

# PAYROLL CALCULATION

## OVERVIEW

When OSPA performs the payroll calculation, the application completes the following steps.

1. Calculates gross pay, using the pay types entered on the time capture screens or by a batch process<sup>1</sup> and on the P050 Gross Pay Adjustments on File screen. It then groups the gross pay by:
  - Reimbursement of expense
  - Taxable income
  - Other taxable income
  - Assumed wages
2. Identifies earnings that are subject to:
  - Federal and state income tax
  - Social security tax
  - Medicare tax
  - Retirement contributions
  - Mass transit tax
  - Unemployment insurance tax
  - Workers' Benefit Fund assessment (WBF)
3. Calculates withholding taxes for the employee for:
  - Federal income tax
  - State income tax
  - Social security tax
  - Medicare tax
  - Workers' Benefit Fund assessment
4. Determines the other payroll expense (OPE) paid by the employer, including:
  - Social Security tax
  - Medicare tax
  - Workers' Benefit Fund assessments
  - Employment Relations Board (ERB) assessment
  - Mass transit tax
  - Retirement Plan contributions, both the employee pick-up and the state match
  - Unemployment taxes
  - Employer share of PEBB benefits
  - PERS Bond Debt assessment
5. Determines the voluntary deductions, which will be paid by the employee, such as:
  - Insurance premiums
  - Tax deferred annuities

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<sup>1</sup> A few agencies have their own electronic time capture systems and send a data file to OSPA, which posts them to the tables in OSPA through a batch process.

- Oregon Savings Growth Plan (OSGP) (deferred compensation)
  - Charitable Fund Drive
  - Governor's Food Drive
  - Parking or mass transit fees
  - Union membership or fair share
  - Pay advances
  - Wage withholding orders
  - Fixed amount or net pay direct deposits to:
    - Credit Union accounts
    - Savings accounts
    - Checking accounts
    - U.S. Bank® AccelaPay® Visa® cards
    - U.S. TreasuryDirect accounts
  - Other authorized deductions
6. Uses the prior calculations to determine the employee's net pay for the pay period
7. Calculates year-to-date tax and OPE for reports

Some of these calculations are described in more detail below.

## ***DATA FROM THE PPDB AND OSPA USED IN CALCULATION***

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OSPA uses data from several sources to calculate gross pay and subsequent withholding, deductions and payments. This data is visible from several screens, including:

- P003 and P004 Time Capture
- P010 Withholding Data / Locator Data
- P020 Work Schedule Data
- P030 Job Status Data
- P050 Gross Pay Adjustments on File
- P060 Tax/OPE Adjustments on File
- P070 Deductions and Deduction Adjustments
- PTB1 and PTB2 Payroll Benefit Package Table
- PTD1 and PTD2 Payroll Deduction Table

See the OSPA Reference Manual, Screen Descriptions for additional information.

## **THE POSITION AND PERSONNEL DATABASE (PPDB)**

OSPA uses data from the PPDB (viewable on the P030 Job Status Data screen in OSPA) to determine:

- Job status
- Appointment type
- Benefit package
- Wage basis code
- Monthly base salary

- Equivalent or hourly rate
- Holiday code
- Leave without pay status
- Overtime eligibility
- FLSA exempt or non-exempt
- Standard hours per day
- Labor costing
- Any fixed differentials
- Leave accrual rate

## **P010 WITHHOLDING DATA / LOCATOR DATA SCREEN**

OSPA also uses several data elements on the P010 Withholding Data / Locator Data screen, including:

- Federal and state income tax withholding status, exemptions and additional amounts to be withheld
- Eligibility for retirement contributions and the PERS retirement plan
- If the employee's wages are subject to social security, Medicare, SAIF and unemployment insurance tax

## **PAY TYPES**

For the pay types entered in the PPDB for fixed differentials and entered on the P003, P004 and P050 screens, OSPA uses flags on the PTB2 Payroll Benefit Package Table screen. They include:

- Leave type
- Rate unit
- Overtime eligibility
- Income subject to social security, retirement, income tax withholding, unemployment insurance tax or mass transit
- If the pay type is regular pay (see Regular Pay Calculation below)
- Whether the hours and/or dollars will be included in the FLSA regular rate of pay for the overtime calculation
- Whether the pay will be categorized as taxable income, other taxable income, employee business expense reimbursement or not income for calculating income tax withholding
- The overtime multiplier to use for some pay types
- The SAIF percentage to use in calculating contributions to the Workers' Benefit Fund and unemployment tax

## **DEDUCTION CODES**

The Non Taxable Code on the PTD1 Payroll Deduction Table screen determines if OSPA will calculate federal (FIT) and state (SIT) income and social security and Medicare (FICA) tax withholding before or after taking the deduction.

Possible values include:

- N -- The deduction is **exempt from** FIT and SIT and **subject to** FICA.

