

# Fringe Benefits

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Fringe Benefits might include personal use of a company vehicle or life insurance on an individual that the company pays. The objective is to bring the value of that benefit into the *Gross Wage Total* so that it is reflected on the employee's W-2. These instructions go through making a zero-dollar paycheck for each employee affected by one or more of these fringe benefits. These should be the last checks of the year.

## How to Enter Taxable Fringe Benefits

1. If one does not already exist, add a deduction for *Fringe Benefit* on the *Payroll* tab at *Accounting / Setup / Preferences*. This deduction should have a default G/L account pointing to the Wages and Salaried expense account.
2. Edit any employees that received a fringe benefit. On the *Deduction* tab, select the *Fringe Benefit* deduction and set the G/L account to the Gross Wage G/L account for this specific employee.
3. Process a zero-dollar paycheck from *Payroll / Process Hourly* for an affected employee regardless of how the employee's paycheck is usually processed.
  - o Enter the *Period Start* and *End* dates, as well as the *Check Date* and *Starting Check #*. Since these will be zero-dollar checks, a fictitious check number may be used as it will be printed on white paper and never affect the bank account. Mark the *Zero Out Deductions* option to zero all deductions on the check. Mark the *Zero Out Federal / State / Local Taxes* option to zero these taxes.
  - o On the *Pay* tab, enter the value of the benefit on the regular row in the *Total* column. Choose **Apply** to have the taxes calculate.
  - o The goal is to have the net amount of this check be zero. To do this, select the *Deductions* tab and put the calculated net figure in the *Fringe Benefit* deduction. Choose **Change Deds**.
  - o Make sure the net amount of the check is zero. A warning appears because the net amount of the check is zero but the program will allow the save. Print the check on white paper.
  - o Repeat this process for all employees involved.
4. Post these checks to the G/L as any typical payroll.

## Addressing Tax-Sheltered Fringe Benefits on W-2s

Certain types of fringe benefits such as some owner's insurance premiums may be tax-sheltered fringe benefits. If your accountant has advised that a fringe benefit is a tax-sheltered benefit, then the following procedure is recommended.

1. If one doesn't already exist, add a deduction for Sheltered Fringe Benefit on the *Payroll* tab at *Accounting / Setup / Preferences*. This deduction should have a default G/L account pointing to the Wages and Salaried expense account. Mark the appropriate boxes in the *Exempt From* columns that represent the exemptions for this benefit. If there are questions about which columns should be marked, contact your accountant for assistance.

2. Edit the employees' payroll record found at *File / Open / Employee*. On the *Deductions* tab, select the tax-sheltered fringe benefit deduction and set the G/L account to the gross wage G/L account specific to this employee.
3. Process the zero-dollar paycheck from *Payroll / Process Hourly* regardless of how the paychecks are normally processed for the employee.
  - Enter the *Period Start* and *End* dates as well as the *Check Date* and *Starting Check #*. Since these will be zero-dollar checks, a fictitious check number may be used as it will be printed on white paper and never affect the bank account. Mark the *Zero Out Deductions* option to zero all deductions on the check. Mark the *Zero Out Federal / State / Local Taxes* option to zero these taxes.
  - On the *Pay* tab, enter the value of the benefit in the *Total* column of the normal *Pay Category* for the employee. Choose **Apply** to calculate the check.
  - At the *Deductions* tab, enter the amount of the benefit in the *Sheltered Fringe Benefit* deduction. Choose **Change Deds.**
  - The goal is to have the net amount of this check be zero. A warning appears about the amount of the check being zero but the program will allow the save. Print the check on plain paper.
  - Repeat this process for all employees involved.
4. Post these checks to the general ledger as a typical payroll would post.