

# Imputed Income Setup

*New World ERP – Human Resources*



## IMPUTED INCOME SETUP


The life insurance benefit code includes the rate the employer is paying to cover the employee. It also can control the calculation for the employee's imputed tax. The employee only is taxed for a portion of the premium, based on the employee's age and salary. To obtain this calculation, the system uses a combination of the following three areas:

1. Employee's age, pay rate, cycle hours, and pay group from the employee record.
2. Benefit code Imputed Income Setup fields on the Benefit page in Maintenance.
3. Life Insurance Step Setup and the Imputed Income fields on the Calculation Control page in Company HR Settings.

## BENEFIT CODE

*Maintenance>Human Resources>Deductions and Benefits>Benefits*

1. *Benefit Type:* **Life Insurance** (This selection displays the Imputed Income Setup fields.)
2. *Default Frequency:* **1st** check only is monthly (12 payments per year)
3. *Multiplier:* usually **1.00**. (This selection can affect the calculation of imputed income, where 1 is considered 100% of the calculation.)
4. *Maximum Amount:* Amount of salary subject to the imputed income calculation
5. *Default Amount:* Used in place of the first two fields


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Benefit List  
**Benefit - 6594006 TEST**

Code

Description

Active ☒

Include in Benefit Plan ☐

Include on Pay Stub ☒

Last Processed Date NOT USED

Effective Date

Start Date

Benefit Type

Vendor

Default Frequency

Calculation Method

Amount

Year-to-Date Limit

Life-to-Date Limit

**Imputed Income Setup**

Multiplier

Maximum Amount

Default Amount

**Credit Distribution [Select One]**

Account

G/L Account

**Debit Distribution [Select One]**

Account

G/L Account

Split Between Fiscal Years ☐

Distribute Cost To Override ☒


Do Not Create Disbursement ☐

Save
Save/New
Delete
Reset
Copy
Calculation

## CALCULATION CONTROL


Maintenance > Human Resources > Company HR Settings > Calculation Control Tab

1. **Imputed Income Amount:** Normally set to **\$50,000.00** to reduce amount from Projected Annual Salary prior to calculation
2. **Subject to taxes:** Gross base of selected taxes will be increased by the amount of the calculation
3. **Life Insurance Step Setup:** Table is the monthly rate from the IRS and has not been changed for at least 10 years. **Max Age** is the ceiling, meaning someone under 25 is calculated at **\$0.05**.


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**Company HR Settings**


**Calculation Control**

**Pay Calculation**

Maximum Gross Check Amount

Use Hours Multipliers with Shift Rates ☐

Apply Shift Amount to Certification ☐

Tax Based on Check Date ☐

**Accrual**

Allow Aging of Accruals ☐

**Position Budgeting Calculation**

Rounding Method

**Limited Funds**

Direct Deposit Processing

Deduction Processing

**Imputed Income**

Imputed Income Amount

Subject to Federal Tax ☒

Subject to FICA ☒

Subject to EIC ☐

Subject to Medicare ☒

Subject to State ☒

Subject to FUTA ☐

Subject to SUTA ☐

Subject to Other ☐

**Life Insurance Step Setup**

Max Age	Cost per \$1000
25	\$0.05
29	\$0.06
34	\$0.08
39	\$0.09
44	\$0.10
49	\$0.15
54	\$0.23
59	\$0.43
64	\$0.66
69	\$1.27
99	\$2.06

**Note:** The IRS determines these rates. You may verify current tables with them.

## CALCULATION

- Earnings Register is the only place to see calculation.
- System does not look at actual dollars calculated in the payroll. *Pay Rate \* Cycle Hours \* Pay Group* settings (bi-weekly = 26, weekly = 52, etc.).
- Setup does not change if Benefit Plan is used.
- System rounds the employee's salary to the next \$1000.
- $\text{ImputedIncome} = @CostPer1000 * (@PolicyAmount - @ImputedIncomeSystemSetting) / 1000$  \* 12/(If the benefit frequency is monthly then 12, else @NumberOfPaymentPerYear).
- Regarding @NumberOfPaymentPerYear, we do not have custom code to obtain the number of payments per year; we only check the frequency for 1st check of the month, which will be 12. For anything else, we use number of payments determined by vsPayGroup.

- E.g., Employee's bi-weekly projected annual wages are \$154,349, and the employee is 50 years old (\$.23 per thousand). The calculation SHOULD be as follows:

$$155,000 - 50,000 = 105,000$$

$$105,000/1000 = 105$$

$$105 * .23 * 12/12 = \$24.15$$

- A person with two departments will total annual pay prior to calculation.
- You must re-validate payroll if any change is made, even though system does not provide a warning.
- You cannot change the imputed income amount (\$50,000) if the payroll is in process.

## CALCULATION DETAILS

If set up in the benefit code, it does not give you the option of how to round the calculation; therefore, it is rounded by default:

$$(\text{HOURLY PAY RATE}) * (\text{CYCLE HOURS}) * (\text{IMPUTED INCOME MULTIPLIER ON BENEFIT CODE}) = (X)$$

ROUND (X) TO THE NEXT THOUSAND (So 53500 would be rounded to 54000)

$$((\text{ROUNDED } X) - 50,000)/1000 * 12/26 = \text{AMOUNT PER PAY PERIOD}$$

### **Client with Dependent Care Life Insurance, which is also taxable:**

Set up a life insurance benefit code for 1.5x the client's annual salary.

Set up a separate life insurance benefit code for the default amount of 6500.

Calculation is as follows:

$$(\text{HOURLY PAY RATE}) * (\text{CYCLE HOURS}) * (\text{IMPUTED INCOME MULTIPLIER ON BENEFIT CODE}) = (X)$$

ROUND (X) to the NEXT THOUSAND. You also must run the 6500 to the next thousand so it is 7000.

$$((\text{ROUNDED } X) + 7000 - 50,000)/1000 * 12/26 = \text{AMOUNT PER PAY PERIOD}$$

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**Note:** THIS WILL WORK ONLY IF THE FREQUENCIES ARE THE SAME.

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