Minimum Wage Adjustments

Document #:	3095	Product:	CenterPoint® Payroll

In situations where you have workers that get paid using piecework, pay H-2A workers that have contracts or alternate wage rates (Adverse Effect Wage Rates (AEWR)) that differ between workers and domestic workers, it is necessary to make sure that they are also achieving minimum rate wages.

Red Wing Software does not automatically update minimum wage rate or AEWR changes for each state. You will need to do this manually. CenterPoint Payroll maintains the Federal minimum wage rate in Setup > Payroll Details > Minimum Wage Information and also allows you to create minimum wage contracts that can be used to differentiate workers and minimum wage rages in Setup > Payroll Details > Minimum Wage Contracts.

The minimum wage/AEWR information is used to calculate optional minimum wage adjustments for employees not meeting state or federal minimum wage requirements. The minimum wage adjustment is done in Processes > Pay Employees > Pay Employees tab > 3 Special Adjustments tab.

When the minimum wage adjustment is calculated, an additional earning is used to add the amount to meet the minimum wage adjustment. If the employee has not earned at least minimum wage an adjustment is done, and the amount is added to their earnings, or if an employee is assigned a minimum wage contract and the rate is higher than the Federal/State rate assigned to an employee during a pay run an adjustment is made and the higher rate is paid, or if the earning is subject to AEWR:

» The minimum wage will be adjusted to the AEWR rate.
» And others are not (standard hours), the minimum wage is adjusted to standard hours multiplied by standard minimum wage plus AEWR hours multiplied by the AEWR rate.
» And if the AEWR rate is less than the state minimum rate, then the state minimum rate Rate is used for all hours.
» And if a minimum wage contract rate is higher than the AEWR rate , the contract rate is used for all hours.

The steps involved in setting up and performing minimum wage adjustments are:

[Step 1 - Enter Minimum Wage Information(One time setup)](#)

   [Step A: Federal and State Minimum Wage Rates](#)

   [Step B: Optional Minimum Wage Contract Rates](#)

[Step 2 - Create a Minimum Wage Adjustment Earning (One time setup)](#)

[Step 3- Update Existing Earnings to be Included in the Minimum Wage Calculation (One time setup)](#)

[Step 4 - Assign the Minimum Wage Earning to the Employer (One time setup)](#)

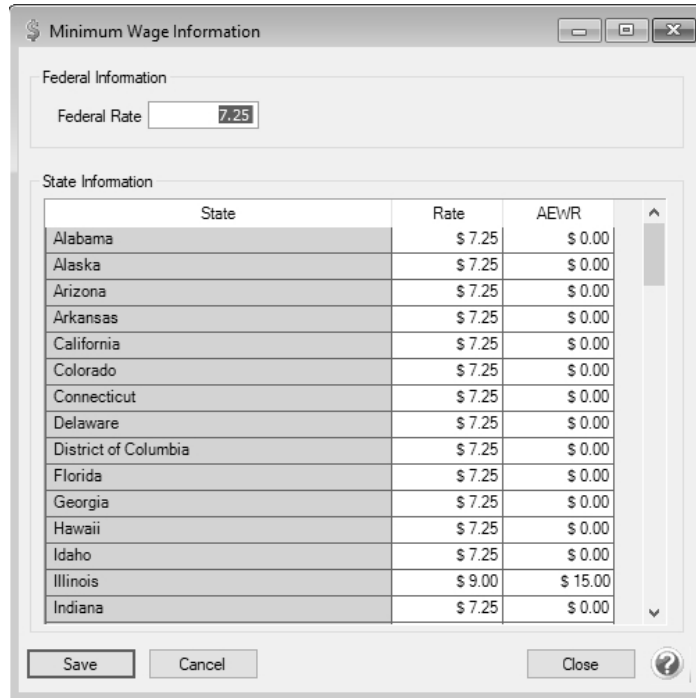[Step 5 - Assign the Minimum Wage Earning to the Employee (One time setup)](#)

[Step 6 - Pay Employees with the Minimum Wage Adjustment](#)

Step 1 - Setup Minimum Wage Information (one time setup)

> 📎 Note: Both options can be used concurrently in your CenterPoint Payroll setup. When minimum wage adjustments are calculated during a pay run and an employee is assigned a minimum wage contract rate, the Federal/State minimum wage rate is compared to the minimum wage contract rate and an adjustment will be made to pay the higher rate.

