



## Rate of Pay Safe Harbor

The Rate of Pay safe harbor uses either the employee's hourly wage or monthly salary to determine the employee's insurance premium cost. By multiplying the employee's hourly wage by 130 hours you can determine the employee's average monthly wage. 9.5% of this amount is the maximum allowed deduction for the employee's insurance premium.

For an employee making minimum wage this safe harbor is calculated by multiplying an hourly wage of \$7.25 by 130 (hours), which results in an average monthly wage of \$942.50. 9.5% of this average monthly wage is \$89.54 (\$942.50 x 0.095), which is the amount that can be withheld for the employee's portion of their insurance premium. For a salaried employee, you would multiply their monthly salary by 9.5%.

To start, select **Deductions** from the Maintenance menu in Payroll. Click **Add** to add a new deduction.

Complete the following parameters to set up the deduction:

- Deduction Name:** You can name this deduction anything you want.
- Abbreviation:** You can use any abbreviation you would like, but keep in mind this abbreviation will show on the employee pay stubs and reports. You'll want to use an abbreviation that makes sense to you and can be distinguished from other deductions you may have.
- Status:** Select **Active**.
- Deduction Type:** Select **Healthcare – Employee Share**. This ensures the amounts are accumulated and correctly reported on the employee's W-2.
- Deduction Method:** Select **Deduct amount each pay run**. This allows you to specify a deduction amount to be withheld each pay run.
- Pay Run Limit** **None**. Since you calculated the deduction based on the employee's average monthly wages, there is no need to set a pay run limit.
- Overall Limit** **No Limit – deduct forever**. Since you calculated the deduction based on the employee's average monthly wages, there is no need to set an overall limit.

You'll want to check the "Add deduction amount to arrears if the employee does not work" box. This ensures that any insurance premiums missed due to the employee not working will be caught up.

Now, scroll down to set up a few more options, including the arrears reduction method you want to use, the store and account to post this deduction to, and the tax impact of this deduction and the W-2 impact for this deduction.

Once you have all these fields set up, you are ready to start using this new deduction.