- T -- If the deduction code **does not have a plan code** or has a **numeric plan code** on the PTD2 Payroll Deduction Table, the deduction is **subject to** FIT, SIT and FICA. With an **alpha plan code**, the deduction is **exempt from** FIT, SIT and FICA.
- X -- The deduction is **exempt from** FIT, SIT and FICA.

## **TAX RATES / TAX TABLES**

OSPA uses various rates and tables to calculate the following:

- Retirement contributions
- Federal income tax
- State income tax
- Mass transit tax
- Workers' Benefit Fund assessment
- Social security and Medicare tax
- Employee Relations Board assessment

The tables include:

- Federal Income Tax Single Percentage Table
- Federal Income Tax Joint Percentage Table
- State Income Tax Percentage Table Single
- State Income Tax Percentage Table Joint
- Mass Transit Table of valid districts

## **CALCULATE GROSS PAY**

To calculate gross pay, OSPA will select an SSN within an agency for a specific pay period. It will process all pay data entered for the employee and pay period. It will summarize this data for the employee and agency by pay type.

If an employee is employed by more than one agency, OSPA will repeat the process for each agency.

When the calculation is completed for that SSN, OSPA will repeat the gross pay calculation for each SSN with activity reported during the payroll period.

## **REGULAR PAY CALCULATION**

If a pay type has REG PY = Y on the PTB2 Payroll Benefit Package Table screen, OSPA will include the hours recorded on the P003 and P004 Time Capture and P050 Gross Pay Adjustments on File screens or through a batch process in the regular pay calculation.

### **Salaried Employees**

Salaried employees receive a set amount each month. If the employee has reported a full month of regular time (REG PY = Y on the PTB2 screen), OSPA will use the ADJUSTED BASE from the P030 Job Status Data screen for the employee's gross pay.

To perform various calculations within the payroll process, OSPA also needs an hourly rate for salaried employees. Unless indicated otherwise, the application uses the EQUIVALENT RATE from the P030 Job Status Data screen.

$$\frac{\text{Adjusted base rate}}{173.33^2} = \text{Equivalent rate}$$

If the employee has reported hours where REG PY = N on the PTB2 screen, such as overtime, compensatory leave accrued, additional straight time, LWOP or differentials, OSPA will perform additional calculations for those pay type(s). For additional information, see LWOP and Other below.

## **Hourly Employees**

Hourly employees receive pay on a lag basis for the actual hours worked during the month. To calculate their regular pay, OSPA uses the following formula:

$$\text{Regular hours worked} \times \text{equivalent rate} = \text{Regular labor costs}$$

## **LWOP CALCULATION (SALARIED EMPLOYEES)**

If a salaried employee has LWOP in the pay period, OSPA reduces the employee's pay by the LWOP hours by calculating the fraction of the regular schedule worked:

$$\text{Regular labor costs} = \frac{\text{Regular hours worked}}{\text{Hrs. in FT work mo}} \times \text{adjusted monthly base rate}$$

For example:

	Time	Rate	Gross
RG Forecast	168.00	3,000.00 / mo	3,000.00
LO	-8.00		
RG	160.00	160/168 *3,000	2,857.14

## **RATE UNIT CALCULATION**

Where REG PY = N and the RATE UNIT ≠ 00.00 on the PTB2 screen, OSPA will multiply the number of hours entered on the P003 or P004 screen with that pay type by the RATE UNIT.

<sup>2</sup> The 173.33 hours is based upon the STANDARD HRS PER DAY of 8 on the P030 Job Status Data screen. It is calculated with the following formula: [(5 works days \* 8 hours per day) \* 52 weeks per year) ÷ 12 months per year]. While other values are possible in this field, all employees currently have 8.

## **OVERTIME CALCULATION**

For FLSA non-exempt employees, OSPA uses the FLSA Regular Rate of Pay (FRRP) to calculate overtime. OSPA uses the pay types and hours the employee reports for a given month to calculate the FRRP. This means that the FRRP may vary from month to month for the same employee.

For the FRRP, OSPA uses the following data elements:

- TYPE and HOURS entered on the P003 or P004 Time Capture screens
- PAY TYPE and AMOUNT from the P050 Gross Pay Adjustments on File screen
- ADJUSTED BASE and EQUIVALENT RATE from the P030 Job Status Data screen
- LV TP, RATE UNIT, REG PY, OT and O/T MLT from the PTB2 Payroll Benefit Package Table screen

OSPA will not use hours with a pay type that has LV TP = A on the PTB2 screen in the FRRP calculation.

