Garnishment in SAP HR

Q1. What is a garnishment?
A1. Garnishments are payroll deductions which differ from other types of deductions in that they are governed by goverment and judicial rules. They are compulsory for both the employee and employer. The employer generally is liable for 100% of the amount it fails to withhold pursuant to a garnishment order and penalties and punitive damages can be imposed for failure to properly comply with the terms and conditions of an order.

Q2. How is a garnishment initiated and what is the process?
A2. Generally, an employee experiences financial trouble and a court mandates an order that stipulates the deduction amount and frequency which is received by the employee's HR department, the information is then entered into R/3, the amount is deducted when processing RPCALCU0, the vendor is paid via Third Party Remittance and the employee and vendors are notified of these deductions through automatically generated letters.

Q3. What types are garnishments are there?
A3. R/3 handles 5 main categories:
Support (child, spousal, and medical)
Creditor
Federal debts (student loans and administrative wage
garnishments (AWG))
Federal and State Tax Levies
Voluntary Garnishments

Q4. What is the difference between Exempt and Non-Exempt amounts?
A4. The exempt amount is the amount which cannot be taken to satisfy a
garnishment and the non-exempt amount is the amount that can be taken.

Q5. How is the exempt and non-exempt amounts calculated?
A5. Various rules apply based on the type and priority of the garnishment. There are Federal and State rules and the state rules will vary from state to state.

Q6. What if an employee has multiple garnishments?
A6. Garnishments are processed based on priority rules. Generally, child support orders have the highest priority, Federal Tax Levies have the second highest priority and then other types of garnishments are on a first come, first serve basis.

Infotypes -
Q7. What infotypes are used within R/3?
A7. There are three infotypes designated for garnishment processing.
IT0194 - Garnishment Document
IT0195 - Garnishment Order
IT0216 - Adjustments
The document information is entered on IT0194 and the actual deduction amount and frequency

is entered on IT0195. The two infotypes are linked via a system generated internal number and you can have multiple orders (IT0195) for one document (IT0194) and these are linked via a system generated sequence number. Infotypes 0195 and 0216 can only be created once an IT0194 record has been created and saved. For processing purposes, RPCALCU0 reads IT0195.

Q8. How do I make changes to an existing Garnishment Order (IT0195)?
A8. With Edit -> Copy, you can make changes to the Order, but keep the same sequence number and maintain a history in the system. With selecting Change, you can make changes but no history is maintained. Also, a change can be made through creating a new IT0195 which maintains history, however a new sequence number is generated and the order is now processed as a separate order in R/3 and does not cumulate as part of the original order. IT0195 should always be accessed via IT0194 when making changes.

Q9. When should I use the Adjustment IT0216?
A9. IT0216 should be used to correct errors in RPCALCU0; additional deductions are required; to enter a new balance; refund from vendor; exceptional payments; separate calculation; calculate end date;
or stopped vendor payment.

Customizing

Q10. What are the relevant tables for Garnishment Processing?
A10. T5UG0 - Garnishment Order Types
T5UG1 - Garnishment Categories
T5UG2 - Adjustments to the Disposable Net
T5UG3 - Model for the Non-exempt amount
T5UG4 - Rules for calculation of Non-exempt amount
T5UG5 - Model Key and Text for Adjustments to the Disposable Net
T5UG6 - Government Rules for Service Charges
T5UG7 - Government Rules for 3PR
T5UG8 - Company Rules for 3PR
T5UG9 - Garnishment Default Values
T5UGA & T5UGB - Special Rules for the Calculation of the
Non-exempt amount
T5UGA - Rule Key/Names & Texts for special variables to
display on IT0195 screen
T5UGB - Sequence of Operations to be performed
T5UGC - Service Chg Rule Key and Text for Country/State/Document
category combination
T5UGD - Levy Form - Filing Status listed
T5UGE & T5UGF - Levy Form - Exempt amount and additional
exempt amount for each filing status
T5UGG - Company Rules for Service Charges
T5UGH - Levy Form - Forms Defined
T5UGI - Letters - Select Form & User exit for letter type
T5UGJ & T5UGK - Not Customizing Tables, used for the Printing

