

Complete Payroll: COBRA Credit Implementation (PC Entry)

Background:

On February 17, 2009, President Obama signed, into law, a stimulus plan that had several provisions relating to payroll and taxes. One of these provisions allows for an individual utilizing COBRA benefits to have 65% of their premiums subsidized by their former employer. The employer (former employer) will be eligible to receive credits applied to their federal tax liabilities.

Intuit will be supporting this new provision within the Complete Payroll offering. The purpose of this document is to outline and explain how the new COBRA implementation will work within the Complete Payroll systems (Fast-Pay and Tax-Free) and the customer facing application (PC Entry)

How-To Implement in Complete Payroll (PC Entry):

Section 1: Setting Up Your Account For COBRA Tax

Step 1: Validate that you are eligible to receive the COBRA Tax Credit. Assistance with this should be obtained from the IRS. Below is a link to the IRS to aid with this process:

<http://www.irs.gov/newsroom/article/0,,id=204505,00.html>

Step2: Once you have validated that you are eligible to receive the COBRA credits, contact the Intuit Complete Payroll Service center at 888-236-4282. Inform the service agent that you are eligible to receive the COBRA tax credit and need to be setup to use this within your Complete Payroll Service.

Step 2: Service or Activations agent will create two new paylines for you. They will be called 'COBRA IN' and 'COBRA OUT'. These will be the paylines which you will use along with your employees on COBRA benefits to instruct our system of your credits.

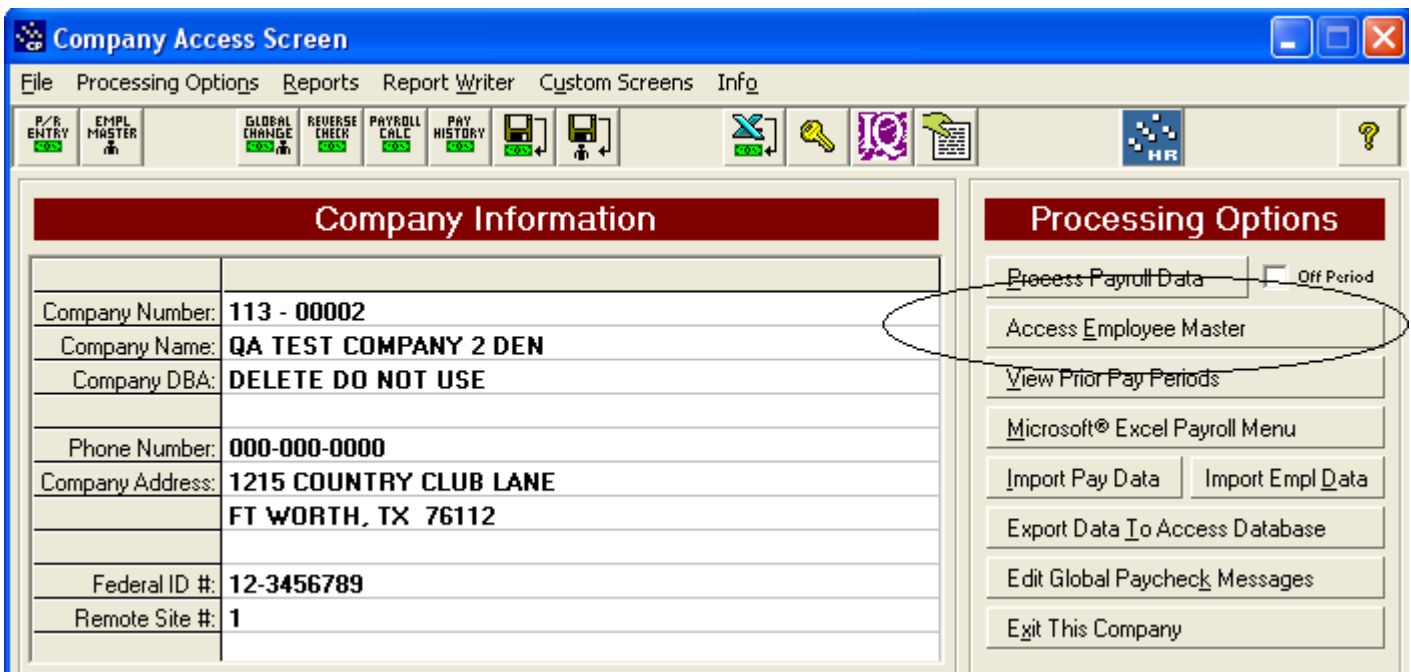
Step 3: Once the service agent has created your two new paylines, they will instruct you to do a 'receive' to download the new paylines to your PC Entry software to be able to utilize. Make sure you have the new paylines downloaded before proceeding.

