

# Oracle Fusion Cloud Human Resources

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**How do I define earnings elements  
for the US?**

**FA Latest**



Oracle Fusion Cloud Human Resources  
How do I define earnings elements for the US?

FA Latest

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# 1 How Do I Define Earnings Elements for the US

You define earnings elements using the Elements task. Like any standard element, you must create eligibility criteria for them.

The earnings element template provides an intuitive workflow for defining the element. However, there are some things to consider before you define them.

- What options you select in the element template

For further info, see [What Earnings Options Are Available in the Element Template](#) in the Help Center.

- Does this element apply to time card eligible employees

For further info, see [How Do I Configure Earnings Elements for Time Card Employees](#) in the Help Center.

- Should the payroll process perform gross-up for the earnings

For further info, see [How Do I Enable Gross-Up Processing for an Earnings Element](#) in the Help Center.

- Is this an overtime earnings element

For further info, see [How Do I Define Overtime Earnings Elements](#) in the Help Center.

- What indirect elements are generated for this earning

For further info, see [How Are Indirect Elements Created for Earnings Elements](#) in the Help Center.

- How will the payroll process tax these earnings

For further info, see [How the Payroll Process Calculates Taxes for Earnings](#) in the Help Center.

For further info, see [Examples of Creating Earnings Elements for the US](#) in the Help Center.





## 2 Earnings Options

### What Earnings Options Are Available in the Element Template

The Elements task provides these options for configuring earnings elements.

- Involuntary deductions eligibility  
For further info, see [How Do I Set Involuntary Deductions Eligibility for Earnings](#) in the Help Center.
- Rate calculation rule  
For further info, see [How Do I Select the Rate Calculation Rule for an Earnings Element](#) in the Help Center.
- Rate conversion rule  
For further info, see [What Rate Conversion Rules Can I Select for Earnings](#) in the Help Center.
- Retroactive pay eligibility  
For further info, see [Retroactive Pay Eligibility for Earnings](#) in the Help Center.
- Absence entitlements to reduce regular earnings  
For further info, see [How Do I Reduce Regular Earnings with Absence Entitlements](#) in the Help Center.
- Date earned  
For further info, see [How Do I Identify the Date Earned on an Earnings Element](#) in the Help Center.

### How Do I Set Involuntary Deductions Eligibility for Earnings

When you define an earnings element, the element template provides an option for choosing how to process and pay the element. For these elements, this setting affects how the process calculates involuntary deductions.

For this template setting	The process does this for the earnings	And this for the involuntary deduction
Process and pay with other earnings	Calculates the earnings in the regular run.  In this case, the process uses regular tax rates.	Deducts the involuntary deduction order or the calculated amount and applicable fees from the regular process run.
Process separately, but pay with other earnings	Calculates and taxes the earnings through a separate payroll action, but it's paid with the other earnings. They appear as single entries in the Statement of Earnings and payslip.	Deducts the order amount from the regular process only. It's not deducted again from the process separate run unless the order amount hasn't been fully satisfied in the regular run.

For this template setting	The process does this for the earnings	And this for the involuntary deduction
	<p>In this case, the payroll process uses supplemental tax rates. For supplemental runs, earnings are always taxed at the supplemental rate.</p> <p>Use this setting for earnings that require special tax rules, such as bonuses.</p>	<p>The exception to this is for order amount overrides entered as a rate. For these cases, the amount is deducted from both the regular and process separate runs. Any applicable fees are deducted from the regular process only.</p>
Process separately and pay separately	<p>Each earning is processed in a separate payroll action. They are paid separately from other earnings and appear as separate Statement of Earnings and payslip entries.</p> <p>In this case, the payroll process uses supplemental tax rates. For supplemental runs, earnings are always taxed at the supplemental rate.</p>	<p>Not recommended for earnings that are subject to involuntary deductions.</p>

## How Do I Select the Rate Calculation Rule for an Earnings Element

When using the Elements task to define earnings, you can choose from one of these calculation rules.

- Factor
- Flat Amount
- Hours \* Rate

The payroll process uses one of these methods to derive the rate.

