

What Is an S Corp?

An S Corp is a corporation where the owners of the company report the profit or loss of the company on their own personal tax returns (1040), based on the percentage of the company they own.

In an S Corp, employees/owners who are 2% shareholders are generally subject to taxation on certain fringe benefits, such as medical insurance, adoption assistance, and life insurance that are typically not taxable for regular employees.

Types of S Corp Earnings

In the payroll application, we offer three types of S Corp earnings.

Important: It is your responsibility to determine the taxability of any fringe benefits or earnings and to comply with any federal or state wage payment rules. Contact your tax or accounting professional to determine which earning is right for your company.

Earning	Description
S-Corp 2% Medical Plan	<ul style="list-style-type: none">• Reflects the value of accident and health insurance (medical) coverage provided by an S-Corp• Offered only to 2% shareholder employees• Taxable for FIT, but not taxable for FUTA or FICA
S-Corp FIT and FICA Taxable	<ul style="list-style-type: none">• Reflects the value of accident and health insurance (medical) coverage provided by an S-Corp• Offered to all of its employees• Taxable for FIT and FICA, but not taxable for FUTA
PA S-Corp 2% Owner Non-Disc Med Prem	<ul style="list-style-type: none">• Use to report non-disc medical plan premiums paid by PA S-Corps• Offered ONLY to 2% owner shareholder employees• Use only in Pennsylvania, and DO NOT use for non-owner employees or S-Corps in any other state• Taxable for FIT, but not taxable for FUTA, FICA, PA SIT, or PA LIT• Included in Box 14

Need a Faster and Easier Way to Manage Your S Corp Earnings?

With our new S Corp feature, you can

- Activate applicable S Corp earnings
- Indicate whether employees are S Corp owners or officers
- Set up an Annual pay frequency for S Corp Owners/Officers
- Access an S Corp Owner/Officer Summary report that shows earnings, deductions, and taxability

Here's How!

Click a step

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Turning on the S Corp Feature

Important: You can work with ADP to determine which payroll features are offered to the company, and only those that are offered are displayed in the Payroll Feature list.

- 1 Select **Company > Features Overview**.
- 2 Select the check box next to S Corp.
- 3 Click **Save** to save your changes.

Setting Up an S Corp Earning

- 1 Select **Company > Earnings Deductions**.
- 2 Scroll to the bottom of the Earnings and Deductions Info page, and click **Add Earning**.
- 3 In the **Category** field, select **Fringe Benefits**.
- 4 In the **Earning** field, select the S Corp fringe benefit earning that you want to add. See the chart on [page 1](#) for details.
- 5 Click **Save** to save your changes and go back to the Earnings and Deductions Info page. The fringe benefit is included in the Earnings list.

Adding an Annual Pay Frequency for Your Company

To pay an S Corp Owner/Officer a one-time annual salary, add an Annual pay frequency for your company on the Pay Frequency page. Then, assign it to the Owner/Officer on the Payroll Info page. For more information, see [Assigning an Annual Pay Frequency for an S Corp Owner/Officer](#) on this page.

Important: Adding or changing to an Annual pay frequency may impact the cost of payroll processing. You may want to discuss this with your Payroll Support team. To find their contact information, click **Contact Us** in the middle of the footer on any page in your payroll application.

- 1 Select **Company > Pay Frequency**.
- 2 On the Pay Frequency Info page, scroll to the bottom of the page and click **Add**.
- 3 In the **Select a Pay Frequency** field, select **Annual**, and enter the **Check Date** and **Period Start Date** for your first payroll.
The payroll dates are calculated and the pay calendar is displayed.
- 4 Review the calculated payroll dates. If you change the check date or the period start date, you must click **Refresh Calendar** to update the pay calendar.
- 5 Click **Save** to go back to the Pay Frequency Info page.

Assigning an Annual Pay Frequency for an S Corp Owner/Officer

Before You Complete This Procedure: Make sure that the employee is an Owner/Officer with the company.

- 1 Select **Employees > Directory**.
- 2 Click to select the employee and select **Payroll Info**.
- 3 In the **Pay Frequency** field, select **Annual**.
- 4 Depending on your setup, in the **Owner/Officer** field or **Corporate Officer** field, select **Yes**, or in the **Corporate Officer/EE Relationship** field, select **Owner** or **Officer**. This field will be displayed after you turn on S Corp. For more information, see [Turning on the S Corp Feature on page 3](#).
- 5 Click **Save**.

