Oracle Fusion Cloud Human Resources

How do I manually define state and local taxes for the US?

FA Latest

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1 How Do I Manually Define State and Local Taxes for the US?

State and local taxes represent categories of taxes that exist in some states and are generally at the state, county, city, or school district level. Calculation rules exist for most of these taxes.

However, there are some state and local employer taxes that you define manually.

For example:

- Employer Payroll Expense Taxes for Newark, St. Louis, and San Francisco
- Kentucky Rural Economic Development Act
- New York Employer Compensation Expense Program
- Oregon Transit Employer Taxes

> **Note:** For further info, see Oracle Cloud Human Capital Management for United States: State and Local Tax Configuration (2056960.1) on My Oracle Support.

Defining state and local taxes involves several steps.

1. Verify the tax with your tax-filing provider.
2. Configure the deduction element.
3. Identify the jurisdiction.
4. Configure the balances.
5. Prepare for third-party reporting.

2 Why Should I Verify My Manual State and Local Taxes with My Tax-Filing Provider

If you're planning to manually define a state or local tax, you must contact your tax-filing account manager because:

- You need to confirm they support the tax you want to add and can process its payments.
- You need to provide them with the tax code you plan to give the new tax.

  Tax codes can be any unique alphanumeric combination, with the following restrictions according to their level.

This tax category	Has these tax code restrictions
Federal	Any alphanumeric value, up to 15 characters.
State	Any alphanumeric value, up to 13 characters. The 2-character state postal code is automatically prefixed to this value.
County	Any alphanumeric value, up to 10 characters. The 2-character state postal code and 3-character county geocode are automatically prefixed to this value.
City	Any alphanumeric value, up to 6 characters. The 2-character state postal code, 3-character county geocode, and 4-character city geocode are automatically prefixed to this value.
School District	Any alphanumeric value, up to 8 characters. The 2-character state postal code and 5-character school geocode are automatically prefixed to this value.

3 How Do I Configure Deduction Elements for Manual State and Local Taxes

When manually defining state and local taxes, this is how you configure the deduction elements.

What you need to do	How you do it
Define the element	Use the Elements task to define an element for each state and local tax. These elements should use the Employer Taxes primary classification, although other classifications like Employer Liabilities are acceptable for legacy elements. Answer all other prompts in the Create Element template as appropriate for the tax you're defining. Be sure to include contexts as is appropriate for the tax (state, county, city, and school district). To ensure data passes correctly from the base element to the results element, you must set the priority of the results element so that it processes after the base element.
Set the input values	Depending on the tax you're defining, create State, County, City, and School District input values as needed. You must define State, County, and City with display sequences of 1, 2, and 3 respectively. **Note:** If the element has input values that already use these sequences, you must change them. Set an appropriate value for **Reference**. This sets the appropriate default validation source.
Configure the fast formula	When you complete the new element definition, the task automatically creates one or more default fast formulas. Use the Fast Formulas task to modify the calculator formula to correctly calculate the state or local tax. The changes you make are dependent upon the tax's specific tax rules. For further info, see your state or local tax authority. Modify the processing rules on the formula results. Set the contexts on the results element as needed.

4 How Do I Identify Jurisdictions for Manual State and Local Taxes

When manually configuring state and local taxes, you have two options for identifying the jurisdiction.

<table>
<tr><th>For this method</th><th>This is what you do</th></tr>
<tr><td>Fast formula</td><td>In cases where you're defining a state or local tax for a single jurisdiction, you can set the jurisdiction through fast formulas.

When you define the base element of the tax deduction, the element template creates these fast formulas.

• <name> Tax_CHG_DEDN
• <name> CHG_DEDN_CALCULATOR

Modify these formulas to derive the jurisdiction.</td></tr>
<tr><td>Element entry</td><td>In cases where you're defining a tax for use with multiple jurisdictions, you can enter the jurisdiction and rate details on the element entry.

1. Configure the fast formulas to derive the jurisdiction.

When you define the base element of the tax deduction, the element template creates these fast formulas.

