



Article # 1244

Technical Note: Understanding the Worker's Compensation Feature in AM7

Difficulty Level: Beginner Level AccountMate User

Version(s) Affected: AccountMate 7 for SQL and Express, AccountMate 6.5 for LAN with Upgraded PR only (available in Build LN603 or higher)

Module(s) Affected: PR

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DESCRIPTION

Worker's compensation laws are created to help ensure that financial compensation is awarded to employees who get sick, injured or disabled at work. It also provides benefits for the dependents in case of the worker's death. These laws also benefit the employers by setting a liability that is limited and determined. AccountMate 7 for SQL/Express introduces the worker's compensation feature that allows the user to set up an obligation to fund worker's compensation at the time a payroll payment is processed.

This technical note provides a comprehensive discussion on how to set up the worker's compensation code and group, as well as the procedures for using the compensation codes and groups to calculate the worker's compensation liability when processing payroll transactions. This document also discusses the purpose and use of the different Worker's Compensation Reports.

SOLUTION

A. Steps to set up worker's compensation code records

1. From the Maintenance menu, access the Worker's Compensation Code function.
2. In the **Worker's Comp Code** field, enter the worker's compensation code and click the Add button.
3. In the **Description** field, enter the worker's compensation code description.
4. Click the Update button.

B. Steps to set up worker's compensation group records

1. From the Maintenance menu, access the Worker's Compensation Group function.
2. In the **Worker's Comp Group** field, enter the worker's compensation group code that represents the employer's classification based on the type of industry to which it belongs; and click the Add button. For example, you may use the code "ENGR" to represent an engineering company.
3. In the **Description** field, enter the worker's compensation group description.
4. In the **Liability Account** field, enter the GL Account ID you want the system to use to record the liability for the group's worker's compensation.
5. Mark the **Exclude OT Premium** checkbox if you want to exclude overtime premiums from the worker's compensation computation.
6. In the **Work State** field, select the state where the employees who are subject to the selected worker's compensation codes work.
7. In the grid, add the worker's compensation codes that apply to the employees who work in the selected state; and set up the premium rates, experience modification factor and liability limit for each worker's compensation code. To add a record in the grid, do the following:
 - 7.1 Click the Add button.
 - 7.2 In the **Worker's Comp Code** field, enter the worker's compensation code.
 - 7.3 In the **Rate** field, enter the worker's compensation premium for every \$100-worth of wages.
 - 7.4 In the **Factor** field, enter the rate by which your company's workers' compensation premium is adjusted when the company meets or exceeds a certain threshold. This is oftentimes referred to as the Experience Modification Factor and is dependent on how the company compares against other employers within the same classification based on the frequency of accidents and severity of injuries.
 - 7.5 In the **Limit** field, enter the maximum amount of worker's compensation liability that may be accumulated in a given tax year for each employee who works in the selected state.
8. Click the Update button.

C. Procedures for using worker's compensation groups and codes when processing payroll transactions

1. Assign the worker's compensation group and code to earning codes using the Earning Code Maintenance function.

- 1.1 In the **Worker's Comp Group** and **Worker's Comp Code** fields of the Information tab, enter the worker's compensation group and code, respectively.
- 1.2 In the **Worker's Comp Expense Account** field of the GL Distribution grid, enter the GL Account ID that will be debited to record the worker's compensation amount.
2. Add the earning codes to the appropriate employee records using the Employee Maintenance function.
 - 2.1 In the Earning Code tab, amend or accept the default **WC Group** and **WC Code** values.
 - 2.2 In the GL Distribution grid of the Earning Code tab, amend or accept the default **Worker's Comp Expense Account** for each earning code that is assigned WC Group and WC Code values.
3. Run the Apply Payroll/Payment function and review the calculated worker's compensation amounts.
 - 3.1 In the **Worker's Comp tab**, review the worker's compensation information which includes the WC Group, WC Code, Amount, WC Wages, Rate, Factor, and WC Amount.
 - 3.2 In the **GL Distribution tab**, amend or accept the default **Worker's Comp Expense Account ID** for each earning code that is assigned WC Group and WC Code values.
4. Post handwritten check or print computer check.

D. Worker's Compensation Reports

These are the reports that provide information about worker's compensation:

1. Worker's Comp Code Listing – this report provides information about the Worker's Comp Code records that are available in the system.
2. Worker's Comp Group Listing – this report provides information about the Worker's Comp Group records that are available in the system. This report displays information such as the assigned Work States, Worker's Comp Codes, worker's compensation rates, experience factors, and limits.
3. Worker's Comp Transaction Report – this report provides information about the paid payroll transactions on which the system calculated worker's compensation amounts.

The foregoing discussion should help you to better understand the procedures required to properly set up the worker's compensation codes and groups and use these records to calculate the amount required to fund the worker's compensation liability when processing payroll transactions.

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