Request for the Notice and Answer Letters
T5UGL - Letters - Definition & location of user exit
T5UGM - Garnishment Originator on IT0194

Payroll Processing -
Q11. What are the wage types associated with Garnishments?
A11. /G00 - Disposable Net
/G01 - Gross for Garnishment
/G02 - Completely Non-exempt
/G03 - Garnishment Total Amount Deducted
MG10 trough MG70 delivered templates for Garnishments to be taken

Q12. What are the Garnishment Cluster Tables and what do they represent?
A12. GRDOC - corresponds to garnishment document (IT0194)
GRORD - corresponds to garnishment order (IT0195) or garnishment adjustment (IT0216)
GRREC - actual deductions and wage types and also used to carry forward results

Q13. Where are garnishments calculated in RPCALCU0?
A13. Garnishments are processed via the schema UGRN following the calculation of taxes (UTX0). The actual amount to be taken is calculated with the function UGARN.

Q14. What is the main garnishment Include?
A14. The main garnishment include is RPCPIUU0 - forms called by UGARN. Also of importance is RPCPIUF0 - function UGARN.
Quick Tips for Troubleshooting Garnishment Processing
Q1. What are some items to check when troubleshooting Garnishment Processing in R/3?
A1: Review the following:
o On IT0194, check the validity dates, determine what kind of garnishment, how many are involved and the status of the garnishment (e.g. active, pending).
o Check the IT0195 validity dates and note the Remit Rule, deduction amount, frequency and how many IT0195's are involved.
o Review RPCLSTRU and the payroll dates in question, keep in mind the information found on IT0195 and the Garnishable period is from the beginning of the pay period to the actual check date. Garnishments are deducted based on the check date.
o Within the EE's results, also check for wage types /G00, /G01, /G02 and /G03 and the wage type for the garnishment to see how much was deducted.
o Still within the EE's results, review the GRORD record and check the limit, disposable net, month to date, deduction to vendor (DEVEN) and the deduction from infotype (DEINF).
o Multiple garnishment processing, be sure the system can legally take all the garnishments.
o Check schema UGRN for any customer modifications.
o Double check that Notes have been applied correctly and completely.
o Review the Garnishment History either via IT0194 or IT0195 which lists the actual deductions taken with the check date.

o Also via IT0194 or IT0195, you can view Customizing details (Environment -> Customizing details; 4.6C Extras -> Customizing Review)
o Both the Disposable Net and calculated Net Pay should be the same.
Q2. Why was an IT0216 record not processed?
A2. IT0216 can be edited/deleted before running payroll. If payroll is run and there is no wage type listed on IT0216, this record will not be read nor will it be posted to FI.

Q3. Why does a deduction occur after the initial balance has been met?
A3. It is most likely misconfiguration of the Ordre Category (table T5UG0). Usually, it is a State Levy that has been given the Order Category of a Federal Levy. A State Levy should have the Order Category '3? for Generic in table T5UG0. The order category '2? Levy only applies to a Federal Levy. Also, a Federal Levy will not stop when an initial balance is reached because by law, it can only be manually stopped by changing the status of IT0194 to '4? Released, once the company has received Form 668-D from the IRS. (Please Review Related Note 521735.)

Q4. How is General Disposable Net calculated?
A4. There are two ways to calculate general Disposable Net (/G00).Either start with the gross amount (/101) and subtract exempt amount or start with 0 and add up all the earning wage types to be included (e.g. M003). This is configured via PRCL 59, double check the values for the wage types in question for this PRCL. A useful tool for checking Processing Classes for wage types is program RPDLGA20 (choose the Output radio button 'Tree Structure').