The application uses the OT code on the PTB2 screen for the pay types entered on the time capture and P050 screens to identify which wages and hours are FLSA subject and should be used in calculating the FRRP. The possible OT codes on the PTB2 screen include:

- B = Use both wages and hours in the FRRP.
  - The wages = hours \* AHRP \* O/T MLT on the PTB2
  - The AHRP = the employee's EQUIVALENT RATE from the P030
- D = Include the AMOUNT on the P050 screen in subject wages for the FRRP
- N = neither dollars nor hours are FLSA subject and are not included in the calculation
- O = Use both wages and hours for the FRRP
  - For wages, multiple the hours by the AHRP
  - Use the actual hours entered on the time capture screen
- P = Include in the wages for the FRRP:
  - Wages = hours \* O/T MLT on the PTB2 **or**
  - Wages = hours \* RATE UNIT on the PTB2

## **Salaried Employees**

To determine the FRRP for non-exempt salaried employees, OSPA does the following calculations. See Attachments for examples.

1. Subject Hours = Annualized average hours (173.33) + OT hours
2. Subject Wages = Base salary + timesheet differential amounts + overtime
 

Diff HOURS x PTB2 RATE UNIT = differential amounts

OT HOURS x P030 EQUIVALENT RATE = overtime
3. Calculate FRRP rate:

$$\frac{\text{Total FLSA subject timesheet salary}}{\text{Total FLSA subject timesheet hours}} + \frac{\text{P050 AMOUNT}}{\text{annualized avg hrs}} = \text{FRRP rate}$$

OSPA only includes P050 amounts for pay types with OT = D on the PTB2

4. Adjusted overtime rate = FRRP rate \* 1.5

## **Hourly Employees**

For FLSA non-exempt hourly employees (WAGE BASIS = H on the P030 screen), OSPA does not use the annualized hours of 173.33 to calculate the FLSA overtime rate. Instead, it uses the actual hours worked (with OT = B or O on the PTB2 screen) to calculate FLSA subject hours and wages.

## **CATEGORIZE GROSS PAY**

During the calculation of gross pay, OSPA uses the INC TYP on the PTB2 screen to categorize gross pay. Possible values include:

- N = not income (not taxable)
- O = other taxable income
- R = reimbursement of expense
- T = taxable income

Other taxable income may include non-cash income. These items are not included in gross pay.

OSPA reduces taxable income by the amount of non-taxable income, which includes TSA's, deferred compensation and out-of-pocket insurance premiums.

## **CALCULATE WITHHOLDING**

### **FEDERAL INCOME TAX**

To perform the calculation, OSPA does the following:

- Determines the employee's earnings that are subject to federal income tax by identifying the hours or amount that has been entered with a pay type that has INC SUBJ TO TAX = Y and INC TYPE = O or T on the PTB2 Payroll Benefit Package Table screen.
- Identifies the deductions that are not subject to federal income tax withholding. See Data from the PPDB and OSPA Used in Calculation, Deduction Codes above.
- For each employee, it then looks to the P010 Withholding Data / Locator Data screen for the FEDERAL STAT EXEM ADDL to calculate the appropriate withholding.

To perform the calculation, it uses the OSPA Federal Income Tax Tables, which include the single and joint Percentage Tables, to find the following values:

- Taxable income maximum
- Taxable income minimum
- Exact tax on the minimum

- Tax rate on the excess of income over the minimum
- Income reduction allowance for each exemption

In performing the calculation, OSPA does the following:

1. Calculates total taxable income (taxable income + other taxable income)
2. Determines if P010 FEDERAL STAT = J or S.
3. Selects the appropriate Tax Percentage Table (single or joint).
4. Sequentially searches selected table until a table entry is found where maximum taxable income > employee's total taxable income.
5. Identifies taxable income minimum and the exact tax on the minimum for the selected table entry.
6. Subtracts taxable income minimum from employee's total taxable income.
7. Multiplies the excess taxable income over the taxable income minimum by the tax rate on the excess of income over the minimum.
8. Adds the exact tax on the minimum + the tax computed on the excess over the minimum.
9. If the employee has a value >0000 in FEDERAL ADDL on the P010 and the run type ≠ retro, adds that value to the calculation in the step above.

See IRS Publication 15 (Circular E) Employer's Tax Guide for printed tables.

## **STATE INCOME TAX**

Before performing the calculation, OSPA:

- Determines the employee's earnings that are subject to state income tax by identifying the hours or amount that has been entered with a pay type that has INC SUBJ TO TAX = Y on the PTB2 Payroll Benefit Package Table screen.
- Identifies the deductions that are not subject to state income tax withholding. See Data from the PPDB and OSPA Used in Calculation, Deduction Codes above.
- For each employee, it then looks to the P010 Withholding Data / Locator Data screen for the STATE STAT EXEM ADDL to calculate the appropriate withholding.