Step A: Setup Federal and State Minimum Wage Rates

1. From the **Setup** menu, select **Payroll Details** and click on **Minimum Wage Information**.

2. The current **Federal Rate** displays. You can change this amount.
3. If your state rate is different than the Federal Rate, change your state rate.
4. If alternate wage rates (Adverse Effect Wage Rates (AEWR) apply to your state for earnings for H-2A workers/jobs, enter the **AEWR** rate.
5. Click **Save**.

Step B: Optional Minimum Wage Contract Rates

1. From the **Setup** menu, select **Payroll Details** and click on **Minimum Wage Contracts**.
2. Click **New**.

Red Wing Software • support@redwingsoftware.com • www.redwingsoftware.com • 800-732-9464

Page 2 of 11

This documentation is for informational purposes only. For specific accounting guidance, please contact your accountant.

Last Updated 9/26/2024

3. Enter the **Abbreviation** and **Name** for this minimum wage contract.
4. Enter the minimum wage contract **Rate** that will be paid if it is higher than the Federal/State rate when minimum wage adjustments are calculated during a pay run.
5. Click **Save**.

> The details of your Minimum Wage Contract setup can be verified by printing the Minimum Wage Contracts report from Reports > Reports > Payroll Setup Lists > Contracts > Minimum Wage Contracts.

6. Repeat steps 1-4 to create all of your minimum wage contracts.
7. Click **Close**.
8. Select **Setup** > **Employees**.
9. Edit an employee that should be assigned to a minimum wage contract.
10. Select the **Payroll** tab.
11. In the **Minimum Wage Contract** box, select this employee's applicable contract.
12. Click **Save**.
13. Repeat steps 7-11 for all employees that should be assigned a minimum wage contract.
14. Click **Close**.

> Employees that are assigned minimum wage contracts can be verified on the Reports > Reports > Setup Lists > Employees > Employees by adding the Minimum Wage Contract, Minimum Wage Abbreviation, and Minimum Wage Contract Rate columns to the report.

Step 2 - Create a Minimum Wage Adjustment Earning (one time setup)

1. From the **Setup** Menu, select **Payroll Details** and click on **Earnings**.
2. If a minimum wage earning does not exist, click **New**. If a minimum wage earning does exist, highlight it and click **Edit**.

Red Wing Software ● support@redwingsoftware.com ● www.redwingsoftware.com ● 800-732-9464   Page 3 of 11

This documentation is for informational purposes only. For specific accounting guidance, please contact your accountant.   Last Updated 9/26/2024

3. Enter an **Abbreviation** and **Name** such as Minimum Wage Adjustment.
4. In the **Expense Account** box, select the expense account for the minimum wage adjustments.
5. Leave the **Include in Minimum Wage Calculation** and **Subject to Adverse Effect Wage Rates (AEWR)** check boxes blank.
6. Click **Save**.

Step 3- Update Existing Earnings to be Included in the Minimum Wage Calculation (one time setup)

Any earning that you want to be included in the minimum wage calculation must be updated by following the instructions below.

1. From the **Setup** Menu, select **Payroll Details** and click on **Earnings**.
2. Highlight an earning to be included in the minimum wage calculation, and click **Edit**.
3. Select the **Include in Minimum Wage Calculation** check box.

