



## 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” check, 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. Many locations that issue these special checks have not included 401(k) deductions due to a desire to arrive at a recognizable net amount (ex: \$200). While the practice of not applying 401(k) deductions to these checks was compliant with IRS regulations and Plan rules through 2015, once all wages became “eligible compensation” **effective January 1, 2016, the practice violated IRS regulations and 401(k) Plan rules.** An audit by the IRS could result in monetary penalties for parishes or disqualification of the Plan, which has negative tax consequences for all employees and priests with money in the 401(k) Plan. 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 IRS regulations.

### **Best practice:**

Include Easter and Christmas bonus payments in regular payroll runs, using the **Easter** and **Christmas** 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.

### **Alternative acceptable (though not recommended) practice:**

For locations that need separate checks with identifiable net check amounts (ex: \$200 net payment): Locations can offer employees the option to complete a Suspension Request (see sample provided below) but should not pressure or force employees to suspend 401(k) deductions from any payments. Once a signed Suspension Request is on file, locations can process special checks that do not include 401(k) deductions. These checks will need to be dated with a **different date and using a separate payroll process** from the regular pay date to satisfy IRS regulations and 401(k) Plan rules (ex: Easter check could be dated April 10, whereas regular paycheck will be dated April 17). More detailed instructions and PrimePay screen shots are below.

- Note that any 401k deductions will automatically populate to the Paycheck Options screen; if no Suspension Request has been received from an employee, locations **must retain** the 401(k) deduction to each special check (see instructions below).
- Note that employees with flat dollar 401(k) deductions may see a zero or negative net check.

All Suspension Requests should be retained in employee files and are subject to audit by the 401(k) Plan outside audit firm.

**Caveat:** For locations that wish to gross up special checks to account for employee/priest 401(k) deductions, please contact PrimePay for assistance. This process is simple for flat dollar deductions (ex: \$25 per pay) but is very complicated for percentage deductions (ex: 5% of wages per pay).

# DETAILED INSTRUCTIONS ON PROCESSING SPECIAL /HOLIDAY CHECKS

- Under “Begin Payroll,” before setting up the Payroll Calendar to reflect the upcoming regular pay date, “roll back” the check date on the Payroll Calendar to show the prior check date and then enter “2” instead of “1.” The April 17<sup>th</sup> check is the 8<sup>th</sup> check of 2021; for Easter special checks, “roll back” the Payroll Number to “7” and “2.” Then click Save.

**Begin A New Payroll Period**

In the space below, please indicate the company number(s) that you wish to begin a new payroll cycle for. You must verify the payroll year, payroll number, and run number before proceeding. The payroll system will use the company payroll calendar to provide this information as a default, but you have the opportunity to change it if it is required.

Action	Company Name	Payroll Number
Start a new payroll period ▼	ABTRA - BOSTON TRAINING DIVI	2020 7 2

After you click on save, the system will clear the prior payroll results and archive them, apply any suspended maintenance transactions such as direct deposit activations, rate changes, and voluntary deduction changes. You will know that the process has completed when you are automatically taken to the company payroll calendar screen to review check and period ending dates.

**Save**

- Then in the Company Payroll Header, under Payroll Type, “Special check run” should be showing as the default option. If not, select it from the dropdown.

Under Check Date, enter the date of the Special Check (should be a date that is different from the regular paycheck). Under Period End date, enter the special check date.

**PRIMEPAY.**

Select Company: ABTRA BOSTON TRAINING DIVISION

**Company Payroll Header**

Payroll Number: 1 Run Number: 2 Payroll Type: Special check run ▼ Year: 2020 Quarter: Month:

Frequency: Weekly Bi-Weekly Semi-Monthly Monthly Quarterly

CheckDate: Period End:

- If you want to have the checks delivered as live checks (vs. direct deposit), choose “Do not process” under **Special Processing Overrides** for the **Direct Deposit** activity for this payroll. The other Special Processing Overrides can remain as they are, as can all the Fiscal Processing flags.

**Company Payroll Calendar**

Year 2020 - Payroll # 001 - Run # 02 - Check Date = 04/10/2020 2020 Load Year

Payroll Number: 1 Run Number: 2 Payroll Type: Special check run ▼ Year: 2020 Quarter: 2 Month: 4

Frequency: Weekly Bi-Weekly Semi-Monthly Monthly Quarterly

CheckDate: 04/10/2020 Period End: 04/10/2020

Time Card Information: Date: Quantity: Code: Don't print any time card labels ▼

Periodic Processing Flags: No It is a month-end payroll number No It is quarter-end No It is half-year-end No It is year-end

Fiscal Processing Flags: Year: Quarter: Month: No This is Fiscal month-end payroll

Special Processing Overrides: Do not process Direct Deposit activity for this payroll Take all Voluntary deduction withholdings Compute Rate times hours calculations

- If you would like to suppress all tax withholding except for FICA/MHI, select “Withhold FICA/MHI only on special checks” under the first option, FICA/MHI. No additional coding is needed here if the Easter or Christmas earnings codes are used. You can also add a message on the Check Stub at the bottom of the screen. Click “Save” when all options have been selected.

Tax Processing Overrides			
Tax	Override Option	Percentage	
Reports	FICA/MHI	Withhold FICA/MHI only on special checks	
Employee Self Services	Federal	Compute tax as normal on all checks	
	State	Compute tax as normal on all checks	
	County	Compute tax as normal on all checks	
Premium Features	City	Compute tax as normal on all checks	
	School	Compute tax as normal on all checks	

- To enter the Easter or Christmas payment, go to Hours & Dollars → Paycheck Options. The Check Type will say “Spl check.” You can change this to “Gross up Chk” if you want to gross it up to account for FICA/MHI. Then change the earnings code on line 1 to Easter (EAST) or Christmas (CMAS). Then enter the amount under “Otheam.”

Check Information									
Check Type	Pay Control	Cycle Override							
Spl Check									
Tax Override Setup									
Sit Override					Fit Override				
EarnCd	Reg	Ovt	Dbl	RateCS	SPRate	Otheam	Labor Dist		
1 EAST - R - EASTER HOND						200.00			
EarnCd	Reg	Ovt	Dbl	RateCS	SPRate	Otheam	Labor Dist		
2 - R - REGULAR									
EarnCd	Reg	Ovt	Dbl	RateCS	SPRate	Otheam	Labor Dist		
3 - R - REGULAR									

- Any active 401(k) deductions will automatically populate in the Deduction and direct deposit overrides section as shown below. For employees/priests who have active 401(k) deductions and who did not sign a Suspension Request, you must retain the 401(k) deduction to maintain compliance with IRS regulations. In the example below, the \$250 deduction will wipe out the entire \$200 check. A % deduction will calculate the % of the check as it does with regular checks. Note that the deduction will also calculate a match for eligible employees as occurs with regular checks.

EarnCd	Reg	Ovt	Dbl	RateCS	SPRate	Otheam	Labor Dist		
10 - R - REGULAR									
Deduction and direct deposit overrides									
Take All Deductions									
Deduction	Description	Take	Override Amt / Pct	Original Amt / Pct	Amount				
401P	401K PRETAX		0.00	250.00	0.00				
401M	401M CO MATCH		0.00	202.25	0.00				
No Direct Deposits									
One-Time Pay Stub Message 1					One-Time Pay Stub Message 2				

- Not recommended:** To gross up a check that includes a 401(k) deduction that is a fixed amount (ex: \$25), add the flat dollar amount to the net check amount. To gross up a check that includes a % 401(k) deduction, contact Prime Pay for assistance.



## 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.*

Revocation of Request: 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: \_\_\_\_\_