Oracle Fusion Cloud Human Resources

Implementing US Courtesy Taxes

23D

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2 Appendix 11

Wage Accumulation Rules for Vertex 11

Get Help

There are a number of ways to learn more about your product and interact with Oracle and other users.

Get Help in the Applications

Use help icons to access help in the application. If you don't see any help icons on your page, click your user image or name in the global header and select Show Help Icons.

Get Support

You can get support at *My Oracle Support*. For accessible support, visit *Oracle Accessibility Learning and Support*.

Get Training

Increase your knowledge of Oracle Cloud by taking courses at *Oracle University*.

Join Our Community

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Learn About Accessibility

For information about Oracle's commitment to accessibility, visit the *Oracle Accessibility Program*. Videos included in this guide are provided as a media alternative for text-based topics also available in this guide.

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Thanks for helping us improve our user assistance!

1 Courtesy Taxes

Courtesy Withholding Taxes

In some states, if an employee resides in a different city, county, or state and works in another, they might be required to pay taxes for both localities.

As their employer, you might not be required to withhold and deposit taxes for both.

> **Note:** Individual local and state taxation rules vary. Consult with the appropriate tax authorities for complete compliance info on whether you're required to withhold.

For further info, see Oracle Cloud Human Capital Management for the United States: Courtesy Tax Implementation (2138998.1) on the Help Center.

Here's How the Courtesy Tax Withholding Hierarchy Works

Before you can set up your organization for courtesy withholding, you need to understand the hierarchy courtesy taxes use. Configurations at lower levels override those at higher levels.

1. First it checks the configuration on the payroll statutory unit (PSU).
2. Then it checks the tax reporting unit (TRU).

   Entries here override the PSU.
3. Then it checks the employee Tax Withholding card.

   Entries here override both the TRU and PSU.

How You Configure These Taxes

For instructions, see the following on the Help Center.

- Configure Courtesy Tax Withholding
- Configure County and City Withholding Rules for Courtesy Taxes
- Configure State Tax Withholding for Courtesy Taxes

How You Set Up Courtesy Tax Overrides

For instructions, see the following on the Help Center.

- Override Vertex Rules for State Courtesy Taxes
- Override Vertex Rules for City Courtesy Taxes
- Override Vertex Rules for Courtesy Taxes at the Employee Level

Where You Can Find Additional Info

For further info, see the following.

- All Documents for Cloud Applications HCM (1504483.1) on My Oracle Support
- Calculation Guide for the United States Vertex Payroll Tax Q Series

Related Topics

- Oracle Cloud Human Capital Management for the United States: Courtesy Tax Implementation

Configure Courtesy Tax Withholding

Vertex provides the rules that determine when the payroll process deducts courtesy taxes.

You can change this behavior through the following.

1. You can change the state withholding rules.
   For further info, see Configure State Tax Withholding for Courtesy Taxes in the Help Center.
2. You can change the county and city withholding rules.
   For further info, see Configure County and City Withholding Rules for Courtesy Taxes in the Help Center.
3. You can set overrides at the employee level.
   For further info, see Employee-Level Overrides for Courtesy Taxes in the Help Center.

These instructions are a generic reference. They don't apply to taxation in all circumstances, such as Indiana county and Pennsylvania Act 23 jurisdictions.

For further info, see the following.

- Oracle Cloud Human Capital Management for the US: Implementation and Use (1676530.1) on My Oracle Support
- All White Papers for Cloud Applications HCM (1504483.1) on My Oracle Support
- Calculation Guide for the United States Vertex Payroll Tax Q Series

Related Topics

- Configure County and City Withholding Rules for Courtesy Taxes
- Configure State Tax Withholding for Courtesy Taxes
- Courtesy Withholding Taxes
- Employee-Level Overrides for Courtesy Taxes

Configure State Tax Withholding for Courtesy Taxes

Vertex provides the tax data that determines:

- What resident state taxes the payroll process withholds for employees

- When it withholds them

Each state has its own withholding and reciprocity rules. For further info about each state's default behavior, see Calculation Guide for the United States Vertex Payroll Tax Q Series.