To perform the calculation, it uses the OSPA State Income Tax Tables, either single or joint, to find the following values:

- Maximum federal income tax allowed as a credit to state tax
- Tax rate
- Tax credit permitted for each exemption

In performing the calculation, OSPA does the following:

1. Calculates Oregon taxable income (Federal total taxable income - Lesser of federal income taxes paid or Max Credit for Fed Inc Tax to OR Taxable Income)
2. Determines if P010 STATE STAT = J or S.
3. Selects the appropriate Tax Percentage Table (single or joint). If STATE EXEM >2, selects joint table, regardless of STATE STAT.
4. Calculates Oregon income tax:

$$\text{Oregon taxable income} \times \text{withholding rate from the State Tax Table} = \text{Oregon income tax}$$

5. Rounds Oregon income tax to the nearest whole dollar.

6. Subtracts Oregon tax credit \* STATE EXEM on the P010 from the Oregon income tax
7. If the employee has a value >0000 in STATE ADDL on the P010 and the run type ≠ retro, adds that value to the Oregon income tax.

## **FICA (SOCIAL SECURITY AND MEDICARE) TAX**

The Federal Insurance Contributions Act (FICA) provides for a federal system of old age, survivors, disability and hospital insurance. The social security tax funds the old age, survivors and disability insurance. The Medicare tax funds the hospital insurance. OSPA reports these taxes separately to the federal government.

Tax laws require that the state withhold FICA (social security and Medicare) taxes from the FICA subject wages of subject employees and pay a matching amount of employer FICA taxes.

Social security and Medicare taxes have different rates. The social security tax has a wage base limit, which is the maximum wage that is subject to the tax for the year. The Medicare tax does not have a wage base limit; all covered wages are subject to Medicare tax.

The IRS considers the state as one employer for FICA tax. Because there are limits for both the employee and the employer, OSPA keeps track of FICA earnings and taxes at both the payroll-wide level and the agency level.

To perform the calculation OSPA does the following:

- Looks to the P010 Withholding Data / Locator Data screen to determine if the employee is subject to social security and Medicare tax (FICA SUBJ = Y).
- If the employee is subject, OSPA then determines the employee's earnings that are subject to social security and Medicare by identifying the hours or amount that has been entered with a pay type that has INC SUBJ TO SS = Y on the PTB2 Payroll Benefit Package Table screen.
- Identifies the deductions that are not subject to FICA taxes. See Data from the PPDB and OSPA Used in Calculation, Deduction Codes above.

To perform the calculation, it uses the OSPA FICA Table to identify the values for the following:

- Maximum YTD earnings to be taxed for social security
- Maximum YTD tax to be withheld for social security
- Percentage rate for social security, to three decimal places
- Percentage rate for Medicare, to three decimal places

Employer's Social Security Tax	=	Subject hours X employer rate
Employer's Medicare Tax	=	Subject hours X employer rate
Employee's Social Security Tax	=	Subject hours X employee rate
Employee's Medicare Tax	=	Subject hours X employee rate

See IRS Publication 15 (Circular E) Employer's Tax Guide for current years and maximum income subject.

## **WORKERS' COMPENSATION (WCD) TAX / SAIF**

The state is subject to three types of payments for workers' compensation insurance:

- The insurance premium (employer paid)
- The workers' compensation premium assessment (employer paid)
- The Workers' Benefit Fund (WBF) assessment (employer and employee paid)

### **Insurance Premium / SAIF**

The state purchases workers' compensation insurance from the SAIF (State Accident Insurance Fund) Corporation. SAIF pays statutory benefits to workers who suffer compensable job-related injuries or diseases. These benefits include wage loss payments (time-loss), medical benefits and permanent disability and/or death benefits. The Oregon Legislature sets the benefit levels, which are the same for all insurance companies.

At one-time OSPA calculated and paid the SAIF premiums. Since July 1, 1990, OSPA simply reports SAIF-subject hours and wages to the Risk Management Section, State Services Division, Department of Administrative Services. Risk Management bills agencies directly for SAIF premiums.

To perform the calculation OSPA does the following:

- Determines if the employee is subject to SAIF (SAIF SUBJ = Y on the P010 Withholding Data / Locator Data screen).
- Looks for hours entered with a pay type with SAIF PCT ≠ 0.0000 on the PTB2 Payroll Benefit Package Table screen.

### **Workers' Compensation Premium Assessment**

The Workers' Compensation Premium assessment is a calculated percentage of the premium the state pays SAIF for worker's compensation insurance. The funds from this assessment pay for administrative costs of the state's workers' compensation system, non-complying employer claims, a portion of OR-OSHA administrative costs and other related programs. SAIF collects the premium assessment from the employers they cover and remits it to the Oregon Department of Consumer and Business Services (DCBS).