Section 2: How to Configure Employees on COBRA Within PC Entry (Employee Master: Wage Setup)

Step 1: Open PC Entry

Step 2: Click 'Access Your Company Data'. Note: If you have multiple accounts loaded, you will select (double-click) the account which has the employee(s) on (or going on) COBRA benefits.

Step 3: Once at the 'Company Access' screen, click the button labeled 'Access Employee Master' on the right hand side. Screen Shot:



Step 4: At the 'Employee Selection Form' screen, locate the employee who is on (or going on) COBRA benefits and double click their record to select them. NOTE, at this point, depending upon how you manage Terminated Employees, the employee may already have been terminated. From this step on, these instructions assume the employee has already been terminated within your software. Screen shot:

Employee Selection Form 113 - 00002

HIRE TERM LEAVE RAISE EMPL SUMM EMPL GUIDE MAIL MERGE RE-RTU EMPL DEFAULT EMPL

Employee Search

Find Next Match
Select This Empl

LOC	DEPT	LAST NAME	FIRST NAME	EMPL#	SSN	STATUS
00	001	COBRA	TEST	00002	000-00-0000	Terminated
00	100	JOE	SCHMOE	00001	222-22-2222	Active

Display Options

List Empls By Loc_Dept-Alpha
List Empls By Dept_Job-Alpha
List Empls Alphabetically
List Empls By Employee Number

Show All Employees
 Show Only Active Employees
 Show Only Term Employees

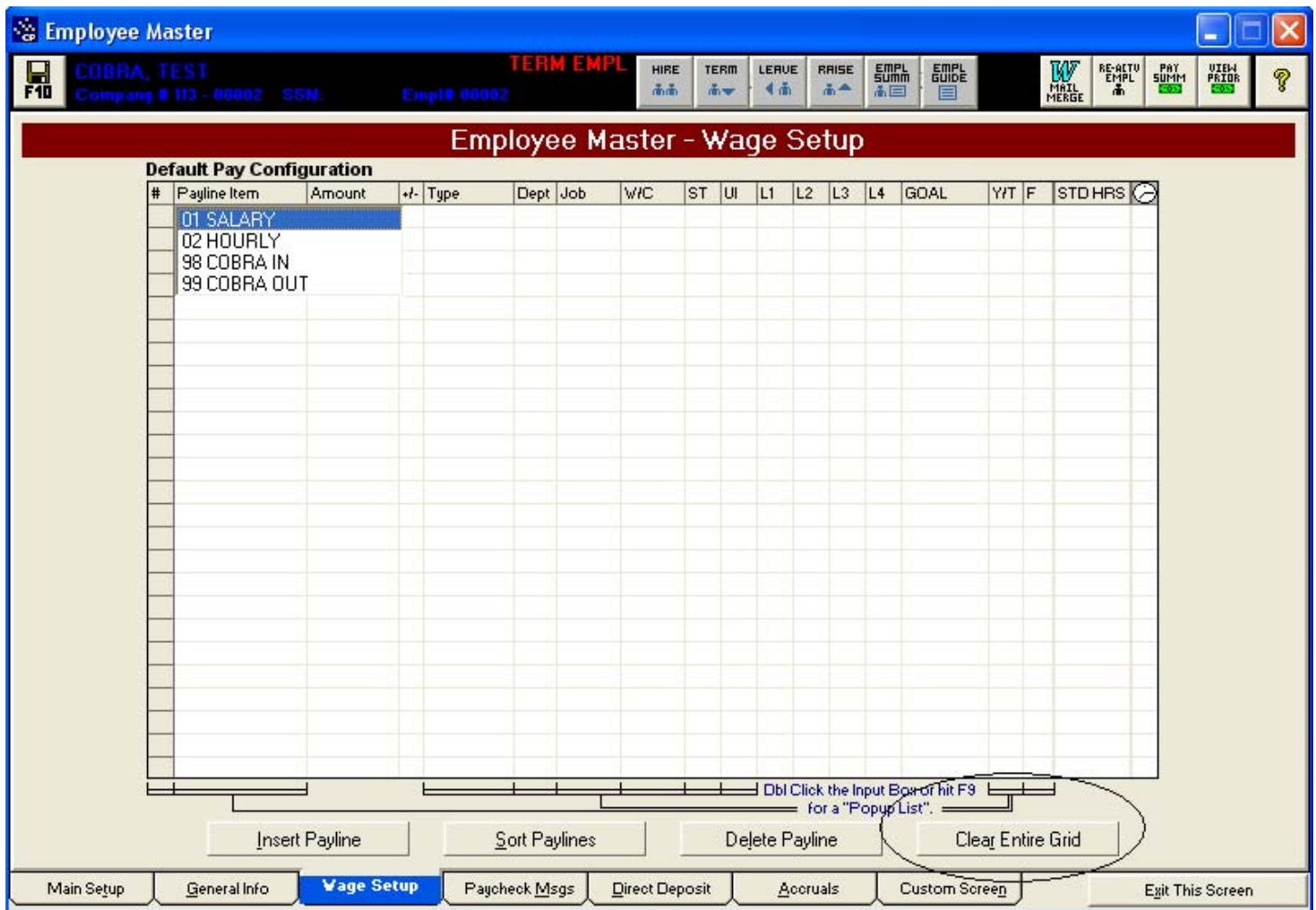
Letters Set for First Name
 Letters Set for Last Name

