Local Taxes

Document #:	3127	Product:	CenterPoint® Payroll

While all of the state and federal taxes are maintained and updated in tax tables provided by Red Wing Software, there are several local tax situations that may require adding a local tax to the system. These types of taxes might be county, school or city taxes. When a local tax is added to CenterPoint Payroll, the local tax will automatically be added to all employers in the database.

CenterPoint Payroll will predefine local taxes for states that have implemented statewide local income tax laws for cities, counties, school districts, etc. If you need to deduct a local tax that is not statewide, you can add to the predefined local taxes in Setup > Payroll Details > Local Taxes.

Step A - Create a Local Tax

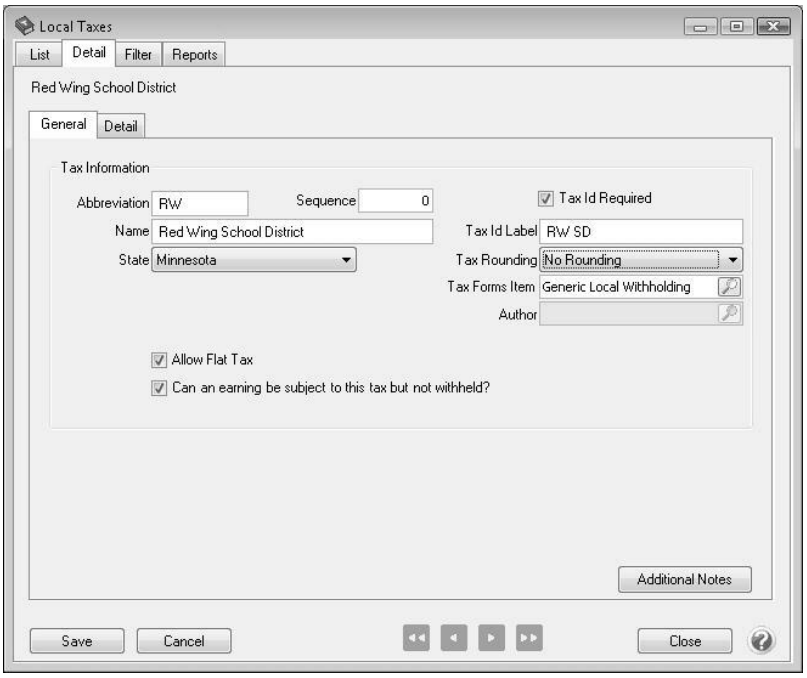
Step B - Add the Local Tax to an Employee Record

Step A - Create a Local Tax:

1. Select **Setup > Payroll Details > Local Taxes**. Click **New**.

Note: If this local tax is similar to an existing local tax; select the existing tax and click **Copy** instead of New. This will create a new tax by copying the existing. Details of the new tax can then be modified.

2. Complete the items on the **General** tab. In the **Abbreviation** box, enter a unique abbreviation for this local tax (up to 10 characters).