Q5. How are garnishments and Arrears handled?
A5. Garnishments do not follow the same Arrears principles as other deductions. The arrears functionality for garnishments only refers to deductions within a particular month. If the total amount of a garnishment cannot be taken for the month, the remaining amount does not carry forward to the next month. The values for Arrears processing are set in table T51P6 and for all garnishment wage types, the value for Arrears should be a '4? and the Retro column should be blank in this table.(Please see Note 338841.)

Q6. Can Garnishment wage types be entered on a NAMC (IT0221)?
A6. No, Garnishment wage types cannot be entered on IT0221.There is a V0 split indicator that connects garnishment Wage types to garnishment tables and there is no V0 split on IT0221.

Q7. How are garnishmnents handled during Retroactive Accounting?
A7. Garnishments will not recalculate in a retrocalculation. The amount originally deducted continues to be carried forward. Consequently, no retroactive changes should be performed for garnishments. If changes need to be made, perform an EDIT - >COPY operation that will result in delimiting the IT0195 record.

Q8. What do I check for priority issues; double, incorrect or missing deductions?
A8. First check IT0194 and IT0195 and their validity dates and priority. Make sure the Rule in IT0195 was customized to do what is expected. Look at the Disposable Net and Non-exempt models.

Q9. What should I check if Payroll Abends within UGARN?

A9. Check the payroll results GRREC for a record without a wage type.

Q10. Is it possible to specify a percentage or portion of a wage type?
A10. At this time, the garnishment module does not offer a functionality that would allow specifying a percentage and/or portion of a wage type to be deducted other than from gross and net. The workaround is to create a special rule with the garnishment orders having different priorities and different IT0194 records.

Payroll results - Infotype 402

Payroll results can be held in infotype 402, for this we need to do some configuration.
IMG Menu path - Personnel Admin –> Personnel Management –> HRIS –> Payroll Results.

Define Evaluation Results: The evaluation wage type is the name of the field - note it is not the actual wage type. The cumulation can be either M (Monthly cumulation), Q (Quarterly cumulation) and Y (Annual cumulation). If results have to be saved on IT 0402 this should be left blank. These 3 values relate to infotypes 0458 (Accounting infotype), 0459 (Quarterly Cumulation) and 0460 (Annual cumulation). The text entered in the field “Evaluation WTT Text” will be seen on the infotype. Choose either an amount or a number for the wage type.

Assign Wage Types: In this screen you do much the same as in the first step. In addition you need to link the different wage types to your evaluation wage type. You can also tick the checkbox to indicate that the wage type’s sign should change.

Set Up Payroll Accounting Infotypes: Highlight the wage type where you would like the results to appear - usually 402 to start with. Click on the evaluation assignment icon. Create your entry in the table that appears. Go back to the previous screen, select the infotype and click on the generate icon. You will notice the tick on the “generated” column once this has been done. The infotype should also be active. If you are doing this for the first time, you will need to tick the “acitve” box once you have generated the infotype.

Set Up Assignment for Payroll: Ensure your infotype exists in this table if you wish to have the infotype updated during the course of a payroll run. If you don’t have any data in this table, you can still run the report RPABRI00 to manually populate the infotypes.

So there are to ways to save the payroll results in 402 a) Maintain entries in T521F to automatically update infotype 402 after the payroll run. b) Run the RPABRI00 program to move the payroll data into infotype 402.

Pre-Tax and Post-Tax Deductions

- Pre-tax deduction happens before the taxes are calculated and deducted from the gross income. Here the taxable income would be less as the deduction happens before the tax gets calculated.
- Post-tax deduction happens after the taxes are calculated and deducted from the gross income. Here the taxable income would be more as the deduction happens only after the taxes are deducted.

Example: Gross income - $ 1000, 401(K) savings - $200, tax percentage – 2%

In case of Pre-tax Deduction, Net Earnings will be $ 784

Calculation: (Gross income - Pretax deduction) – tax deduction

= (1000-200) - 16

= 784

In this example, the pretax deduction (401 K Savings) is deducted before the tax is calculated on the gross income. The net gross available would be $ 800 after deducting $200 for 401 K savings. 2 % tax on $800 would be $16. So the net earnings will be $ 784 after deduction of tax.