Other

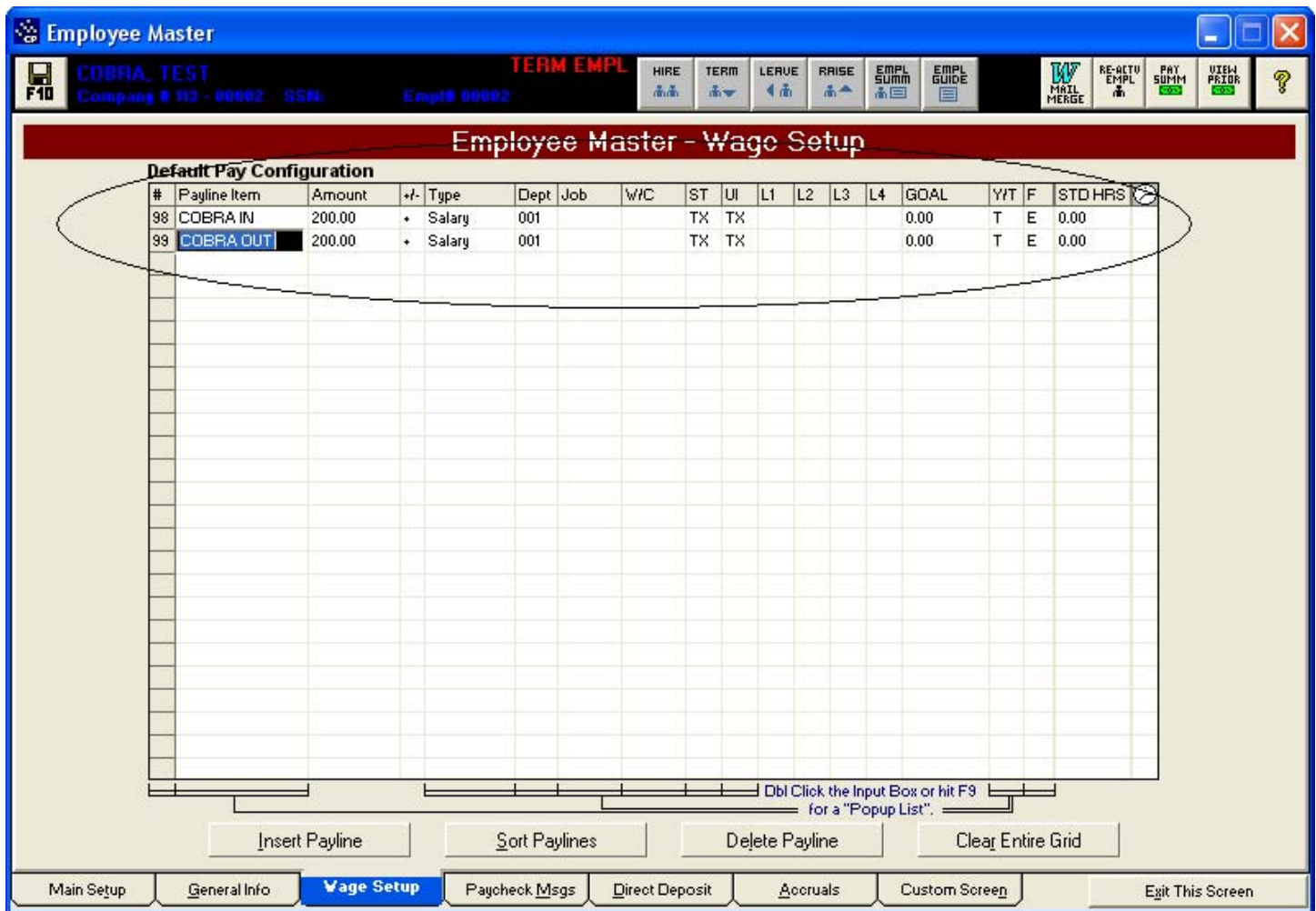
Edit Default Employee Template
Next Available Empl Number
 <-- Load This Empl#
 Edit This Screen