- Employee's salary basis
- Through element entry

**Note:** To ensure proper overtime calculation, the Standard Earnings of Premium secondary classification must use the Hours \* Rate rule.

- Percentage of Earnings

## What Rate Conversion Rules Can I Select for Earnings

When defining earnings elements in the Elements task, you can select specific formula rules to manage rate conversions. These rules apply to earnings classification elements, including standard, supplemental, absence, and time elements.

You can set conversion rules for these element attributes.

Element attribute	You can select a rate conversion rule
Periodicity	When you use the flat amount or hours * rate calculation rule.
Proration	When you make the element subject to proration.
Work Unit	When you select hourly work units for a standard or supplemental earnings element.

For further info, see Rate Conversion Rules for the US in the Help Center.

## Retroactive Pay Eligibility for Earnings

Retroactive pay is compensation you issue to a person in the current pay period due to an adjustment you made in a previous one. Because of this, you need to perform a recalculation using the Recalculate Payroll for Retroactive Changes process.

### What happens when you run this process

Here's what happens when you run this process.

1. It determines which payroll runs are affected.
2. It recalculates them to find the changes.
3. It brings those changes into the current period.

### How you set retroactive pay eligibility for earnings

During earnings element definition, the template includes a question that identifies retroactive pay processing eligibility for the element. If you enable retroactive processing, the template:

1. Associates the retroactive pay event with the element
2. Generates the appropriate indirect elements

For further info, see Indirect Elements for the US in the Help Center.

## How Do I Reduce Regular Earnings with Absence Entitlements

When defining an Absence element, the element template provides a prompt for reducing regular earnings. By selecting **Yes**, you can reduce the regular earnings with the absence entitlement calculation.

This setting reduces only earnings and hours for elements attached to a salaried salary basis where no time cards are used.

For example, a salaried employee reports 16 hours of vacation time-off this pay period. You pay them on a biweekly schedule.

This is what the employee's Statement of Earnings would look like if regular earnings are reduced. The sum of hours worked and not worked equals the regular hours.

Earnings Type	Hours	Amount
Regular Salary	64	\$6400
Vacation Pay	16	\$1600

However, this is what the employee's Statement of Earnings would look like if the regular earnings weren't reduced.

Earnings Type	Hours	Amount
Regular Salary	80	\$8000
Vacation Pay	16	\$1600

## How Do I Identify the Date Earned on an Earnings Element

The Elements task creates the Date Earned input value for all nonrecurring element entries, such as for overtime earnings elements.

Use this input value to capture the date the earnings were earned. When provided, the payroll process doesn't use proration and allocation.

If you don't provide a Date Earned, the payroll process distributes the entry across all applicable overtime periods within the pay period. If there are multiple overtime periods within the payroll period, the US proration formula ensures the results are allocated against the overtime period that spans the date earned.

## 3 Earnings for Time Card Employees

### How Do I Configure Earnings Elements for Time Card Employees

When defining an earnings element in the Elements task, this is how you configure it for time card employees.

1. Define the earnings element using the **Time Card** category.
2. To use the element for tagging purposes, run the Oracle Fusion Time & Labor Generate Data Dictionary Time Attributes process.
3. If you allocate time entry hours to different work jurisdictions, set up your time card layout to allow for these entries.

For further info, see How Do I Configure Time Cards for Payroll Processing in the Help Center.



## 4 Gross-Up Processing

### How Do I Enable Gross-Up Processing for an Earnings Element

You can perform net-to-gross processing of earnings elements. The payroll process calculates the gross amount required to meet the net pay. You select which taxes and other deductions you're willing to pay by selecting the balances used during net-to-gross processing.

When defining earnings of Standard or Supplemental types, the template provides a question that enables net-to-gross processing.

Federal, state, and local levels of taxes are available for inclusion or exclusion.

For further info, see [How the Payroll Process Calculates Net-to-Gross Earnings for the US](#) in the Help Center.





# 5 Overtime Earnings

## How Do I Define Overtime Earnings Elements

The earnings of nonexempt employees are subject to overtime calculations. There are some things you should consider before you define the earnings element.

