Payment In Kinds

A payment in kind (PIK) will increase an employee's taxable gross wages without affecting the gross earnings. A payment in kind can be set up as a deduction or as a pay code, depending on how it will be used.

Setting Up a Payment In Kind as a Deduction:
1. From the Payroll screen, select the **Maintenance** menu and then **Deductions**. Set up the new deduction selecting **Payment In Kind** as the Deduction Type and completing the other fields as normal. See **Diagram A**.

Diagram A

2. Set up the new deduction for the payment in kind in the Employee File for the applicable employee(s). From the Payroll screen, select the **Maintenance** menu and then **Employees**. Enter the ID of the employee for which to add the new deduction in the Employee ID field or click the **Find** button to select the correct employee; then click the **Deductions** tab. Click the **New Record** button and complete the appropriate fields of information. See **Diagram B**.

Diagram B

Enter the ID of the payment in kind in the Deduction ID field, or click the **down-arrow** button to select it.

When setting up a payment in kind deduction in the Employee File, only the Employer section will be completed (the Employee section is disabled).

Specify the correct Rate Type and then enter the amount, percentage, or rate in the appropriate field. In this example, the payment in kind is set up with a rate table (in the Deduction File) and so **Fixed Table** is selected as the Rate Type and **Rate 1** is entered as the Rate Description for Every Pay Period.

After entering the information for the new deduction, click the **Save** button.

3. When the payroll is processed, the new deduction for the payment in kind will be automatically calculated and the taxable gross wages for the applicable taxes will be increased by the amount specified in the Employee File. See **Diagram C**.

The PIK increased the taxable gross wages for Social Security and Medicare by $250.00 (5,833.33 (Gross Earnings) - 17.50 (CANCER 125) + 250.00 (RENT (PIK)) = 6,065.83).

The PIK did not increase the gross earnings.

The PIK increased the taxable gross wages for FIT and SIT by $250.00 (5,833.33 (Gross Earnings) - 17.50 (CANCER 125) - 300.00 (NWEST TSA) - 366.92 (RETIREMENT) + 250.00 (RENT (PIK)) = 5,398.91).

The PIK increased the taxable gross wages for FUTA, SUTA, and Workers Comp by $250.00 (5,833.33 (Gross Earnings) + 250.00 (RENT (PIK)) = 6,083.33).

Diagram C

Setting Up a Payment In Kind as a Pay Code:

1. From the Payroll screen, select the **Maintenance** menu and then **Pay Codes**. Set up the new pay code selecting **Payment In Kind** as the Pay Code Type and completing the other fields as normal. See **Diagram D.**

Diagram D

2. When needed, to have the payment in kind included in the payroll calculation for an employee, make an entry in a Pay Period Entries batch using the pay code for the payment in kind. See **Diagram E**.

   Note: The pay code for the payment in kind does <u>not</u> have to be setup in the Employee File prior to making the entry in the Pay Period Entries batch.

3. When processing the payroll, select to include the applicable Pay Period Entries batch so that the specified taxes will be increased by the amount designated in the entry. See **Diagram F**.

Diagram E — Pay Period Entries

Enter the ID of the payment in kind in the Pay Code ID field.

Pay Period Entries - Pay Period Entries

File Options Leave Requests Reports Pin To Help

Individual Entry | Grid Entry

Employee Name: Kathy Jackson   Pay Code Description: Payment-In-Kind

Display All (No Totals) | Display All (With Totals) | Employee Only

Employee ID: JACKKAT   Units:
Pay Code ID: PIK   Hours:
Absence: Pay Rate: 0.00
Checking Account ID: 1   Dollars: 425.00
Check Sequence: 1   Start Date: 11/18/2022
                             End Date: 11/18/2022

Comments:

Batch Entries

Employee ID	Employee Last Name	Employee First Name	Pay Code ID	Units	Hours	Pay Ra
JACKKAT	Jackson	Kathy	PIK			

If the payment in kind does not have a Default Rate specified in the Pay Code File, leave the Units field blank and enter the amount for the payment in kind in the Dollars field. In this example, an entry was made for the payment in kind for Kathy Jackson to increase the gross taxable wages by $425 for the applicable taxes (those taxes that are cross referenced).