Last Search Text: Last Search Col: Number of Empls Loaded:

Step 5: You are now ready to update the employee's Employer Master: Wage Setup. At the Employee Master screen, click the tab at the bottom labeled 'Wage Setup' (is the 3rd tab from the left). In order to keep from 'accidentally' issuing this employee salary or other items, we are going to 'clear their paylines. To do this, click the button at the bottom in the bottom right labeled 'Clear Entire Grid'. After doing so, you will be prompted if you are sure which you will answer yes. After doing this step, your screen will appear like the following screen shot:



Step 6: After the Employee Master: Wage Setup screen has been cleared, you now need to set 2 new lines up (First one will be 'COBRA IN' and the Second One will be 'COBRA 'OUT'). The amount for both paylines will be the amount of the Employer's portion (subsidized portion) of the Employee's benefit (this is the amount the employer is required to pay under the new stimulus COBRA provision). Example: Total COBRA cost is \$307.70, 65% of this (the ER portion) is \$200.00. Therefore, the amount you would enter here, on both the COBRA IN and COBRA OUT paylines will be \$200.00. When finished, the screen should look like the following (note, employee name and state info will be different based upon your employee's situations):



Step 7: Once your employee's wage setup screen looks like the screen shot above, click the save button labeled F10 in the top left corner to save the employee record (has the icon of the floppy disk).

This concludes the employee master wage setup section. You will conduct these same steps for your other employees who are on COBRA benefits.

Section 3: Entering COBRA 'Payment/Tracking Vouchers' within payroll processing

Step 1: Log into PC Entry as normal to process a payroll.

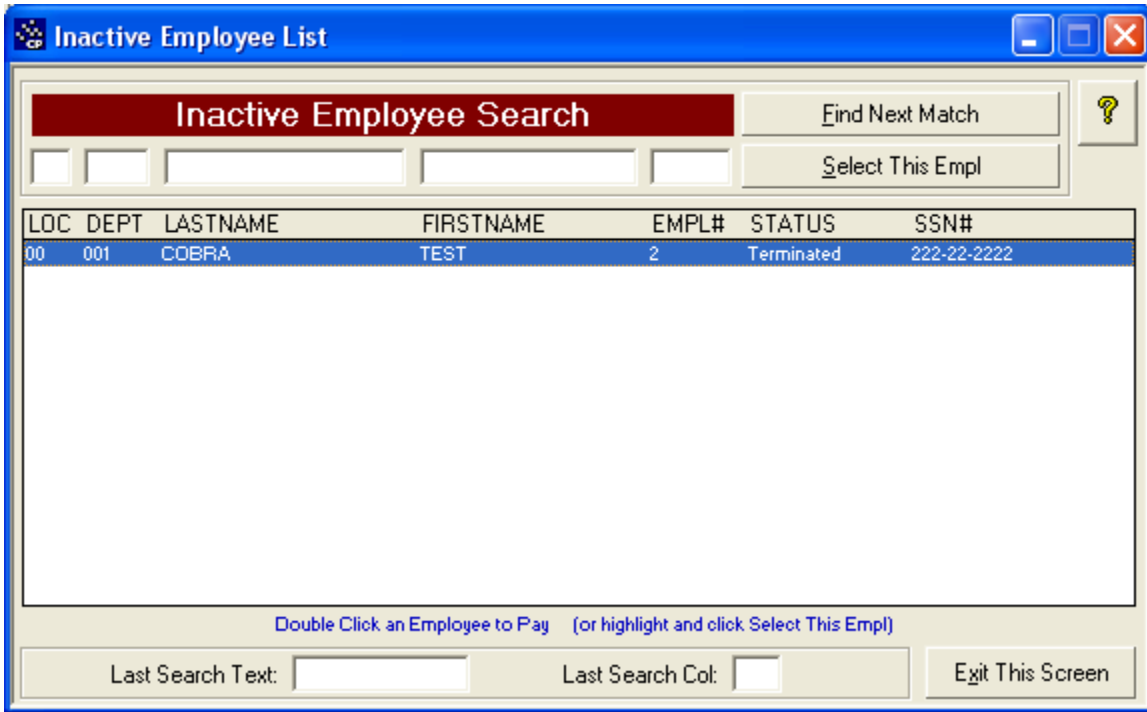
Step 2: Click 'Access Your Company Data' (If you have multiple companies loaded, choose the company for which you need to process payroll for)