- Naming the element

For further info, see [What Are the Special Naming Rules for Overtime Elements in the Help Center](#).

- Calculating earnings for nonexempt employees

For further info, see [How Nonexempt Employees Affect Earnings Calculations in the Help Center](#).

- Configuring the element for overtime calculations

For further info, see [How to Configure Earnings Elements for Overtime Calculations in the Help Center](#).

- Choosing a premium calculation rate rule

For further info, see [How Do I Select the Premium Calculation Rate Rule for Overtime Elements in the Help Center](#).

- Allocating earnings

For further info, see [How the Payroll Process Allocates Overtime Earnings in the Help Center](#).

- Calculating overtime for time card employees

For further info, see [How the Payroll Process Calculates Overtime for Time Card Employees in the Help Center](#).

For further info, see [Human Resources Cloud Implementing Payroll Overtime Rates for the United States on the Help Center](#).

## What Are the Special Naming Rules for Overtime Elements

When creating an overtime earnings element, don't use **Overtime** as part of the element or reporting name. Overtime is a reserved term, and including it in user-defined elements would interfere with balance initializations.

## How Nonexempt Employees Affect Earnings Calculations

When you set a job as nonexempt, it changes how the payroll process calculates Standard Earnings elements of the Premium secondary classification.

The process includes the employee's assignment Overtime Period in its calculations. It doesn't affect the payroll calculations of elements with Overtime secondary classification.

The payroll process determines if an employee is eligible for overtime according to the exempt or nonexempt status of their job. You set a job's status with **Status** in the United States Job Information section of the Jobs task. For further info, see Human Resources Cloud Implementing Payroll Overtime Rates for the United States in the Help Center.

## How to Configure Earnings Elements for Overtime Calculations

Your selections during earnings element definition determine its eligibility for overtime calculations.

This template prompt	Does this
Should this element be included in the earnings calculation of the overtime base rate?	Determines how the payroll process calculates the overtime base rate. Selecting <b>Yes</b> creates a balance feed to the Overtime Earnings predefined balance.
Should this element be included in the hours calculation of the overtime base rate?	Hours worked represents the total number of hours an employee worked during a pay period. Selecting <b>Yes</b> creates a balance feed to the Overtime Hours predefined balance.

## How Do I Select the Premium Calculation Rate Rule for Overtime Elements

When defining Standard earning elements of Premium secondary classification, the Elements task requires you select an Overtime calculation rate rule.

Calculation rate rule	What it does
Blended Rate	Bases the rate on the calculation of the employee's gross hourly rate. Determined by dividing the Overtime earnings by Overtime hours.

Calculation rate rule	What it does
Higher of Blended or Normal Rate	Uses either the blended rate or the normal rate, whichever is higher. The normal rate is defined either on the salary basis or through element entry input values.

The blended rate differs from regular rate only when the employee is paid with supplemental earnings, such as bonus or commission.

## How the Payroll Process Allocates Overtime Earnings

Allocation is the process of attributing income to the overtime period during which it was earned, even if the payroll run spans multiple overtime periods.

For example, a payroll run includes two overtime periods: January 01 to 07 and January 08 to 14. The Date Earned for the element entry is January 08. Therefore, the payroll process creates no results for January 01 through 07, and instead, it allocates the overtime earnings to January 08 through 14.

If you don't specify an Earned Date, then the payroll process allocates the total overtime amount between the overtime periods.

The process determines the number of allocated Overtime Periods for the assignment and pay period based on the calendar days. Then it allocates the earnings accordingly. A pay period can have several contributing overtime periods with a length of any number of days.

## How the Payroll Process Calculates Overtime for Time Card Employees

You identify employees that must submit a time card through the **Time Card Required** check box. This check box is available on the Payroll Relationship and New Hire tasks.

This includes hourly paid and nonexempt workers.

When selected, and you have attached the earnings element to a salary basis, the payroll process doesn't process the salary element. Instead, the employee is paid through nonrecurring time card entries. The payroll process derives the worker's hours from your time reporting application, such as Oracle Fusion Time and Labor or a third-party interface.

