
How to Accrue Credit Reduction

Step 1: Enter the Credit Reduction Rate in State Tax Rate Table

1. In your Datatech Software, the Credit Reduction is set by state on the State Tax Rate Table. To edit this rate, go to **Payroll > Setup > State Tax Rate Table > Other Withholding Settings** tab.
2. Enter the rate in the **FUI Credit Reduction** entry.

The screenshot shows the 'State Tax Rates' window for California, 2022. The 'Other Withholding Settings' tab is active. The 'FUI Credit Reduction' field is highlighted with a red box and contains the value 0.0030. Other fields include Standard Deductions (Single: 4803.00, Married, 0 & 1 Dependant: 4803.00, Married, 2+ Dependents: 9606.00, Head of Household: 9606.00), Low Income Exemptions (Single: 15916.00, Married, 0 & 1 Dependant: 15916.00, Married, 2+ Dependents: 31831.00, Head of Household: 31831.00), Tax Credits/Exemptions (Single: 141.90, Married: 283.80, Dependant: 141.90), State Unemployment Insurance (SUI Rate: 0.0310, Training Rate: 0.0010, SUI Wage Limit: 7000), Miscellaneous Settings (Credit Federal Wht: No, Max Fed Credit: 0, UBI Number:), and H-2A Subject Taxes (Local Tax, State Unemployment, SDI/F&ML).

Step 2: Verify the Accrual Method is Turned On

As discussed in the “About Credit Reduction” section of the *FUI Credit Reduction...* article, it is likely the rate will continue for several years. Companies with a large number of employees will be hit the hardest, with possible tens of thousands of dollars in extra 940 taxes at the end of the year.

Companies may choose to spread the cost of the credit reduction throughout the year, instead of paying the credit reduction tax in the fourth quarter.

1. To have the program accrue the Credit Reduction, go to **Tools > Program Setup > Payroll** tab.
2. Under *Payroll Journal Settings*, select **Accrue Credit Reduction Tax with FUI** if you would like the additional tax included with the accrual.

Here Is How the Following Reports Will Work With the FUI Tax:

Payroll Journal

FUI accruals will be broken-down by state on the Payroll Journal GL Distribution Report. Because the accrual transaction includes the tax rate and FUI tax rates may vary for each state, a separate accrual transaction will be posted for each state.

Wage and Tax Summary

The 940 will now include two lines, one for the base rate of .6% and another line for the credit reduction additional tax.

Wage & Tax Summary 940 section with credit reduction tax:

Federal Liability	Current	Year to Date
943		
Soc Sec	932,999.20	932,999.20
Medicare	225,878.38	225,878.38
FIT	458,523.47	458,523.47
943 Total	1,617,401.05	1,617,401.05
940		
FUI	18,055.50	18,055.50
CA Cr Red	9,027.75	9,027.75
940 Total	27,083.25	27,083.25
Federal Total	1,644,484.30	1,644,484.30

Taxable Wages by Quarter

When printing this report for FUI taxes for a single state, it will also print the FUI Credit Reduction Rate and calculate the additional amount of tax owed.

Mid-Year Adjustment Note:

Turning on the Accrual will **only** start accruing on your next payroll. If you would like to make a journal entry to accrue the year-to-date anticipated tax, you may run the Wage & Tax Summary to get the additional tax. You would credit your 940-liability account to increase the liability by this amount and debit your payroll tax expense account.

Billing for Labor Contractors

All labor contractors bill growers for overhead payroll expenses. Labor contractors that bill a simple flat percentage of labor to cover overhead should consider increasing this percentage to cover the additional FUI tax.

Some labor contractors itemize the payroll overhead costs separately on their invoices. In these cases, you may want to include the FUI Credit Reduction in the FUI percentage that is billed to your growers.

1. To enable this go to **Tools > Program Setup > Labor Contractor tab > Invoice Settings tab**.
2. Under *Report/Invoice Settings*, select **Charge Credit Reduction Tax with FUI on FLC Invoices**.

Note: With this box selected, a California grower would be billed .9% for FUI instead of 0.6%. However, this option will **only apply** to grower accounts that have the “Bill FUI” option selected on the *Billing Information* tab of their grower account. Follow steps 3-5 for further instructions.

The screenshot shows the 'Invoice Settings' tab within the 'Labor Contractor' section. The 'Report/Invoice Settings...' section contains several options:

- Update Accounts Receivable
- Invoice Date: Check Date (dropdown)
- Font for Invoices: Arial (text) [Select Font... (button)]
- Batch Printing Summary Invoice
- Line Item Ordering Options: Crew #, Date (dropdown) | Job ID, Date (dropdown)
- Print FLC Info on Invoice: No (dropdown)
- Job Description: Job ID (text) [... (button)]
- Time Card Billing Option
- Charge Credit Reduction Tax with FUI on FLC Invoices (highlighted with a red box)
- Health Ins. Invoice Description: (text)
- Use Decimal Numbering for Invoices to Same Grower

3. Next, open each grower account you would like to bill for FUI. Go to **Labor Reports > Grower Entry > (Open Grower Account) > Billing Information** tab.
4. Select **Bill FUI**.
5. Click **Save**. Continue to do this for any other grower accounts you would like to bill for FUI.

Labor Reports/Invoicing **Billing Information** Invoice Settings

Billing Descriptions:	% Rates:
Commission	8.00
Affordable Care Act	5.00
Sick Leave	1.00
	0.00

Charge Commission on Regular Wages Only

Health Insurance Billing Description:

Sick Pay Billing Description: % Rate
 0.00

Overhead Billing Settings:

- Bill SUI
- Bill FUI
- Apply Unemployment Wage Limit
- Bill FICA
- Bill Worker's Comp Insurance
- Bill W/C on Overtime Wages
- Bill Worker's Benefit Fund
- Bill Health Insurance Print Hour Report
- Rate: 0.00 Per: Hour
- Bill on Separate Invoice
- Exclude employees that decline coverage
- Bill Health Insurance on Sick Pay Wages
- Bill Accrued Sick Pay

Another way of handling this includes adding a surcharge by using one of the commission entries. One advantage of this is that it is possible to keep track of the amounts you are billing for the FUI Credit Reduction.