Step 3: Click the button labeled 'Process Payroll Data' on the right side.

Step 4: At the payroll dates screen, enter the correct values for your current payroll period (note: you may have already entered your payroll data and thus entering the COBRA tracking vouchers last. This is okay...).

Step 5: In the payroll entry grid, assuming your 'COBRA Employees' were previously terminated, click the button at the top labeled 'Pay Inactive'. Screen shot:

Step 6: After you click 'Pay Inactive' you will get a pop-up list with all of your terminated employees. Locate the employee on COBRA benefits and double-click them. Screen shot:



Step 7: The payroll grid will 'reload', this time with the terminated employees default wage setup which should, at this point, include only the 'COBRA IN' and 'COBRA OUT' paylines. Screen shot:

Payroll Entry Screen - Employee #00002 TEST COBRA

113 - 00002 - 00002 - COBRA, TEST <Term> Entering Check Data

#	Payline Item	+/- Rate	Reg Hrs	OT1	OT2	OT3	Total	Type	Dept	Job	W/C	ST	UI	L1	L2	L3	CompType
98	COBRA IN	+					100.00	Salary	001	000000	000000	NJ	NJ				Normal
99	COBRA OUT	-					100.00	Salary	001	000000	000000	NJ	NJ				Normal

Gross Pay: 0.00 Total (Sum): 0.00

Reg Hours: 0.00 OT Hours: 0.00

Check Accrual Is ON
 Check Accrual Is OFF

Checks: 0
Vouchers: 0

Control Totals

Issue Check (F6)

Issue Voucher (F4)

Exit This Screen

TEST COBRA
 Employee Number: 00002
 Home Dept/Job Number: 001 / None
 Social Sec Number: 222-22-2222
 Fed & State W/H: S 00 -NJ A 00
 Direct Deposit Active: N/A

Paycheck Tax Frequency:
 Weekly (52) Custom
 Bi-Wkly (26) Monthly (12)
 Semi-M (24) Annual (1)

Hire Date: 02/23/2009
Birth Date: 00/00/0000

Search Employee: [] Msg: []

Last Name	First Name
COBRA	TEST

Step 7: The default amounts should already be set (should be the amount of the employer portion of COBRA benefits for this employee, for this cycle). Click the button labeled 'Issue Voucher' in the bottom right (will have an image of a blue dollar). You will receive a prompt state "This may result in a negative or zero voucher. Do you wish to continue?" Click "Yes" to this prompt. You will then be prompted to enter a check number for the voucher. Since this is not a real check that will be handed out (is only a voucher to track the COBRA values), leave the check number at the default of '000000' and click the button labeled 'Proceed with this check #'. Screen shot:

Input Check Number For Voucher ?

000000 <---- Proceed With This Check #

Valid Range = (0-999999)

Issue Without A Specific Number

Cancel Issue Voucher

Step 8: The 'input' process is now complete. At this point, continue your payroll input as normal (issue the rest of your normal checks and vouchers, generate your control totals and pre-process reports and then submit your payroll).