Otherwise, if the payment in kind does have a Default Rate entered in the Pay Code File, enter the number of units to include for the payment in kind in the Units field and the system will automatically calculate the dollars and display the total in the Dollars field.
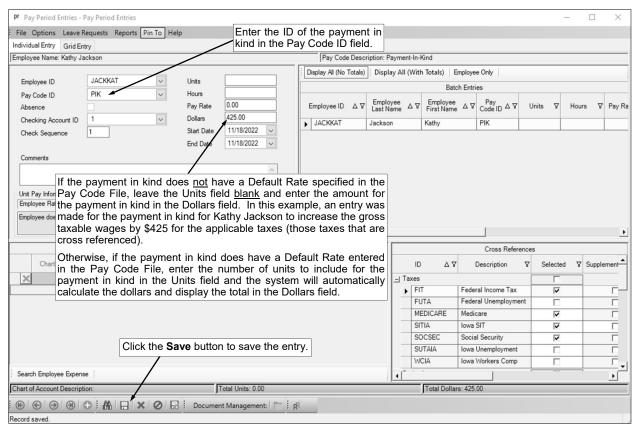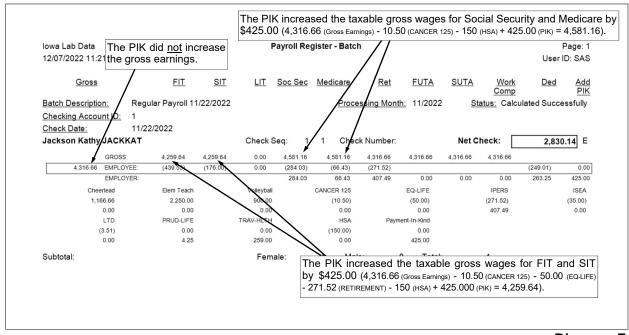
Cross References

ID	Description	Selected	Supplement
— Taxes			
FIT	Federal Income Tax	✓	
FUTA	Federal Unemployment		
MEDICARE	Medicare	✓	
SITIA	Iowa SIT	✓	
SOCSEC	Social Security	✓	
SUTAIA	Iowa Unemployment		
WCIA	Iowa Workers Comp		

Click the **Save** button to save the entry.

Search Employee Expense

Chart of Account Description: Total Units: 0.00   Total Dollars: 425.00

Document Management:

Record saved.

Diagram E

Diagram F — Payroll Register - Batch

The PIK increased the taxable gross wages for Social Security and Medicare by $425.00 (4,316.66 (Gross Earnings) - 10.50 (CANCER 125) - 150 (HSA) + 425.00 (PIK) = 4,581.16).

Iowa Lab Data
12/07/2022 11:21

The PIK did not increase the gross earnings.

Payroll Register - Batch   Page: 1
                                            User ID: SAS

	Gross		FIT	SIT	LIT	Soc Sec	Medicare	Ret	FUTA	SUTA	Work Comp	Ded	Add PIK

Batch Description: Regular Payroll 11/22/2022   Processing Month: 11/2022   Status: Calculated Successfully
Checking Account ID: 1
Check Date: 11/22/2022

Jackson Kathy JACKKAT   Check Seq: 1 1   Check Number: Net Check: 2,830.14 E

	Gross	FIT	SIT	LIT	Soc Sec	Medicare	Ret	FUTA	SUTA	Work Comp	Ded	Add PIK
GROSS:		4,259.64	4,259.64	0.00	4,581.16	4,581.16	4,316.66	4,316.66	4,316.66	4,316.66		
4,316.66 EMPLOYEE:		(439.55)	(176.00)	0.00	(284.03)	(66.43)	(271.52)				(249.01)	0.00
EMPLOYER:					284.03	66.43	407.49	0.00	0.00	0.00	263.25	425.00

Cheerlead	Elem Teach	Volleyball	CANCER 125	EQ-LIFE	IPERS	ISEA
1,166.66	2,250.00	900.00	(10.50)	(50.00)	(271.52)	(35.00)
0.00	0.00	0.00	0.00	0.00	407.49	0.00
LTD	PRUD-LIFE	TRAV-HLTH	HSA	Payment-In-Kind		
(3.51)	0.00	0.00	(150.00)	0.00		
0.00	4.25	259.00	0.00	425.00		

Subtotal: Female:

The PIK increased the taxable gross wages for FIT and SIT by $425.00 (4,316.66 (Gross Earnings) - 10.50 (CANCER 125) - 50.00 (EQ-LIFE) - 271.52 (RETIREMENT) - 150 (HSA) + 425.000 (PIK) = 4,259.64).

Diagram F

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