Important: Make sure that the employee's Pay Rate and Standard Hours Per Pay Period are correct. You should also verify that the employee's earnings and deductions amounts are correct on the Earnings and Deductions page.

Adding an Additional Check for an S Corp Earning

If you ARE NOT paying the employee portion of taxes and the employee is being paid live earnings in this payroll, then report the S Corp amount for the current payroll on a second row in the Payroll Worksheet as an additional check. For more information see, [What Is an Additional Check? on page 6](#).

- 1 Begin processing your regular or special payroll. Be sure to review the check date and pay period start and end dates for the payroll.
- 2 If you have multiple pay frequencies, make sure you select **Annual** pay frequency to have the S Corp employee included in the Payroll Worksheet.
- 3 In the Payroll Worksheet, click ▼ for the S Corp employee and select **Add Additional Check**.
- 4 A new row is added for the employee. In the S Corp earning column, enter the pay information for the additional check.
- 5 Click **Save** and finish processing the payroll.
 - All employee taxes will calculate from the live earnings paid on the payroll. If the tax amount due exceeds the employee's net pay, the payroll application will withhold the employees entire net pay and the employee will receive a zero net check.
 - The employer will be debited for the full employee and employer Social Security and Medicare amounts.
 - If additional taxes are still owed for Social Security and Medicare, the employee will see the remainder of tax due as a Social Security and Medicare recalculation in a future payroll they receive (no matter the YR/QTR).
 - If the employee is not paid in any future payrolls, you will need to collect the repayment amount directly from the employee.

What To Do Next?

- [Preview the payroll and review the total earnings and taxes](#)

What Is an Additional Check?

An additional check is a check that you can use to pay your employees an amount that you want to keep separate from their regular check. For example, you can use an additional check to pay an employee for a fringe benefit, such as an S Corp earning.

You can create up to 9 additional checks for each employee in each payroll. Additional fees apply for extra checks.

Depending on your needs, you can also create a special payroll. For more information on when you might want to create a special payroll, see [What Is a Special Payroll? on page 7](#).

Previewing the Payroll and Reviewing the Total Earnings and Taxes

When you are processing a payroll, you can verify the employee payment details by viewing the Payroll Details Preview report on the Preview Payroll page.

- 1 On the Payroll Worksheet, click **Preview Payroll**.
- 2 On the Preview Payroll page, click **Reports** and then select **View Payroll Preview**.
- 3 Review the payroll details for the current payroll.
- 4 To print the report, click **Print Report** at the bottom of the page.
- 5 Click **Close** to close the report and go back to the Preview Payroll page.

What Is a Special Payroll?

A special payroll allows you to process a payroll outside of your regular payroll schedule, whenever you need to. You could process a special payroll for any of the following reasons:

- Correct mistakes that occurred in your regular payroll so employees can still be paid
- Pay an employee before your normal check date
- Pay bonus or expense checks
- Pay quarterly commissions to your Sales department
- Record pending items (manual checks, voided checks, third party sick payments) before your next scheduled payroll

Regular payroll fees apply.

Example of a Special Payroll

You normally process your payroll every two weeks with a Friday check date. Your employee is leaving and her last day is on the Wednesday of the week that you don't process payroll. You want to give her a check on her last day. You run a special payroll to pay her.

Paid Time Off (PTO) and Special Payrolls

PTO does not accrue in RUN when you process a special payroll. If you want PTO amounts to accrue for an employee, you can adjust the amounts on the employee's Paid Time Off page.

Reviewing the S Corp Owner/Officer Summary Report

In addition to Owner/Officer information, this report displays earnings, taxes, and deduction amounts withheld from an owner or officer's pay. The report also displays year-to-date totals, and pay frequency information for owners/officers.

Note: You must have at least one Owner/Officer in your company to run this report.

Before You Begin: You must process at least one payroll before you can run most reports.

- 1 Select **Reports > S Corp Owner/Officer Summary Report**.
- 2 In the Report Parameters area, select the parameters you want to use to run the report, and then click **Refresh**.
- 3 To print the report, click **Print Report**. To export the report, click **Export to Excel**.
- 4 When you are done, click **Close** to close the report and go back to the Reports Home page.