



## Form W-2 Safe Harbor: Pay Run 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 Pay Run Limit – **Limit is 9.5% of Federal Wages**.

This option deducts a flat amount for the employee's insurance premium, up to 9.5% of federal wages for the pay period. If the deduction exceeds 9.5%, it will not be taken in full and instead will be capped at 9.5% of federal wages for the pay period.

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

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 will ensure the amounts are accumulated and correctly reported on the employee's W-2.
- Deduction Method:** Select **Deduct amount each pay run**. This will allow you to specify a deduction amount to be withheld each pay period.
- Pay Run Limit** Select **Limit is 9.5% of federal wages**. With this selection, if the deduction amount exceeds 9.5% of the employees federal wages, only the calculated 9.5% will be withheld.
- Overall Limit** Select **No Limit – deduct forever**. Since the Pay Run Limit will prevent an amount over 9.5% of the employees' wages from being withheld, no overall limit is needed.

You'll want to check the "Add deduction amount to arrears if the employee does not work" box. This will ensure 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.