
Version: Connect

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Additional Resources: IRS Publication 1494
(<http://www.irs.gov/pub/irs-pdf/p1494.pdf>)

How do I set up the IRS Tax Levy Calculation?

Background

A tax levy is a legal seizure on wages to satisfy a tax debt. Employers generally have at least one full pay period after receiving a notice of levy on wages to begin withholding the required amount. The levy will end when the levy is released, the tax debt is paid, or the time for legally collecting the tax expires.

Upon receipt of an IRS tax levy, the employer should take the following steps:

- Immediately give the employee parts 2, 3, 4, and 5 of the wage levy.
- Instruct the employee to sign and return the Statement of Exemptions and Filing Status and return parts 3 and 4 to the employer within 3 work days.
- Calculate exemptions in accordance with the IRS Publication 1494 (<http://www.irs.gov/pub/irs-pdf/p1494.pdf>)

Directions

Follow the directions in this document to set up the IRS Tax Levy Calculation in Payroll.

In this document:

- Step 1: Set up the calculation tables
- Step 2: Set up the calculation formulas
- Step 3: Set up the calculations
- Step 4: Set up the IRS tax levy pay code
- Step 5: Add the pay code to an employee

Step 1: Set up the calculation tables

Use the Calculation table to set up the formulas to calculation Head of Household, Married Filing Jointly, Married Filing Separately, and Single.

Head of Household

1. Open **Connect Payroll > Organization > Calculation Tables**.
2. Click **New** (CTRL+N).
3. In the field titled **Calculation Table Name**, type the IRS tax levy name.

Example: IRS Tax Levy - Head of Household

The screenshot shows the 'Calculation Tables' configuration window in Caselle Connect. The breadcrumb trail is 'Caselle Connect > Payroll > Organization > Calculation Tables'. The 'Calculation table name' field contains 'IRS Tax Levy - Head of Household'. Below this, there are tabs for 'Calculation Table', 'Modifiers', and 'Notes'. The 'Calculation Table' tab is selected, showing a table with columns for 'Over', 'Not Over', and 'Tax Amount'. A 'Tasks' section is visible at the bottom left with an 'Add a new rate' button.

4. Click to select the **Modifiers** tab.
5. Set up **Modifier 1**.
 - In the field titled **Description**, enter *Annual Exemption Amount*.
 - Use the **Type** menu to select *Amount*.
 - In the field titled Value, type *9,250.00*
6. Set up **Modifier 2**.
 - In the field titled **Description**, enter *Annual Exemption Amount*.
 - Use the **Type** menu to select *Amount*.
 - In the field titled Value, type *4,000.00*
7. Set up **Modifier 3**.
 - In the field titled **Description**, enter *Annual Exemption Amount*.
 - Use the **Type** menu to select *Amount*.
 - In the field titled Value, type *1,550.00*

The Modifiers 1-10 subtab should look like this...

	Description	Type	Value
Modifier 1:	Annual Exemption Amount	Amount	9,250.00
Modifier 2:	Annual Amount per Exemption	Amount	4,000.00
Modifier 3:	Additional Annual Exemption	Amount	1,550.00
Modifier 4:		Amount	.00

8. Click **Save** (CTRL+S).

The calculation table to calculate the IRS tax levy for the head of household is set up.

Married Filing Jointly

1. Open **Connect Payroll > Organization Calculation Tables**.
2. Click **New** (CTRL+N).
3. In the field titled **Calculation Table Name**, type the IRS tax levy name.

