

Archdiocese of Boston Guidance on Issuing Special Easter and Christmas Checks

Many parishes, schools, and other entities in the RCAB 401(k) Plan have a long-standing practice of providing Easter and Christmas "gift" payments to employees and priests to thank them for their service at these special times of the year. Most, although not all, locations have made these payments in the form of a "special" payment, either printed as a live check and enclosed in an Easter or Christmas card or presented as a direct deposit check stub showing the amount and also enclosed in a card. IRS rules applicable to the safe harbor RCAB 401(k) Plan prohibit exclusion of certain types of wages from 401(k) employee deductions (and employer matching contributions). Thus, all payments (including special Christmas/Easter payments) made to employees and priests that have active 401(k) deductions **must** include these deductions, **unless** these payments are made on a date other than the regular paydate **and** the employee has provided a voluntary request for suspension. The processes outlined below are intended to allow Pastors, School Principals, and agency Directors to provide these honoraria to employees/priests while also ensuring compliance with federal tax law.

Questions to determine how to use this document:



OPTION 1 - BEST PRACTICE:

Include Easter and Christmas bonus payments in regular payroll runs, using the Easter (EAST) and Christmas (CMAS) earnings codes. These codes have regular federal income tax withholding attached to them, so there will be no difference between using these codes and a Regular earnings code for tax withholding purposes. Adding Easter and Christmas payments to regular checks will ensure that 401(k) deductions are taken as required by IRS rules and per the employees' (and priests') written instructions. To enable employees and priests to see that they have been given these amounts, locations can print check stubs and highlight the earnings code or point it out in an accompanying memo.

Instructions: The CMAS/EAST amounts will need to be keyed into each employee's record manually. You can add the CMAS/EAST codes to the QuickPay screen to easily add a larger number of payments, or you can add the amount for each employee individually.

To add the CMAS/EAST earnings code(s) to the QuickPay screen:

• Click Payroll>Pay Entry Options.



- Scroll down on the Batch Types screen and click **Regular**.
- Scroll to the bottom of the next screen to add ECMAS/EEAST to the bottom of the list of earnings codes. This code will show for all future payrolls until deleted (use same screen, Delete link on far right).
- Click Save.

~~	Earn/Ded/Tax Code	
۲	EREG - Regular	~
0	EPERS - PERSONAL	~
0	EVAC - Vacation	~
0	EHOL - Holiday	~
0	ESICK - Sick	~
0	ECMAS - CHRISTMAS HONORARIUM	~

- Proceed as normal to the regular payroll batch.
- Add amounts to the CMAS/EAST columns for employee/priest records (hours are not required).
- View Check Details and then Register, per normal procedure.
- Once you have completed your regular payroll entries and your CMAS/EAST amounts, you can submit the payroll as you normally would. Employees can view their pay stubs to see these earnings.

To add to individual employee checks:

- In the batch, click on the employee's name.
- Choose the appropriate CMAS/EAST earnings code in the next available line.
- Add the appropriate amount (hours are not required).
- Click Save.

Earn/Ded/	ax	Hours	Amount	Rate Code
EREG - Re <mark>gu</mark> lar	~	30	750	Select
EOT - Overtime	~	0.0000	0.00	Select
ESICK - Sick	~	2	50	Select
EEAST - EASTER HONOR	RIUM V	0	100	Select
Select	~	0	0	Select
FAF	NING TOTALS:	32 0000	900.00	

- View Check Details and then Register, per normal procedure.
- Once you have completed your regular payroll entries and your CMAS/EAST amounts, you can submit the payroll as you normally would. Employees can view their pay stubs to see these earnings.

OPTION 2: Alternative acceptable practice (separate checks, not grossed up, no employee/priest 401(k) deductions skipped, any check date can be used):

For locations that would like separate checks and that will <u>not</u> have any employees/priests who skip active 401(k) deductions (*i.e.*, who leave all 401(k) deductions in place), detailed instructions and Paylocity screen shots are below.

For this option, you can key in the individual payment amounts or you can use an upload (see separate document with instructions for upload). Do not use the Add Check function in your normal batch.

- To begin your payroll batch, go to Payroll>Pay Entry.
- Select the Check Date
 - If you are using a common pay date, you can select the appropriate date from the drop down menu
 - If you are issuing payments on a date other than a common pay date, you will need to click Add One Time Check Date
 - Populate the date fields, using whatever check date you prefer (using a date two business days prior to the pay date in the Expected Submit Date field).
 - Click **Add** when done.

Payroll Setup					
	04/14/2023 - Bi-Weekly 🗸 🗸				
Check Date	Add One Time Check Date (
Period Begin Date	03/26/2023				
Period End Date	04/08/2023				
Batch Type	Regular 🗸				
Add Batch Payroll Tips & Deadlines					

• Under Batch Type, select **SPECIAL**. This will automatically show you only Easter and Christmas earnings types and will suppress all deductions **except** 401(k)/Roth and the applicable employer matching codes (lay employee and priest).

