

GEMINI ACCOUNTING PAYROLL SETUP PROCEDURE

FEDERAL EARNED INCOME TAX CREDIT PAYMENT DEDUCTION

The information which follows provides the minimum information required for setting up a deduction for payment of Advance Federal Earned Income Credit (EIC). It has been tested and appears to be substantially correct as of the date of this document. **The user is responsible for verifying the employee's eligibility to receive EIC payments and to verify that this formula, associated tax tables, and any variables required for proper operation of the formula are correct and updated as necessary to assure proper operation.**

The Federal Earned Income Credit Payment Deduction was created from the following documents. You may need them in order to test and verify this deduction is working properly and to update/enter correct withholding information for your employees:

DOCUMENT

Pub 15, (Circular E) Employer's Tax Guide
Form W-5, Earned Income Credit Advance Payment Certificate
Document, (Current Year) CHANGES FOR GEMINI EARNED INCOME
CREDIT PAYMENT DEDUCTION

SOURCE

Internal Revenue Service
Same as above
Prosoft, Inc.

Please review your existing Deduction Tables and/or Master Deductions to see if the table(s) and/or the deduction which follows already exists in your system. If they do, you may need to simply update existing information. If they do not, you will need create new tables and/or a new deduction. Please proceed to Step 1, below, to begin.

STEP 1 – PAYROLL TAX TABLE(S): Refer to paragraph 1 of Prosoft Document, (**Current Year**) **CHANGES FOR GEMINI EARNED INCOME CREDIT PAYMENT DEDUCTION** (available on our website) for the current-year tax table information.

STEP 2 – UPDATE RELATED PAYROLL MASTER DEDUCTION: Not applicable.

STEP 3 – CREATE PAYROLL MASTER DEDUCTION: Select **PR | Payroll Setup | Master Deductions**. If the deduction does not presently exist, select **Insert**. If it does exist, select **Change**. Enter/update/verify the state withholding tax deduction shown, below, and then select **OK | Close** to return to the main Gemini window. You may change the Deduction Code and Description if desired:

a. **General tab:**

Deduction Code: **EICPMT**

Description: **EIC Payment**

Deduction Group: Select a deduction group if desired (and if defined). See **NOTE**, below.

Withholding GL Acct: Enter a liability account number. This is the liability account to which FIT will accrue and from which it will be paid out through Accounts Payable. Select the search button to the right of the field if you need to search for/Insert/Change the appropriate account number.

Variable Name: Not applicable.

Union ID: Not applicable.

Deduction Type: **EIC**

Deduction Type ID: Not applicable.

Employee/Employer: Select **Employee Deduction**

Expense Acct: Inactive field (not applicable for employee deduction)

In State ID: Enter the same two-character state identifier used for your FIT deduction..

Load Sequence: **4750**

Default Deduction: We recommend this box be left unchecked unless this deduction applies to all, or most, or your employees. When this box is checked, Gemini automatically adds this deduction to all

new employees and, if it is a new deduction, allows you to automatically add the deduction to all existing employee's list of deductions if you click on **OK** to accept it.

Reset at End-of-Year: Select and check.

NOTE: The maximum number of deductions that can be shown on a check stub/voucher is nine. When the number of deductions exceeds the maximum, **Deduction Groups** allows multiple similar deductions to be consolidated and totaled under a single group heading (for example, **Union Dedns**). Select the "search button" to the right of the Deduction Groups field to select a deduction group from an existing list of groups. The list can be updated "on-the-fly" if/as necessary and can also be updated by selecting **PR | Payroll Setup | Deduction Groups**.

b. **Labels tab:**

Labels for User Amounts: Enter the following definitions in the appropriate fields provided to the right of Amt1 through Amt3 labels (**WARNING:** At this point you are simply defining the variable user amount fields, **DO NOT ENTER EMPLOYEE DATA INTO THEM**):

Amt1: **Mar Status**

Labels for Tables: Not applicable/leave blank

Help Text: Either type or copy and paste the following information into the Help Text Box. Help information to be typed/copied is shown in 12 pitch **Times New Roman Bold blue** font.