Example: IRS Tax Levy - Married Filing Jointly

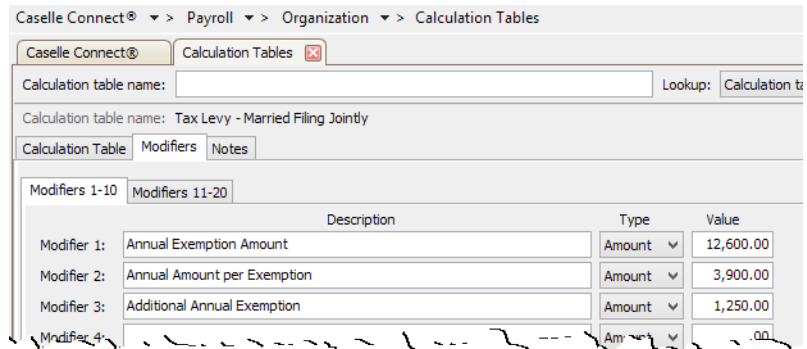
Tasks	Over	Not Over	Tax Amount
Add a new rate			

4. Click to select the **Modifiers** tab.
5. Set up **Modifier 1**.
 - In the field titled **Description**, enter *Annual Exemption Amount*.
 - Use the **Type** menu to select *Amount*.
 - In the field titled Value, type *12,600.00*
6. Set up **Modifier 2**.
 - In the field titled **Description**, enter *Annual Exemption Amount*.
 - Use the **Type** menu to select *Amount*.
 - In the field titled Value, type *3,900.00*

7. Set up **Modifier 3**.

- In the field titled **Description**, enter *Annual Exemption Amount*.
- Use the **Type menu** to select *Amount*.
- In the field titled Value, type *1,250.00*

The Modifiers 1-10 subtab should look like this...



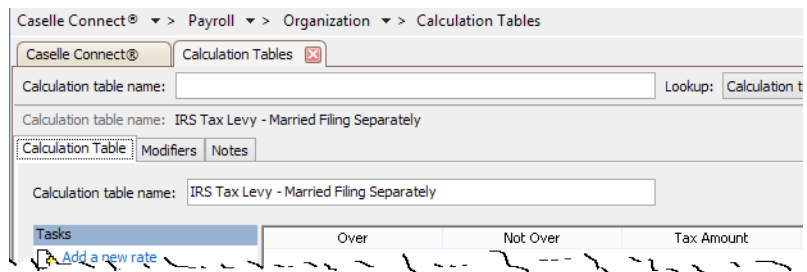
8. Click **Save** (CTRL+S).

The calculation table to calculate the IRS tax levy for married filing jointly is set up.

Married Filing Separately

1. Open **Connect Payroll > Organization Calculation Tables**.
2. Click **New** (CTRL+N).
3. In the field titled **Calculation Table Name**, type the IRS tax levy name.

Example: IRS Tax Levy - Married Filing Separately



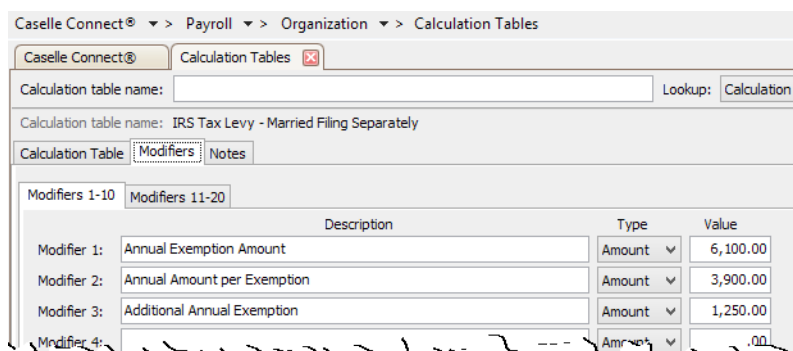
4. Click to select the **Modifiers tab**.

5. Set up **Modifier 1**.

- In the field titled **Description**, enter *Annual Exemption Amount*.
- Use the **Type menu** to select *Amount*.
- In the field titled Value, type *6,100.00*

6. Set up **Modifier 2**.
 - In the field titled **Description**, enter *Annual Exemption Amount*.
 - Use the **Type menu** to select *Amount*.
 - In the field titled Value, type *3,900.00*
7. Set up **Modifier 3**.
 - In the field titled **Description**, enter *Annual Exemption Amount*.
 - Use the **Type menu** to select *Amount*.
 - In the field titled Value, type *1,250.00*

The Modifiers 1-10 subtab should look like this...