• Then click Add Batch.

Create Bat	tch					
Create Batch	Payroll Aud	lit				
Payroll Setup						
Check Date		04/14/2023 - Bi-Weekly 💙 Add One Time Check Date (i) Edit / Change				
Period Begin Da	ate	03/26/2023				
Period End Date	e	04/08/2023				
Batch Type		SPECIAL 🗸				
Add Batch	Payroll Tips	& Deadlines				

- This takes you to the Batch Type page. First, name your batch (Easter, Christmas, etc.) under Batch Name. You can use this screen to override direct deposits to generate live checks for everyone paid in this batch. To generate live checks for everyone, click the **Override** link ...
- ... and then check the **Block All** box next to Direct Deposits on the next screen. Do not modify any other fields on that screen. Click **Save & Return** (bottom left) to return to the main Batch Type screen, where you will see Override now says <u>Overridden</u>.

Time Off Accruals Block Hours Block Freque	Direct Deposits	Block All
	Time Off Accruals	Block Hours Block Frequent
Auto Labor Distribution 🛛 Block	Auto Labor Distribution	Block

- Click **Start Batch** and click to confirm that the paydate is the one you have selected.
- Landing on the Quick Pay screen, key in the appropriate payment amounts. Click Save.
- Use View Check Details to review the checks to confirm that all active 401(k) deductions were taken and that the match was awarded.

Earr	/Ded/Tax	Hours	Amount	Rate Code	Rate	
EREG - Regular	~	0.0000	0.00	Select 🗸 🗸	0.0000	Select -
ESICK - Sick	~	0.0000	0.00	Select 🗸 🗸	0.0000	Select -
EEAST - EASTER H	onorarium 🗸	0	100	Select 🗸 🗸	0	Select -
Select	~	0	0	Select 🗸 🗸	0	Select -
	EARNING TOTALS:	0.0000	100.00			
Save Save	& Add New Check	Delete Check	View C	heck Details	io to Company S	Set Payroll

• In the Check Detail, check for any 401(k) deductions that are active to confirm they went through and that any matching contributions were calculated. Note: Employees with flat dollar 401(k) deductions (ex: \$500) or additional federal or state income tax withholding (ex: \$250 extra federal per pay, \$100 extra MA per pay) may not see a net check if the Christmas/Easter payment is smaller than these amounts. Click **Return to Payroll** to review other employee/priest Check Details.

Gross	\$200.00			Net \$1	51.46	
arnings				Deductions		
Earning	Rate	Hours	Amount	Dediction		Amount
401M	0.0000	0.0000	8.00	401P		20.00
CMAS	0.0000	0.0000	200.00			Total: \$20.00
		Total: 0.0000	Total: \$200.00			
Taxes	Taxable	Nages	Amount	Direct Deposits Transit	Account	Amount
FITW		180.00	0.00	211370707	99999	151.46
MA		180.00	13.24			Total: \$151.46
MED		200.00	2.90			
SS		200.00	12.40			
			Total: \$28.54			

• Proceed as normal to finalize/submit the batch.

OPTION 3: Alternative acceptable practice (separate checks, not grossed up, some employee/priest 401(k) deductions skipped, non-standard check date REQUIRED):

For locations that have at least one employee/priest who has a Suspension Request form on file (a sample is below), any such checks will need to be dated with a **different date** from the regular (aka common) pay date to satisfy IRS regulations and 401(k) Plan rules (ex: Christmas check could be dated December 16, whereas regular paycheck will be dated December 23). More detailed instructions and Paylocity screen shots are below.

- Under Payroll>Pay Entry, click Add a One Time Check Date.
 - Populate the date fields, using a <u>different Check Date than a regular pay date</u>.
 - Click **Add** when done.

Create Ba	itch			
Create Batch	Payroll Audit			
Payroll Setu	p			
Check Date		12/23/2022 - Bi J	Neekly	×

• Follow the steps under Option 2 for setting up a Special batch and then adding the payments on the QuickPay screen.

• For employees who have submitted a voluntary Suspension Request, once you have entered the amount of the Christmas honorarium, to override their 401(k) and/or Roth deduction(s), click the employee's name to bring up their Detail screen. Next to Check Type, click the Override link.

