

Changes to Workers Compensation Tracking during COVID-19

Throughout March and April, businesses around the United States were forced to close their doors due to the Corona Virus pandemic. While many employees found themselves applying for unemployment, thousands of workers were fortunate to work for employers who continued to pay them while they sheltered in place at home. Fortunately, the National Council on Compensation Insurance (NCCI) recognized the wages paid to the furloughed employees should not be reflected in a company's policy premiums and established specialized codes that could be used to track those wages separately.

Depending on the work that is being done by each employee, nearly every state has adopted the new class code 0012 for wages paid to employees who are not actually working. This class code is accompanied by a \$0.00 renumeration rate, effectively eliminating the cost of workers compensation insurance on any wages paid under this code. While this code provides a great opportunity for businesses to improve their cash flow during these difficult times, it does introduce a different challenge, tracking the wages separately for your next workers comp audit. Most accounting platforms do not allow you to track multiple class codes per employee, which means you will most likely need to stitch your reporting together to get the full picture of the policy period. To demonstrate what this process is like, we are going to walk you through the necessary steps to export your payroll reporting for your next workers compensation audit using QuickBooks Online & QuickBooks Online Payroll.

How to Track Your Workers Comp Class Code by Employee:

When you setup each employee in QuickBooks Online Payroll, the **Employment** tab provides a place for a workers' compensation class code to be tracked. This number will be used for both historical and future workers compensation reports.

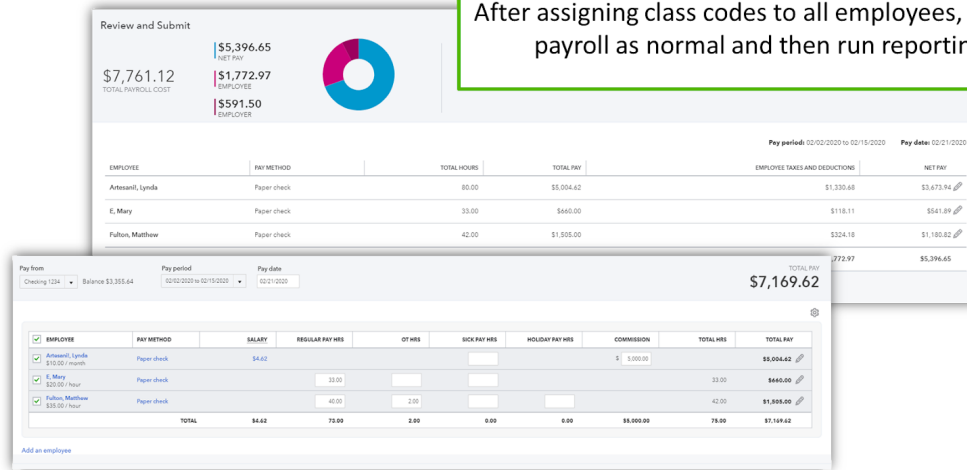
The screenshot shows the QuickBooks Online Payroll interface for an employee named Matthew Fulton. The 'Employment' tab is selected, and the 'Workers comp class' field is highlighted with a green circle and contains the value '8803'. A green box at the bottom of the image contains the following text:

Assign A Workers Comp Class Code:
The Workers' comp class code can be assigned under the employment tab of the employee details

Once you have established the class code for each employee, you can process payroll like normal. When you connect your payroll to a Pay-As-You-Go policy by AP Intego, all your payroll wages are automatically reported each pay period and your required premium payment is deducted from the proper account. If you do have a change in class code, you will need to login to your policy portal to update the class code for any employee that changed. This will ensure that they always calculate the correct renumeration rate per employee earnings.

Process Payroll As Normal

After assigning class codes to all employees, process payroll as normal and then run reporting.