4. Select the **Subject to Adverse Effect Wage Rates (AEWR)** check box if you want the minimum wage adjustment calculation to include the Adverse Effect Wage Rates (AEWR) set up in Setup > Payroll Details > Minimum Wage Information:
   » If an earning is subject to AEWR and the AEWR rate is entered for the state in Setup > Payroll > Minimum Wage Information, the minimum wage will be adjusted to the AEWR rate.
   » If some earnings are subject to AEWR and others are not (standard hours), the minimum wage is adjusted to standard hours multiplied by standard minimum wage plus AEWR hours multiplied by the AEWR rate.
   » If the AEWR rate is less than the state minimum Rate, then the state minimum Rate is used for all hours.
   » If a minimum wage contract Rate is higher than the AEWR rate , the contract rate is used for all hours.
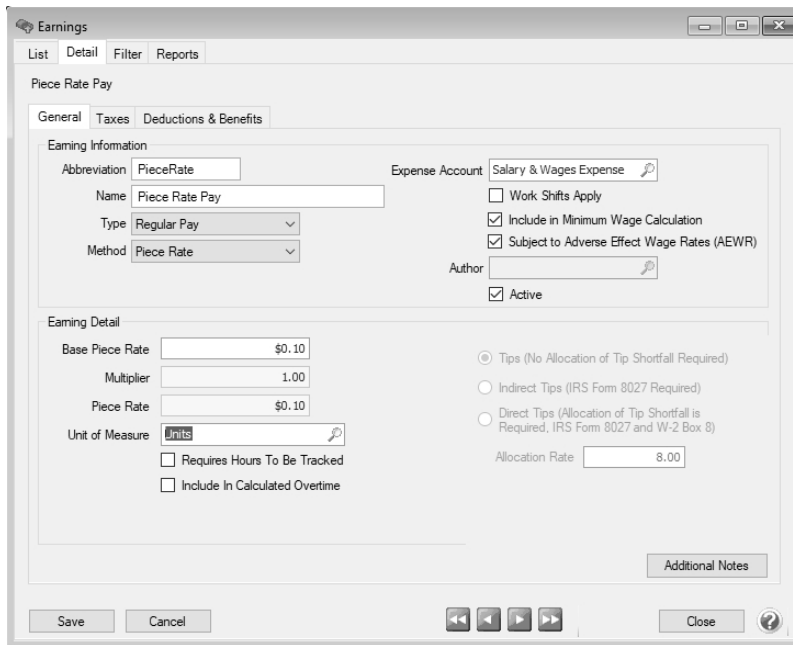
5. Click **Save**. Repeat Steps 2-4 for each earning to be included in the minimum wage calculation.

Step 4 - Assign the Minimum Wage Earning to the Employer (one time setup)

1. From the **Setup** menu, select **Payroll Details** and click on **Employers**.
2. Highlight the employer and click **Edit**. Select the **Earnings** tab.
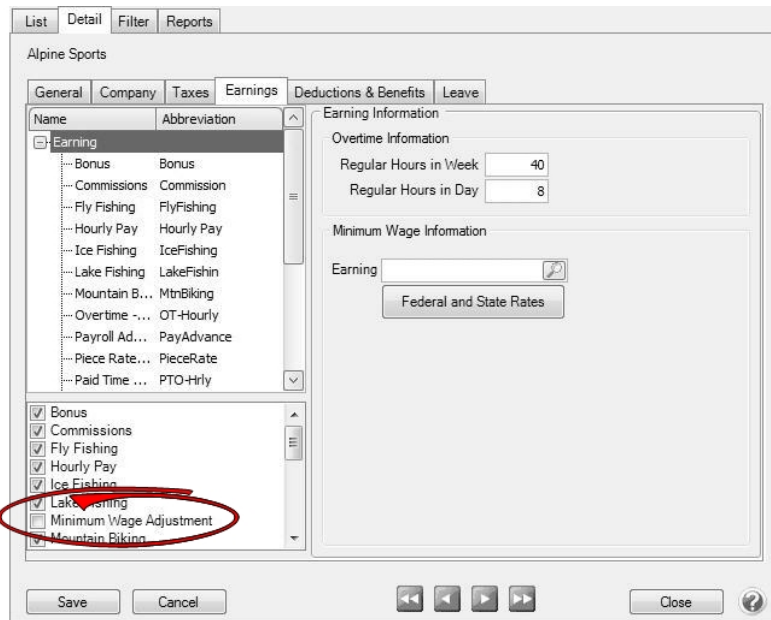
3. Click on **Earning** in the upper left.
4. On the lower-left, check the box for the Minimum Wage Adjustment earning. This will add the earning to the list above.
5. In the **Earning Information**, click to select the **Minimum Wage Adjustment Earning**.
6. Select the Minimum Wage Adjustment earning from the upper list of earnings. The **Earning Information** will display to the right.