Step 9: Once your payroll has completed processing, you 'receive' back your processed payroll data as normal. You will see updates/changes to 2 of the most commonly view payroll reports (Payroll Cover Sheet and Labor Distribution). The Cover Sheet will reflect the COBRA Credit, and will provide notation informing how the system handled the credit. The labor distribution report will reflect the totals of the 'COBRA IN' and 'COBRA OUT' payroll items. Both are after tax and both are offsetting thus do not increase or decrease your overall labor and payroll distribution. Sample screen shots are below (note, yours may look quite different, these are just simplified examples of a test account):

Cover Sheet:

*** ELECTRONIC DEBIT ***				
ACCT	TYPE	EMPLOYEE	EMPLOYER	TOTAL
	Federal W/H	104.63		104.63
	Soc. Sec.	215.35	215.34	430.69
	Medicare	50.36	50.37	100.73
	FUTA		27.79	27.79
	Federal Total:	370.34	293.50	663.84
Note: This credit will be deducted from Federal taxes and the deposit on this payroll.				
	Tax Credit-Cobra		-75.00	-75.00
	CA W/H	7.94		7.94
	CA Unemp.		100.73	100.73
	CA Sup Unemp.		3.47	3.47
	CA Disability	38.21		38.21
	CA Total:	46.15	104.20	150.35
			Processing Fee Debit:	64.00
			Tax Electronic Debit:	739.19

Labor Distribution:

COMPANY TOTAL				
	MTD	QTD	YTD	CURRENT
SALARY	3,000.00	3,000.00	3,000.00	3,000.00
GROSS PAY	3,000.00	3,000.00	3,000.00	3,000.00
TAXABLE WAGES	3,000.00	3,000.00	3,000.00	3,000.00
FEDERAL W/H	151.97	151.97	151.97	151.97
SOC. SEC.	186.00	186.00	186.00	186.00
MEDICARE	43.50	43.50	43.50	43.50
MA W/H	48.95	48.95	48.95	48.95
NJ W/H	15.00	15.00	15.00	15.00
NJ DISAB.	5.00	5.00	5.00	5.00
NJ UI	5.15	5.15	5.15	5.15
OH W/H	22.33	22.33	22.33	22.33
TOTAL EE TAXES	477.90	477.90	477.90	477.90
COBRA IN	100.00	100.00	100.00	100.00
COBRA OUT	100.00-	100.00-	100.00-	100.00-
NET PAY	2,522.10	2,522.10	2,522.10	2,522.10

You will have many other reports available to you to help track your COBRA input into payroll and balance it against HR and your COBRA benefits provider. These include the payline items, check register, labor distribution, payroll cover sheet and payroll journal reports.

This concludes the processing section. If you do not utilize QuickBooks GL Integration, the process is complete until next payroll (you will follow section 2 each payroll until the employee(s) are no longer on COBRA benefits)

Section 4: How COBRA vouchers processed with payroll will affect your payroll tax debits...

The total of your COBRA vouchers (the COBRA IN paylines total for the entire payroll) will be applied to your federal tax debit. The system will attempt to use the entire credit for the payroll being processed. Remaining credits will continue to attempt to apply for subsequent payrolls for the quarter.

Section 5: Handling COBRA with QuickBooks GL Integration (Follow this section if you utilize Complete Payroll GL Integration with QuickBooks)

Step 1: Accounting (QuickBooks GL Integration). At this point, an assumption stands that the you have already paid your portion of the COBRA payment, and those payments have been recorded within payroll as COBRA Vouchers (manual checks) to those employees on COBRA benefits (at least on payroll). With this in mind and typical QuickBooks accounting practices, you have completed the following:

- You have created (already had) a Vendor setup for COBRA administration (whomever you cut a check to for the ER portion of COBRA that creates a payment check in their QuickBooks bank account).
- You should have an Expense account (ledger acct) created for recording the Expense (the COBRA expense incurred by the employer when making the COBRA payment).
- Your company has issued/cut a check to the COBRA provider and booked that money to their COBRA expense account.
- Because your company pays the COBRA ER portion before getting the credit applied, it is an expense to you. The amount will remain as an expense in the ledger until they download the data from Complete Payroll to offset the expense and zero it out.
- Assuming A thru D to be true, the following screen shot shows what the check the your company has cut would/could look like:

The screenshot shows the QuickBooks interface for creating a bill. The vendor is 'Bob's COBRA Insurance Co.' and the date is '02/25/2009'. The amount due is \$100.00. A large blue 'PAID' stamp is overlaid on the bill details. The memo is 'COBRA Payment- ER Portion per new Stimulus Tax Laws'. Below the bill form, there is a summary table showing the expense account and amount.