These tax withholding rules determine the resident wage accumulation rules available to you. The federal and state withholding forms provide the default tax withholding info for the payroll process.

However, as their employer, you may not be required to withhold resident state taxes. In such cases, the withholding is considered a courtesy. For further info, see Override Vertex Rules for State Courtesy Taxes in the Help Center.

When using the **Only states under state tax rules** withholding rule for federal income tax (FIT), select the appropriate **Resident Wage Accumulation** rule for each state.

If you're using this FIT withholding rule	It does this	And you can select this for Resident Wage Accumulation
All states	Default withholding rule for all states.	The payroll process automatically withholds for all states using the default action for each state. This is described in the Calculation Guide for the United States Vertex Payroll Tax Q Series.
Only states under state tax rules	From the states you have configured on the card, this identifies which you're withholding resident taxes. For each state you add, you select the appropriate Resident Wage Accumulation rule.	Select one: • Calculate tax independent of all other jurisdictions • Credit resident tax by work tax, accumulate wages if taxed • Credit resident tax by work tax, always accumulate wages • No resident tax if work or residence mismatch, accrue if taxed • No resident tax if work tax greater than zero • No resident tax if work tax greater than zero, always accrue • No resident tax if work tax on nonresident, accrue if taxed • No resident tax if work tax on nonresident, always accrue • Use default action For further info, see Calculation Guide for the United States Vertex Payroll Tax Q Series.

Related Topics

- Override Vertex Rules for State Courtesy Taxes
- State Tax Withholding Rules

Configure County and City Withholding Rules for Courtesy Taxes

The payroll process automatically calculates residential local tax for all employees. However, as their employer, you might not be required to withhold them. In such cases, the withholding is considered a courtesy.

Note: Vertex provides guidelines about which wage accumulation rules apply to each local tax. For further info, see Calculation Guide for the United States Vertex Payroll Tax Q Series.

By default, the payroll process withholds these courtesy taxes. If you don't want to withhold them, use the following tasks.

1. Use one of the following tasks to change the state tax withholding rule.
    - Legal Entity Calculation Cards to change the values for a payroll statutory unit (PSU)
    - Legal Reporting Unit Calculation Cards to change the values for a tax reporting unit (TRU)

      This overrides any values on the parent PSU.
    - Calculation Cards to change the values on an individual employee's Tax Withholding card

      This overrides any values on the PSU or TRU.
2. Configure any relevant counties and cities on the calculation cards.

   For further info, see Configure Organization Calculation Cards for the US in the Help Center.
3. Identify their resident wage-accumulation rules.

There are multiple county and city tax resident wage-accumulation rules available to you.

Note: Don't configure courtesy tax withholding rules for local residence taxes that take precedence over work taxes. This includes Indiana county and Pennsylvania Act 32 jurisdictions.

Select the best one based on the tax withholding rule you have chosen.

If you're using this tax withholding rule	It does this	And you can select this
All counties	Default withholding rule for all counties.	Leave blank. The payroll process automatically withholds for all counties using the default action for each county, as described in the Calculation Guide for the United States Vertex Payroll Tax Q Series.
All cities	Default withholding rule for all cities.	Leave blank. The payroll process automatically withholds for all cities using the default action for each city, as described in the Calculation Guide for the United States Vertex Payroll Tax Q Series.

If you're using this tax withholding rule	It does this	And you can select this
Only counties under county tax rules	Identifies the resident counties that require special withholding rules.	Select one of the following. • Calculate tax independent of all other jurisdictions • Credit resident tax by work tax, accumulate wages if taxed • Credit resident tax by work tax, always accumulate wages • No resident tax if work or residence mismatch, accrue if taxed • Use default action For further info, see Calculation Guide for the United States Vertex Payroll Tax Q Series.
Only cities under city tax rules	Identifies the resident cities that require special withholding rules.	Select one of the following. • Calculate tax independent of all other jurisdictions • Credit resident tax by work tax, accumulate wages if taxed • Credit resident tax by work tax, always accumulate wages • No resident tax if work or residence mismatch, accrue if taxed • Use default action For further info, see Calculation Guide for the United States Vertex Payroll Tax Q Series.
Only withhold tax at work county	Withholds taxes for the work county only, and disables courtesy withholding entirely.	Leave blank. The payroll process withholds only the work county tax, so no further configuration is needed.
Only withhold tax at work city	Withholds taxes for the work city only, and disables courtesy withholding entirely.	Leave blank. The payroll process withholds only the work city tax, so no further configuration is needed.