This deduction calculates Earned Income Credit (EIC) amounts for eligible employees. It has been tested and is, typically, within a few cents of the EIC Wage Bracket Table amount). The user is responsible for verifying the employee's eligibility to receive EIC payments and that this formula, associated deduction tables, and any variables required for proper operation of the formula are correct and updated as necessary to assure proper operation. Users are responsible for insuring this deduction is operating correctly.

OPTIONAL USER AMOUNTS: Enter employee Marital Status information from the employee's current year Form W5 in the Optional User Amount Amt1 (Mar Status) field as follows:

- 0.00 - Employee is ineligible to receive Advance EIC payments**
- 1.00 – Single, Head of Household, or Qualifying Widow(er) per Line 2.**
- 2.00 – Married Filing Joint (Spouse is NOT Filing W5 Certificate) per Line 2.**
- 3.00 - Married and both Spouses are Filing W5 Certificate (Yes checkbox on Line 3 is checked).**

ROUNDING NOTE: The deduction formula calculates EIC to the penny. If you wish it to round up/down to the nearest dollar, select PR | Payroll Setup | Master Deductions and highlight the EICPMT deduction. Select Change | Formula tab. In the Deduction Formula text box, locate the next to last line which reads "EICPA = (EICPA / 10000) * 10000" and remove the quotation marks.

c. **Vendor Link tab:** If desired, enter the vendor to whom this accrued payroll deduction element will be paid. If you use a vendor link at this level, a single Accounts Payable batch entry will be created to be posted into AP. The batch invoice amount will be equal to the total deducted from all employees with this deduction.

d. **Formula tab:** Either type or copy and paste the following information into the Deduction Formula text box over any existing formula text. Formula information to be typed/copied is shown in 12 pitch **Times New Roman Bold blue** font.

"ADVANCE EARNED INCOME CREDIT PAYMENT DEDUCTION"

"VARIABLES"

“NOTE: Variables TTFC3 and TTFC4, below, are updated annually. Please refer to Prosoft document, (Current Year) Changes for Gemini Earned Income Credit Payment Deduction for the latest changes”

TTFC1 = 20.40;"Tax table formula constant for low annual pay"

TTFC2 = 9.588;"Tax table formula constant for high annual pay"

TTFC3 = 1826.00;"Max annual EIC pmt amt except married filing joint, both w/income"

TTFC4 = 913.00;"Maximum annual EIC pmt amt for married filing joint, both w/income"

"FORMULA"

BASIS = TAXABLEPAY;

GROSS = BASIS;

AEI = (GROSS * PAYFREQ);

IF AMT1 = 0.00;

TFA = 0.00;

ENDIF;

IF AMT1 = 1.00;

TFA = TABLE(EIC1,AEI);

ENDIF;

IF AMT1 = 2.00;

TFA = TABLE(EIC2,AEI);

ENDIF;

IF AMT1 = 3.00;

TFA = TABLE(EIC3,AEI);

ENDIF;

IF TFA = 1.00;

AEICP = 0.00;

ENDIF;

IF TFA = 2.00;

AEICP = (TTFC1 / 100) * AEI;

ENDIF;

IF TFA = 3.00;

AEICP = TTFC3;

ENDIF;

IF TFA = 4.00;

AEICP = TTFC3 - ((TTFC2 / 100) * (AEI - TABLE(EIC4,TFA)));

ENDIF;

IF TFA = 5.00;

AEICP = TTFC3 - ((TTFC2 / 100) * (AEI - TABLE(EIC4,TFA)));

ENDIF;

IF TFA = 6.00;

AEICP = TTFC4;

ENDIF;

IF TFA = 7.00;