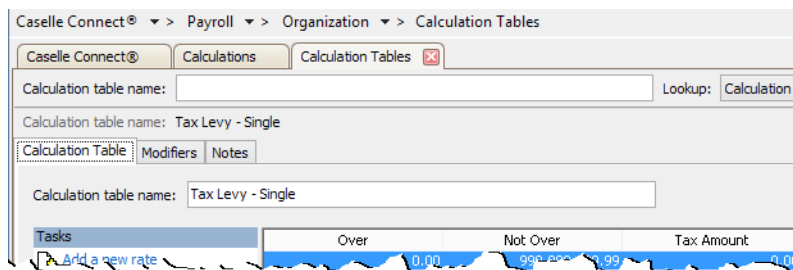
8. Click **Save** (CTRL+S).

The calculation table to calculate the IRS tax levy for married filing separately is set up.

Single

1. Open **Connect Payroll > Organization Calculation Tables**.
2. Click **New** (CTRL+N).
3. In the field titled **Calculation Table Name**, type the IRS tax levy name.

Example: IRS Tax Levy - Single



4. Click to select the **Modifiers tab**.
5. Set up **Modifier 1**.
 - In the field titled **Description**, enter *Annual Exemption Amount*.
 - Use the **Type menu** to select *Amount*.
 - In the field titled Value, type *6,300.00*
6. Set up **Modifier 2**.
 - In the field titled **Description**, enter *Annual Exemption Amount*.
 - Use the **Type menu** to select *Amount*.
 - In the field titled Value, type *4,000.00*
7. Set up **Modifier 3**.
 - In the field titled **Description**, enter *Annual Exemption Amount*.
 - Use the **Type menu** to select *Amount*.
 - In the field titled Value, type *1,550.00*

The Modifiers 1-10 subtab should look like this...

	Description	Type	Value
Modifier 1:	Annual Exemption Amount	Amount	6,300.00
Modifier 2:	Annual Amount per Exemption	Amount	4,000.00
Modifier 3:	Additional Annual Exemption	Amount	1,550.00
Modifier 4:		Am	.00

8. Click **Save** (CTRL+S).

The calculation table to calculate the IRS tax levy for single is set up.

Step 2: Set up the calculation formulas

1. Open **Connect Payroll > Organization > Calculation Formulas**.
2. Click **New** (CTRL+N).
3. Click to select the field titled **Formula Name**, enter the calculation formula name.

Example: IRS Tax Levy Exempt Wages

What does this formula do?

Var1 calculates available wages by subtracting exempt wages from subject wages using the [Used for Calculation](#) setting on the IRS tax levy pay code. Var1 is the wage available to the tax levy.

Var2 calculates allowed exemptions. Var2 calculates additional exemptions allowed based on the employee's claims on part 2, 3, 4, and 5 of the wage levy.

Result calculates the amount available to the tax levy by subtracting available wages minus allowed exemptions. Result cannot be less than zero.

- Click to select the field titled **Formula**, and type in this formula

```
Var1=WagesCurrPer-Modifier1
```

```
Var2=(CurrentExemptions*Modifier2)-(CurrentAdditionalExemptions*Modifier3)
```

```
Result=MAX(Var1-Var2),0)
```

- Click to select the button titled **Check Syntax**.

If errors are found, check the formula in the Formula field. Make sure the formula is free of typos.

- Click **Save** (CTRL+S).
- Click **Close**.

The calculation formula for IRS Tax Levy is set up.

Step 3: Set up the calculations

- Open **Connect Payroll > Organization > Calculations**.
- Click **New** (CTRL+N).
- In the field titled **Calculation Name**, enter the calculation name.
Example: Head of Household - IRS Tax Levy
- In the field titled **Abbreviated Name**, enter a shorter version of the calculation name.
Example: Head of House IRS
Connect will use the abbreviated name when space is limited.
- Use the **Calculation Formula** menu to select the *IRS Tax Levy*.
- Use the **Calculation Table** menu to select the tax table for *IRS Tax Levy*.
Example: IRS Tax Levy - Head of Household
- Use the **Pay Code Type** menu to select *Deduction*.
- Click **Save** (CTRL+S).

