Complete Payroll: COBRA Credit Implementation (Web 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 (Web Entry)

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

Section 1: Setting Up Your Account For COBRA Tax

Step 1: You will validate they 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 be immediately available for you to use. Because you are a Web Entry customer, your database, at this point, has already been updated with the two new COBRA pay lines.

Section 2: How Client Configures Employees on COBRA Within Web Entry

Step 1: Log into Web Entry (as though you were adding new employees or processing payroll)

Step 2: Click the 'Employee' tab. By default, the employee list is configured to show only active employees. Assuming the employee(s) on COBRA benefit have been previously termed, you will need to set the list to show ALL employees. Locate the checkbox labeled 'Show Active Employees Only' and uncheck it. The employee list will automatically refresh itself. Locate the Employee on COBRA you wish to update and click the link at the top labeled 'Wage Setup'.

Screen shot:

Step 3: Now you will be adding the two new COBRA paylines to the employee you've selected. If paylines are already present from how the employee was previously being paid, it will be best to remove those paylines as to not issue salaries and deductions inadvertently. To do this, click the button labeled 'Clear Current Payline' within the wage setup screen. Click this button on each payline until all have been cleared. Once cleared, no paylines will be present. See below…

Screen shot:

Intuit Payroll Services
COMPLETE PAYROLL | WEB ENTRY

Company
Employee
Payroll
Manual Check
Reports
Check Printing
History
Tools
Help
HR Assistant

Edit | Add

Employee ID Number Main/Tax Setup General Information **Wage Setup** Direct Deposit Accruals

Wage Setup: TEST COBRA SS#: 222-22-2222 Emp.#: 00002
To change wage setup, select the Payline you want to change. Then click in the field you want to edit and make changes as necessary. To delete a Pay

- Payline 01
- Payline 02
- Payline 03
- Payline 04
- Payline 05
- Payline 06
- Payline 07
- Payline 08
- Payline 09
- Payline 10

*Payline Item   +/-   Amount: 0.0000   Std. Hours: 0.00   *Frequency

*Type   *Dept Number   *State   *SUI   W/C

Job Number   Maintain Jobs   Goal: 0   Goal Type

Locality Tax 1   Locality Tax 2

Locality Tax 3   Locality Tax 4

*Required fields

Clear Current Payline

Display Paylines
1-10   11-20   21-25

Step 4: Now you will add the two new paylines for COBRA ('COBRA IN' and 'COBRA OUT' to the employee for the COBRA benefit. Set up 'Payline 01' as 'COBRA IN' and 'Payline 02' as 'COBRA OUT'. Payline Item (drop down box): Select the 'COBRA IN' payline.

1. For 'Payline 01', the Payline Item drop down should bet set to 'COBRA IN' For 'Payline 02' the Payline Item drop down should be set to 'COBRA OUT'.
2. The 'amount' will be the amount the company is subsidizing for that employees COBRA benefit.
3. The 'Frequency' should be set to 'EVERY PAY'
4. The 'Type' should be set to 'SALARY'
5. The 'Dept Number' should be set to the employee former dept (or dept you'd like the COBRA IN's and OUT's to show under)
6. The 'STATE' and 'SUI' fields should reflect the employees former state values. **note** the two new paylines are both after tax and will NOT affect current federal, state and local tax liabilities outside of the COBRA credit being applied.
7. All other fields should be left at their 'default' settings.

Screen Shot:

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

Step 1: Log into Web Entry (either thru payroll.com or thru QuickBooks)

Step 2: Click on the 'Manual Checks' tab. Screen Shot:

Intuit Payroll Services
COMPLETE PAYROLL   WEB ENTRY

| Company | Select | Details | User ID's |

Employee
Payroll
Manual Check
Report   Manual Check
Check Printing
History
Tools
Help
HR Assistant

Company

Click below to select a company. Click Details or User ID's above to view company i

QA TEST COMPANY 2 DEN

DBA F
Company Number 1
Last Login C
Last Payroll C

Employee Maintenance
Edit employees - Edit pay rates, tax info, or other information for your employees.
Add a new employee
HR Assistant - Get help managing your employees and staying in compliance wit

Payroll
Payroll - Submit payroll info for this pay period.