Red Wing Software • support@redwingsoftware.com • www.redwingsoftware.com • 800-732-9464   Page 5 of 11

This documentation is for informational purposes only. For specific accounting guidance, please contact your accountant.   Last Updated 9/26/2024
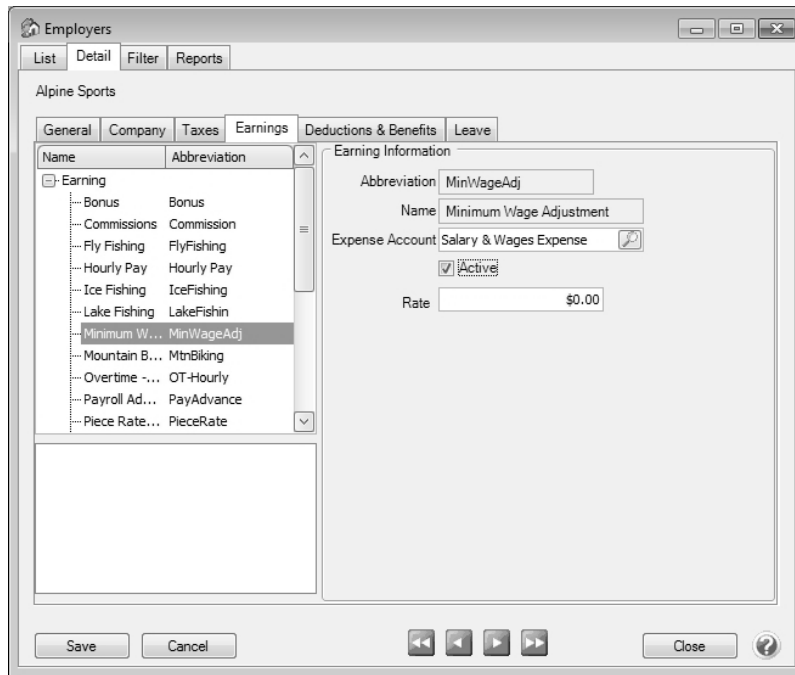
7. In the **Earning Details**, enter the **Expense Account** for the Minimum Wage Adjustment earning.

> Note: Leave the **Rate** at zero in the employer screen.

8. Click **Save**.

Step 5 - Assign the Minimum Wage Earning to the Employee (one time setup)

1. From the **Setup** menu, click on **Employees**.
2. Select the Employee to add the Minimum Wage Adjustment Earning to and click **Edit**. Select the **Earnings** tab.
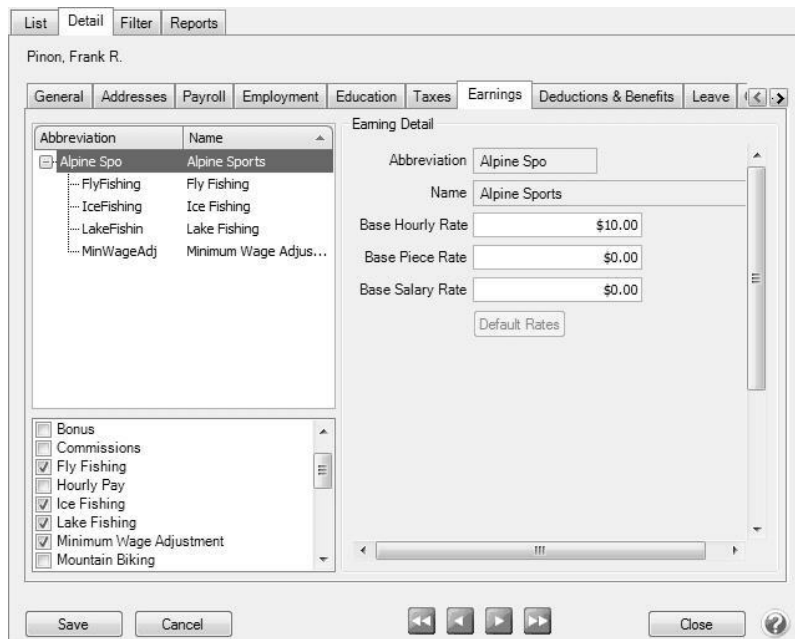
3. On the upper-left, select the **Employer**. Below, select the Minimum Wage Adjustment earning to assign the earning to the employee. This will add the earning to the list above.