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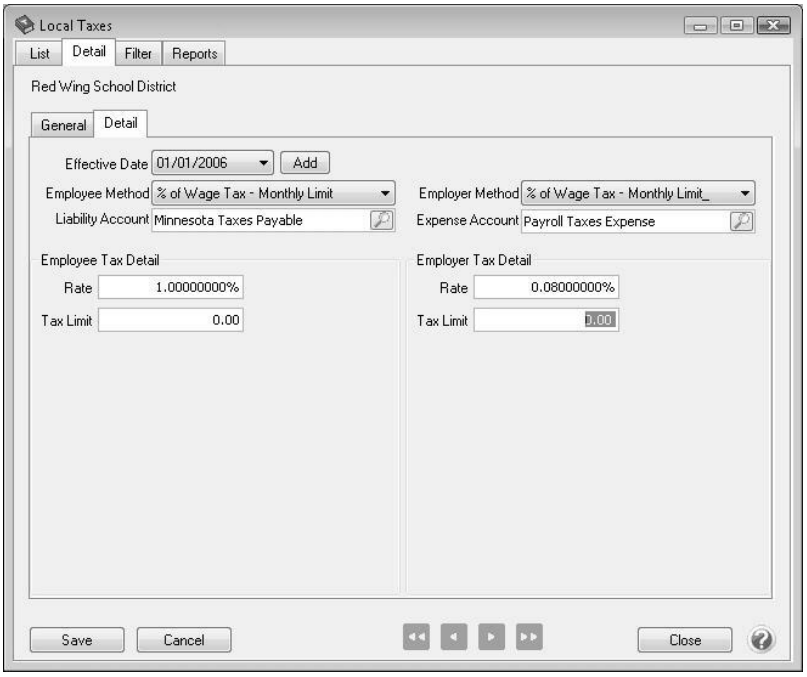
3. If you want to have your local taxes appear in a specific order on the screens where you see them displayed in a tree with other local taxes, you can enter a **Sequence** number that will place the local taxes in a specific order. If not, the Sequence field can be skipped.
4. In the **Name** box, enter a name for this tax.
5. Select the **State** for this local tax. The state will determine what options are available on the Tax Forms Items box.
6. If you want to enter a flat tax rate, select the **Allow Flat Tax** check box.
7. Select the **Can an earning be subject to this tax but not withheld?** check box if you will need this option on an earning that is assigned this tax.
8. Select the **Tax ID Required** check box if you need to include a tax id when reporting this tax. If you determine that this tax requires a Tax Id for reporting, in the **Tax Id Label** box, enter the label that you want to appear when this information is asked for on other screens.
9. If you want this tax to be rounded, select an appropriate option in the **Tax Rounding** box.
10. In the **Tax Forms Items** box, select **Generic Local Withholding** (unless one of the other options specific to the selected state is correct). The options in the Tax Forms Items box may vary depending on the state selected. For example, for New York City Withholding tax, the options are Generic Withholding tax, New York City Resident, Yonkers Resident, Yonkers Non-resident, etc. Generic Local Withholding is the default selection for this box.
11. To add notes to this leave, click **Additional Notes**, enter the notes, and then click **OK**.

Note: To add a time stamp to a note added or edited on the Additional Notes screen, click **Stamp**. If you are adding/editing a stamp in a database without security, the stamp will display "Edited on (current date and time)". If you are adding/editing a stamp in a database with security, the stamp will display "Edited by (username) on (current date and time)".

12. Click the **Detail** tab.



13. In the **Employee Method** box, select how the employees portion of this tax should be calculated. If the employee does not pay a portion of this tax, select None.

Note: If there no taxable wages associated with a local tax, no tax is calculated, for example Flat Amount Tax will always calculate the specified flat amount. The options for the box are:

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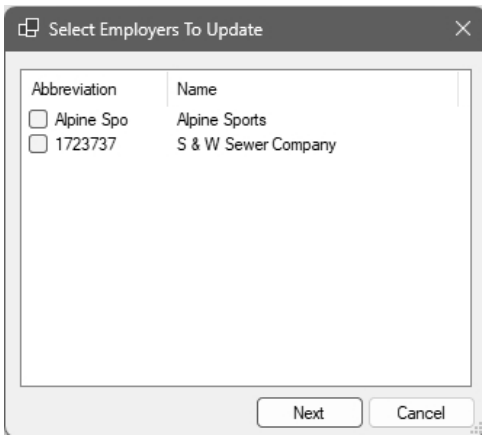
- **None** – If no tax for either the employee or employer.
- **% of Other Tax** – Choose this when the amount of tax calculated is based off of the calculation of another tax. Select the other tax and enter the rate.
- **% of Wage Tax with Annual Limit** – Will calculate tax out of taxable wages but if the annual limit has been exceeded, no more tax will be calculated. Enter the rate, annual tax limit, and allowance amount if applicable.
- **% of Wage Tax with Monthly Limit** – Will calculate tax out of taxable wages but if the monthly limit has been exceeded, it will not calculate any further tax for that month. However, it will start calculating again for the next month. Enter the rate, monthly tax limit, and allowance amount if applicable.
- **% of Wage with Period Limit** – Will calculate tax out of taxable wages but if the pay period limit has been exceeded, it will not calculate any further tax for the period. However, it will resume calculating again next period. Enter the rate, period tax limit, and allowance amount if applicable.
- **% of Wage Tax** – Will calculate tax out of taxable wages. No limit applies. Enter the rate and allowance amount if applicable.
- **% of Wage Tax Wage Limit Applies** – Will calculate tax on taxable wages until employee has earning up to wage limit. Enter rate, limit, and allowance amount if applicable.
- **Fixed Amount Tax** – Will allow you to enter in a fixed amount for the tax to be taken each pay period. Enter amount of tax to be taken each pay period. If there is a maximum yearly limit that applies to this tax calculation, enter the amount in the **Annual Limit** box.
- **Fixed with Minimum Wage & Monthly Limit** – Will calculate after compensation has reached a certain monthly dollar amount before the tax is imposed. Will allow you to enter in a fixed amount that is charged monthly and the maximum amount of tax to be taken each month.
- **Hourly Rate Tax** – Allows entry of an hourly rate to calculate tax on. Enter the hourly rate.
- **Indiana County Tax** – Enter the rate.
- **Maryland Local Tax** – Enter the rate.
- **New York City Tax** – Enter the options and the tax tables. (The New York City tax is setup as a default by Red Wing Software.)
- **Ohio School District Tax** – Enter in the rate. When this local tax is selected, you have the option of calculating the tax on State Taxable Wages or Gross Taxable Wages.
- **Yonkers Withholding Tax** – (Similar to the New York City tax) – Enter the options and the tax table. (Setup as a default by Red Wing Software).