Step 3: Assuming you have already terminated the employee(s) on COBRA benefits, you will need to set your defaults to show all employees (system default is to show only active employees). Locate the checkbox labeled 'Show Active Employees Only' and uncheck it. Screen shot:

Step 4: The system will now list all of your employees (termed and active). Locate the employee who is participating on COBRA benefits, and click their record to highlight them. Then click the button labeled 'Next' at the bottom. Screen Shot:

Step 5: Make sure the employee record loads only two paylines ('COBRA IN' and 'COBRA OUT'). Make sure that both paylines reflect the flat amount of the cost of the subsidized benefit and that the 'IN' is positive and the 'OUT' is negative. Example (We are subsidizing employee TEST COBRA's COBRA benefit at $100.00.). The employee will look similar the following screen shot (note: your employees fields such as State and SUI will be different. This is only an example):

Manual Check Info: TEST COBRA Emp.#: 00002

Select Paylines and fill in the fields for each payline you select. To submit manual check information to Complete Payroll, click Process Manual Check. It will be proc

- ⦿ Payline 01: 98-COBRA IN
- ○ Payline 02: 99-COBRA OUT
- ○ Payline 03:
- ○ Payline 04:
- ○ Payline 05:
- ○ Payline 06:
- ○ Payline 07:
- ○ Payline 08:
- ○ Payline 09:
- ○ Payline 10:

Display Paylines

[1-10] [11-20] [21-25]

[Summary View] [Zero All Paylines] [Clear Current Payline]

*Required fields

*Pay Type	+/-	Amount/Rate	Reg Hrs	O.T.1	O.T.2	O.T.3
98-COBRA IN	+	100.00	0.00	0.00	0.00	0.00

*Dept. Number	*State	*SUI	W/C
001-TEXAS-ADMIN	NJ	NJ	000000

Job Number — Maintain Jobs — Payroll Frequency: SEMIMONTHLY

Local Tax 1 — Local Tax 2

Local Tax 3 — Local Tax 4

Accrual Type: NORMAL

[Previous] [Process Manual Check]

NOTE Do NOT (under any circumstances) 'override' taxes or add any additional paylines or payroll data to this voucher. This is for tracking COBRA payments only!!!

Step 6: Once you have verified the correct information is shown, click the button at the bottom labeled 'Process Manual Check'.

note If you set the employees master up correctly, then this screen should already be correct. If you had to correct anything, be sure to update the employees master per step 4 (Employee Master: Wage Setup)

Step 7: If you wish to print (or save a PDF) of the COBRA voucher for your records now click the button in the top left labeled 'Print as a Pay stub'. You can then choose to save the PDF to your computer or print it to your printer. **Note** If you already print your checks and stubs onsite, this will be printed along with your next regular payroll as well. Screenshot:

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Step 8: Processing payroll (that contains a COBRA Voucher/Manual Check). You will be at this step when you are processing your next regular payroll. Log into Web Entry and proceed to payroll entry as normal. You will enter your payroll data as always. The only difference you will see is there will be a 'voucher/manual checks' record pending for the employee you issued COBRA for. Do not alter/edit this record. It is recommended that you not attempt to view it here either. Below is what it will look like. Screen shot:

Step 9: Once you've completed entering your normal payroll data (and have NOT altered the pending voucher/manual check for the employee on COBRA), proceed to your totals page. On the totals page, you will see your normal control totals, but will now also see the totals of the 'COBRA IN' and 'COBRA OUT' paylines. As always, validate your totals

and preview your payroll with the 'Pre-Process' report. Once ready, submit your payroll for processing as normal.

Step 10: When your payroll is being processed, the Intuit Complete Payroll system will take the totals of ALL 'COBRA IN' paylines issued (for all employees issued COBRA vouchers during the payroll you just processed) and apply it to your Federal Tax Debit. Depending on your current Federal Tax Liability and any prior COBRA vouchers you've processed, the system may or may not be able to apply the entire credit to your current payroll. Please speak with a customer service agent for more info on this.