Expenses	\$100.00	Items	\$0.00
Account	Amount	Memo	
Payroll Expenses:COBRA Expense	100.00		

Step 9: Downloading/Entering the Payroll journal entries from Complete Payroll. In this step, you will need to download as you normally do. As with any new payroll item, you will be prompted to map the new paylines for COBRA IN and COBRA OUT.

- a. Map the 'COBRA IN' payline item to your 'COMPLETE PAYROLL PAYMENT' account. This will offset the unallocated balance that would be left behind by the fact that the labor distribution report (total payroll expense) will be greater than the actual payroll total tax debit made (cover sheet). This situation is exactly what happens when we have a FUTA or SUI expense. In this situation, though, you won't be required to make a manual journal entry to correct.
- b. Map the 'COBRA OUT' payline item to your 'COBRA expense' account you created or already had when you issued the actual COBRA check payment in QuickBooks to your COBRA vendor. This will offset the expense with the credit thus zeroing the original expense (\$100.00 in created when paying the vendor with a \$100.00 out when running thru payroll and receiving the credit). See sample mapping screen shot below:

Download Payroll Transactions

Transaction Data Configurations

Employees Payroll Items Vendors

All names in this category have a match in QuickBooks. To edit any matches, click Change.

Hide matched names

	Name in Payroll Service	Name in QuickBooks	
✓	Bank Account:HOME OFFICE:Payroll Check	Bank Account	Change
✓	Bank Account:Taxes and Fees	Bank Account	Change
	Payroll Deductions		
✓	COBRA IN	Complete Payroll Payment	Change
✓	COBRA OUT	COBRA Expense	Change
	Payroll Expenses		
✓	PROCESSING FEES	PROCESSING FEES	Change

Customize Settings Done

Step 10: After downloading (GL Download) the processed payroll data into QuickBooks, you will have successfully and properly allocated the Payroll Tax Credit and offset the

original COBRA expense created in your QuickBooks ledger when you issued the original Check to your COBRA vendor. See Expense balance sheet below:

prestonjacobytest
Account QuickReport
 January through March 2009

Type	Date	Num	Name	Memo	Split	Amount
Payroll Expenses						
COBRA Expense						
▶ Bill	02/25/2009		Bob's COBRA Insura...	COBRA Payment- ER Portion per new Stimulus Tax Laws	Accounts Pa...	100.00 ◀
General Journal	03/01/2009	Payroll		Intuit Complete Payroll, created: 02/25/2009 07:06pm	Complete Pay...	-100.00
Total COBRA Expense						0.00
Total Payroll Expenses						0.00
TOTAL						0.00

Section 6: Additional Reports Available to you via PC Entry to assist with Tracking and Auditing Purposes as related to COBRA.

Report 1: Labor Distribution Report. Report Purpose: Totals Payroll Items (Salary, Hourly, Vacation, 401k, COBRA IN, etc – any and all payroll items setup for account), Employee Taxes and Employer Taxes for Current, MTD, QTR and YTD totals by cost code (Location – Department). Screen shot:

COMPANY TOTAL	MTD	QTD	YTD	CURRENT
SALARY	3,000.00	3,000.00	3,000.00	3,000.00
GROSS PAY	3,000.00	3,000.00	3,000.00	3,000.00
TAXABLE WAGES	3,000.00	3,000.00	3,000.00	3,000.00
FEDERAL W/H	151.97	151.97	151.97	151.97
SOC. SEC.	186.00	186.00	186.00	186.00
MEDICARE	43.50	43.50	43.50	43.50
MA W/H	48.95	48.95	48.95	48.95
NJ W/H	15.00	15.00	15.00	15.00
NJ DISAB.	5.00	5.00	5.00	5.00
NJ UI	5.15	5.15	5.15	5.15
OH W/H	22.33	22.33	22.33	22.33
TOTAL EE TAXES	477.90	477.90	477.90	477.90
COBRA IN	100.00	100.00	100.00	100.00
COBRA OUT	100.00-	100.00-	100.00-	100.00-
NET PAY	2,522.10	2,522.10	2,522.10	2,522.10