### **Workers' Benefit Fund (WBF)**

The WBF assessment pays for programs that:

- Pay monthly cost-of-living increase payments to permanently and totally disabled workers and to the spouses and children of workers who have died as the result of an occupational injury or disease
- Encourage the employment and reemployment of previously injured or handicapped workers
- Offer Oregon employers monetary incentives to hire or rehire Oregon injured workers

The Worker's Benefit Fund assessment is based upon the hours or partial hours a subject employee is engaged in a work activity. Both the employee and employer pay a portion of the workers' benefit fund assessment. The Department of Consumer and Business Services (DCBS) sets the rate annually.

The state pays the WBF assessment to the Department of Revenue through the Combined Payroll Tax Reporting System. Revenue forwards the assessment to DCBS.

OSPA does the calculation based upon the following:

- It first determines if the employee is subject to the WBF assessment by looking to the P010 Withholding Data / Locator Data screen (SAIF SUBJ = Y).
- It then calculates the WBF subject hours by multiplying the number of hours entered with each pay type X the SAIF PCT on the PTB2 screen for that pay type.

OSPA then uses the OSPA WCD Table to identify the values for the following:

- Hourly rate paid by employee, to three decimal places
- Hourly rate paid by employer, to three decimal places

$$\begin{aligned} \text{Employer's WBF assessment} &= \text{Subject hours X employer rate} \\ \text{Employee's WBF assessment} &= \text{Subject hours X employee rate} \end{aligned}$$

OSPA does not compute the tax on retroactive payroll runs.

For FLSA exempt and salaried employees, if applicable, the payment for payroll run 1 may be from the forecast rather than actual hours worked. Once the employees' actual time is entered, OSPA may make minor adjustments to the WBF assessment during payroll run 2.

## **CALCULATE EMPLOYER PAID EXPENSE**

The state pays an employer portion of social security and Medicare taxes. It also pays workers' compensation insurance premium, workers' compensation premium assessment and a portion of the Workers' Benefit Fund assessment. These payments are covered with Calculate Withholding above.

## **EMPLOYMENT RELATIONS BOARD (ERB) ASSESSMENT**

The Employment Relations Board resolves disputes concerning labor relations for employees of state, counties, cities, school districts, transportation districts and other local governments and for private employers and employees that are not subject to National Labor Relations Board jurisdiction. The Board has three primary functions:

- Determine appropriate bargaining units and conduct elections regarding collective bargaining representation for employees
- Resolve disputes over union representation and collective bargaining negotiations, including providing mediation and conciliation services
- Issue declaratory rulings and orders in contested case adjudications of unfair labor practice complaints, appeals from state personnel actions and related matters

The state supports the ERB through an assessment to state agencies based upon a per employee fee per month. The rate is established as part of the biennial budget process. The ERB is also supported by fees charged to all employers for services.

To calculate the assessment, OSPA uses the ERB RATE on the PBAP Agency Table – Payroll screen for the employee’s PERS AGY on the P030 Job Status Data screen.

$$\text{ERB Assessment} = \text{ERB RATE} \times \# \text{ of employee's paid by the agency per mo}$$

OSPA does not compute the ERB assessment on “retro” payroll runs, for employees who have reported zero days worked for the period, or for employees who are not subject to the assessment (including all unclassified workers and board members).

## **MASS TRANSIT TAX**

OSPA calculates the mass transit tax for agencies that have MASS TRNST: Y on the PBAP Agency Table – Payroll screen. Currently, OSPA only calculates mass transit for agency 17700, Lottery. R\*STARS calculates mass transit for all other agencies, using information interfaced by OSPA.

The employee’s wages are subject to mass transit tax when the employee’s official workstation is within the boundaries of a valid mass transit district. Each district has an assigned code cross-referenced with the city-county codes for work locations across the state. Each employee position has a mass transit district code in the PPDB. The P030 screen displays the code for each employee. (If the P030 MASS TRANSIT DIST = X, there is not a district and therefore no calculation.) OAM 50.60.00.PR Mass Transit Tax lists the current districts.

In preparation for the calculation, OSPA:

- Identifies the wages or salary entered with a pay type where INC SUBJ TO MT = Y on the PTB2 Payroll Benefit Package Table screen. If the employee has an agency other than Lottery, OSPA supplies this data to R\*STARS for the computation. See OSPA Reference Manual, Interfaces, R\*STARS.
- To perform the calculation, it uses the mass transit tax rate authorized in ORS 291.405 and 291.407 and defined in OAM 50.60.00.PO Mass Transit Tax. It categorizes the calculations by the employee’s MASS TRANSIT DIST on the P030 Job Status Data screen.

$$\text{Mass Transit tax} = \text{Current rate} \times \text{subject wages, rounded}$$

If federal funds pay part or all of the employee’s wages, the state will only pay mass transit taxes if the regulations authorize us to do so.

OSPA will only compute one mass transit tax per employee. If an employee has two jobs in two different districts, the state will pay tax to the last referenced district.

