Paylocity & Employee Navigator

Employer Earnings Tracking Information for Brokers

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Forward Together.

Table of Contents

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What are earnings?

A simple explanation to guide your client conversations

Employer Memo earning codes are used in payroll to track the various costs to the employer to provide certain benefits on a per-pay period basis, such as Employer Cost of Medical, Employer Cost of Dental, and Employer Cost of Vision. Memo codes do not pay out amounts to employees like regular earnings such as regular pay, overtime, and paid time off.

Please note, when discussing earnings tracking, Paylocity does not include the following due to the functionality of the integration not supporting these instances:

- o Imputed income for Group Life and AD&D plans
- o Imputed income for Domestic partners
- o Annual lump sum or quarterly Employer HSA contributions
- o Employer contributions for benefit types Employee Navigator does not support like Parking and Transit

When mapping earning codes, please ensure to work with the client to ensure codes are being mapped to **memo codes**. Memo codes track dollar amounts but do not pay out to employees. If mapped to a non-memo code, earnings will be paid out to employees via regular earning codes which will have negative consequences if not caught before payroll is processed. Please ensure with the client that earnings codes are being mapped to memo codes within Paylocity.

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Payroll Impact

Understanding how this affects your client's payroll

Employers who track earnings can do so in varying ways. Recurring per-pay or lump sum year-end adjustments are the most common. It is important to discuss with each of your clients how they handle earnings before considering this functionality of the Employee Navigator integration. The earnings functionality will only work for employers who process earning amounts on a per pay period basis. If the client processes employer contributions on anything other than a per pay period basis, the integration will not function as expected. Not understanding how the employer currently track their employer earnings can cause significant payroll reporting issues and the potential for over contribution to employees.

Clients with over 250 employees in any given year must track the employer cost of medical at a minimum in box 12DD of the W2. All other benefit-type employer earning tracking is optional.

Not all earning codes are the same. Earning codes can come with a significant negative impact if not mapped correctly. For example, an incorrect earning could create actual earnings for an employee. In certain states, employees are not required to repay overpayment or inform their employer about the overpayment. **Examples of incorrect codes could be REG, PTO, or Numeric earning codes.**

Items to keep in mind:

o GTL (Group Term Life/Basic Life): Paylocity clients use earning codes GTL or GTL1 for this tracking. In the current state, Employee Navigator does not calculate the required imputed income for life amounts over $50,000 to track true GTL earnings. **Paylocity does not recommend the mapping of GTL or GTL1 as part of the EN integration as this could negatively affect your client's payroll.**

o HSA: Clients can track employer HSA earnings in various ways like pay period, lump sum, and quarterly. Employee Navigator can only accommodate a recurring per pay period HSA employer earning. **Paylocity does not recommend the mapping of any employer HSA contributions UNLESS** your client is currently processing these earnings on a recurring per pay period basis. If non-per pay period amounts are pushed into payroll, the incorrect mapping will cause overreporting and/or funding issues. For instance, if the employer has an agency check tied to paying the employer cost annually, the contribution annual amounts would be paid out to employees on a per payroll basis.

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Payroll Recommendations

Paylocity's recommendations for earning exchange rollout

For New Integration Requests:

Once the functionality is available, new integration requests and clients currently in audit mode will map/audit earnings as part of their current integration process through the normal integration process.

For Existing Integrations:

Since Paylocity and Employee Navigator share thousands of mutual clients already integrated, here is our recommendation for rollout if they're currently established with Employee Navigator:

Phase 1 | Target your clients with more than 250 employees regardless of eligibility due to their legal compliance requirements to report employer medical earnings on W2s.

Phase 2 | Target your clients under 250 EEs who currently track earnings on a per-pay period basis.

Phase 3 | Clients not tracking earnings. As a reminder, tracking earnings is optional for many. Please have those discussions with the clients. If they are looking to map their earning codes within Employee Navigator, 1/1 is the recommended time to start tracking due to YTD data starting new on 1/1.

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Frequently Asked Questions

Q) **What are memo codes?**

A) Memo codes track dollar amounts but do not pay out to employees. Memo codes are often used by employers to track their costs to employees. If mapped to a non-memo code, earnings will be paid out to employees if not caught.

Q) **Can employers opt of this functionality?**

A) Yes, employers are not required to use this functionality.

Q) **Should I migrate all my clients so that earnings can be tracked?**

A) No, Paylocity does not recommend migrating all our mutual clients to track earnings. While the update is a new function of the integration, tracking earnings is optional for most clients. We recommend targeting clients with more than 250 EEs due to their legal compliance requirements to report employer medical earnings on W2s.

Q) **Is the 250-employee threshold based on all employees regardless of eligibility?**

A) Yes

Q) **When is the best time for clients to migrate to track earnings?**

A) The best time for most clients to start tracking earnings will be 1/1 since clients most likely have their employer tracking established for the current year. If the client is looking to establish earnings tracking any other time besides 1/1, they will most likely need to process fixed batches in payroll so the amounts can accommodate all the year and not just from the time the earnings tracking started through 12/31.

Q) **Can I choose which earning codes I want to feed over?**

A) Yes, not all earning codes need to be mapped.

Q) **If there are earning codes already setup, will this automatically start transmitting or will they be wiped out and need to be re-added?**

A) Earning codes will be wiped clean for all mutual PCTY & EE Nav clients and will need to be remapped.

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