

Payroll

Setting up a Fringe Benefit

Fringe - A fringe is a non-cash benefit that is provided to an employee and paid for, in whole or in part, by the employer. This fringe benefit may be either taxable or non-taxable.

Examples: Health insurance paid by the employer on a monthly basis for an employee (in whole or in part).

Fringes are setup in “6. Employee Maintenance,” off the Main Menu. Go to the “Paytypes” tab. Fringes are controlled by the Paytype codes 1 through 9 and A through D. Try to be consistent in your assignment of the code. Develop a fringe code within your office (i.e. 1 should always be retirement, 2 health insurance, etc.).

It is common for fringes to work in conjunction with deductions. Retirement deductions based on a percentage of gross pay that have an employer contribution can use a fringe to calculate and expense the value. This is also true for health insurance premiums.

The Life Insurance premium value that exceeds the \$50,000 value should be set up consistent for all employees in order to report on the W-2. Other benefits paid by the employer can also be expensed during the first payroll of a month in order to show an employee this value on the check stub.

Be sure to understand the proper tax reporting and withholding on any fringes that you add to your payroll system. NEMRC does have routines that can be added to distribute a fringe benefit to follow where the salary expense accounts occur.