If you didn't select the check box, the payroll run processes the salary element.



# 6 Indirect Elements

## How Are Indirect Elements Created for Earnings Elements

During the creation of your elements, depending on the options you selected, the element template may automatically create related indirect elements. For further info, see Indirect Elements for the US in the Help Center.

### *Related Topics*

- [How Do I Define Earnings Elements for the US](#)
- [Indirect Elements for the US](#)



# 7 Tax Calculations

## How the Payroll Process Calculates Taxes for Earnings

How you configure your earnings can impact how the payroll process calculates the taxes. Here's some things to consider are you're define your earnings elements.

- Setting tax annualization  
For further info, see [Tax Annualization for Standard Earnings](#) in the Help Center.
- Distributing earnings across work locations  
For further info, see [Earnings Distribution Across Work Locations](#) in the Help Center.
- Configuring supplemental earnings to process and pay with other earnings  
For further info, see [How do I use the Taxation Type input value?](#) in the Help Center.
- Taxing wages cumulatively  
For further info, see [How do I set up cumulative wage taxation?](#) in the Help Center.
- Understanding regular and supplemental payroll runs  
For further info, see [What's the Difference Between Regular and Supplemental Runs](#) in the Help Center.

## Tax Annualization for Standard Earnings

When you define a Standard Earnings element, you can configure it to:

- Process separately but pay with other earnings
- Process separately and pay separately

If you select **Yes** for one of these options, the template asks if you want to tax the earning across multiple pay periods. If you agree, the template applies a Taxation Pay Periods input value to the element. This value sets the annualization calculation factor.

You use the Taxation Pay Periods input value to set the number of pay periods for the earnings' tax annualization.

### Example of tax annualization

Here's how different values can impact federal income tax (FIT) calculations for a semimonthly pay period, assuming the employee is claiming Single / Zero and using 2018 withholding tables.

Taxation Pay Periods value	For this annualized pay amount	Performs this calculation	This is the tax withheld
Blank	\$2,500 semimonthly earnings * 24 pay periods = \$60,000	$60,000 - 42,400 = \$17,600$ $17,600 * 22 \text{ percent} = \$3,872$	\$346.90

Taxation Pay Periods value	For this annualized pay amount	Performs this calculation	This is the tax withheld
(pay periods determined by the payroll calendar)		$3,872 + 4,453.50 = \$8,325.50$ $8,325.50 / 24 = \$346.90$	
9	\$2,500 semimonthly earnings * 9 pay periods = \$22,500	$22,500 - 13,225 = \$9,275$ $9,275 * 12 \text{ percent} = \$1,113$ $1,113 + 952.50 = \$2,065.50$ $2,065.50 / 9 = \$229.50$	\$229.50
18	\$2,500 semimonthly earnings * 18 pay periods = \$45,000	$45,000 - 42,400 = \$2,600$ $2,600 * 22 \text{ percent} = \$572$ $572 + 4,453.50 = \$5,025.50$ $5,025.50 / 18 = \$279.19$	\$279.19

## Earnings Distribution Across Work Locations

For employees working in multiple locations, you must ensure the correct amount of work is attributed to the appropriate jurisdictions. This can affect tax calculations.

Here are the methods you can use to distribute earnings.

Distribution method	How you do it
Tagged Earnings	<p>Associate an earning to a specific state, county, or city through element entry.</p> <p>For further info, see <a href="#">How Do I Distribute Earnings with Tagged Earnings</a> in the Help Center.</p>
Employee Earnings Distribution Overrides Card	<p>Use this calculation card to select the individual work locations and the percentage of time worked at each.</p> <p>For further info, see <a href="#">How Do I Distribute Earnings with the Employee Earnings Distribution Overrides Card</a> in the Help Center.</p>
Earnings Distribution by Jurisdiction	<p>Earnings at the assignment level require no distribution, as the assignment is associated with a single jurisdiction. This is the default method.</p>



## How do I set up cumulative wage taxation?

For employees whose earnings are accrued unevenly across the year, you can calculate their federal income tax (FIT) deductions through a cumulative withholding method.

