

Handling 403B and 401K in PowerChurch Plus (V6-10)

The following is an example of how 403B and 401K can be handled in PowerChurch Plus. For users of Versions 7 through 10, you will also find information on which boxes should be selected for printing correct W2 and W3 forms at year-end.

Maintain Employee Pay Items

Buttons: Add, Delete, Find, Locate, Next, Previous, Close

Last Name: Sutter First Name: Candy
Address: 345 W. Riverside Blvd., Riverside, CA 92100
Pay Group: S Earnings: 1000.00 per pay period Employee No: 2

No.	Item Name	Type	Proc	Tax Table	Exempt/Yr.	Regular	Over	Other	Unpaid	Amount
1	GROSS SALARY	I	Y							900.00
11	403B INCOME	I	Y							100.00
21	FED. WH	D	Y	FEDERAL TAX: MARRIED	1200.00					36.25
22	SOCIAL SEC.	D	Y	SOCIAL SECURITY						62.00
26	MEDICARE	D	Y	MEDICARE						14.50
29	403B WITHHLD	D	Y	NONE						100.00
41	SS-EMPLR	L	Y	SOCIAL SECURITY						62.00
42	MED-EMPLR	L	Y	MEDICARE						14.50

Emplr. Liab. 76.50 Taxable Inc. 1000.00 Non-Tax Inc. 0 Deductions 212.75 = Check Amt. 787.25

Change

Under the **Maintain Item**

Descriptions screen in **Payroll**, add a new taxable income item and call it **403B Income**. This item should credit your checking account and debit an expense account - just like the existing **Gross Salary** item. On the **W2 Information** tab, set this item to display in boxes 3, 5, and 12.

Next, add a withholding item and call it **403B Deduction**. This item should debit the checking account and credit a liability account. No items need be selected on the **W2 Information** tab.

On the **Maintain Employee Pay Items** screen, add these newly defined items to the employee. In this example, the employee is paid \$1,000 monthly and will be contributing \$100 of this amount toward a 403B. To show this, we must reduce the **Gross Salary** item to \$900 and increase the **403B Income** item to \$100. Notice that the total income is still \$1000 - separated into two different categories. On the **403B Deduction** item, set the amount to \$100.

From a tax standpoint, 403Bs and 401Ks are not exempt from Medicare and Social Security. However, they are exempt from Federal Withholding. Such being the case, we must increase the **Exempt/Yr** amount on the **Federal Withholding** item for this individual. Because the employee is contributing \$100 a month to his 403B, we must increase his Federal **Exempt/Yr** amount by \$1200 ($\$100 \times 12 \text{ months}$).

The pay items must be set up this way to ensure that the correct amounts will be shown on the W2 form. In other words, the employee's **Gross Salary** of \$900 will show in boxes 1, 3, and 5, but the \$100 **403B Income** goes into box 3, 5, and 12. At year end, box 1 shows \$10,800 and boxes 3 & 5 show \$12,000.

Please note: This document is to be used simply as a guideline. Before making any changes to your payroll calculations, it is always wise to consult with your accountant and refer to the appropriate Internal Revenue Service and State Department of Revenue publications.

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