Red Wing Software • support@redwingsoftware.com • www.redwingsoftware.com • 800-732-9464   Page 6 of 11

This documentation is for informational purposes only. For specific accounting guidance, please contact your accountant.   Last Updated 9/26/2024

4. Select the Minimum Wage Adjustment earning from the upper list. The **Earning Details** will display to the right.
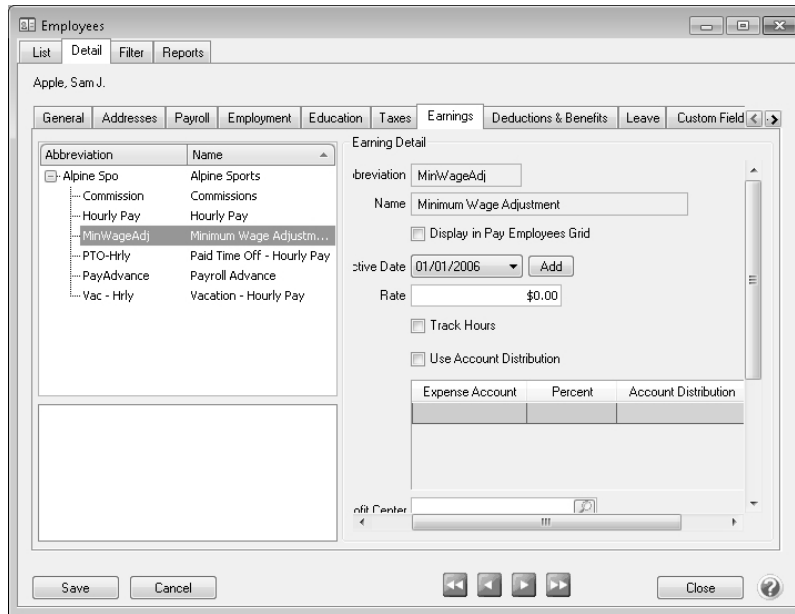
5. Unselect the **Display in Pay Employees Grid** box.
6. In the **Rate** box, leave the rate at zero. Enter/verify the earning information.
7. Select the **Payroll** tab.
8. In the **Employer Selection**, highlight the employer.
9. In the **Pay Information**, fill in the **Tax State**.
10. Select the **Taxes** tab.
11. On the upper-left, select the employer. Below, select the state for this employee. This will add the state taxes to the list above. Click the + beside the state to expand the list of State taxes. Select the State Withholding. The **Tax Details** will display to the right.
12. In the **Tax Detail**, enter/verify the state information. If the employee does not have to pay state tax, the state tax must be added on the **Taxes** tab and the **Use Alternate Flat Tax** check box should be selected with a **rate** of zero.
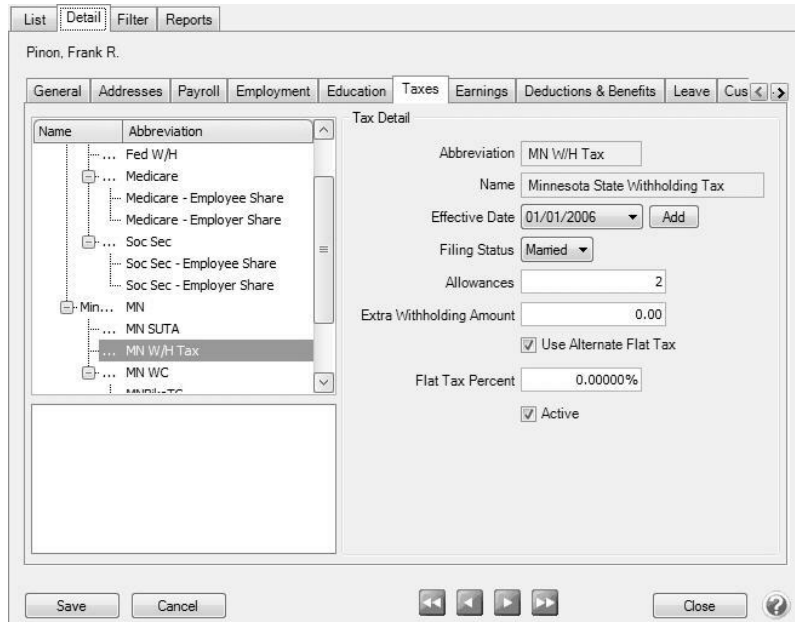
13. Click **Save**.

