



Form W-2 Safe Harbor: Overall Limit

If you have decided to use the W-2 safe harbor, there are multiple ways you can set up the deduction to ensure you are deducting the correct amount each pay period. Let's look at the Overall Limit – **Deduct to 9.5% of YTD Federal Wages**.

This option also allows you to set a flat amount for the employee's insurance premium each pay period, but it uses the employee's *year-to-date* federal wages to determine if the full amount of the deduction can be withheld from the employee each pay period.

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

The screenshot shows the 'Add Deductions' dialog box with the following settings:

- Deduction Name: Overall Limit is 9.5% YTD
- Abbreviation: 9.5% YTD
- Status: Active
- Deduction Type: Healthcare - Employee Share
- Deduction Method: Deduct amount each pay run
- Pay Run Limit: None
- Overall Limit: Deduct to 9.5% of YTD federal
- Add deduction amount to arrears if the employee does not work:

Buttons at the bottom: Next, OK, Cancel, Reset.

Footnote: Choose whether or not a deduction continues to be taken even if the employee doesn't work in a pay period, e.g., health insurance.

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 that 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 period.
- Pay Run Limit** **None**. Since you using the overall limit to prevent the deduction from exceeding 9.5% of the employee's YTD wages, you don't need to set a pay run limit.
- Overall Limit** **Deduct to 9.5% of YTD federal**. Selecting this option ensures the deduction amount does not exceed 9.5% of the employee's YTD federal wages.

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.