In case of Post –tax Deduction, Net Earnings will be $ 780

Calculation: (Gross income – tax deduction) – Post tax deduction

= (1000 – 20) -200

= 780

In this example, the post tax deduction (401 K savings) is deducted after the tax is reduced from the gross income. 2% tax on gross income would be $20. After deduction of tax the net gross available is $ 980. Then after deducting the amount of $200 for 401k which is post tax deduction, the net earnings available will be $780.

Processing class 71 in Payroll

- Processing class 71 (Wage type tax classification) defines the tax combination that needs to be done. Table : V_512W_D
- Each wage type is assigned to a taxability class via processing class 71.

- The tax classes are assigned to each tax model in different combinations in table T5UTM (Tax Model) and those values indicates for which wage types the tax type combination will be used.
- For example, if a wage type contains value '1′ (regular wages) in Wage type tax classification 71 and only tax models (assigned for each tax authority) which have a '1′ in the tax class field (defined in tax tables) will apply to the wage type and hence only those wages will be taxed using the specified combination.
- To quote one more example, say a wage type should not be taxed for a particular state but for other states it should be taxed. In this scenario, a new specification class can be created and assigned to the processing class 71 against respective wage type. The same value should be entered in the tax class field against all the tax models for which the tax has to be calculated and it should not be assigned to the model where it should not be taxed.

Configure a wage type to accept zero values

Table: V_T511 (Wage Type Characteristics)

Basically the table Wage type characteristics is used to define how the wage type has to behave in the payroll. When the wage type is defined to accept the amount, we can configure it to accept zero value.

Configuration:

- Input combination box would be present in the screen when the table is opened.
- Under which the amount column should be defined with "." to accept Zero value and the number/ unit column should be "-"

Stop Tax deduction for a particular region

For all the tax related information, there are 3 main tables which need to be looked at:

T5UTE (Tax Authority / Tax Calculation Model): The tax model will be assigned to the tax authorities.

T5UTM (Tax Model): Taxability model will be defined here with respect to definition of type of payment, type of employee and residency or work. Tax combo for each definition will be assigned.

T5UTY (Tax Type Combinations): Here we define the Tax Type combination. Against each tax combo tax type will be defined.

The tax combo defined will be assigned to taxability model and the taxability model will be assigned to tax authority.

Steps to be followed to stop the deduction of a particular tax which is being withheld from the employees who work for a particular region:

- Check for the taxability model assigned to the tax authority (in table T5UTE)
- Then check for the tax combo attached to the tax model. (in table T5UTM).
- Check if any of the tax combo's are assigned with the tax type that calculates the tax which needs to be stopped from deduction from employees. (in table T5UTY)
- If so, create a new tax combo ignoring the relevant tax type that calculates tax which needs to be stopped from deduction.
- Assign the newly created tax combo to the taxability model with the effective date by delimiting the earlier tax combo.

*Note: These steps can be followed only when the tax model and the tax combo are used only for that particular region for which the tax deduction from the employees needs to be stopped.

Gross-Up Functionality in SAP HR Payroll

Gross-Up wage types are created in order to make available the whole net amount to the employee and the taxes will be borne by the employer.

- The concept behind the gross up functionality is that the net amount will be entered on the infotype and when payroll runs it takes the net amount and grosses up the taxes and adds that to the net to get a gross amount (taxes + net).
- Three wage types are needed to perform this:
    1. **Wage Type Gross-Up** – Net amount available to the employee
    2. **Wage Type Tax Gross – Up** – Tax Amount
    3. **Wage Type Gross -Up Result** - Total Gross income
- Wage type Tax Gross-Up Results and Wage Type Tax Gross-Up needs to be assigned as 1st derived wage type and 2nd derived wage type against the Wage Type Gross-Up in the table **V_ 512W_B (Valuation Bases).**

Note*: Wage type creation procedures are same like normal wage types.

