

Third Party Sick Pay

If non-taxable

- Enter the amount of non-taxable in the third party sick pay field on the federal record. This will cause the amount to print in box 12 with code 'J'.

If taxable

- Increase the total and taxable gross amounts on the following deductions by the taxable amount of the benefit received by the employee
 - Federal
 - Ohio
 - OSDI
 - Medicare
- On the medicare record, increase the total medicare tax by any amounts the company withheld from the benefit
 - If the district wants the corresponding board amount for this payment to show on the BRDDIS for the month
 - Enter a board error adjustment equal to the employee share withheld by the third party in the medicare record
 - If the district does not want the corresponding board amount for this payment to show on the BRDDIS
 - The amount can be included as a payment due on the 941 for that tax year
- Contact any city involved for the employee, ask if the amount is city taxable
 - If yes
 - Increase the total and taxable gross amounts on the corresponding city records
 - If desired, calculate the tax amount due on the payment and enter that figure as an error adjustment for a remaining payroll; otherwise the employee will have to pay the tax later

Note: There is a special field on the 941 for adjustments needed due to Third Party sick payments and how they relate to medicare withholdings. The district should reference the 941 instructions as well as the information in IRS Publication 15-A on these payments as needed.

Note: If the notice from the company indicates FICA tax was withheld, the district will need to contact the agency as it is our understanding most school district employees should not have FICA tax withheld from this payment. The agency will need to correct this and issue a new statement because the employee cannot recover the incorrect withholding on a tax return, tax returns are for federal income tax, not federal FICA or medicare.

Revised: November 13 2019