Related Topics

- Configure Courtesy Tax Withholding
- Configure Organization Calculation Cards for the US
- Override Vertex Rules for City Courtesy Taxes
- Wage Accumulation Rules for Vertex

Employee-Level Overrides for Courtesy Taxes

You can override courtesy withholding tax configuration at the employee level.

You can use the following exceptions.

Exception method	How you use it
Resident wage accumulators	These help determine how the results of one tax calculation affect the results of another tax calculation. You perform these overrides on the person's Tax Withholding card.
Taxation address overrides	These are a method to designate an alternate taxing jurisdiction when the home address alone isn't specific enough to indicate the proper taxing authority.

Related Topics

- Configure Courtesy Tax Withholding
- Courtesy Withholding Taxes
- Override Vertex Rules for Courtesy Taxes at the Employee Level

Override Vertex Rules for State Courtesy Taxes

Vertex defines the default rules for how the payroll process handles state withholding taxes. However, there are cases where you may want to override them as a courtesy.

For this example, you have employees working in Alabama and living in Mississippi. Neither Alabama nor Mississippi have any reciprocal agreements.

- Mississippi doesn't require withholding for residents working in other states that collect work place taxes.
- Alabama requires withholding for employees who work there, even though they may not live there.

Your employees have requested you withhold Mississippi state income tax in addition to the required Alabama state income tax, and you agree to withhold them as a courtesy.

The following steps establish rules that:

- Override the default setting for all employees in a tax reporting unit (TRU)
- Withhold taxes for Mississippi state income tax for the difference of the total calculated tax minus the work state tax

> **Note:** To override the default setting only for select employees, use the Calculation Cards task to override this rule on their Tax Withholding cards. For further info, see Override Vertex Rules for Courtesy Taxes at the Employee Level in the Help Center.

How to Get Started

To set up courtesy withholding rules for Mississippi at the TRU level:

1. Start the Legal Reporting Unit Calculation Cards task from your implementation project.
2. In **Calculation Components**, select **Federal Income Tax**.
3. In **Calculation Component Details**, expand **Federal Income Tax Organization Information**.
4. For **Tax Withholding Rules**, select **Only states under state tax rules**.

Add Mississippi

To add Mississippi:

1. In **Calculation Card Overview**, select **Regional**.
2. Select **Add** from the **Actions** menu.
3. Select **Mississippi**, and click **OK**.
4. Click **Save**.

Define the Wage Accumulation Rule

To define the wage accumulation rule for Mississippi:

1. In **Calculation Card Overview**, select **Mississippi**.
2. In **Calculation Components**, select **State Income Tax**.
3. In **Calculation Component Details**, expand **State Income Tax Organization Information**.
4. For **Resident Wage Accumulation**, select **Credit resident tax by work tax, always accumulate wages**.
5. Click **Save and Close**.

> **Note:** To undo this courtesy tax support, change the rule on the Mississippi state income tax to Use default behavior. With this setting, the payroll process stops collecting courtesy taxes.

Related Topics

- Configure Courtesy Tax Withholding
- Configure State Tax Withholding for Courtesy Taxes
- Override Vertex Rules for Courtesy Taxes at the Employee Level

Override Vertex Rules for City Courtesy Taxes

Vertex defines the default rules for how the payroll process handles city courtesy taxes. However, there are cases where you may want to override them.

In this example, you're disabling all courtesy withholding for all locals in Ohio, except for the city of Gahanna.

You have some employees working in Columbus, Ohio and living in Gahanna. They have requested you withhold local courtesy taxes for Gahanna, and you have agreed to the courtesy withholding for those employees. The default Vertex behavior is to withhold taxes for all cities that don't give a full credit for the work place city tax. You want to override those rules and only withhold for selected cities as a courtesy.