Relationship of Payroll Driver, Schema (Functions), Rules (Operations)

Each country payroll version supported by SAP has a program called the "payroll driver" that calculates payrolls. For example, in the U.S., the payroll driver is RPCALCU0, in Mexico it is HMXCALC0, and in Canada RPCALCK0. Each one is different, but they share a common core

of functionality. The job of the payroll driver is to process payroll functions as specified in a payroll schema. These payroll functions each perform a specific job, for example - reading data from infotypes, calculating taxes, and processing wage types. Some functions process payroll rules. Rules are a collection of payroll operations. Each operation does a small unit of work, such as multiplying a wage type's number by a rate to get an amount.

Schemas are edited with transaction PE01, and rules with PE02. Functions and operations are maintained with transaction PE04. To view payroll results,

use transaction pc_payresult (or in earlier R/3 releases go to **Tools>Payroll result>Display in the Payroll menu**). (See **Figure 1**.)The standard payroll schema for a country can be derived from table t500l. If the country in table t500l has an **X** in the **Old Naming Conv** field, then the schema is **HR Country Indicator** plus **000**. Otherwise, it is the **ISO Code** plus **00**. So the U.S. has schema U000 and for Mexico it is MX00.

Header and Table Wage Type Concept

When calculating payroll, wage types are read from infotypes and the Time Management cluster and stored in an internal table called the Input Table (IT). (See **Table 1**.) In ABAP terms, this is simply an internal table. Various payroll functions and operations can read and update data in this table. Similar to ABAP internal tables, there is a header row. That header row defines which row of data can be accessed by the payroll operations. After manipulating the data in the header row, you can save the row back to the IT, save it to another payroll table, or ignore it. In Table 1 there are three wage types, and wage type 2100 is currently in the header row. After you are done with wage type 2100, wage type 4200 is moved into the header row.

Creating Custom Schemas and Rules

Schema and Rule Naming Conventions

Customer modified schemas and rules need to begin with **Z**. Many customers simply replace the first letter of the standard schema with a **Z** – i.e., their modified copy of UAP0 becomes ZAP0. But there can be problems with that convention. For example, you might later implement Canadian payroll and need a modified version of schema KAP0, but ZAP0 is already used for the U.S. For many years, I've used a naming convention of Z plus the country identifier and a sequential number for modified rules and schemas. So a modified UAP0 would become ZU01 and a modified KAP0 becomes ZK01.

Editor Documentation

Documentation for the function, operation, schema, and rule editors is available online at http://help.sap.com. Click on **SAP R/3 and R/3 Enterprise** and then select your release level and language. Then navigate to the **Human Resources>HR Tools** section.

F1 Help

In the schema and rule editors, place your cursor on a function or operation and press F1 to get help text. A schema or a rule's documentation is available in the editor via the **Goto>Documentation** menu. In the schema editor, the F4 key shows possible values for each of the four parameters for whatever function is entered on that line. The same documentation – and more – is available via transaction `PDSY`.

Creating a Test Schema

For testing purposes, it is useful to have a version of the payroll schema that does not care about the control record (transaction `PA03`) settings. Bypassing the control record lets you run and save the results for any pay period needed, without having to update the control record. There's no problem with having such a schema around, since the payroll driver does not save payroll results from a schema that ignores the control record in a production system. For examples, I will show you how to create two schemas – ZUA0, which will be used in production and will check the control record, and ZUAT, which ignores the control record and is used for testing purposes only.

First, create a copy of SAP's schema UIN0 and name it ZUA2. In the schema editor (transaction `PE02`) enter schema UIN0, and click the copy button, or **Schema>Copy** in the menu. Enter ZUA2 for the **To schema**. Then edit ZUA2 and make the **`CHECK ABR`** line executable by removing the asterisk in the **D** column. (See **Figure 2**.) The CHECK function is commented out by SAP in the standard schema, so you uncomment it here for use in the main ZUA0 schema.