Christmas					
Detail QuickPay	Prorated/Retro Pay (0)				
Demographics		Rates		Avail Hours - Dollars	
Name Pay Frequency Status Employment Type Home Shift		Salary Base Rate Additional Rate(s	\$17.0000 / Hour	C2	35.47 - \$602.97 (N/A) (N/A) (N/A)
Check Detail Auto Pay	🗆 10.00 Hours			Check Type	SPECI L V Override C
Line Items					
ECMAS - CHRISTMAS HO		D.0000	100.00 Select V	NATE 0.0000 Select	- Vepartment

The lower portion of the Override screen shows all of the deductions and earnings that have been Blocked (meaning the box is checked). The 401(k) deductions (and Match) do <u>not</u> have a check mark, meaning they are active (a/k/a not Blocked). To Block them for this Special pay only, check the relevant box (401P and/or ROTH) and then click **Save Override**. You will return to the employee's Detail screen, where you will see that the Override link is now red (meaning an Override has been activated). Click **View Check Details** to confirm that the deduction is now gone. Click **Return to Payroll** to continue with your review and finalization of the batch.

401A	Memo	401A	-	4011	401k Loan	401KLOANPAYMENT	
401M	MemoERMatch	401 Match		401P	401k	401K PRETAX	
AUCR	Standard	AUTO INS-CASH REIMB		U 4QNC	Memo	4QNC	- 1
AUNC	Standard	AUTO INS NON-CASH		AFAT	Standard	AFLAC AFTERTAX	- 1
AUTO	PUCC	AUTO - PERSONAL USE - IMPUTED		AFPT	125	AFLAC PRETAX	
BAPT	Standard	BAPTISM STIPEND		AUNC	Standard	AUTO INS NON-CASH	
BONUS	Standard	Bonus		AUTO	Standard	AUTO - PERSONAL USE - IMPUTED	
BRVMT	Standard	Bereavement		AUTOC	Standard	CLERGY AUTO	
CL4M	MemoERMatch	Clergy/Priest Match		BAFA	Standard	BASICPOSTTAXFAM	
CLUB	Standard	CLUB STIPENDS		BAFP	125	BASICPRETAX FAM	
CMAS	Standard	CHRISTMAS HONORARIUM		BAIA	Standard	BASICPOSTTAXIND	
COAC	Standard	COACHING STIPEND		BAIP	125	BASICPRETAX IND	
COMM	Standard	Commission		BI1A	Standard	BASICATXINDPLS1	
	Standard	CURRICULUM STIPEND		BI1P	125	BASICPTXINDPLS1	
DEPT	Standard	DEPT HEAD STIPEND	-	CATH	Standard	CATHOLICAPPEAL	-

OPTION 4: Not Recommended: Net to Gross Checks, whether including or skipping 401(k) deductions

We do not recommend using this feature for Christmas/Easter honoraria due to the potential expense for employees/priests with more sizable 401(k) deductions (see example Check Detail below). While it is possible to avoid applying an active 401(k) deduction if a voluntary Suspension Request is on file before payroll is processed and a pay date other than the regular date is used, the steps required to accomplish this goal are complicated, as outlined below.

Do not use the Batch type called Net to Gross due to absence of key functionality. Instead, employee payments must be added one by one through Check Calculator.

First, determine if you have any employees/priests who have submitted a written request for suspension of 401(k) deductions. If you have at least one, you **must use a paydate other than the regular pay date**. If you do not have any requests for suspension, you may use either a regular paydate or a separate date. If using a separate date, see steps above under Option 2 to **Add One Time Check Date**.

• Go to Payroll > Check Calculator



- Select the Employee in the top right of the screen.
- Under Mode, select "Create a Check."
- Under Check Date, select the appropriate check date (non-common pay date must be used if any checks are skipping active 401(k) deductions).
- For an employee/priest who has submitted a voluntary Suspension Request prior to the check date
 - Review the Recurring Earnings/Deductions settings
 - Block Recurring Earnings is checked and should remain that way.
 - Block Recurring Deductions is checked and should remain that way.
 - \circ $\,$ Click the Net to Gross radio button.
 - Enter the desired Net Pay.
 - \circ $\,$ Select the appropriate Earnings Code (EAST or CMAS).

Calculator Defaults e Create a Check Block Recurring Earnings
e Create a Check 🛩 Block Recurring Earnings
Date 12/16/2022 ~ Block Recurring Deductions
tion () Standard 🗸
ss To Net O Fringe Benefit "Gross-Up" 🛈
\$6,472.00 Auto Pay Allow Negative Net Adjustment - No tax amount calc
tate 80.9000 Fringe Earnings Code - Select -
t Hours 80.00 🗌 Auto Pay Tax Offset Earnings Code REG - Reg
ss To Net

• Click on the Preview/Summary tab to review the calculation.

Note, see example Check below, for an employee with a 10% pre-tax 401(k) contribution. The net check of \$200 cost the parish \$259.71.

