How to Set Up Workers’ Compensation

Workers’ Compensation is set up individually for each company. This document explains how to configure this important feature.

This document also explains how Workers’ Compensation is calculated and the numbers that are used in Workers’ Compensation reporting.

Setting Up & Assigning the Codes

When you set up Workers’ Compensation for a company, you have to:

A. Add new Workers’ Compensation codes and configure their rates.
B. Assign codes to employees.
C. Assign codes to positions.
D. Assign codes to departments.

Note

In order for the position or department Workers’ Compensation overrides to work, you must set up a default Workers’ Compensation code on the employee.

Add & Configure Workers’ Compensation Codes

To set up Workers’ Compensation codes, select [company] > Company Maintenance > Company Setup > Work Comp tab.

The system displays the Workers Comp page, as shown in Figure 1:
This page is where you define the company Workers' Compensation codes.

For explanations of this page and sub-pages, see the Company Setup | Work Comp Tab reference sheet.

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**Note**

In order for the position or department Workers' Compensation overrides to work, you must set up a default Workers' Compensation code on the employee.

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**Exception: Including Overtime**

Most states base Workers’ Compensation calculations on regular working hours, or the “straight time portion.”

However, some states include the “portion of overtime” premium; that is, they base Workers’ Compensation calculations on all hours (regular working hours + overtime). If a company meets this requirement, you must put a check in the OT Premium Subject check box under the Workers Comp Rates sub-tab.
Assign a Code to an Employee

To assign a Workers’ Compensation code to an employee, select [company] > Employees > [employee] > Status/Position tab.

The system displays the Status page, as shown in Figure 2:

Figure 2: Status page, Work Comp field

Use the Work Comp drop-down list to select and assign the appropriate Workers’ Compensation code to this employee.

For more on this page, see the Employees / Status/Position Tab reference sheet.
Assign a Code to a Position

To assign a Workers’ Compensation code to an employee, select [company] > Company Maintenance > Company Setup > Positions tab.

The system displays the Positions page, as shown in Figure 3:

Use the WCC drop-down list to select and assign the appropriate Workers’ Compensation code to this position.

For explanations of this page and sub-pages, see the Company Setup | Positions Tab reference sheet.
Assign a Code to a Department

To assign a Workers’ Compensation code to an employee, select [company] > Company Maintenance > Company Setup > Departments tab.

The system displays the Departments page, as shown in Figure 4:

Figure 4: Departments page, WCC field

Use the WCC drop-down list to select and assign the appropriate Workers’ Compensation code to this department.

For more this page, see the Company Setup | Departments Tab reference sheet.

The Types of “Wages” Used in Calculations

Concerning reports for Workers’ Compensation, the system arrives at its numbers for the various types of wages as follows:

Total Wages These are any wages that are available for consideration for Workers’ Compensation calculations. Usually, this number equals the gross wages for the reporting period. However, if you associate a code group with a Workers’ Compensation code, “total wages” will be the value returned by the code group. Therefore, “total wages” are one of the following:
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\[
(Total \ Wages) = (Gross \ Wages \ for \ the \ reporting \ period)
\]

– or –

\[
(Total \ Wages) = (Value \ Returned \ by \ the \ Code \ Group)
\]

**Exempt Wages**  
Includes all the wages exempted from the Workers’ Compensation calculation.  
This value can be the “portion of overtime” premium or wages exceeding year-to-date limits, as defined for that Workers’ Compensation code.  
Therefore, “exempt wages” are:

\[
(Exempt \ Wages) = (Total \ of \ Wages \ Exempt \ from \ the \ WC \ Calculation)
\]

**Subject Wages**  
Reflects the amount of wages subject to Workers’ Compensation.  
Therefore, “subject wages” are:

\[
(Sub\ ject \ Wages) = (Total \ Wages) - (Exempt \ Wages)
\]

**How Workers’ Compensation Is Calculated**

Workers’ Compensation is calculated solely on the straight time portion of earnings. (For more on earnings, see the Company Setup | Earnings Tab reference sheet)

Unless you specify the company includes the “portion of overtime” premium (see “Exception: Including Overtime” on page 2), Millennium uses the logic explained below.

To determine if a premium portion should be removed (for example, overtime), Millennium looks at one item on each earning code—the value in the Rate x field under the Earning Setup sub-tab.

If the value of the Rate x field is greater than 1.0, Millennium will use the portion over 1 to calculate the exempt amount.

For example, if the value of the Rate x field is 1.5, then a 0.5 reduction is calculated for that earnings code and is not used for the premium calculation.

**Note**

Assuming the OT Premium Subject check box is not checked, an earning does not need to have the Earn Type value be OT for the premium portion to be exempt. If the rate for the earning is greater than 1, that amount will be considered a premium—regardless of what Earn Type is.

The amount of the premium portion removed from consideration is displayed as exempt wages on the Workers’ Compensation report (MPI_0601).
Additionally, you can use code groups to control which earnings are considered for the Workers’ Compensation calculation.

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**Tip**

You can also use deductions in these code groups to affect the Workers’ Compensation wages in states where certain pre-tax deductions are not subject to Workers’ Compensation.

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Upon determining the amount of subject wages, Millennium uses the SUI state from the Employees > [employee] > Taxes tab to determine which Workers’ Compensation rate/state combination to use. An employee must be set up with a SUI tax to be considered for Workers’ Compensation calculations.

### Oregon Workers’ Compensation

Workers’ Compensation in Oregon is based on hours worked using a per-hour rate that can be paid by either of the following:

- **Employer alone**

  Under the [company] > Company Maintenance > Master Company Setup > Taxes tab > Setup option, set up the tax code ORWC.

  For each employee, under the [company] > Employee > [employee] > Taxes tab, add the tax code ORWC.

- **Employer and employee**

  Under the [company] > Company Maintenance > Master Company Setup > Taxes tab > Setup option, set up the tax codes ORWC and ORWC-E.

  For each employee, under the [company] > Employee > [employee] > Taxes tab, add the tax codes ORWC and ORWC-E.

Define the Oregon per-hour rate in the Rate field under the Work Comp Rate sub-tab.

For the most current information, go to Oregon’s web site and the Workers’ Compensation Division (WCD), in particular. As of August, 2011, look for information on the Workers’ Benefit Fund (WBF) assessment.

### Washington L&I

Workers’ Compensation in the State of Washington is explained in the Withholding Washington Labor & Industries (WALI) task sheet.