This method is also available for state income tax (SIT) calculation in few states.

Use **Cumulative Taxation** on the employee's Tax Withholding card on their **Federal** and state regional components to enable it.

## How Do I Distribute Earnings with Tagged Earnings

Tagged earnings are earnings you associated to a locality through element entry.

You can do this at the assignment level by manual entry through the Elements task. The input values are State, County, and City. You can also associate or tag an earning through time card entries. The payroll process uses the provided values in its calculations.

When you use tagged earnings, the input values already contain the exact jurisdiction. Therefore, the payroll process doesn't derive the jurisdictions nor the distributions.

For example, you have an employee who works in four locations. Their total work hours is 40 per week, 10 hours at each location. To distribute by tagged earnings, the earnings element must allow multiple entries in a payroll period. You define separate element entries for each of the employee's work locations, entering their hours and rate.

Location	Hours per week
Texas	10
San Jose, CA	10
Los Angeles, CA	10
Arizona	10

## How Do I Distribute Earnings with the Employee Earnings Distribution Overrides Card

This calculation card lets you enter every location at which an individual employee may work. You can also specify the percentage of their time spent there.

For further info, see Employee Earnings Distribution Overrides Card in the Help Center.

For example, you have an employee who works in four locations. Their total work hours is 40 per week, 10 hours at each location. You've defined Texas as the primary work location on the employee's assignment. You would configure the Employee Earnings Distribution Overrides card to reflect distributions of 25% for San Jose, California; Los Angeles, California; and Arizona each. The remaining 25% is automatically attributed to the primary Texas location.

Location	Distribution
Texas (primary work location)	25
San Jose, CA	25
Los Angeles, CA	25
Arizona	25

## How Do I Distribute Earnings with Jurisdictions

Earnings at the assignment level require no distribution, as the assignment is associated with a single jurisdiction. This is the default method.

If there isn't an Earnings Distribution Overrides card, the payroll process determines the percentage distribution for each, based on work hours.

If the total percent of earnings distribution is less than 100%, the payroll process allocates the remaining percentage to the primary work location.

For example, you have an employee who works in four locations. Their total work hours is 40 per week, 10 hours at each location. They have a single payroll relationship and three assignments, each working in Texas, California, and Arizona. Their distribution would be 10, 20, and 10 hours.

Jurisdiction	Hours	Distribution percentage
Texas (primary work location)	10	25

Jurisdiction	Hours	Distribution percentage
California	20	50
Arizona	10	25

## What's the difference between regular and supplemental runs?

This table describes how regular and supplemental payroll runs calculate federal taxes, based on the default settings.

What wages are being processed	Process and pay with other?	Taxation Type input value	For this tax	Uses this calculation method for regular runs	Uses this calculation method for supplemental runs
Regular only	Yes		Federal income tax (FIT)	Annualized	N/A
	Yes		State income tax (SIT)	Default state regular	N/A
	No		FIT	Annualized	N/A
	No		SIT	Default state regular	N/A
Supplemental only	No	N/A	FIT	Tiered Flat Rate <b>Note:</b> You can override this at the payroll statutory unit (PSU) and tax reporting unit (TRU) levels.	Tiered Flat Rate <b>Note:</b> You can override this at the PSU and TRU levels.
	No	N/A	SIT	Default state supplemental <b>Note:</b> You can override this at the PSU and TRU levels if the state supports alternate methods.	Default state supplemental <b>Note:</b> You can override this at the PSU and TRU levels if the state supports alternate methods.

