















Third Party Sick Pay

Revised November 2024













If Non-Taxable

- In order to be included on the W2, the non-taxable amount must be entered in USPS as follows:
 - Go to **Core/Adjustments**
 - Click 
 - **Employee** - Find employee by typing in a few characters of first or last name
 - **Payroll Item** - From Drop Down  choose Federal Tax 001
 - **Type** - From Drop Down  choose **Third Party Pay**
 - **Transaction Date** - Enter or choose date from calendar
 - **Amount** - Enter in the amount for the non-taxable third party pay
 - **Description** - Enter in a description (optional)
 - Click 
 - This will cause the amount to print in Box 12 of the W2 with code “J”.

If Taxable

- Total and taxable gross amounts on the following payroll items must reflect the taxable amount of the benefit received by the employee: Federal, Ohio, OSDI (if applicable), and Medicare. For each of these payroll items, do the following:
 - Go to **Core/Adjustments**
 - Click 
 - **Employee** - Find employee by typing in a few characters of first or last name
 - **Payroll Item** - From Drop Down  choose Federal Tax 001
 - **Type** - From Drop Down  choose **Total Gross**
 - **Transaction Date** - Enter or choose date from calendar
 - **Amount** - Enter in the amount for the taxable third party pay
 - **Description** - Enter in a description (optional)
 - Click 
 - Repeat this process for Ohio, OSDI (if applicable), and Medicare
 - Go to **Core/Adjustments**
 - Click 
 - **Employee** - Find employee by typing in a few characters of first or last name
 - **Payroll Item** - From Drop Down  choose Federal Tax 001
 - **Type** - From Drop Down  choose **Applicable (Taxable) Gross**
 - **Transaction Date** - Enter or choose date from calendar
 - **Amount** - Enter in the amount for the taxable third party pay
 - **Description** - Enter in a description (optional)
 - Click 
 - **Repeat this process for Ohio, OSDI (if applicable), and Medicare**



- On the Medicare record, increase the total Medicare tax by any amounts the company withheld from the benefit as follows:
 - Go to **Core/Adjustments**
 - Click 
 - **Employee** - Find employee by typing in a few characters of first or last name
 - **Payroll Item** - From Drop Down  choose **Medicare Tax 6XX**
 - **Type** - From Drop Down  choose **Amount Withheld**
 - **Transaction Date** - Enter or choose date from calendar
 - **Amount** - Enter in the amount withheld from the benefit by the third party
 - **Description** - Enter in a description (optional)
 - Click 
 - The district will need to pay any board amount that is due. For this amount to show properly on the W2, do the following:
 - Click 
 - **Employee** - Find employee by typing a few characters of first or last name
 - **Payroll Item** - From Drop Down  choose **Medicare Tax 6XX**
 - **Type** - From Drop Down  choose **Board's Amount of Payroll Item**
 - **Transaction Date** - Enter or choose date from calendar
 - **Amount** - Enter in the amount the board needs to pay
 - **Description** - Enter in a description (optional)
 - Click 
 - When running Reports>Employer Distributions for board share of Medicare, this amount will be included if the Transaction Date entered above is included in the date range entered in Employer Distributions. Otherwise, payment will be due with the 941.
- Contact any city involved for the employee, and ask if the amount is city taxable. If yes:
 - Increase the Total & Applicable Gross amounts on the corresponding city records as follows, go to **Core/Adjustments**:
 - Click 
 - **Employee** - Find employee by typing a few characters of first or last name
 - **Payroll Item** - From Drop Down  choose **City Tax Code XXX**
 - **Type** - From Drop Down  choose **Total Gross**
 - **Transaction Date** - Enter or choose date from calendar
 - **Amount** - Enter in the amount to increase the total gross by
 - **Description** - Enter in a description (optional)
 - Click 



- Go to **Core/Adjustments**

- Click
- **Employee** - Find employee by typing in a few characters of first or last name
- **Payroll Item** - From Drop Down choose **City Tax Code XXX**
- **Type** - From Drop Down choose **Applicable (Taxable) Gross**
- **Transaction Date** - Enter or choose date from calendar
- **Amount** - Enter in the amount to increase the applicable gross by
- **Description** - Enter in a description (optional)
- Click

- If desired, calculate the tax amount due on the payment and enter that figure as an error adjustment on the City Payroll Item for a remaining payroll; otherwise, the employee will have to pay the tax later.

Note: There is a special field on the 941 for adjustments needed due to Third Party sick payments and how they relate to Medicare withholdings. The district should reference the 941 instructions as well as the information in IRS Publication 15-A on these payments as needed.

If the notice from the company indicates FICA tax was withheld, the district will need to contact the agency as it is our understanding that most school district employees should not have FICA tax withheld from this payment. The agency will need to correct this and issue a new statement as the employee cannot recover the incorrect withholding on a tax return since tax returns are for federal income tax, not FICA or Medicare.