○ <name> Tax_CHG_DEDN
○ <name> CHG_DEDN_CALCULATOR

2. Configure element entry to pass the jurisdiction and applicable tax rate.</td></tr>
</table>

5 How Do I Configure Balances for Manual State and Local Taxes

To configuring balances for state and local taxes you've manually defined:

1. Define the balance.
2. Define the balance dimension.
3. Configure the balance for tax filing.

How you define the balance

Use the Balance Definitions task to define any balances required for the tax and establish their feeds.

In most cases, a tax requires these balances. There can be scenarios where one or more aren't.

Balance name	What it tracks
Withheld or Liability	Calculated amount for the state or local tax.
Reduced Subject Wages	Wages or salary used to calculate the withheld or liability amount for this tax.
Total Wage or Gross	Total wages or gross pay.
Taxable Wages	Taxable wages, which can vary based on the wage basis rules. Because the payroll process doesn't have wage basis rules for local taxes, it uses the state wage-basis rules. If the state wage-basis rules are incompatible with your local tax, you must define your own local wage-basis rules.

> **Note:** Don't use the predefined Gross Earnings balance as part of the balances you configure at the enterprise level. This would result in incorrect tax codes.

These balance configurations will vary according to each state or local tax's requirements. Refer to the appropriate tax authority for more info.

You must ensure that you have defined the correct balance feeds for these balances.

How you define the balance dimension

When you create the four balance definitions described in the previous section, you must define them with the balance dimensions appropriate for the tax's archive level. The tax-filing processes consume the balances dimensions at the payroll relationship level. You must define the dimensions at the Relationship Tax Unit level as described in the following table.

For example, for a tax that's at the City level, use the City archive-level balance definitions.

The BASE_DIMENSION_NAME refers to the Global Payroll Name. You would see the TL_DIMENSION_NAME in the Balance Definitions task.

Parameter value	Logging category	DBI suffix	TL_DIMENSION_NAME
Federal	Core Relationship Tax Unit Run	_REL_TU_RUN	Relationship Tax Unit Run
Federal	Core Relationship Tax Unit Payslip	_REL_TU_PAYSLIP	Relationship Tax Unit Payslip
Federal	Core Relationship Tax Unit Year to Date	_REL_TU_YTD	Relationship Tax Unit Year to Date
Federal	Core Relationship Tax Unit Quarter Year to Date	_REL_TU_QTD	Relationship Tax Unit Quarter Year to Date
State	Core Relationship Tax Unit,Area1 Run	_REL_TU_STATE_RUN	Relationship Tax Unit,State Run
State	Core Relationship Tax Unit, Area1 Payslip	_REL_TU_AR1_PAYSLIP	Relationship Tax Unit, Area1 Payslip
State	Core Relationship Tax Unit,Area1 Year to Date	_REL_TU_STATE_YTD	Relationship Tax Unit,State Year to Date
State	Core Relationship Tax Unit,Area1 Quarter Year to Date	_REL_TU_STATE_QTD	Relationship Tax Unit,State Quarter Year to Date
County	Core Relationship Tax Unit,Area1,2 Run	_REL_TU_COUNTY_RUN	Relationship Tax Unit,County Run
County	Core Relationship Tax Unit, Area1,2 Payslip	_REL_TU_AR12_PAYSLIP	Relationship Tax Unit, Area1,2 Payslip
County	Core Relationship Tax Unit,Area1,2 Year to Date	_REL_TU_COUNTY_YTD	Relationship Tax Unit,County Year to Date
County	Core Relationship Tax Unit,Area1,2 Quarter Year to Date	_REL_TU_COUNTY_QTD	Relationship Tax Unit,County Quarter Year to Date
City	Core Relationship Tax Unit,Area1,2, 3 Run	_REL_TU_CITY_RUN	Relationship Tax Unit,City Run
City	Core Relationship Tax Unit, Area1,2, 3 Payslip	_REL_TU_AR123_PAYSLIP	Relationship Tax Unit, Area1,2,3 Payslip
City	Core Relationship Tax Unit,Area1,2, 3 Year to Date	_REL_TU_CITY_YTD	Relationship Tax Unit,City Year to Date