Step 11: Once your payroll has completed processing, you may now log back in to retrieve your payroll reports 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 their 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:

    a. Created (already had) a Vendor setup for COBRA administration (whomever they cut a check to for the company portion of COBRA that creates a payment check in your QuickBooks bank account).

    b. You have an Expense account (ledger acct) created for recording the Expense (the COBRA expense incurred by the company when making the COBRA payment).

    c. You have issued/cut a check to the COBRA provider and booked that money to your COBRA expense account.

    d. Because your company pays the COBRA ER portion before getting the credit applied, it is an expense to your company. The amount will remain as an expense in the ledger until you download the data from Complete Payroll to offset the expense and zero it out.

    e. Assuming A thru D to be true, the following screen shot shows what the check the company has cut would/could look like:
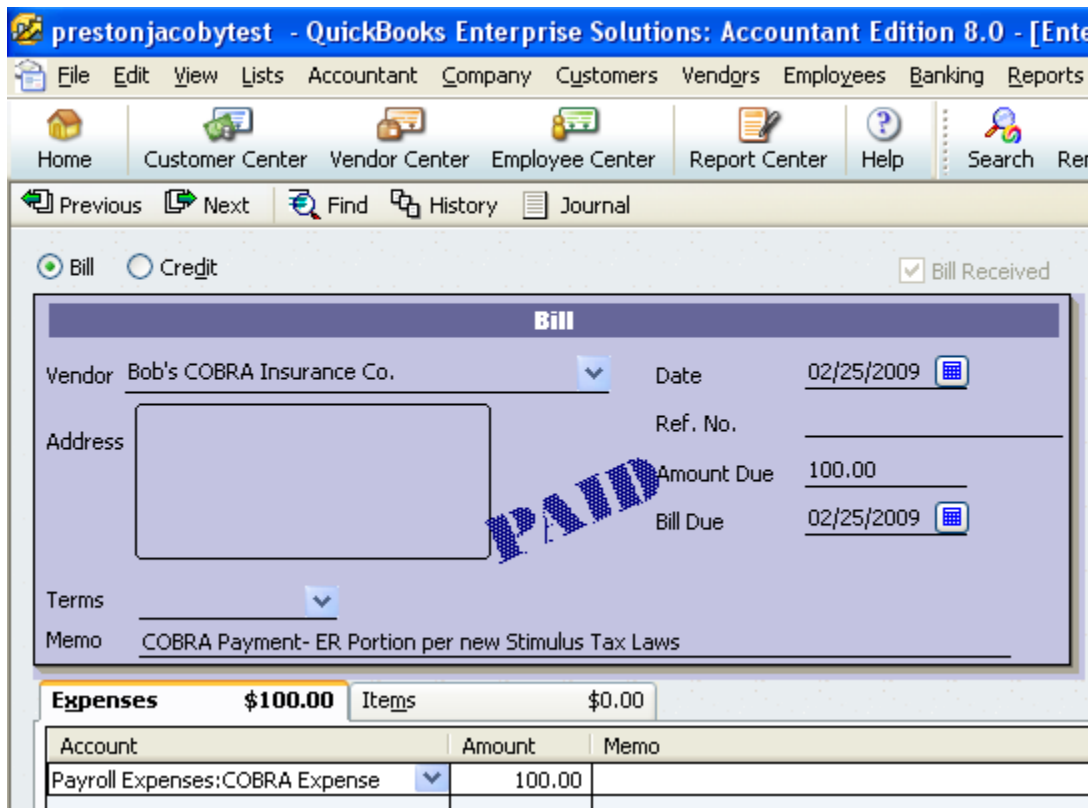
Step 9: Downloading/Entering the Payroll journal entries from Complete Payroll. In this step, you will need to download as you normally do. As with any new