- Repeat steps 3–8 to set up a calculation for Married Filing Jointly, Married Filing Separately, and Single.

Head of Household

Caselle Connect® > Payroll > Organization > Calculations

Caselle Connect® Calculations

Calculation name:

Calculation name: Head of Household - IRS Tax Levy

Calculation Notes

Calculation name: Head of Household - IRS Tax Levy

Abbreviated calculation name: Head of House IRS

Calculation formula: IRS Tax Levy

Calculation table: IRS Tax Levy - Head of Household

Pay code type: Deduction

Married Filing Jointly

Caselle Connect® > Payroll > Organization > Calculations

Caselle Connect® Calculations

Calculation name:

Calculation name: Married Filing Jointly - IRS Tax Levy

Calculation Notes

Calculation name: Married Filing Jointly - IRS Tax Levy

Abbreviated calculation name: Married Jointly IRS

Calculation formula: IRS Tax Levy

Calculation table: IRS Tax Levy - Married Filing Jointly

Pay code type: Deduction

Married Filing Separately

Caselle Connect® > Payroll > Organization > Calculations

Caselle Connect® Calculations Calculation Tables

Calculation name:

Calculation name: Married Filing Separately - IRS Tax Levy

Calculation Notes

Calculation name: Married Filing Separately - IRS Tax Levy

Abbreviated calculation name: Married Separate IRS

Calculation formula: IRS Tax Levy

Calculation table: IRS Tax Levy - Married Filing Separately

Pay code type: Deduction

Single

Caselle Connect® > Payroll > Organization > Calculations

Caselle Connect® Calculations Calculation Tables

Calculation name:

Calculation name: Single - IRS Tax Levy

Calculation Notes

Calculation name: Single - IRS Tax Levy

Abbreviated calculation name: Single - IRS Tax

Calculation formula: IRS Tax Levy

Calculation table: IRS Tax Levy - Single

Pay code type: Deduction

10. Click **Close**.

The calculations are set up for Head of Household - IRS Tax Levy, Married Filing Jointly - IRS Tax Levy, Married Filing Separately - IRS Tax Levy, and Single - IRS Tax Levy.

Step 4: Set up the IRS tax levy pay code

Add a new pay code for the IRS tax levy. You'll need to set up the Pay Code tab, Employee tab, Used in Calculations, and Used for Calculations. Last, you'll need to select when the pay code will calculation in relation to the other pay codes.

First, set up the Pay Code tab

1. Open **Connect Payroll > Organization > Pay Codes**.
2. Click **New** (CTRL+N).
3. Click to select the **Pay Codes tab**.
4. Click to select the field titled **Pay Code**, enter the pay code number.
5. Click to select the field titled **Sub Code**, enter the pay code's sub code.
6. Click to select the field titled **Title**, enter the pay code name.

Example: IRS Tax Levy

7. Use the **Type menu** to select **Deduction**.
8. Click to select the checkbox titled **Allow Employee Options**.

- Click to deselect the checkbox titled **Allow Employer Options**.

The screenshot shows the 'Pay Codes' window in Caselle Connect. The 'Pay Code' tab is active, displaying details for pay code '79-03 IRS Tax Levy'. The 'Employee' sub-tab is selected. On the right side, the 'Allow employer options' checkbox is unchecked, while 'Allow employee options' is checked. Other fields include Title 'IRS Tax Levy', Abbreviated title 'IRS Levy', Type 'Deduction', and Calculation order '24'.

The Pay Codes tab is set up. Do not close the Pay Codes table.

Second, set up the Employee tab

- Click to select the **Employee tab**.
- Use the **Amount/Rate/Percent Type** menu to select **Calculation**.
- Click to select the **GL Account** field, enter a liability account.
- Use the **Calculation Name** menu to select **Single - IRS Tax Levy**.
- If the liability account in the GL Account field is a partial GL account, use the **Employee Allocation Method** menu to select **Use Employee Allocations**.