Step 6 - Pay Employees with the Minimum Wage Adjustment

The Minimum Wage Adjustment is performed during the Pay Employees process. For step-by-step instructions on processing a pay run see the *Process a Payroll* topic.

1. Select **Processes** > **Pay Employees** or **Processes** > **Payroll** > **Pay Employees**. Click **New**.
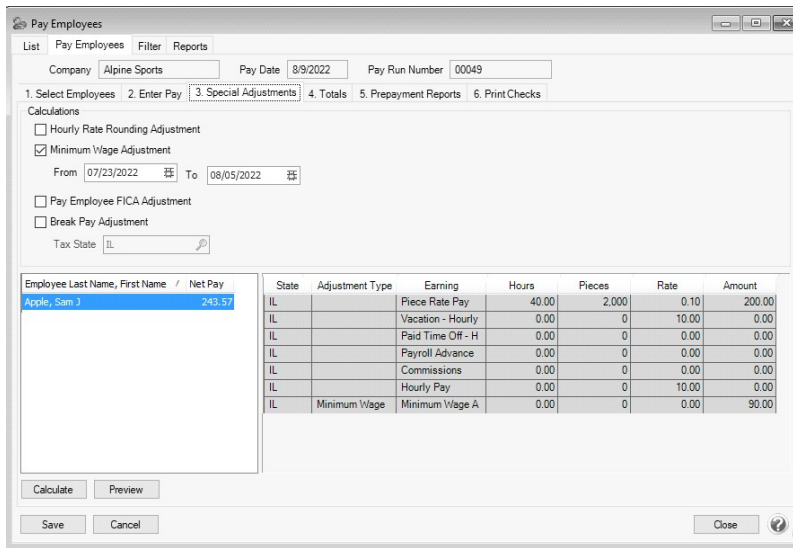2. Enter the pay run information on the **1. Select Employees** tab and **2. Enter Pay** tabs as usual.
3. Click the **3. Special Adjustments** tab. Verify the **Minimum Wage Adjustment** is selected.
4. The Pay Period date range displays in the **From/To** boxes, any date range within the pay period range can be selected.
5. All employees will display on the **3. Special Adjustment** tab. Select all of the employees by clicking on the first employee and then holding the Shift key while you click the last employee. Release the Shift key.
6. Click **Calculate**.
7. In the **Minimum Wage Earning** box, select the earning setup for minimum wage adjustments and click **OK**.
8. At the *Replace any existing Minimum Wage adjustments?* message, select Yes to overwrite any existing adjustments or select No if you want to make more than one adjustment for an employee in the pay period range, for example one per week.Adjustments are shown summarized in the grid, with one row per adjustment type.

   » In this example, the employee's piece rate was $.10; the minimum wage was set to $7.25, and the employee worked 40 hours and had 2000 pieces. So, CenterPoint Payroll lists the employee as needing a minimum wage adjustment.

   » The first time you click **Calculate**, you will be prompted to enter/select the Minimum Wage Adjustment earning, and then click **OK**.

   » At the *Replace any existing Minimum Wage adjustments?* message, select Yes to overwrite any existing adjustments or select No if you want to make more than one adjustment for an employee in the pay period range, for example one per week (the state of Oregon requires minimum wage to be calculated weekly).Adjustments are shown summarized in the grid, with one row per adjustment type.

   » The employee's minimum wage adjustment details display.
      » For example, the minimum wage adjustment calculates $90.00 - 40 hours x $7.25 = $290.00. $290.00 – 200.00 (2000 x .10) = $90.00).