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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 rpt (total payroll expense) will be greater then 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 have 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:
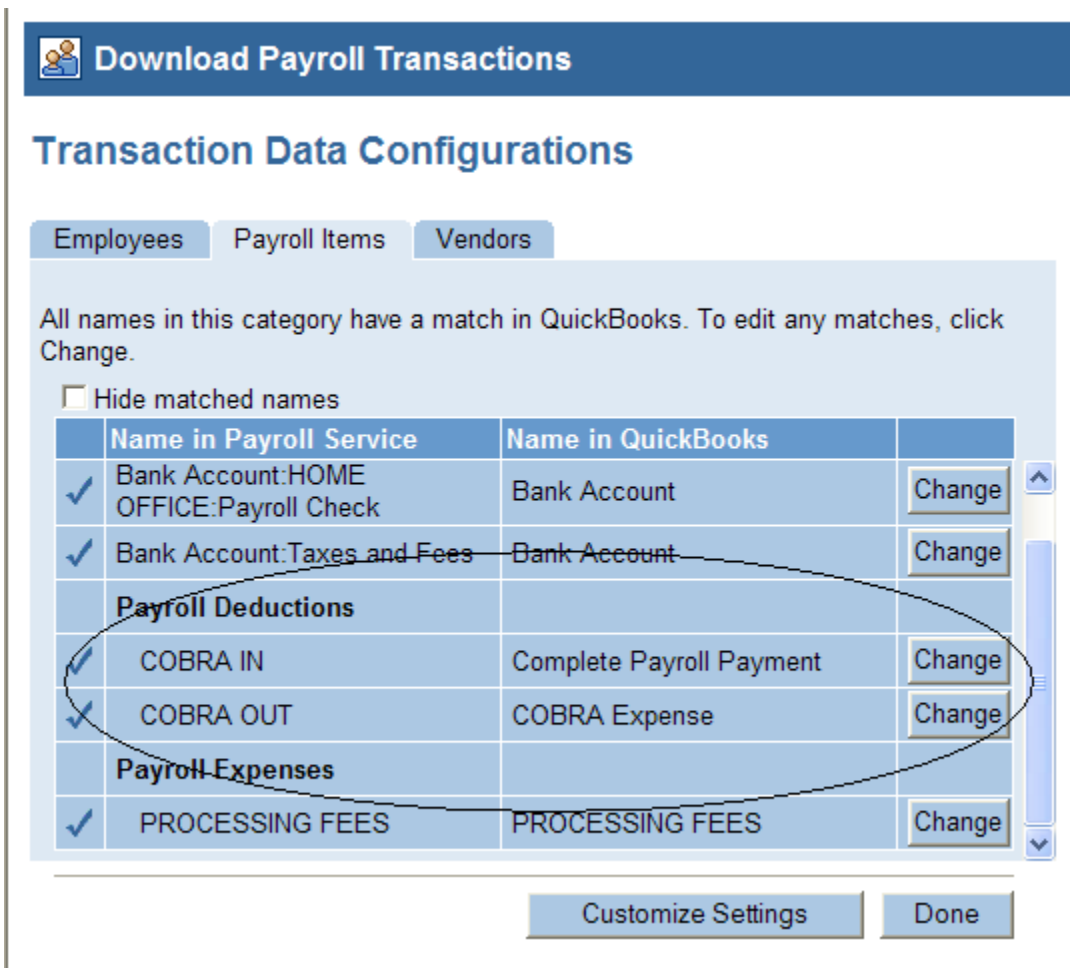
Step 10: After downloading (GL Download) the processed payroll data into QuickBooks, you will have successfully and properly allocated the Payroll Tax Credit and offset the original COBRA expense created in your QuickBooks ledger when you issued the original Check to your COBRA vendor. See Expense balance sheet below:

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 Web 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:

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```
            *** 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	FED: S-00 NJ A-00		SEMIMONTHLY	COBRA OUT	-100.00	-100.00	-100.00	-100.00	
HIRE DATE: 2/23/2009	LAST PAY CHANGE: 3/10/2009		NET PAY		0.00	0.00	0.00	0.00	VOUCHER

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

```
113           QA TEST COMPANY 2 DEN                  3/17/09
00002         PRESTON TEST CO - DO NOT               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           QA TEST COMPANY 2 DEN                  3/17/09
00002         PRESTON TEST CO - DO NOT               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 (pay codes)