AEICP = TTFC4 - ((TTFC2 / 100) * (AEI - TABLE(EIC4,TFA)));

ENDIF;

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CPEICP = AEICP / PAYFREQ;
IF TFA <= 6.00;
EICPA = LIMIT(CPEICP,DEDYTD,TTFC3);
ENDIF;
IF TFA = 7.00;
EICPA = LIMIT(CPEICP,DEDYTD,TTFC4);
ENDIF;
IF EICPA <= 0.00;
EICPA = 0.00;
ELSEIF;
EICPA = EICPA;
ENDIF;
"EICPA = (EICPA / 10000) * 10000;" "Remove the first two quotation marks on this line to
force rounding to the nearest dollar"
RESULT = EICPA * -1;

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e. Testing the formula:

(1) Verify the formula, above, is typed/copied in correctly by clicking on the **Test Formula** button. If you get a formula definition error of any type as soon as you click on the **Test Formula** button, you must find and correct the formula entry error before proceeding further (the error message window will display the offending text area to help you locate and correct the error). If you do not receive a formula error, a window titled **Formula Test:...** will appear with empty data fields for testing.

(2) Although we have thoroughly tested the deduction formula for correct operation, you may wish to verify it yourself. You can manually create a scenario whereby you test the formula by filling in the various formula data fields. Alternatively, you may wish to use the example deduction scenario outlined in your state tax publication(s) and/or forms noted at the beginning of this document. After test data has been entered in the various formula data fields, click on the **'Calculate'** button to obtain the **Result**, **Basis**, and **Gross** amounts. The **Result** you obtain should be very close to your manual calculations, example deduction scenario amount, or the standard table amount if your state uses periodic tax tables (weekly, monthly, etc). Please note that periodic tax table amounts are for an income "range" and may be off by a few dollars whereas, unless your state requires rounding, Gemini calculates to the penny.

(3) Click on **Done** to return to the *Formula* tab and, if you are finished with the formula, click on **OK** to save your deduction; the system will return you to the **Master Payroll Deductions** window. Click on **Close**.

STEP 4 – UPDATE EMPLOYEE DATA FILES:

a. Select **PR | Employee Maintenance**:

b. Select an employee and click on **Change**; the *Update Records* window should appear for the selected employee. At the bottom of the window, select **Deductions** to display the "Deductions for..." window.

c. If you did not check the **Default Deduction** box in Step 3a, above, either click on the **Insert** button or press the **Insert** key on your keyboard to display the **Deduction will be Added** window. Either type in **EICPMT** in the **Deduction** field or click on the search button to the right of it to display and select the **EICPMT** deduction from the **Master Payroll Deductions** window.

d. You should now be on the window titled either **Deduction will be Changed** or **Deduction will be Added** – it makes no difference which.

(1) Enter an AP vendor number in the **Vendor Link** field if desired. If there is a vendor number in this field, it takes precedence over a vendor number entered in the PR Master Deduction (Vendor Link tab). Please note that any Vendor Link activated at this level produces a single AP batch invoice entry for each employee with this deduction.

(2) Verify the **Show on Check Stub** box is checked.

(3) Update the **Optional User Amts** fields on the right-hand side of the window as necessary. If you don't know what information to enter, either refer to the **Help Text** in Step 3, above, or simply click on the **Deduction Help** button.

e. When finished, click on **OK** at the bottom of the screen to save the information and return to the "**Deductions for...**" window. If this is a new deduction, it should appear at the bottom of the employee's list of deductions and should be highlighted. It may be left where it is or, if desired, click on the "Up Arrow" box below the deductions list to move the deduction up in the employee's list of deductions.

f. Click on **Close** to get back to the "**Update records...**" screen and then select **OK** to update employee data; the system should return you to the window titled **Employee List**. Select and update the next employee's deductions list as necessary.

This concludes the setup of the Advance Earned Income Credit Payment deduction.