## **RETIREMENT CONTRIBUTIONS**

In preparation for the retirement calculation, OSPA:

- Determines employees who are eligible for contributions to the state's retirement program (RTMT SYST ≠ N on the P010 Withholding Data / Locator Data screen).
- For those employees, it looks for hours entered for the pay period that have a pay type with INC SUBJ TO RMT = Y on the PTB2 Payroll Benefit Package Table screen.
- It then looks to the RTMT SYST and RTMT STAT on the P010 screen to determine:
  - If there will be employee contributions
  - The percentage(s) to use in calculating the contributions

The RTMT SYST on the P010 screen indicates the state's retirement plan in which the employee is a member. Possible values include:

- F = Police and Fire, OPSRP
- G = General Service, OPSRP
- N = Not eligible for retirement contributions. OSPA will not pay either the employer or employee contribution. May be a PERS retiree.
- P = Judge Member
- S = General Service, PERS tier 1 or tier 2
- T = Police and Fire, PERS tier 1 and tier 2

The RTMT STAT on the P010 screen determines if OSPA will calculate employee contributions and, if so, determines whether the state or the employee will pay. Possible values include:

- D = employer pickup (employer pays both the employer and employee contribution)
- E = employee paid
- N = none, there is no employee contribution
- P = there is no employee contribution

If RTMT SYST has a value other than N and the RTMT STAT has N or P, OSPA will only calculate an employer contribution. If RTMT SYST = N, OSPA will not calculate an employee contribution, even if RTMT STAT = D or E.

The rates, which OSPA determines from the RTMT SYST, include:

- Percentage rate for employee contributions (or state pick-up)
- Percentage rate for employer contributions (state match)

See OSPA Reference Manual, Handbooks, Public Employee Retirement System.

## **UNEMPLOYMENT INSURANCE WAGE REPORTING**

The money used to pay Oregon unemployment insurance benefits comes from Oregon employers. Taxes collected are deposited in a trust fund that is used to pay unemployment insurance benefits to unemployed Oregon workers. Some employers pay a tax rate based on each business' experience with unemployment insurance benefit charges and taxable payroll. Other employers choose, instead, to reimburse the trust fund for each dollar paid out in benefits to their former employees. The state is a "reimbursing employer."

The state is required to report all wages (cash and non-cash remuneration) paid to each employee. The reported wages are used by the Employment Department to qualify claimants for benefits and to calculate their compensation.

To identify the reportable wages, OSPA does the following:

- For each employee, OSPA looks to the P010 Withholding Data / Locator Data screen to determine if the employee is subject to unemployment tax (UNEM SUBJ = Y).
- If the employee is subject, OSPA then determines the employee's earnings that are reportable by identifying the hours or amounts that have been entered with a pay type that has INC SUBJ TO UNP = Y on the PTB2 Payroll Benefit Package Table screen.
- If UNP = Y, count the dollars as unemployment reportable wages;  
If UNP = Y, number of units X SAIF PCT = unemployment subject hours

OSPA provides this information to the Employment Department electronically after each payroll run.

## **PEBB PLAN-CODED DEDUCTIONS**

For some PEBB benefits, the PTD2 Payroll Deductions Table screen defines the amount paid to PEBB for administration and to the vendor for the employee's premium.

For eligible employees, the agency contributes to premiums for the required or core PEBB benefits, which are medical, dental, vision and agency paid \$5,000 basic life insurance. If the employee signs up for optional PEBB insurances (dependent or additional life, long-term care, long-term and short-term disability, flexible spending accounts, or accidental death and dismemberment), OSPA deducts the cost of the premiums from the employee's pay.

For part-time and job-share employees, the VENDOR SHARE + PEBB ADMIN for required benefits may be more than the state's share for the employee. OSPA will deduct the difference from the employee's pay.

See OSPA Reference Manual, Handbooks, PEBB Benefits.

## **DETERMINE VOLUNTARY DEDUCTIONS**

## **TAX DEFERRED ANNUITIES / OREGON SAVINGS GROWTH PLAN (OSGP)**

A deduction for a tax sheltered annuity or deferred compensation plan may be a percent of gross pay (EMPLOYEE SHARE PCT GRS on the P070 Deductions and Deduction Adjustments screen) or a fixed amount (EMPLOYEE SHARE FIXED AMOUNT on the P070 screen).

The legal limits on the employee's deferral for deferred compensation and tsa's are established on the PTD1 Payroll Deduction Table screen:

- Maximum pct current
- Maximum amt current
- Maximum pct ytd
- Maximum amt ytd

If the employee has requested a percent of gross pay deduction, OSPA:

1. Compares the EMPLOYEE SHARE PCT GRS on the P070 screen to the maximum pct current on the PTD1 screen.
2. Multiplies the employee's gross pay for the pay period by the lesser of the EMPLOYEE SHARE PCT GRS on the P070 screen or the maximum pct current on the PTD1 screen.
3. Calculates the employee's gross pay YTD.