14. Select the **Liability Account** that the employees portion of the tax should be recorded to.
15. Complete the **Employee Tax Details**. The fields in this portion of the screen may change depending on which Employee Method was selected.
16. In the **Employer Method** box, select how the employer's portion of this tax should be calculated. If the employer does not pay a portion of this tax, select None.

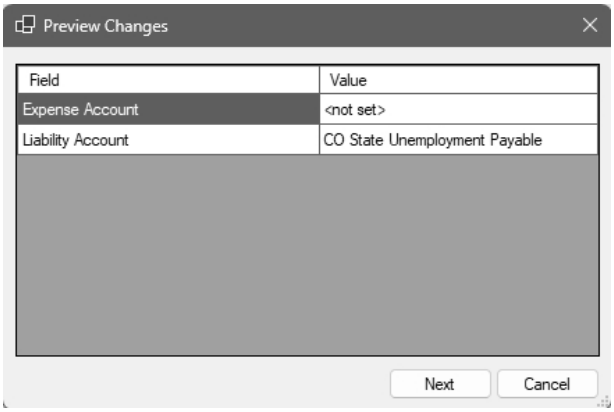
Note: If an Allowance Amount is entered on the % of Wages Tax, % of Wages Tax with Wage Limit, % of Wage Tax - Annual Limit, % of Wage Tax - Monthly Limit, or % of Wage Tax - Period Limit employer methods, the amount entered should correlate to the pay period being used, i.e. if employees are being paid bi-weekly, then the allowance amount should be a bi-weekly amount and if the period is altered, the allowance amount should be adjusted accordingly.

17. Select the **Expense Account** for the employer's portion of the tax.
18. Complete the **Employer Tax Details**. The fields in this portion of the screen may change depending on which Employer Method was selected.
19. Click the **Add** button located at the top left side of the screen (to the right of the Effective Date field).
20. A new **Effective Date** box will be displayed., enter the date that this particular table takes effect. Normally, this would be today's date. The effective date field will allow you to enter future tax table changes ahead of time. If you are just beginning CenterPoint Payroll, the Effective Date could be the date that you begin payroll entry in CenterPoint Payroll.
21. Click **Save.**
22. If you were changing a local tax that has been previously saved, the *Do you want to apply the current local tax configuration to your employer(s)?* message will display, click **Yes** to view the current configuration or click **No** to save without applying to your employer(s). If you have multiple employers, select the employers you want to update and then

click **Next**.



