



DIOCESE OF SIOUX CITY

Office of Administration & Finance

Date: June 18, 2020

To: Pastors, Bookkeepers & Business Managers

From: Julie Mahaney and Margaret Fuentes

Re: Payroll Updates for 2020-2021 – Effective July 1, 2020

As you know, July 1 is rapidly approaching. That date not only marks a new fiscal year, it's also the time when payroll and benefits change. Below is a recap of these changes. You should be aware of these already from the Benefit Enrollment meeting in April as well as the General Mail distributions. As promised, this will also provide instruction for setting up the new Roth 401(k) payroll item for employee contributions for those locations where this election was chosen.

Employee Compensation & Benefits – Effective July 1, 2020:

1. The employee record in QuickBooks should be updated for the following on 7/1/2020:
 - a. Employee salary changes – Due to COVID-19, we anticipate most locations will not increase employee salaries this next fiscal year. For those that do, these must be in writing, approved by the pastor and finance council/school board and documented in the employee files.
 - b. Federal or state tax withholding changes:
 - o A federal and state W-4 must be provided by the employee to make this update.
 - o Ensure Medicare and Social Security is marked for lay employees for taxes.
 - o Federal unemployment and advance earned income credit should not be marked for parishes and schools.
 - o Ensure the Iowa tax tab is completed. The IA Reserve Fund, admin surcharge and SUV (state unemployment) taxes should not be marked for parishes and schools.
 - c. Health insurance changes – Changes to the employee records for the July 1, 2020 health insurance bill should NOT be made until the July 2020 payroll. Use the health insurance bill to determine the changes that are needed for each full-time employee.
 - d. 401K changes – your employees have the option of participating in the Roth 401(k) starting July 1, 2020. **Roth 401(k) contributions are NOT pre-tax contributions,** the traditional 401(k) is pre-tax. Employees that want this election should have completed the 401(k) deferral change form to identify the change. Ensure the box “Employee is covered by a qualified pension plan” is marked in the QuickBooks employee record. Please see Attachment A for the instructions for adding the Roth 401(k) payroll item to QuickBooks.
 - e. Medical flex and dependent care (i.e., daycare) changes are based on the cafeteria plan form.
 - f. Supplement life and wellness – ensure the payroll items are “NOT” set up as pre-tax.
2. Employees that complete work in addition to their “normal tasks” are paid through payroll. For example, if the secretary plays the organ and cleans, this is paid through payroll.

3. Health insurance:
 - a. Please see Attachment B for 2020-2021 rates.
 - b. PPO plan – the amount the location can charge employees for single coverage increased to \$75 per month (from \$60 per month). **The amount charged is the decision of your pastor and finance council** and should have been discussed during the budget planning process.
 - c. Qualified High Deductible (HD) plan – no premium cost is passed on to employees for single coverage when choosing this plan. Locations can contribute up to \$75 per month (from \$50 per month) to the employee’s HSA (health savings account) plan. **This amount MUST be contributed directly to his/her HSA account, it should not be made directly to the employee.**
 - o Under the HD plan, the employee does not need the cafeteria FSA (flexible savings account) for medical deductions, he/she may still choose to use it for dental/vision.
 - o For employees under the HD plan, locations can deduct employee HSA contributions from the employee’s paycheck on a pre-tax basis. The employee must complete the High Deductible Health Insurance Plan payroll change form noting the amount he/she wants to deduct each pay period. A sample of this is in SmartVault.
 - o Locations should have provided those employees taking the HD plan the opportunity to open a Health Savings Account (HSA) with a local bank or with Eagle Ridge.
 - d. **Review the July 1 health insurance invoice closely to ensure you agree.** Lay insurance premiums will continue to be withdrawn via ACH on the 15th of each month.
 - e. As noted, **update employee records before processing July payroll to reflect changes.**
4. Wellness – Your location will continue to be billed \$25 per month for any employee(s) that do not participate in the wellness program. **Remember, this is the employee’s cost, the location should not pay this for the employee.** As noted, this is an “after-tax” deduction.
5. Dental Insurance – The rates will not change for 2020-2021. See Attachment B for the rates.
6. Basic Life Insurance – The rates will remain the same for 2020-2021.
7. Supplemental life – The rates will remain the same for 2020-2021. Remember, this is an “after-tax” deduction that is paid by the employee.
8. Opt Out – The location may elect to pay employees up to \$75 per month if they do not elect the diocesan health insurance. **This is approved by the pastor and finance council/school board.**
9. Cafeteria medical/dependent care plan deductions – Employees identify their deduction on the Eagle Ridge forms. Payments are mailed to Eagle Ridge.
10. 401(k) Elective Deferral – This continues to be a “matching plan”, i.e., the location contributes the same percent as the employee up to a maximum of 6%. This percentage can be split between the traditional 401(k) and the Roth 401(k) plans based on the employees’ election.
 - a. Remember only whole numbers should be used, i.e., 1%-1%, 2%-2%, 3%-3%, 4%-4%, 5%-5%, 6%-6%. Do not use flat amounts, such as \$100 or fractions such as 5 ½%.
 - b. Continue to submit 401(k) summary & detail excel reports by the 8th of each month via SmartVault. **Remember to include the Roth 401(k) contributions on your report.**
 - c. 401(k) funds will continue to be withdrawn via ACH on the 22nd of each month.

Priest Compensation & Benefits – Effective July 1, 2020:

1. The Active Priest Compensation Schedule for 2020-2021 was issued in General Mail on May 27, 2020. Please review this schedule as it must be followed in compensating your priest. As addressed in the memo, the priests have elected not to have a pay increase for the 2020-2021 fiscal year. However, the below remains in effect:

- a. The priest moves to the next salary step if his ordination anniversary date results in this change. This is based on the number of years he was ordained as of July 1, 2021. For example, if the ordination anniversary date is June 25, 1981, on July 1, 2021 he will be ordained 40 years, and would be paid on the 40+ step starting July 1, 2020.
 - b. The “Senior” priest status with an additional bump in the step for more than 30 years of service of \$1,800. This amount is incorporated in the priest compensation schedule.
 - c. The lower base pay (option 2) is adjusted for the change in mileage rate of 57.5 cents per mile that took effect January 1, 2020.
 - d. Cell phone reimbursement of up to \$100 per month.
 - e. 401(k) match up to 6% (if you put in 6%, the parish will match that 6%). The employee has the option to contribute to the traditional 401(k) and/or Roth 401(k).
2. Your priest should complete the priest compensation option form to elect Option 1, the higher base pay (the priest is not reimbursed for the first 500 miles driven per month) or Option 2, the lower base pay (all miles driven are reimbursed at the IRS rate of \$.575 per mile. This should be kept in your payroll file.
 3. Update the priest’s employee record in QuickBooks after June 2020 payroll for his new monthly salary (if applicable), any federal or state tax withholding changes based on a new W-4 if provided (Note: Priests are not “exempt” from taxes). Medicare, Social Security, unemployment, advance earned income credit, Iowa reserve fund and admin surcharge should NOT be marked. The Iowa tax tab must be completed so applicable wages appear on the W-2.
 4. 401K and medical flex, if elected, are set up in the same manner as lay employees.
 5. Supplemental life, if elected, is set up using a separate payroll item from lay employees, this is deducted from the priest’s wages and paid via ACH to the diocese.
 6. The priest must be paid from one location (the other locations reimburse their portion).
 7. Locations with priest changes – Pay the incoming priest for the entire month of July, pay the outgoing priest through June 30. Ask the incoming priest to complete an I-9, and federal and state W-4. Update the registered agent with the State of Iowa, complete a new corporate resolution, and update all bank/investment signature cards.
 8. Gifts paid to the priest with parish funds must be paid through his paycheck. These are taxable!

Diocesan Standard Chart of Accounts / Payroll Items:

Ensure your location is following the diocesan standard chart of accounts in the presentation of your balance sheet and profit & loss statement accounts. This is located on the diocesan website. Review payroll items to ensure they’re linked to correct salary/benefit accounts and reflect proper tax status.

2020-2021 Budget: This should be approved by July 1, 2020 and keyed into QuickBooks.

Please feel free to contact one of us with questions:

For accounting & QuickBooks questions, contact:

Julie Mahaney	712-233-7515	juliem@scdiocese.org
Linda Topf	712-233-7593	lindat@scdiocese.org
Ellen Dirks	712-233-7519	ellend@scdiocese.org

For questions regarding insurance, 401K and/or cafeteria plan, contact:

Margaret Fuentes	712-233-7510	margaretf@scdiocese.org
Michelle Steinbach	712-233-7523	michelles@scdiocese.org

Attachment A – Instruction to Add the Roth 401(k) Payroll Item in QuickBooks (p. 1 of 2)

To add a new payroll item for the Roth 401(k), in QuickBooks select:

- Lists (on the top tool bar)
- Payroll Item List

At the bottom left of the screen, select:

- Payroll Item
- New

The Select setup method screen will appear:

- Leave this marked as EZ Setup
- Select Next

The Payroll item type screen will appear:

- Mark the Retirement Benefits (401K, Simple IRA...) option
- Select Next

A Loading Payroll set up screen will appear, it will then be replaced with a screen that says “Tell us about your company retirement benefits”:

- Mark the box 401(k) (most common)
- Mark box, My 401(k) plan includes a designated Roth contribution (Roth 401(k))
- Select Next

The Set up the payment schedule for 401(k) screen will appear:

- In the payee (vendor) field, type Diocese of Sioux City
- Leave the account number field blank
- Leave the payment frequency as “I don’t need a regular...”
- Select Next
- Lastly Select Finish

Go to Lists – Payroll Item List

- QuickBooks has added the payroll item “Roth 401K Empl”

Go into each applicable employee record, the payroll info tab, and under Additions, Deductions and Company Contributions, add:

- Item Name: Roth 401K Empl
- Percentage: Example 6%, when keyed QuickBooks will convert this to a negative
- Ensure the box “Employee is covered by a qualified pension plan” is marked

The same 401(k) Company payroll item will be used regardless of whether the traditional 401(k) or Roth 401(k) is elected. For instance, if an employee elects 3% to the traditional 401(k) and 3% to the Roth 401(k), the Company 401(k) is marked at 6%.

Attachment A – Instruction to Add the Roth 401(k) Payroll Item in QuickBooks (p. 2 of 2)

You will need to amend your memorized 401(k) report for submitting contributions to include the Roth 401(k) item. You may want to create a new report. To do this, in QuickBooks select:

- Reports
- Employees & Payroll
- Employee Earnings Summary
- Select Customize Report – top left of screen
- Under Filters tab, under Account (middle) select the All Accounts drop down
- Select Multiple Accounts.
- A Select Account screen will appear, put a checkmark to the left of
 - 22600 Pension Payable and
 - 50930 Retirement Plans
 - If you've added other accounts, these also need to be marked
- Select OK
- Now Select the Header/Footer tab
- Change the Report Title from Employee Earnings Summary to 401(k) Report
- Select OK again.
- Enter the current month.
- Select Memorize, then OK
- To view this next time, Select Reports – Memorized Reports – 401(k) Report
- This can be exported
 - Select Excel (top of tool bar)
 - Create New Worksheet in new workbook
 - Export
- Once exported, you'll need to amend the report to comply with the required format for submission, i.e., remove the dashes, SSN name needs to be in a separate column from employee name...
- This report should be saved in the same excel spreadsheet as the Summary Report
- When saving the report, name it with the location name and city, month and year
- Once complete, drop the report in SmartVault by the 8th of each month.