> **Note:** This example assumes you have performed some configuration at the state level. For further info, see Override Vertex Rules for State Courtesy Taxes in the Help Center.

Overview

This example consists of the followings tasks.

1. Disabling all courtesy withholding for Ohio.
2. Enabling courtesy withholding for Gahanna.

Disable Ohio Courtesy Withholding

To disable all city courtesy withholding in Ohio at the tax reporting unit level:

1. Start the Legal Reporting Unit Calculation Cards task from your implementation project.
2. In **Calculation Components**, select **OH State Income Tax**.
3. In **Calculation Component Details**, expand **State Income Tax Organization Information**.
4. For **Tax Withholding Rules**, select **Only cities under city tax rules**.

   This stops all courtesy taxation for cities within this state.

Enable Gahanna Courtesy Withholding

To enable courtesy withholding only for Gahanna:

1. Add the county of Franklin and then the city of Gahanna.
   a. In **Calculation Card Overview**, select Ohio's state node.
   b. Select **Add** from the **Actions** menu.
   c. Select the county of Franklin, and click **OK**.
   d. Select the county's node.
   e. Select **Add** from the **Actions** menu.
   f. Add Gahanna.
2. Enable courtesy taxes for Gahanna.
   a. In **Calculation Card Overview**, select Gahanna's node.
   b. In **Calculation Components**, select **Income Tax**.
   c. In **Calculation Component Details**, expand **City Income Tax Organization Information**.
   d. For **Resident Wage Accumulation**, select **Use default behavior**.
3. Click **Save and Close**.

Related Topics

- Configure County and City Withholding Rules for Courtesy Taxes
- Configure Courtesy Tax Withholding
- Courtesy Withholding Taxes
- Override Vertex Rules for Courtesy Taxes at the Employee Level
- Override Vertex Rules for State Courtesy Taxes

Override Vertex Rules for Courtesy Taxes at the Employee Level

There are cases where you have to override the default courtesy tax withholding rules for an individual employee.

Overview of Your Options

If you need to override these rules, there are a couple options available to you.

You can do this	What it does
Resident wage accumulation	This method determines how the result of one tax calculation affects the results of another.
Taxation address overrides	In cases when a person's home address alone isn't specific enough to identify the proper taxing authority, you use tax address overrides to designate an alternate taxing jurisdiction.

For further info, see the following sections.

Resident Wage Accumulation

In this example, your policy is to provide courtesy tax withholding to all workers except interns. Therefore, you define employee-level exemptions for them. This involves applying a resident wage accumulation rule of "No resident tax if work or resident location mismatch, accrue if taxed" to their resident city.

> **Note:** These steps assume you're withholding courtesy city taxes for Gahanna, Ohio. So you're now refining those courtesy tax rules to make the distinction between employees and interns. For further info, see Override Vertex Rules for City Courtesy Taxes in the Help Center.

1. In **My Client Groups**, click **Person Management**.
2. Perform a search for the intern. Select **Show Filters** if needed.
3. In the search results, select the intern's row, and select **Calculation Cards** from the **Actions** menu.
4. Open their Tax Withholding card for editing.
5. In **Withholding Details**, expand the OH and Franklin nodes.
6. Select **Gahanna**. Choose **Edit** and then **Update**.
7. For **Resident Wage Accumulation**, select **No resident tax if work or resident location mismatch, accrue if taxed**.
8. Click **Save and Close**.

Taxation Address Overrides

In this example, you're withholding courtesy taxes for all applicable employees. However, you have an hourly employee with this situation.

- Works in Columbus, OH

- Has a residential mailing address in Gahanna, OH
- Does not actually live within the city limits of Gahanna, and is therefore not subject to Gahanna city taxes

For this employee, you set the following tax address override.

1. Start the Person Management task.
2. Search for the employee, and in the search results, select their row.
3. From the **Actions** menu, select **Personal and Employment** and then **Manage Person**.
4. On **Manage Person**, click the create address **+** icon.
5. Select the Resident Tax Address type.
6. Enter the taxation address.
7. Click **OK** and then **Save and Submit**.