During a normal policy cycle, it would be very simple to run your annual workers compensation reporting, if the class codes per employee did not change throughout the year. Even if you forgot to set the code in QuickBooks Online, once you did, you would be able to pull up historical reporting based on the class code you established. The ability to change the class code is both a blessing and a curse since it does not retain prior code classifications. To demonstrate this, we will run through the following scenario:

SPOT-ON Marketing:

Due to the Corona Virus, the company had to shut down completely starting March 16th, 2020. The business continued to pay everyone until April 30, 2020 even though no one was working during that time. On May 1, 2020, the company was cleared to reopen, and everyone resumed their initial duties.

- Policy period runs between July 1, 2019 through June 30, 2020.
- Company has three employees:
 - Lynda: Class Code – 5842
 - Mary: Class Code – 8810
 - Matthew: Class Code – 8803

In this scenario, we will need to track the wages per employee as follows:

- July 1, 2019 – March 15, 2020 at their original class codes.
- March 16, 2020 – April 30, 2020 using the class code 0012
- May 1, 2020 – June 30, 2020 using their original class codes

This information will be necessary during a workers' compensation audit, to prove the money spent at the specialized remuneration rate. Since the reporting within QuickBooks Online can only remember one class code per employee, this will require us to run multiple reports after reclassifying each of the employees.

Running Reporting at Audit time:

Reporting Options

- Date Range
- Work Location
- Class Codes

Workers' Compensation Reporting

The screenshot shows the 'Workers' Compensation Report' interface. The form includes filters for Date Range (Last pay date), Work Location (All Work Locations), and Class (All Classes). A table displays the report results with columns for STATE, WORKERS' COMP CLASS, PREMIUM WAGES PAID, TIPS PAID, EMPLOYEE TAXES PAID, and WAGES PAID. A sidebar on the left shows the 'Payroll' section with 'Workers' Compensation' highlighted. A green box highlights the 'Workers' Compensation' report in the sidebar.

STATE	WORKERS' COMP CLASS	PREMIUM WAGES PAID	TIPS PAID	EMPLOYEE TAXES PAID	WAGES PAID
CA	8803	\$35.00	\$0.00	\$0.00	\$1,505.00
CA	8810	\$0.00	\$0.00	\$0.00	\$660.00
FL	5842	\$0.00	\$0.00	\$0.00	\$5,004.42
		\$35.00	\$0.00	\$0.00	\$7,169.42

Select the Workers Compensation report under the payroll section of reports.

If you waited to run all your reporting until audit time, the following steps will help you collect the necessary breakout of hours by employee:

Step 1: Confirm that original class codes have been added to each of the employees records in QuickBooks Online Payroll.

Step 2: Run the following workers' compensation summary and detailed reports using the original class codes:

- July 1, 2019 through June 30, 2020 (the entire policy period).
- July 1, 2019 through March 15, 2020
- May 1, 2020 through June 30, 2020

Step 3: Change the class codes for each of the employees to **0012**

Step 4: Run a workers' compensation summary and detailed reports for the period:

- March 16, 2020 through April 30, 2020

Step 5: Combine the total wages provided by the first report that included the entire policy period against the combined total of the three other reports to ensure the total wages are the same.

To combine the totals of the wages earned by each employee under each class code for the whole policy period, it will require the reports to be exported and combined using Microsoft Excel. Once combined, you will have a detailed view of the wages earned by each employee during the policy period under each class code.

[INSERT VIDEO HERE]

Not using Pay-As-You-Go for Workers Comp Yet?

If you are not currently utilizing a Pay-As-You-Go (PAYG) workers compensation policy for your company, there is no better time to request a quote directly inside of QuickBooks Online. Depending on your policy period there are two different times that you can request a Broker of Record (BOR) change to begin the quote review process:

1. Around the six-month mark of your policy
2. During the last two months of your policy.

In the example we used above, the policy started July 1st which could cause an unusually difficult strain on cashflow especially due to COVID-19 pandemic. Companies on an installment policy usually are required to provide an initial down payment that can be as much as 20% of the annual premium. With a PAYG policy, no down payments are necessary, and you are billed based on the wages paid to employees.

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¹Exact requirements may vary. Please [check the requirements](#) that apply to your business.

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To find out more simply request a quote from the **Workers' Comp** tab located within the **Workers** side menu in QuickBooks Online.