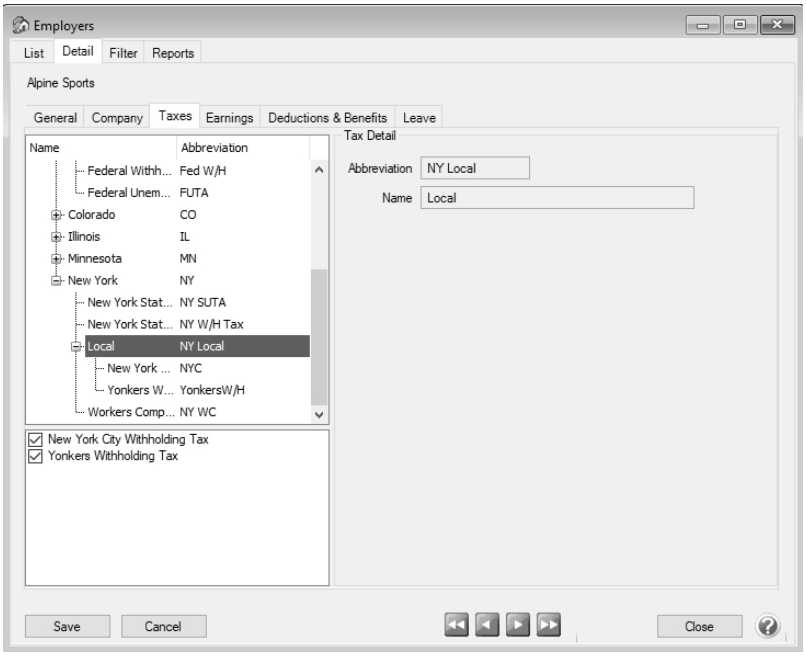
A Preview Changes screen will display with the changes that will be applied to the employer(s). Click **Next** to update and then click **OK** at the Update Complete message.



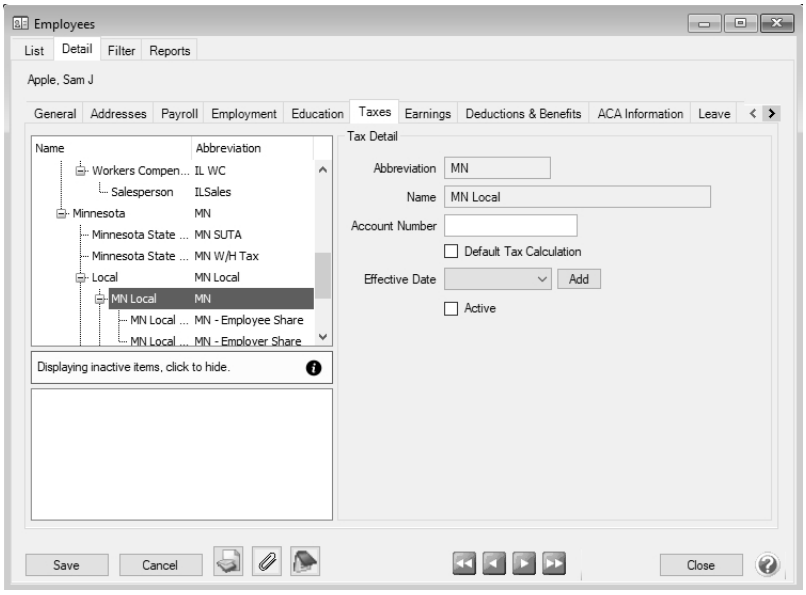
Step B - Add the Local Tax to an Employee Record:

Follow the instructions below to add local tax to individual employee records. If you have a local tax that should be added to multiple employees, we recommend using the Employee Mass Update (Setup > Payroll Details > Employee Mass Update) option instead. Refer to the Employee Mass Update topic for more information.

1. Select **Setup > Employees**.
2. Select the employee requiring the local tax and click **Edit**.
3. Select the **Taxes** tab.
4. Under the employer in the box on the left, double-click on the **state** the local tax has been assigned to. In our example, that would be Minnesota.



5. Open the **Local** folder found under the selected state. All local taxes will then be displayed in the box in the lower left side of the screen. Select the check box for each local tax to be assigned to this employee. Once selected, they will automatically display with the list of taxes for this employee. In our example, we selected Red Wing School District.
6. Select the main line for the new local tax.



7. In the **Tax Detail** area on the right, select the **Default Tax Calculation** box and complete any other information such as Effective Date, Allowances, etc.
8. Click **Save**.

Change a Local Tax

1. On the **Setup** menu, point to **Payroll Details**, and then click **Local Taxes**.
2. Select the local tax you want to change, and then click **Edit**.

Note: If you change the information in the Name box, past local tax information is automatically linked to the new name.

3. Edit or view the local tax detail. To edit another local tax, click or to display the previous/next local tax.
4. Click **Save** to save the local tax and return to the List tab, or click Close to save the local tax and close the Local Taxes screen.

Delete a Local Tax

1. On the **Setup** menu, point to **Payroll Details**, and then click **Local Taxes**.
2. Select the local tax you want to delete, and then click **Delete**. Note: You cannot delete a record that is linked to other records in the system.
3. At the "**Are you sure you want the item deleted?**" message, click **Yes**.

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