

Oracle Fusion Cloud Human Resources

Limit Taxes for the US

FA Latest



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1 What Are Limit Taxes

The payroll process enforces most tax limits at the payroll relationship level. This means it tracks them across the tax reporting units (TRUs) within their parent payroll statutory unit (PSU).

By default, the payroll process enforces the maximum wage and tax limits for all federal limit taxes at the PSU level. For state limit taxes, it does this at the TRU level.

However, you can override how the process tracks these limits.

Note: If you must have multiple PSUs, and you want the payroll process to access person-level balances across them, you can import balances from one PSU to another. For further info, see Oracle Cloud Human Capital Management for United States: Balance Adjustments (1600728.1) on My Oracle Support.

2 How Payroll Relationships Affect Limit Taxes

A payroll relationship is the association between a person and a payroll statutory unit (PSU). It represents the highest level of balance aggregation.

Employees working in multiple tax reporting units (TRUs) under the same PSU would have a single payroll relationship. The payroll process would have access to payroll relationship-level balances that span multiple TRUs through their parent PSU.

Employees working in multiple PSUs must have multiple payroll relationships, one for each. In these cases, their person-level balances can't span across their payroll relationships.

3 How to Configure Federal Limit Taxes

Federal limit taxes include Social Security and Federal Unemployment Tax Act (FUTA). If you have multiple tax reporting units (TRUs) associated with your payroll statutory unit (PSU), the payroll process enforces the limits across all of them.

For example, this is a common configuration if you're using a common paymaster.

However, you can override this default and track your federal-level limit taxes by: individual TRU.

- Individual TRU
- Across multiple TRUs using a tax group

Perform this configuration before your first payroll run of the calendar year.

Note: This procedure involves configuring your **Federal Income Tax** calculation component. Because FIT isn't a limit tax, this won't impact your calculation of FIT. This solution was designed as a matter of convenience.

1. Start the Legal Reporting Unit Calculation Cards task from your implementation project.
2. Search for and select your TRU calculation card.

Do this for each of your TRU cards.

3. In **Calculation Card Overview**, click **Federal**.
4. Click **Federal Income Tax**.
5. Click **Enterable Calculation Values on Calculation Cards**.
6. Click **Add**.
7. In **Display Value**, search for and select **Federal Tax Limit Enforcement Level**.
8. In **Value**, enter **Tax Reporting Unit** or **Tax Group**.
9. Click **OK**.
10. Click **Save and Close**.

4 How to Configure State Limit Taxes

By default, the payroll process tracks all state taxes with limits at the individual tax reporting unit (TRU) level, such as state unemployment insurance (SUI), state disability insurance (SDI), family and medical leave insurance (FMLI), and long-term care (LTC).

However, you can override this default and track your state-level limit taxes at these levels.

- Parent payroll statutory unit (PSU)
- Across multiple TRUs using a tax group

Perform this configuration before your first payroll run of the calendar year.

1. Start the Legal Entity Calculation Cards task from your implementation project.
2. Search for and select your PSU calculation card.
3. In **Component Groups**, select the state node of the tax you're configuring.

Create it if it doesn't exist.

4. In **Calculation Components**, select the tax you're configuring.

Create it if it doesn't exist.

5. Select **Enterable Calculation Values on Calculation Cards**.
6. Click **Create**.
7. In **Display Value**, search for select **State tax limit enforcement level**.
8. In **Value**, enter **Payroll Statutory Unit** or **Tax Group**.
9. Click **OK**.
10. Click **Save and Close**.

To apply an enforcement level for all state taxes:

1. Open the PSU calculation card for editing.
2. In **Component Groups**, select **Federal**.
3. In **Calculation Components**, select **Federal Income Tax**.
4. Select **Enterable Calculation Values on Calculation Cards**.
5. Click **Create**.
6. In **Display Value**, search for select **State tax limit enforcement level**.
7. In **Value**, enter **Payroll Statutory Unit** or **Tax Group**.
8. Click **OK**.
9. Click **Save and Close**.

This overrides the setting on the **Federal** component group.