   When complete, the taxation address appears on their Person page. The payroll process uses this address for residential taxation purposes.

Related Topics

- Configure Courtesy Tax Withholding
- Employee-Level Overrides for Courtesy Taxes
- Override Vertex Rules for City Courtesy Taxes

2 Appendix

Wage Accumulation Rules for Vertex

Vertex refers to wage accumulation rules as jurisdictional interaction treatments (JITs).

If you have a Payroll installation, to successfully process payroll, you must have Vertex installed.

Note: For further info, see Country Extension Options for the US in the Help Center.

These tables reference how the Vertex JIT codes correlate to the payroll process wage accumulation rules.

State Wage Accumulation Rules

Payroll process rule	Vertex JIT code	Vertex rule	What it does
Use default behavior	Default	Use default behavior.	Executes the default behavior. For further info, see Calculation Guide for the United States Vertex Payroll Tax Q Series.
Credit resident tax by work tax, always accumulate wages	2	Credit resident tax by work tax, always accumulate wages.	First calculates the resident tax, then reduces the tax by the amount of work tax withheld. Always accumulates wages for the residence, even if resident tax is 0.
Credit resident tax by work tax, accumulate wages if taxed	3	Credit resident tax by work tax, accumulate wages if taxed.	First calculates the resident tax, then reduces the tax by the amount of work tax withheld. Only accumulates wages if there is a tax withheld.
No resident tax if work tax greater than zero, always accrue	4	No resident tax if work tax greater than zero, always accrue.	Does not withhold residence taxes if there is a work tax, but it always accumulates wages.
No resident tax if work tax greater than zero	5	Eliminate the residence tax if the work tax is greater than 0. Accumulate wages only if tax is withheld.	Does not withhold residence taxes if there is a work tax, and it only accumulates wages if there is a resident withholding.
No resident tax if work tax on nonresident, always accrue	6	No resident tax if work tax on nonresident, always accrue.	Does not withhold residence taxes if there is a work state tax. Accumulates wages for the residence.

Payroll process rule	Vertex JIT code	Vertex rule	What it does
No resident tax if work tax on nonresident, accrue if taxed	7	No resident tax if work tax on nonresident, accrue if taxed.	Does not withhold residence taxes if there is a work state tax. Accumulate wages only when there is a tax withheld.
No resident tax if work or residence location mismatch, accrue if taxed	8	Calculate work taxes only.	Calculates work tax only, and disregards resident tax.
Calculate tax independent of all other jurisdictions	99	Calculate tax independent of all other jurisdictions.	Calculates resident tax independent of work tax.

Local Wage Accumulation Rules

Payroll process rule	Vertex JIT code	Vertex rule	What it does
Use default behavior	Default	Use Default behavior.	Executes the default behavior. For further info, see Calculation Guide for the United States Vertex Payroll Tax Q Series.
Credit resident tax by work tax, always accumulate wages	2	Credit resident tax by work tax, always accumulate wages.	First calculates the resident tax, then reduces the tax by the amount of work tax withheld. Always accumulates wages for the residence, even if resident tax is 0.
Credit resident tax by work tax, accumulate wages if taxed	3	Credit resident tax by work tax, accumulate wages if taxed.	First calculates the resident tax, then reduces the tax by the amount of work tax withheld. Accumulates wages only if there is a tax withheld.
No resident tax if work or residence location mismatch, accrue if taxed	8	Calculate work taxes only.	Calculates work tax only, and disregards resident tax.
Calculate tax independent of all other jurisdictions	99	Calculate tax independent of all other jurisdictions.	Calculates resident tax independent of work tax.

Note: Refer to the appropriate Tax Summary sections of the Calculation Guide for the United States Vertex Payroll Tax Q Series for the default values of each state and locality.

Related Topics

- Configure State Tax Withholding for Courtesy Taxes
- Courtesy Withholding Taxes
- Country Extension Options for the US
- State Tax Withholding Rules