

Third Party Sick Pay

If Non-Taxable:

- Go to Core>Adjustments
- Click 'Create'
- Employee - Find employee by typing in a few characters of first or last name
- Payroll Item - Choose Federal Tax 001
- Type - Choose Third Party Pay
- Transaction Date - Enter or choose date from calendar
- Amount - Enter in the amount for the non-taxable third party pay
- Description - Enter in a description (optional)
- Click 'Save'

This amount will be printed in Box 12 with Code J.

If Taxable:

- Go to Core>Adjustments
- Click 'Create'
 - Employee - Find employee by typing in a few characters of first or last name
 - Payroll Item - Choose Federal Tax 001
 - Type - Choose Total Gross
 - Transaction Date - Enter or choose date from calendar
 - Amount - Enter in the amount for the taxable third party pay
 - Description - Enter in a description (optional)
 - Click 'Save'
- Go to Core/Adjustments
 - - Click 'Create'
 - Employee - Find employee by typing in a few characters of first or last name
 - Payroll Item - Choose Federal Tax 001
 - Type - Choose Applicable Gross
 - Transaction Date - Enter or choose date from calendar
 - Amount - Enter in the amount for the taxable third party pay
 - Description - Enter in a description (optional)
 - Click 'Save'

- Repeat the same process for the following records:

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- Ohio
- OSDI (if applicable)
- Medicare
- On the Medicare record, increase the total Medicare tax by any amounts the company withheld from the benefit.
 - Go to Core>Adjustments
 - - - Click 'Create'
 - Employee - Find employee by typing in a few characters of first or last name
 - Payroll Item -Choose Medicare Tax 6XX
 - Type - Choose Amount Withheld
 - Transaction Date - Enter or choose date from calendar
 - Amount - Enter in the amount withheld from the benefit by the third party
 - Description - Enter in a description (optional)
 - Click 'Save'
 - The district will need to pay any board amount that is due for it to show properly on the W2.
 - - - Go to Core>Adjustments
 - - - - Click 'Create'
 - Employee - Find employee by typing in a few characters of first or last name
 - Payroll Item - Choose Medicare Tax 6XX
 - Type - Choose Board's Amount of payroll item
 - Transaction Date - Enter or choose date from calendar
 - Amount - Enter in the amount the board needs to pay
 - Description - Enter in a description (optional)
 - Click 'Save'
 - Contact any city involved for the employee, ask if the amount is city taxable.
 - If yes, increase the total and applicable gross amounts on the corresponding city record as follows:
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- Go to Core>Adjustments
 - Click 'Create'
 - Employee - Find employee by typing in a few characters of first or last name
 - Payroll Item - Choose City Tax Code XXX
 - Type - Choose Total Gross
 - Transaction Date - Enter or choose date from calendar
 - Amount - Enter in the amount to increase the total gross by
 - Description - Enter in a description (optional)
 - Click 'Save'
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- Go to Core>Adjustments
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 - Click 'Create'
 - Employee - Find employee by typing in a few characters of first or last name
 - Payroll Item - Choose City Tax Code XXX
 - Type - Choose Applicable Gross
 - Transaction Date - Enter or choose date from calendar
 - Amount - Enter in the amount to increase the applicable gross by
 - Description - Enter in a description (optional)
 - Click 'Save'

If desired, calculate the tax amount due on the payment and enter that figure as an error adjustment on the City Payroll Item for a remaining payroll; otherwise the employee will have to pay the tax later.

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.

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 as the employee can not recover the incorrect withholding on a tax return, tax returns are for Federal income tax, not Federal FICA or Medicare.

Revised: 12-Nov-2018