If the employee has a deduction for a tax deferred annuity or deferred compensation (OSGP), OSPA reduces the employee's taxable gross pay by the amount of the deduction to compute federal and state tax withholdings. It does not reduce the gross pay in calculating social security and Medicare taxes.

See OSPA Reference Manual, Interfaces, Oregon Savings Growth Plan.

## **UNION MEMBERSHIP OR FAIR SHARE**

For some unions, OSPA calculates the dues and fair share contributions on a percentage basis. Others have a set dollar amount. For those with a set amount, the PTD2 Payroll Deduction Table screen will list the amounts.

For those that use a percentage, the PTD1 Payroll Deduction Table screen, Union Dues Information, may display the values OSPA uses for the calculation. For others, the formula is in the programming.

## **DIRECT DEPOSITS**

Employees may authorize up to nine direct deposits. They may deposit a fixed amount (EMPLOYEE SHARE FIXED AMOUNT on the P070 Deductions and Deduction Adjustments screen) or net pay after all other deductions (EMPLOYEE SHARE PCT NET = 100 on the P070 screen). They may make deposits to U.S. TreasuryDirect, credit union, checking, or savings accounts and/or the US Bank<sup>®</sup> AccelaPay<sup>®</sup> Visa<sup>®</sup> Card.

OSPA prepares an electronic file of direct deposits, which it sends to the Oregon State Treasury, which, in turn, electronically sends the data through U.S. Bank to the Automated Clearing House. The deposit goes directly into the employee's account at the designated financial institution on payday.

The first payday after payroll enters the direct deposit on the P070 screen, OSPA will do a pre-note (deposit = \$0.0) to ensure the account information is valid. It will deposit dollars the next time the employee receives a payment.

See OSPA Reference Manual, Entry Guides, Direct Deposit.

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## CALCULATE NET PAY FOR THE PAY PERIOD

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After consideration of all of the above, OSPA calculates the net pay for the employee. It will result in a check, a net pay adjustment or a net pay direct deposit.

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## LABOR COSTING

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The final step is to make labor cost general ledger entries in R\*STARS. OSPA posts the entries to R\*STARS after each final payroll run. This process includes the B500A and B500C EXAS OSPS Detail Labor Distribution and Prorate reports.

Detail Labor assigns payroll related costs to specific agency accounting codes. OSPA can do this in three different ways:

1. First, agency HR may enter up to four 12-character codes (PCA/index combinations) in the PPDB (LABOR COSTING and PCT on the OSPA P030 Job Status Data screen). If the P003 or P004 Time Capture and the P050 Gross Pay Adjustments on File screens do not contain override or work charge information, OSPA will use the distribution in the PPDB for costing labor. OSPA will prorate all direct and indirect salary costs based on the PCT on the P030 screen.
2. For more specific cost assignments, the agency can enter additional PCA / Index combinations in the override field on the P050 Gross Pay Adjustments on File or the P003 and P004 Time Capture screens.
3. Finally, an agency can use the 20-character work charge field on the P050, P003 or P004 screen to charge the hours to a specific grant, project or both a project and a grant.

To pro-rate the specified hours entered with a value in the override or work charge fields, OSPA uses the following formula for each PCA / Index combination entered:

$$[(\text{Hours worked} \div \text{total reg. hours}) \times \text{hours to prorate}]$$

OSPA assigns an R\*STARS Comptroller / Agency Object based upon the pay type. It then summarizes the labor costs by agency, PCA, Index, Grant, Project, and agency / comptroller object, and interfaces the summarized costs to R\*STARS.

See OSPA Reference Manual, Interfaces, Relational Statewide Accounting and Reporting System.

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## ATTACHMENTS

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The attachments include two spreadsheet examples for calculating the FRRP for the overtime calculation for FLSA non-exempt employees.

**EXAMPLE #1**

**Timesheet Hours**

Pay Typ	Lv Typ	Reg Pay	Hours	OT Code	Rate	O/T MLT
RG	N	Y	176.00	N		
AST	N	N	8.00	B		1.00
OT	N	N	24.00	O		1.50
LWT	N	N	24.00	P		0.05
SDE	N	N	24.00	D	0.75	

**P050 Entries**

Pay Typ	Amount	OT Code
IR	138.26	D

**Only complete cell entry for Timesheet Units, OT Mult/Unit Rate, P030 Salary, and P050 Code and Amounts.**

All other fields/cells have pre-determined entries to calculate the hourly overtime rate of pay.

Use PTB2 table to record timesheet pay code units per the OT field indicator below. 'D' and 'P' codes may require OT Mult/Unit Rate adj.

Use employee's Personnel Pay Rate (Adjusted Base Salary) from P030 screen.

Insert P050 pay code and amount only if PTB2 OT field indicator for pay type is 'D', otherwise leave blank.