What wages are being processed	Process and pay with other?	Taxation Type input value	For this tax	Uses this calculation method for regular runs	Uses this calculation method for supplemental runs
	Yes	N/A You defined the elements before the input value was introduced.	FIT	Concurrent Aggregation	Tiered Flat Rate
	Yes	N/A You defined the elements before the input value was introduced.	SIT	<ol style="list-style-type: none"> <li>1. Uses Concurrent Aggregation</li> <li>2. If not applicable for the work or residence state, uses default state supplemental</li> </ol>	Default state supplemental  <b>Note:</b> You can override this at the PSU and TRU levels if the state supports alternate methods.
	Yes	Regular	FIT	Concurrent Aggregation	Tiered Flat Rate
	Yes	Regular	SIT	<ol style="list-style-type: none"> <li>1. Uses Concurrent Aggregation</li> <li>2. If not applicable for the work or residence state, uses default state supplemental</li> </ol>	Default state supplemental  <b>Note:</b> You can override this at the PSU and TRU levels if the state supports alternate methods.
	Yes	Supplemental	FIT	Tiered Flat Rate  <b>Note:</b> You can override this at the PSU and TRU levels.	Tiered Flat Rate  <b>Note:</b> You can override this at the PSU and TRU levels.
	Yes	Supplemental	SIT	Default state supplemental  <b>Note:</b> You can override this at the PSU and TRU levels.	Default state supplemental  <b>Note:</b> You can override this at the PSU and TRU levels.

What wages are being processed	Process and pay with other?	Taxation Type input value	For this tax	Uses this calculation method for regular runs	Uses this calculation method for supplemental runs
Regular and supplemental	Yes	Regular	FIT	Concurrent Aggregation	<ol style="list-style-type: none"> <li>1. Tiered Flat Rate for supplemental wages</li> </ol> <p><b>Note:</b> You can override this at the PSU and TRU levels.</p> <ol style="list-style-type: none"> <li>2. Ignores regular wages</li> </ol>
	Yes	Regular	SIT	<ol style="list-style-type: none"> <li>1. Uses Concurrent Aggregation</li> <li>2. If not applicable for the work or residence state, uses default state calculation method</li> </ol>	<ol style="list-style-type: none"> <li>1. Default state supplemental</li> </ol> <p><b>Note:</b> You can override this at the PSU and TRU levels.</p> <ol style="list-style-type: none"> <li>2. Ignores regular wages</li> </ol>
	Yes	Supplemental	FIT	Tiered Flat Rate Combined  <p><b>Note:</b> You can override this at the PSU and TRU levels.</p>	<ol style="list-style-type: none"> <li>1. Tiered Flat Rate for supplemental wages</li> </ol> <p><b>Note:</b> You can override this at the PSU and TRU levels.</p> <ol style="list-style-type: none"> <li>2. Ignores regular wages</li> </ol>
	Yes	Supplemental	SIT	Default state method for regular and supplemental  <p><b>Note:</b> You can override this at the PSU and TRU levels if the state supports alternate methods.</p>	<ol style="list-style-type: none"> <li>1. Tiered Flat Rate for supplemental wages</li> </ol> <p><b>Note:</b> You can override this at the PSU and TRU levels.</p> <ol style="list-style-type: none"> <li>2. Ignores regular wages</li> </ol>



## 8 Examples

### Examples of Creating Earnings Elements for the US

This example shows how to use the element template to define a regular earnings element, such as salary. After you define the earnings element, you must create at least one eligibility record for it.

#### Defining an Earnings Element

1. Start the Elements task.
2. Click **Create**.
3. Complete the following fields.

Field	Value
Legislative Data Group	Your US legislative data group
Primary Classification	Standard Earnings
Secondary Classification	Regular

4. Click **Continue**.
5. Enter a name and other basic details.

You can enter up to 50 characters for the element name. If you enter more than 50 characters, the task automatically shortens the name.

6. Respond to the following questions.

Question	Answer
Should every person eligible for the element automatically receive it?	No.
What is the earliest entry date for this element?	First Standard Earnings Date
What is the latest entry date for this element?	Last Standard Earning Date

Question	Answer
	<b>Note:</b> If you select this date, you must enable proration so the calculation is correct if a person leaves prior to a pay period end date.
At which employment level should this element be attached?	Assignment Level
Does the element recur each payroll period, or does it require explicit entry?	Recurring
Process the element only once in each payroll period?	Yes
Can a person have more than one entry of the element in a payroll period?	No
Process and pay element separately or with other earnings elements?	Process and pay with other earnings

