

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**.

The screenshot shows the 'PF Deductions' window with several sections and annotations:

- General Information:**
 - Deduction ID: RENT
 - Deduction Description: Rent
 - Deduction Type: Payment In Kind
 - Deduction Check Description: RENT
 - School ID Number: [Blank]
 - Payables Mask: [Blank]
 - Expense Mask: [Blank]
 - Deduction Sequence: 200
 - Rate Type: Fixed Table
 - State Retirement System Deduction: [Checked]
 - Start Date: [Blank]
 - Exclude from Expense Payroll: [Checked]
 - Payee Check Information: [Disabled]
 - W2 Information: [Blank]
 - Report Options: [Print Gross Wages, Print Employee ID, Hide on Check, Print Employee Social Security Number, Print Member Number, Print Rate Table Description on Check]
- Taxes:**
 - FIT: Federal Income Tax
 - FUTA: Federal Unemployment
 - MEDICARE: Medicare
 - SITIA: Iowa SIT
 - SOCSEC: Social Security
 - SUTAIA: Iowa Unemployment
 - WCIA: Iowa Workers Comp
- Pay Codes:**
 - ADD: Additional Rate
 - ADDSICKBANK: Admin Sick Leave Sick Bank
 - BUS: Bus Driver Sub
 - C01: Contract 1
 - C02: Contract 2
 - C03: Contract 3
 - C04: Contract 4
 - COOK: Cook Sub
 - CUSTODIAN: Custodian
 - ELSUB: Elementary Sub
 - EXTRA: Extra Curricular
 - FAM: Family Leave
 - HOLIDAY: Holiday
 - JRSUB: Junior High Sub
 - MILEAGE: Mileage
 - MISC: Miscellaneous Add

Annotations:

- "Select **Payment In Kind** as the Deduction Type to increase an employee's gross taxable wages, but not affect the gross earnings."
- "For the new deduction, select the applicable taxes for which to increase the gross taxable wages. In this example, the gross taxable wages for all taxes will be increased."
- "The deduction sequence for a payment in kind should be in the 200s."
- "The Payee Check Information section is disabled for payment in kinds."
- "Select the pay codes that will allow this deduction."
- "Click the **Save** button after entering all the information for the new deduction."

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**.

pf Employees

File Options Reports Pin To Help

Employee ID: JOHNNWIL William Johnson

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.

Employee Deductions

Deduction ID	Deduction Description	Active	Employee Rate Type	Employee Rate
AFLAC	Aflac Cancer Ins - 125	<input checked="" type="checkbox"/>	Fixed	17.50
HEALTHINS	Travelers Health Ins Co	<input checked="" type="checkbox"/>		
LTD	Long Term Disability	<input checked="" type="checkbox"/>	Multiplier Percent	1.00
NWMLIFE	Northwestern Mutual Life	<input checked="" type="checkbox"/>	Fixed	300.00
PRUDENTIAL	Prudential Life Ins Co	<input checked="" type="checkbox"/>		
RENT	Rent	<input checked="" type="checkbox"/>		
RET	Ret-Iowa Public Em	<input checked="" type="checkbox"/>		

Cross References

Selected	ID	Description	Type	State Re System
<input checked="" type="checkbox"/>	FIT	Federal Income Tax	Federal Income Tax	
<input checked="" type="checkbox"/>	FUTA	Federal Unemployment Tax	Federal Unemployment Tax	
<input checked="" type="checkbox"/>	MEDICARE	Medicare	Medicare	
<input checked="" type="checkbox"/>	SITIA	Iowa SIT	State Income Tax	
<input checked="" type="checkbox"/>	SOCSEC	Social Security	Social Security	
<input checked="" type="checkbox"/>	SUTAIA	Iowa Unemployment	State Unemployment Tax	
<input checked="" type="checkbox"/>	WCIA	Iowa Workers Comp	Workers Compensation	

Pay Codes

Document Management: RENT

Diagram B

- 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**.

Iowa Lab Data
12/07/2022 8:20 AM

Payroll Register - Batch
Unposted - Itemized; Batch Description Regular Payroll 11/22/2022; Employee ID JOHNNWIL; Payroll Type Expense Payroll, Extra, Pay Off Contracts, Purchase Order, Regular, Reversing GAAP

Page: 1
User ID: SAS

Processing Month: 11/2022
Status: Calculated Successfully

Check Date: 11/22/2022
Johnson William JOHNNWIL

Check Seq: 1 1
Check Number: 1
Net Check: 3,924.03 E

The PIK did **not** increase the gross earnings.

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 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).

Gross	FIT	SIT	LIT	Soc Sec	Medicare	Ret	FUTA	SUTA	Work Comp	Ded	Add PIK
5,833.33	483.62	249.00	0.00	6,065.83	6,065.83	5,833.33	6,083.33	6,083.33	6,083.33	(345.73)	0.00
EMPLOYEE:											
Superintendent											
5,833.33											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											
EMPLOYER:											
CANCER 125											
(17.50)											
0.00											
0.00											
0.00											
250.00											
Subtotal:											
5,398.91											

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**.

Select the Pay Code Type of **Payment In Kind** to increase the taxable gross wages, but not affect the gross earnings.

For the new pay code, select the applicable taxes for which to increase the gross taxable wages. In this example, the gross taxable wages for only FIT, SIT, Medicare, and Social Security will be increased.

If desired, enter a default rate for the payment in kind in this field if the same rate will apply for all employees. For example, if a payment in kind is being setup for a meal reimbursement for lunch which did not require an overnight stay and all employees are reimbursed the same rate for lunch, enter that amount in the Default Rate field.

Leave the Default Expense Accounts field blank as it does not apply to payment in kinds.

Click the **Save** button after entering all the information for the new pay code.

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 not 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**.

PR 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

Batch Entries

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

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

Comments:

Unit Pay Infor Employee Rat Employee doe

Chart

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

Search Employee Expense

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

Record saved.

Cross References

ID	Description	Selected	Supplement
FIT	Federal Income Tax	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FUTA	Federal Unemployment	<input type="checkbox"/>	<input type="checkbox"/>
MEDICARE	Medicare	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SITIA	Iowa SIT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SOCSEC	Social Security	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SUTAIA	Iowa Unemployment	<input type="checkbox"/>	<input type="checkbox"/>
WCIA	Iowa Workers Comp	<input type="checkbox"/>	<input type="checkbox"/>

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

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.

Diagram E

Iowa Lab Data 12/07/2022 11:21

The PIK did not increase the gross earnings.

Payroll Register - Batch

Page: 1 User ID: SAS

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
4,316.66	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	(249.01)	0.00
EMPLOYEE:	(439.55)	(176.00)	0.00	(284.03)	(66.43)	(271.52)				263.25	425.00
Cheerlead	1,166.66	2,250.00	900.00								
Elem Teach	0.00	0.00	0.00								
LTD	(3.51)	0.00	0.00								
PRUD-LIFE	0.00	4.25	259.00								
TRAV-HEALH	0.00	0.00	0.00								
CANCER 125	0.00	0.00	0.00								
HSA	0.00	0.00	0.00								
EQ-LIFE	0.00	0.00	0.00								
IPERS	0.00	0.00	0.00								
Payment-In-Kind	0.00	0.00	0.00								
Subtotal:											

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).

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) + 425.00 (PIK) = 4,259.64).

Diagram F