OT Code	Timesheet Units	OT MULT UNIT RATE
B	0	1.5000
B	8	1.0000
B	0	1.0000
D	24	0.75
D	0	1.10
D	0	0.00
P	24	0.0500
P	0	1.0000
P	0	1.5000
O	24	1.5000
O	0	1.5000
O	0	1.5000

P030 Salary	Annualized Ave Hrs	AHRP
\$4,286.00	173.33	24.73

OT Code	P050 Code	Amount
D	IR	\$ 138.26
D	-	\$ -
D	-	\$ -

AHRP = Adj Base / Annualized Hrs or Equivalent Rate on P030

B	197.84	(B units x AHRP x Multiplier)
D	18.00	(D units x Unit Rate)
P	29.68	(P units x OT Mult)
O	593.52	(O units x AHRP)
RG*	4,286.00	(P030 RG* Salary)
	<u>5,125.04</u>	Subject Wages

B	8	(Timesheet Units)
D		Not Applicable
P		Not Applicable
O	24	(Timesheet Units)
RG*	173.33	(Ave Annualized Hours)
	<u>205.33</u>	Subject Hours

Subject Wages / Subject Dollars	24.96
P050 'D' Variable (\$\$ / 173.33)	0.80
FLSA Regular Rate of Pay	25.76
Hourly Overtime Multiplier	1.5
Overtime Unit Rate of Pay	38.64

**EXAMPLE #2**

**Timesheet Hours**

Pay Typ	Lv Typ	Reg Pay	Hours	OT Code	Rate	O/T MLT
RG	N	Y	176.00	N		
AST	N	N	10.00	B		1.00
OT	N	N	16.00	O		1.50
CTA	A	N	8.00	P		1.50
SDE	N	N	16.00	D	0.75	

**P050 Entries**

Pay Typ	Amount	OT Code
CLA	200.00	N
EDT	150.00	N
HD	350.00	D
MS	35.00	D
SVN	100.00	N

**Only complete cell entry for Timesheet Units, OT Mult/Unit Rate, P030 Salary, and P050 Code and Amounts.**

All other fields/cells have pre-determined entries to calculate the hourly overtime rate of pay.

Use PTB2 table to record timesheet pay code units per the OT field indicator below. 'D' and 'P' codes may require OT Mult/Unit Rate adj.

OT Code	Timesheet Units	OT MULT UNIT RATE
B	0	1.5000
B	10	1.0000
B	0	1.0000
D	16	0.75
D	0	1.10
D	0	0.00
P	0	0.5000
P	0	1.0000
P	0	1.5000
O	16	1.5000
O	0	1.5000
O	0	1.5000

Use employee's Personnel Pay Rate (Adjusted Base Salary) from P030 screen.

P030 Salary	Annualized Ave Hrs	AHRP
\$2,473.00	173.33	14.27

AHRP = Adj Base / Annualized Hrs or Equivalent Rate on P030

Insert P050 pay code and amount only if PTB2 OT field indicator for pay type is 'D', otherwise leave blank.

OT Code	P050 Code	Amount
D	HD	\$ 350.00
D	MS	\$ 35.00
D	-	\$ -

**Subject Wages Computation**

B	142.70	(B units x AHRP x Multiplier)
D	12.00	(D units x Unit Rate)
P	-	(P units x OT Mult)
O	228.32	(O units x AHRP)
RG*	2,473.00	(P030 RG* Salary)
	<u>2,856.02</u>	Subject Wages

**Subject Hours Computation**

B	10	(Timesheet Units)
D		Not Applicable
P		Not Applicable
O	16	(Timesheet Units)
RG*	173.33	(Ave Annualized Hours)
	<u>199.33</u>	Subject Hours

Subject Wages / Subject Dollars	14.33
P050 'D' Variable (\$\$ / 173.33)	2.22
FLSA Regular Rate of Pay	16.55
Hourly Overtime Multiplier	1.5
Overtime Unit Rate of Pay	24.82

## **REVISION HISTORY**

<b>Date</b>	<b>Rev. No.</b>	<b>Modification</b>
08/29/06	1.0	Original
04/12/07	1.1	Change in EIC categories, WR #2864
07/06/07	1.2	Add PERS T code, WR #2958
09/04/07	1.3	Correct overtime calculation, HP
03/25/09	1.4	Pre and post-tax deductions, PEBB 2009 changes
05/21/09	1.5	Clarify P010 RTMT SYST and RTMT STAT
10/01/09	1.6	Correct Mass Transit ORS; WR #3556 & 3564, PEBB 2010 changes
11/05/09	1.7	Overtime calculation
02/09/10	1.8	OAM 50.60.00
07/30/10	1.9	Correct OAM 50.60.00 reference
11/23/10	1.10	End of AEITC, payroll deductions for savings bonds and PEBB paid basic life insurance