7. Click **Next**.
8. On **Additional Details**, complete the following fields.

Question	Answer
What is the calculation rule?	Flat Amount
Is this element subject to proration?	Yes
Proration Group	Entry Changes for Proration
Is this element subject to retroactive changes?	Yes
Retro Group	Entry Change for Retro
Should this element be included in the earnings calculation of the overtime base rate?	Yes



Question	Answer
Should this element be included in the hours calculation of the overtime base rate?	Yes

9. Click **Next**.
10. Verify the info is correct.
11. Click **Submit**.
12. In **Element Overview**, select **Actions** and then **Create Element Eligibility**.
13. Enter **REGULAR SALARY ELIG** and the element eligibility name.
14. In **Eligibility Criteria**, select **All payrolls eligible**.
15. Click **Submit**.

## Defining a Regular Earnings Element to Reduce Regular

To create a Regular earnings element that reduces regular:

1. Create your earnings using Standard Earnings primary classification and Regular secondary classification.
2. Change the processing priority of this element to 2100.
3. Complete the element definition, and submit.
4. Start the Balance Definitions task.
5. Set the effective as-of date.
6. For the Reduce Regular Earnings balance, create a balance feed using your base element name. Select the Pay Value input value with the **Add** option.
7. For the Reduce Regular Hours balance, create a new balance feed using your base element name. Select the Hours Worked input value with the **Add** option.



## 9 Supplemental Earnings

### How Supplemental Earnings Are Calculated for Regular Runs in the US

During a Regular payroll run, the payroll process can use different taxation methods when processing supplemental earnings.

#### What Settings Affect Earnings Calculations

The state of the person's residence or employment can determine how the payroll process calculates their taxes.

#### How the Payroll Process Calculates the Taxes

The payroll process performs these steps.

1. It attempts to use the aggregation calculation method.
2. If that method isn't applicable for the employee's work or residence state, it does one of the following.
  - For Georgia, it uses the tiered flat rate tax method.
  - For Ohio, it uses the aggregation tax method.
  - For all other states, it uses the default method.



# 10 Supplemental Augmented Earnings

## Supplemental Augmented Earnings

Augments are amounts you pay an employee that are:

1. In addition to their regular rate of pay
2. Considered nondiscretionary

They can be bonuses for meeting performance or financial goals, attendance awards, payments for on-call time, commissions, piece rates, incentives, training pay, and so on.

Because they're often earned in acknowledgment for events in the past, for the purpose of calculating overtime, you have to distribute their value retroactively. The payroll process recalculates the overtime by prorating the augment's amount across the periods during which it was earned.

For example, you pay employee commissions monthly and pay the salary semimonthly. Therefore, the payroll process divides the commission evenly over the pay periods during the period it was earned with 50% allocated to each semimonthly pay period.

## How Do I Define Supplemental Augmented Earnings

You define elements for supplemental augmented earnings, you use through the Elements task. They can be any element of Supplemental Earnings primary classification.

This involves:

1. Defining elements
2. Defining element entries
3. Processing augments

### How you create the elements

To define augment elements:

1. Start the Elements task.
2. Create an earnings element with these settings.

Field name	What you enter
Primary Classification	Supplemental Earnings
Does this element recur each payroll period?	Nonrecurring

Field name	What you enter
Prorate this earning across all periods during which it was earned, and consider it for overtime calculations, such as for commissions, bonuses, incentives, and other nondiscretionary earnings?	Yes <p><b>Note:</b> When you select <b>Yes</b>, the task does the following.</p> <ul style="list-style-type: none"> <li>a. Defaults the calculation rule to Flat Amount</li> <li>b. Creates an indirect element named "&lt;Base Element Name&gt; Premium Adjustment"</li> <li>c. Creates two input values: Earned Start Date and Earned End Date</li> </ul>
What is the calculation rule?	Flat amount
Is this element subject to retroactive changes?	No
Should this element be included in the earnings calculation of the overtime base rate?	Yes

### 3. Set these input values for the element.

- o Earned Start Date
  - Must be equal to or later than the employee's hire date.
- o Earned End Date
- o Total Amount

**Note:** Don't mark your Premium Adjustment element as **Process Separately** or **Pay Separately from other elements** when the Augment element's earned start and end dates are between the payroll period start and end dates.