Parameter value	Logging category	DBI suffix	TL_DIMENSION_NAME
City	Core Relationship Tax Unit,Area1,2, 3 Quarter Year to Date	_REL_TU_CITY_QTD	Relationship Tax Unit,City Quarter Year to Date
School District	Core Relationship Tax Unit,Area1,4 Run	_REL_TU_SCHOOL_RUN	Relationship Tax Unit,School Run
School District	Core Relationship Tax Unit, Area1,4 Payslip	_REL_TU_AR14_PAYSLIP	Relationship Tax Unit, Area1,4 Payslip
School District	Core Relationship Tax Unit,Area1,4 Year to Date	_REL_TU_SCHOOL_YTD	Relationship Tax Unit,School Year to Date
School District	Core Relationship Tax Unit,Area1,4 Quarter Year to Date	_REL_TU_SCHOOL_QTD	Relationship Tax Unit,School Quarter Year to Date

How you configure the balance for tax filing

Use the Enterprise HCM Information task to configure the balances you have defined. Include them in the periodic or quarterly tax filing extract.

For each balance you defined:

1. Start the **Manage Enterprise HCM Information** task.
2. Open US Balance Definition for editing.
3. Click **Add Row**.
4. Enter the following.

Field name	What you enter
Legislative Data Group Name	Select a US legislative data group (LDG).
Archive Level	Select the archive level appropriate to the level of the balance. **Note:** Don't select **Federal** for any local taxes. Use **Federal** for balances with no area contexts, such as taxes that don't apply to the state, county, city, or school district levels.
Category	Select the category to match the balance. For example, if the category is **Withheld or Liability**, then the balance name in the next field must be the balance for the actual calculated tax withheld or liability. To include the new tax in the third-party tax files, it usually would need four rows in this table, one for each category.

Field name	What you enter
	◦ Withheld or Liability ◦ Reduced Subject Wages ◦ Total Wage or Gross ◦ Taxable Wages
Balance Name	Select the balance's name.
Tax Code	Enter the tax code. This code is user-defined, and the payroll process doesn't validate it. You must ensure its accuracy and uniqueness. The following formatting rules apply according to the tax category. ◦ Federal Any alphanumeric value up to 15 characters. Nothing is prefixed to this value. ◦ State Any alphanumeric value, up to 13 characters. The 2-character state postal code is automatically prefixed to this value. ◦ County Any alphanumeric value, up to 10 characters. The 2-character state postal code and 3-character county geocode are automatically prefixed to this value. ◦ City Any alphanumeric value, up to 6 characters. The 2-character state postal code, 3-character county geocode, and 4-character city geocode are automatically prefixed to this value. ◦ School District Any alphanumeric value, up to 8 characters. A 2-character state postal code and 5-character school geocode are automatically prefixed to this value. **Note:** ◦ Advise your tax-filing account manager of this code, so they can properly uptake it for their processing of the local tax. ◦ If you're using this tax type for only periodic reporting (**Periodic** report usage), this field isn't used. You can enter any value here. ◦ Use the same tax code for each of the four balance categories described above.
Type	Select **Balance**.
Report Usage	Select the reporting type for this tax.

Field name	What you enter
	Select **Periodic and Quarterly** to capture the tax data in the periodic archive. For use in periodic and quarterly tax filing. Select **Periodic** to capture the tax data in the periodic archive only. For use with configured reports. **Note:** If you select a balance for archival that's already being archived (such as a predefined balance), the balance is archived twice.

5. Repeat for each balance you defined for the new tax.

   To include this tax in the third-party tax files, your US Balance Definition table requires these rows. Create one for each category with the same tax code.

   - Withheld or Liability
   - Reduced Subject Wages
   - Total Wage or Gross
   - Taxable Wages
6. Click **Submit**.

6 How Do I Prepare My Manual Tax for Third-Party Reporting

After you create and configure the local taxes, configure the Third-Party Tax Filing Interface to include them in the periodic tax filing and quarterly tax filing extracts.

Work with your third-party provider to ensure those taxes are filed and paid.