Report 2: Payroll Cover Sheet. Report Purpose: To outline tax liability debit, processing fees, direct deposits and net-cash disbursement (has been updated to show total COBRA credits). Provided with each payroll process. Screen shot:

*** ELECTRONIC DEBIT ***				
ACCT	TYPE	EMPLOYEE	EMPLOYER	TOTAL
	Federal W/H	104.63		104.63
	Soc. Sec.	215.35	215.34	430.69
	Medicare	50.36	50.37	100.73
	FUTA		27.79	27.79
	Federal Total:	370.34	293.50	663.84
Note: This credit will be deducted from Federal taxes and the deposit on this payroll.				
	Tax Credit-Cobra		-75.00	-75.00
	CA W/H	7.94		7.94
	CA Unemp.		100.73	100.73
	CA Sup Unemp.		3.47	3.47
	CA Disability	38.21		38.21
	CA Total:	46.15	104.20	150.35
	Processing Fee Debit:			64.00
	Tax Electronic Debit:			739.19

Report 3: Check Register. Report Purpose: Show, by employee (and company totals) the employees Current, MTD, QTD and YTD taxable wages, itemized payroll items (such as salary, vacation, bonus, 401k, COBRA, etc) and Net Pay. Screen shot:

113 00002	QA TEST COMPANY 2 DEN PRESTON TEST CO - DO NOT							3/17/09 PAGE 1		
Pay Date: 3/16/2009		CHECK REGISTER								
RATE	REG HR	OT 1	OT 2	OT 3	PAY TYPE	MONTH	QUARTER	YEAR	CURRENT	CHECK #
TEST COBRA 222-22-2222 TERMINATED 3/01/2009										
ADDRESS:					TXBL WAGES	0.00	0.00	0.00	0.00	
DPT: 1					COBRA IN	100.00	100.00	100.00	100.00	
EMP #: 2					COBRA OUT	-100.00	-100.00	-100.00	-100.00	
FED: S-00 NJ A-00					NET PAY	0.00	0.00	0.00	0.00	VOUCHER
SEMIMONTHLY										
HIRE DATE: 2/23/2009										
LAST PAY CHANGE: 3/10/2009										

Report 4: Payroll Journal. Report Purpose (Another variation of Check Register and Labor Distribution by Employee). Screen shot:

113 00002	QA TEST COMPANY 2 DEN PRESTON TEST CO - DO NOT			3/17/09 PAGE 1	
PAYROLL JOURNAL MARCH, 2009					
			MONTH	QUARTER	YEAR
			-----	-----	-----
2 COBRA, TEST 222-22-2222					
PAYDATE: 3/16					
TXBL WAGES					
COBRA IN	100.00		100.00	100.00	100.00
COBRA OUT	100.00-		100.00-	100.00-	100.00-
NET PAY					
3 MASSACHUSETTS, BOBBY 222-22-2223					
PAYDATE: 3/16					
SALARY	1,000.00		1,000.00	1,000.00	1,000.00
TXBL WAGES	1,000.00		1,000.00	1,000.00	1,000.00
FEDERAL W/H	34.38		34.38	34.38	34.38
FICA	62.00		62.00	62.00	62.00
MEDICARE	14.50		14.50	14.50	14.50

Report 5: Payline Item Summary (Pay Type/Payline Item Summary). Report Purpose: Detail each occurrence of the issuing of a specific payroll item, who it went to and what the amount was. Screen shot:

113 00002	QA TEST COMPANY 2 DEN PRESTON TEST CO - DO NOT			3/17/09 PAGE 1		
COBRA IN SUMMARY						
DPT #	NAME	TAX ID #	1/01/2009 - 4/01/2009	4/2009	2 Qtr 2009	2009 YTD
-----	-----	-----	-----	-----	-----	-----
1	2 COBRA, TEST	222-22-2222	100.00			100.00
		TOTAL:	100.00			100.00

****Note**** Many other reports (report variations) may be available. Any report that allows a 'Payroll Item' to be chosen can be used for COBRA tracking and reporting as the COBRA credit system utilizes COBRA IN and COBRA OUT payroll items.