



## Tips FAQ

### There are generally two types of tips that get recorded for employees:

- Charge tips - tips that are to be paid out during payroll processing and applicable taxes can be deducted during that processing.
- Cash tips - tips that employees have already received and need to be entered in the payroll system in order to record wages and collect applicable taxes.

### In this article, we will focus on cash tips as charge tips are generally straightforward in their processing.

- If possible, cash tips should be recorded with other employee wages in order for taxes to be reduced from those other wages.
- Tips recorded without other wages cause tax variances for FICA (OASDI) and Medicare, as there is nothing to pull the tax liabilities from. Year-end W2s cannot be filed with a variance in FICA and Medicare withholdings.
- In order to correct this variance as you are processing, you can reduce the employees FIT withholdings to cover the FICA and Medicare taxes.

### To record Cash tips with no other wages:

- Within your scheduled payroll or a supplemental payroll if necessary, navigate to the View Pay Statements section.
- Choose the New Pay Statement button in the upper right of your screen.
- Choose the employee and a pay statement type of Regular (you can ignore any calculated deductions as they will zero out)
- On the first open row, choose the earnings of Cash Tips (this is the standard name - if you have requested a different name for Cash Tips, you would choose that earning name)
- Enter the amount of cash tips in the Amount column and Save

Row Id	E/D Code	E/D Name	Hours	Miles	Base Rate	Amount
=	starts with	starts with	=	=	=	=
9585332930	Vol Life Ins Post	Vol Life Ins Post				
9585332930	Vol Life Ins Post	Vol Life Ins Post				
9585327679	401k	401k				
9585332941	Cash Tips	Cash Tips				\$100.00

- If you Preview the pay statement at this point (Preview button in the upper right), you will see no taxes deducted and no amounts actually being paid out
- Choose the Utilities button (upper right) and then choose Tax Overrides Advanced
- You will be able to see the amount that the system calculated for FICA (OASDI) and Medicare in the detailed rows

FEDERAL TAX	RESIDENT			TAX AMOUNT		ADD. WTH
	EE/ER	OVERRIDE	RESIDENT	OVERRIDE	\$ / %	
Federal Income Tax	EE	<input type="checkbox"/>	Yes ▾	<input type="checkbox"/>	\$ ▾	
Federal Unemployment Tax	ER			<input type="checkbox"/>	\$ ▾	
OASDI	EE	<input type="checkbox"/>	Yes ▾	<input type="checkbox"/>	\$ ▾	6.20
	ER			<input type="checkbox"/>	\$ ▾	6.20
Additional Medicare	EE	<input type="checkbox"/>	Yes ▾	<input type="checkbox"/>	\$ ▾	
Medicare	EE	<input type="checkbox"/>	Yes ▾	<input type="checkbox"/>	\$ ▾	1.45
	ER			<input type="checkbox"/>	\$ ▾	1.45

- These two amounts (EE Only) need to be reduced from the Federal Income Tax row with a negative to cover the taxes. \*\*\*
- Click the Override box in the Tax Amount Override column on the Federal Income tax row to allow entry into the Amount and then enter the total of the FICA (OASDI) and Medicare amounts as a negative, then choose Apply Changes (bottom right) and Save your pay statement again.

FEDERAL TAX	RESIDENT			TAX AMOUNT		ADD. WTH
	EE/ER	OVERRIDE	RESIDENT	OVERRIDE	\$ / %	
<input type="checkbox"/> Federal Income Tax (MPM Companies LP)	EE	<input type="checkbox"/>	Yes ▾	<input checked="" type="checkbox"/>	\$ ▾	-7.65
<input type="checkbox"/> Federal Unemployment Tax (MPM Companies)	ER			<input type="checkbox"/>	\$ ▾	

- If you preview your pay statement again, you will now see the negative amount in the FIT row and the amounts taken in the FICA and MEDI rows.

Taxes Withheld				
	Taxable	Taxable YTD	Current	YTD
FIT	100.00		-7.65	
FICA	100.00		6.20	
MEDI	100.00		1.45	
SIT:MI	100.00			

\*\*\* If the Employee doesn't have any YTD amount in their Federal Income Tax bucket, you will need to contact Support to request a correction.

Best practice is to always pay the tips on a pay statement that also includes wages.