee's check stub. The corresponding Benefit Credit amounts that you set up in the Cafe 1-5 fields in the (HN) screen also appear next to the Benefit Credit descriptions on the right side of the employee's check stub.

A new Benefit Credits heading appears above the Gross heading on the left side of the employee's check stub. This amount comes from the Benefit Credit \$ field from the (HN) screen.

### Payroll Register Report

The Payroll Register Report now includes Benefit Credits with the gross amount listed on the report. For more details about this report, see the *DDMS Personnel and Payroll Manual*.