Red Wing Software • support@redwingsoftware.com • www.redwingsoftware.com • 800-732-9464   Page 8 of 11

This documentation is for informational purposes only. For specific accounting guidance, please contact your accountant.   Last Updated 9/26/2024

Pay Employees

List | Pay Employees | Filter | Reports

Company [Alpine Sports]   Pay Date [8/9/2022]   Pay Run Number [00049]

1. Select Employees | 2. Enter Pay | 3. Special Adjustments | 4. Totals | 5. Prepayment Reports | 6. Print Checks

Calculations
- ☐ Hourly Rate Rounding Adjustment
- ☑ Minimum Wage Adjustment
  - From [07/23/2022] To [08/05/2022]
- ☐ Pay Employee FICA Adjustment
- ☐ Break Pay Adjustment
- Tax State [IL]

Employee Last Name, First Name /	Net Pay
Apple, Sam J	243.57

State	Adjustment Type	Earning	Hours	Pieces	Rate	Amount
IL		Piece Rate Pay	40.00	2,000	0.10	200.00
IL		Vacation - Hourly	0.00	0	10.00	0.00
IL		Paid Time Off - H	0.00	0	0.00	0.00
IL		Payroll Advance	0.00	0	0.00	0.00
IL		Commissions	0.00	0	0.00	0.00
IL		Hourly Pay	0.00	0	10.00	0.00
IL	Minimum Wage	Minimum Wage A	0.00	0	0.00	90.00

Calculate | Preview

Save | Cancel   Close

» In the following example, the employee worked 32 hours with an earning that had a minimum wage contract rate of $8.68. The Federal minimum was set to $7.25 and the hourly rate was $6.25. So, CenterPoint Payroll lists the employee as needing a minimum wage adjustment.
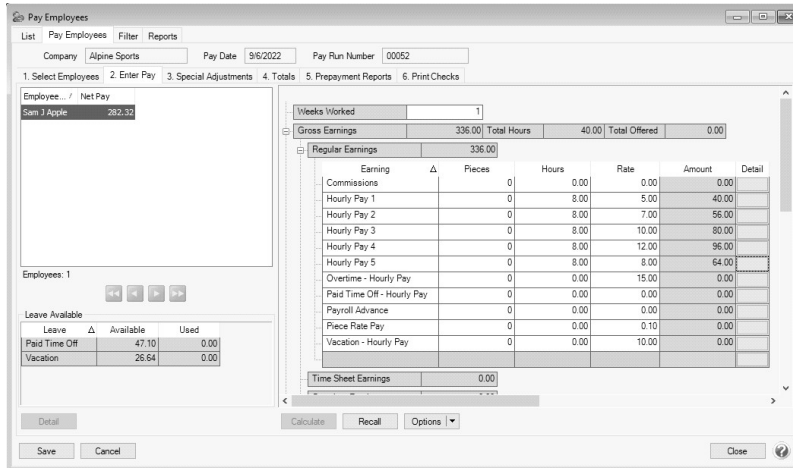
  » For example, the minimum wage adjustment calculates $77.76 - 32 hours x $8.68 (minimum wage contract rate which was higher than the Federal/State minimum wage amount of $7.25) = $277.76 - $200.00 ($6.25 hourly rate x 32 hours) = $77.76.

Pay Employees

List | Pay Employees | Filter | Reports

Company [Alpine Sports]   Pay Date [8/9/2022]   Pay Run Number [00049]

1. Select Employees | 2. Enter Pay | 3. Special Adjustments | 4. Totals | 5. Prepayment Reports | 6. Print Checks

Calculations
- ☐ Hourly Rate Rounding Adjustment
- ☑ Minimum Wage Adjustment
  - From [07/23/2022] To [08/05/2022]
- ☐ Pay Employee FICA Adjustment
- ☐ Break Pay Adjustment
- Tax State [IL]

Employee Last Name, First Name /	Net Pay
Apple, Sam J	246.57

State	Adjustment Type	Earning	Hours	Pieces	Rate	Amount
IL		Hourly Pay	32.00	0	6.25	200.00
IL		Commissions	0.00	0	0.00	0.00
IL		Payroll Advance	0.00	0	0.00	0.00
IL		Paid Time Off - H	0.00	0	6.25	0.00
IL		Vacation - Hourly	0.00	0	6.25	0.00
IL	Minimum Wage A	Minimum Wage A	0.00	0	0.00	77.76

Calculate | Preview

Save | Cancel   Close

» In the example below, an employee has five hourly earnings and the Minimum Wage Rate is $9/hour and the AEWR Minimum Wage Rate is $15/hour.