The screenshot shows the 'Employee' sub-tab of the 'Pay Codes' window. The 'Amount/Rate/Percent type' is set to 'Calculation'. The 'GL account' is '02-22800 Misc Deductions Payable'. The 'Calculation name' is 'Single - IRS Tax Levy'. The 'Employee allocation method' is 'Do not allocate'. On the right, there are checkboxes for 'Round amounts to nearest dollar', 'Exclude hours', and 'Exclude hours for overtime calculation'. Below these are checkboxes for 'Manual', 'Payout', 'Supplemental', 'Termination', and 'Third party'. At the bottom right, there are 'Monthly period numbers' (1-5) with 'A' buttons and a 'Modify...' button.

- Click to select button titled **Modify**.

The Modify button is located next to the section titled Monthly Period Numbers.

- Click to select the button titled **All**.

You want to select pay periods 1-5. The IRS tax levy will calculate in every pay period.

- Click **OK**.

The Employee tab is set up. Do not close the Pay Codes table.

Third, set up the Used in Calculations subtab

Do not select any pay codes on the Used in Calculations subtab.

Fourth, Set up the Used for Calculations subtab

- Click the link titled **Select Pay Codes**.

The Selection form displays.

- Move the wage pay codes subject to the IRS tax levy, tax pay code, allowed voluntary deductions, and child support pay codes.

Note: Child support usually takes precedence over an IRS tax levy.

Pay Code	Percent
1 - 00 Regular Pay	100.00
2 - 00 Overtime Pay	100.00
3 - 00 Vacation Pay	100.00
4 - 00 Sick Leave	100.00
7 - 00 Holiday Pay	100.00
8 - 00 Miscellaneous Pay	100.00
9 - 00 Comp Time Pay	100.00
74 - 00 Social Security Tax	100.00
75 - 01 Medicare Tax	100.00
75 - 02 Additional Medicare Tax	100.00
76 - 00 Federal Withholding Tax	100.00
77 - 00 State Withholding Tax	100.00
79 - 01 Child Support	100.00

- Click **Save** (CTRL+S).

The pay code is saved. Do not close the Pay Codes table.

Last, change the calculation order

1. Click **Edit** (CTRL+E).

2. Click to select **Calculation Order**.

The Calculation Order button is located at the end of the field.

3. Use **Move Up** or **Move Down** to move the IRS Tax Levy pay code into the correct calculation order.

Note: The pay code for IRS tax levy is usually positioned right before the pay code for net pay.

4. Click **Save** (CTRL+S).

5. Click **Close**.

The calculation order is saved.

Step 5: Add the pay code to an employee

1. Open **Connect Payroll > Employees > Modify Existing Employees**.

2. Use the Look Up bar to enter the employee name or number of the employee who is receiving the IRS Tax Levy. Press **Enter**.

The employee record displays.

3. Click to select the **Pay Codes tab**.

4. Click to select the button titled **Select Pay Codes**.

5. Move the **IRS Tax Levy pay code** to the Selected Pay Codes list.

6. Click **OK**.

7. Click to select the button titled **Toggle Pay Code Detail Display**.

The pay code detail displays. You'll need to customize the pay code based on the employee's declaration. The changes to the pay code will be saved with the employee's record and will not affect other employees with the IRS tax levy pay code.

8. Use the **Calculation menu** to select the IRS tax levy calculation for the employee.

Example: Married Filing Jointly - IRS Tax Levy

9. In the field titled **Exemptions**, enter the employee's declaration on parts 2, 3, 4, and 5 on the IRS tax levy forms.

10. In the field titled **Additional Exemptions**, enter the employee's declaration on parts 2, 3, 4, and 5 on the IRS tax levy forms.

11. Click **Save** (CTRL+S).

The IRS tax levy pay code is added to the employee's record. You're done!