### 4. Create an eligibility link for the <Base Element Name> Premium Adjustment element and the base supplemental element.

## How you define the element entries

For earnings to be associated with a person, you must create an element entry for the eligible employees and the base augment element.

**Note:** When you create the base augment element entry, the task automatically creates a "<Base Element Name> Premium Adjustment" element entry with the same effective start and end dates as the base augment's earned start and end date element entry values. If you leave the earned start and end date element entry values blank, <Base Element Name> Premium Adjustment uses the payroll start and end dates.

## How to process augments

Once you have created the augment element, run the Recalculate Payroll for Retroactive Changes process for the payroll period in which you created the base augment element. This process picks the <Base Element Name> Premium Adjustment element and creates retroactive payment entries for the adjusted premium amount.

For further info, see Recalculate Payroll for Retroactive Changes for the US in the Help Center.

## California Bonus and Stock Option Payments

California taxes the withholding rates on bonus and stock option payments at a different supplemental withholding rate than other earnings.

To support employees that earn these kinds of payments, you need to perform some additional configuration.

What you need to do	How you do it
Deploy the Element Information extensible flexfield	Use the Extensible Flexfields task.
Set the alternate rate on your Supplemental Earnings element	Use the Elements task.

The following sections describe these steps in detail.

### Element Information Extensible Flexfield

Before you can create or modify Supplemental Earning elements, you must deploy the Element Information extensible flexfield.

1. Start the Extensible Flexfields task.
2. Search for the `pay%element%` flexfield code.
3. Select the search result, and click **Deploy Flexfield**.
4. Click **Done**.

**Note:** You can override the supplemental tax method only for supplemental earnings configured as **Process separately, but pay with other earning**. California is the only state available for selection.

### Supplemental Earnings Elements

To set the alternate rate on a Supplemental Earnings element:

1. Start the Elements task.
2. Create the element, using the Supplemental Earnings primary classification and Bonus secondary classification.
3. Complete and save the element.  
In addition to saving the element, the task creates multiple indirect elements to support it.
4. Restart the Elements task, and search for the element you just created, using a wildcard at the end of the name.

This returns the element and all associated indirect elements.

For example, for an element named "CA Supplemental Bonus", you might use a string of `CA Supp%`.

5. Select and edit the Calculator indirect element.
6. On **Element Details**, in **Element Information EFF**, expand **Calculation Method**.
7. Enter the following.

Field name	What you enter
State	CA
Supplemental Tax Method	Alternate Flat Rate

8. Click **Done**.

## California Flat-Sum Bonuses

Flat-sum bonuses earned in California require special overtime calculation. The payroll process:

- Uses a premium calculation method based on the employee's regular hours worked instead of total hours worked during the period to which the bonus applies.
- Calculates an additional premium on the bonus for each overtime hour the person worked during the pay period.

To configure elements for California flat-sum bonuses:

1. Define the Earnings element for the bonus.
  - a. Start the Elements task, and click **Create**.
  - b. Select your US legislative data group (LDG).
  - c. Select the **Supplemental Earnings** primary classification.
  - d. Select the **Bonus** secondary classification.
  - e. Select the **Flat calculation rule**.
  - f. Select **Yes** to the overtime rules prompts.
  - g. Submit the element definition.
  - h. In **Element Summary**, edit the definition in correction mode.
  - i. In **Element Information**, select **CA** as the state.
  - j. Select **Alternate bonus calculation method** as the premium calculation method.
  - k. Click **Save and Submit**.
2. Define regular and premium overtime elements.

For further info, see *Configure Overtime Rate Elements for the US* in the Help Center.
3. Add element entries for your flat sum bonus and overtime premium elements.

When you do this, the Element Entries task automatically creates an additional indirect element for calculating premium overtime for the bonus. This element isn't user editable.