  » 8 hours at $5/hour (subject to minimum wage)
  » 8 hours at $7/hour (subject to minimum wage)
  » 8 hours at $10/hour (subject to AEWR minimum wage)
  » 8 hours at $12/hour (subject to AEWR minimum wage)
  » 8 hours at $8/hours (not subject to minimum wage)

Red Wing Software • support@redwingsoftware.com • www.redwingsoftware.com • 800-732-9464   Page 9 of 11

This documentation is for informational purposes only. For specific accounting guidance, please contact your accountant.   Last Updated 9/26/2024

The Minimum Wage and AEWR Adjustment Calculations are:

» Earnings subject to Minimum Wage (Regular) = (8 x $5) + (8 x $7) = $96.00
» Earnings subject to Minimum Wage (AEWR) = (8 x $10) + (8 x $12) = $176.00
» Minimum. Wage (Regular) = (8 x $9) + (8 x $9) = $144.00
» Minimum Wage (AEWR) = (8 x $15) + (8 x $15) = $240.00
» Minimum Wage (Regular) Adjustment = $144 - $96 = $48.00
» Minimum. Wage (AEWR) Adjustment = $240 - $176 = $64.00
» Total Min. Wage Adjustment - $48 + $64 = $112.00
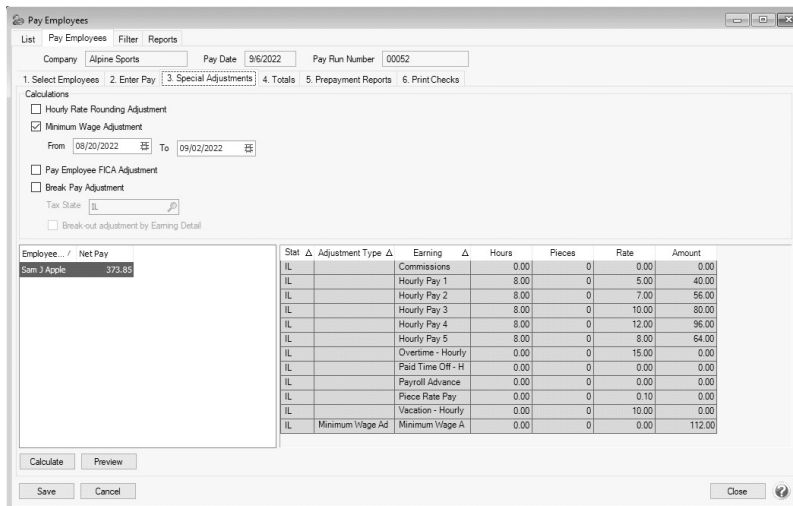
9. The employee's minimum wage adjustment details display. If an employee has earnings associated with different taxing states, the minimum wage for each state will be calculated and displayed sorted by state.
10. The Special Adjustments report can be previewed for the current pay run from this screen by clicking **Preview**. When clicked, any changes made to the pay run up to that point will be saved and the Special Adjustments report will display. Changes made to this version of the report will not be saved and cannot be stored as a favorite. If you want to customize this report, you should print the report via the Reports > Payroll Data Reports > Payroll Totals > Special Adjustments or Prepayment Reports tab instead.
11. Continue to Process and Post the pay run as usual.

Red Wing Software • support@redwingsoftware.com • www.redwingsoftware.com • 800-732-9464

Page 10 of 11

This documentation is for informational purposes only. For specific accounting guidance, please contact your accountant.

Last Updated 9/26/2024

> Note: If there is more than one state associated with the minimum wage adjustment, and you want to display each state's adjustment on the check stub:
>
> 1. Select **Setup** > **Payroll Check Stub Designer**.
> 2. Open an existing check stub.
> 3. Add the **Earning Tax State** field to the Detail section of the check stub. This will display the state abbreviation of the Tax State associated with the earning.
> 4. If a bilingual label is applicable, under Bilingual Labels select the **Tax State** and add it to the header of the stub above the data field.
> 5. Select **File** > **Settings** and select **Earning Tax State** which will summarize the earnings on the stub by the Tax State associated with the earning.
> 6. Select **File** > **Save As** and save this check stub as a custom format to be used when printing payroll checks.