Preview / Summar	v	•				
Gross	\$259.71			P	vet \$200.00	
Earnings				_	Deductions	
Earning	Rate	Hours	Amount		Deduction	Amount
401A	0.0000	0.0000	0.39		401P	25.97
401M	0.0000	0.0000	10.39			Total: \$25.97
CMAS	0.0000	0.0000	259.71			
ZVAC	25.0000	0.5000	12.50			
		Total: 0.0000	\$259.71			
Taxes						
Tax	Taxable Wage	5	Amount			
FITW		233.74	3.18			

- For an employee/priest who has **not submitted** a voluntary Suspension Request for his/her 401(k) deductions:
 - On the Setup screen, uncheck Block Recurring Deductions and uncheck Block Recurring Earnings.

	Block Recurring Earnings	
Block Recurring Deductions	Block Recurring Deductions	

• On the Earnings tab, check all boxes except E401M (for lay employees) and ECL4M (for priests), which should remain unchecked.

Setup	Earnings	Deductions	Taxes	Preview/Su	ummary			
Earning	s							
Salary Default Hours		\$0.00				Base Ra	te	0.0000
		0				Default	EAST	
Line Ite	ms							
Block 🗹		Earning Co	ode		Hours	Amount	Calc Co	ode
	EEAST - EAS	STER HONORARIU	JM	~	0.0000	385.01	Select	~
۵	E-01A - 40	1A		~	0.0000	0.58	Se <mark>l</mark> ect	
	E401M - 40	1 Match		~	0.0000	15.40	Select	
100	FGTL - GPC	UP TERM LIFE CA		~	17000.0000	0.00	Select	

• On the Deductions tab, check all boxes except for D401P and/or DROTH (any/all that are present).

Setup	Earnings	Deductions	Taxes	Preview/Summary			
Deduct	ions						
Line Ite	ms						
Line Ite Block 🗹	ms	Deduc	tion Code		Туре	Rate/Amount	Calc Code
Block 🗹	D401P - 401K	Deduc	tion Code	~	Type 401k	Rate/Amount 10.00	Calc Code K - % of Code Group 401k Earns

• On the Taxes tab, check to see if there are any extra flat withholdings. To override the extra amount, select the Default Amount option on the Extra Withholding drop down.

The "	Calculated Gross" has bee	decreased to \$328	3.87							
Taxes	Lannings Deduction		review Summary							
Taxation	S	andard	~							
Tax Freq	uency B	Bi-Weekly 🗸								
Federal	Income Tax (FITW)								ins	Extra Withholding
Block 🗹	Tax Code	Filing Status	Multiple Jobs or Spouse Works	Dependents	Other Income	Deductions	Extra Withholding	Amount	0	Default Amount 🗸
	TFITW - Federal Income T	Married ~	Yes (Higher)	0.00	0.00	0.00	Additional Flat	50.00		

- For all employees/priests, regardless of whether 401(k) deductions are suspended: Click the **Preview/Summary** tab to review.
- If all is fine, click on the Save/Print tab.
 - Select the Radio button on the right next to "Save & Print with Payroll Batch"
 - Check Block Direct Deposit if you would like a live check; otherwise leave blank to direct deposit the payment.
 - Click Save to Batch.
 - Once all payments have been entered under the Check Calculator, proceed as normal to finalize/submit the batch.

Setup Earnings	Deductions Taxes Preview	w/Summary Save/Print	
O Save / Print			Save & Print with Payroll Batch
Date On Check	12/14/2022		• Batch VM
• Period Begin	1/1/2023	Ē	Block Direct Deposit
• Period End	1/31/2023	Ē	Save to Batch
Account			
• Check Number	0		
Save & Print Now	Save & Print Later Save Only	7	

You may contact Paylocity (<u>service@paylocity.com</u> – include your 6 digit location ID#) or RCAB Payroll (<u>payroll@rcab.org</u>) for assistance.



VOLUNTARY REQUEST FOR SUSPENSION OF 401(k) DEDUCTIONS ON NON-REGULAR PAYDATES

By my signature below, I hereby confirm that I request to suspend participation in the Roman Catholic Archdiocese of Boston 401(k) Retirement Savings Plan for any pay dates that fall outside my regularly scheduled pay dates, effective on the date noted below. I understand that suspension on these dates means I will not be permitted to defer compensation from any such paychecks and that I will not receive an employer matching contribution for any such paychecks. This request for suspension overrides any written Salary Deferral Forms for those non-regular pay dates only. This request is presumed granted by the payroll contact at my location and remains in effect until it is revoked.

Employee/Priest Name:

Employee/Priest Signature:

Effective Date:

COMPLETE THE SECTION BELOW IF THE ABOVE SUSPENSION REQUEST IS COMPLETED AND THEN REVOCATION OF THE SUSPENSION IS REQUESTED AT A LATER DATE.

<u>Revocation of Request</u>: By my signature below, I hereby revoke this Request for Suspension and ask that all checks that fall outside my regularly scheduled pay dates include 401(k) deductions consistent with the Salary Deferral Form in effect as of the date of those checks. This revocation is effective on the date noted below.

Employee/Priest Signature:

Effective Date: