

30 TERMS

Every Payroll Manager Should Know

1. 401(K) PLAN

Portion of an employee's pre-tax pay placed into a retirement account that invests the money. Contributions are not subject to federal income taxes until they are withdrawn.

2. ACCRUAL

Short-term liabilities (interest, taxes, wages, etc.) after the cash value has been determined, but before it is transferred.

3. AUTOMATED CLEARING HOUSE (ACH)

A Federal Reserve Bank that acts as a clearinghouse for companies using direct deposit or other electronic payment transactions. For example, when funds are moved from Bank A to Bank B, they must go through the ACH before being deposited into Bank B.

4. AVERAGE TAXABLE PAYROLL

The average of an employer's taxable payrolls immediately preceding the tax rate computation date for a specified period.

5. BENEFIT ACCRUAL

Benefits accumulated by the employee over a period of time (paid time off, etc.).

6. COMMON LAW EMPLOYEE TEST

Guide used by the IRS to determine if a worker should be classified as an employee or an independent contractor.

7. CONSUMER CREDIT PROTECTION ACT

Limits the amount of an employee's wages that may be withheld for payment of debts, often used with specific reference to Title III of the act.

8. DAVIS-BACON AND RELATED ACTS

Requires employers to pay all contractors and subcontractors (in excess of \$2,000) not less than the prevailing wage rates and fringe benefits determined by the Department of Labor for the type of work performed.

9. ELECTRONIC FEDERAL TAX PAYMENT SYSTEM (EFTPS)

A free service from the Department of the Treasury that is used by individuals, businesses, federal agencies, payroll services and tax professionals. The system can be used to pay taxes online or over the phone. All payments go directly to the Internal Revenue Service (IRS).

10. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION (EEOC)

Agency responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or employee because of the person's race, color, religion, sex (pregnancy, gender identity and sexual orientation), national origin, age, disability or genetic information.

11. FAIR LABOR STANDARDS ACT (FLSA)

Establishes minimum wage, overtime pay, recordkeeping and youth employment standards affecting employees in the private sector and in federal, state and local governments.

12. FAMILY AND MEDICAL LEAVE ACT (FMLA)

Allows eligible employees of covered employers to take unpaid, job-protected leave for specific family and medical reasons with continuation of group health insurance coverage under the same terms and conditions as if the employee had not taken leave.

13. FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)

Provides for social security tax. FICA taxes pay for old-age, survivor and disability insurance (OASDI) benefits, as well as Medicare hospital insurance (HI) for the elderly and disabled.

14. FEDERAL UNEMPLOYMENT TAX ACT

Provides for payments of unemployment compensation to workers who have lost their jobs.

15. FRINGE BENEFIT

Compensation other than wages provided to an employee (paid time off, transportation, insurance, etc.) that may be taxable or non-taxable.

16. FLEXIBLE SPENDING ACCOUNT (FSA)

Pre-taxed dollars removed from an employee's wages and placed into an account that can be used to pay for health insurance, deductibles, co-payments, etc.

17. HOURS OF WORK

A set schedule that establishes the company's official workweek. This helps set the time frame for overtime hours.

18. GROSS WAGES

Total wages paid to an employee before taxes and reductions.

19. GROUP TERM LIFE (GTL)

Employer-provided life insurance coverage. The premium for coverage more than \$50,000 is taxable. This must be reported as additional income on an employee's W-2.

20. LIABILITY DATE

The date an employer must begin reporting wages and paying taxes for unemployment insurance purposes.

21. LIVING WAGE

The lowest wage at which the earner and his/her family can afford the most basic costs of living.

22. MINIMUM WAGE

The most widely recognized term in the realm of employee compensation. It is the lowest hourly wage an employer can pay an employee for work.

23. OVERTIME

Time an employee works more than the 40-hour legal workweek. The FLSA requires most employers to pay overtime to employees at a rate of one and one-half the employee's regular rate of pay.

24. PAID SICK LEAVE

Hours employees can take off work when sick and still be paid.

25. PAID TIME OFF

Hours employees can take off work for any reason and still be paid.

26. PREVAILING WAGE

Refers to the rate of pay contractors and vendors must offer their employees when doing business with a government agency.

27. PUBLIC HOLIDAY ENTITLEMENT

Employees at certain businesses are entitled to time off on all public holidays. However, payment for these holidays is not a federal requirement. The benefits are a matter of agreement between an employer and employee or the employee's representative.

28. TAKE-HOME PAY

Amount of wages a worker receives after all deductions have been made. These deductions include taxes, health insurance, etc. This is also referred to as net pay.

29. WAGE THEFT

Theft that occurs when employees do not receive their legally or contractually promised wages. This includes non-payment of overtime, not giving employees their last paycheck after he/she leaves a job, not paying for all hours worked, not paying minimum wage and not paying an employee at all.

30. WITHHOLDING TAX

If an employer is required to withhold taxes, it is the amount of income taxes withheld when the salary is paid. The amount withheld is a credit against the amount of income taxes the employee must pay on his/her income earned for the taxable year.

* These terms were acquired from the Department of Labor (DOL) website.

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