

A Beginner's Guide to Wage Types in SAP Payroll (US)

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Abstract

Unlock the power of SAP US Payroll with this beginner's guide to wage types—the foundation of accurate payroll processing. Designed for new SAP HCM consultants, this tutorial explores wage type configuration, US payroll compliance, Personnel Calculation Rules (PCRs), and best practices to ensure error-free paychecks. Master SAP Payroll and streamline HR operations with confidence.

Keywords: SAP Payroll, SAP HCM, Wage Types, US Payroll Configuration, Infotype 0008, PCR, Schema Logic, SAP FI Integration, Payroll Compliance, SAP Reporting

1. Introduction

Payroll is the heartbeat of any organization's HR operations. Imagine processing paychecks for thousands of employees, each with unique earnings, deductions, and taxes—sounds overwhelming, right? The SAP Payroll (PY) module, part of the SAP HCM suite, simplifies this complexity. At its core are wage types, the building blocks that define how every dollar is calculated.

In the United States, SAP US Payroll is tailored for federal, state, and local regulations, making wage type configuration a critical skill for new SAP consultants. This beginner-friendly guide breaks down the essentials, helping you navigate SAP Payroll with confidence and deliver compliant, accurate payroll runs.

2. What is a Wage Type?

A wage type is a 4-digit alphanumeric code representing a payroll component, such as:

- **1000:** Basic Pay
- **2000:** Overtime
- **3100:** Pre-tax Medical Deduction
- **/101:** Total Gross (technical wage type)

These codes flow through payroll schemas, determining gross pay and net pay. Think of wage types as ingredients in a recipe—each adds a specific flavor to the final paycheck. Mastering wage types is key to SAP Payroll processing for beginners.

3. Types of Wage Types

Wage types fall into three categories, as shown in Table 1:

- **Primary Wage Types:** Directly entered in employee master data (e.g., Infotype 0008).
- **Secondary Wage Types:** Created dynamically during payroll (e.g., /560 for taxes) (SAP, 2021).
- **Model Wage Types:** Used as templates during initial configuration.

Table 1: Wage Type Categories

Category	Example	Usage
Primary	1000 (Basic Pay)	Entered in Infotypes
Secondary	/101 (Total Gross)	Generated during payroll
Model	M###	Configuration templates

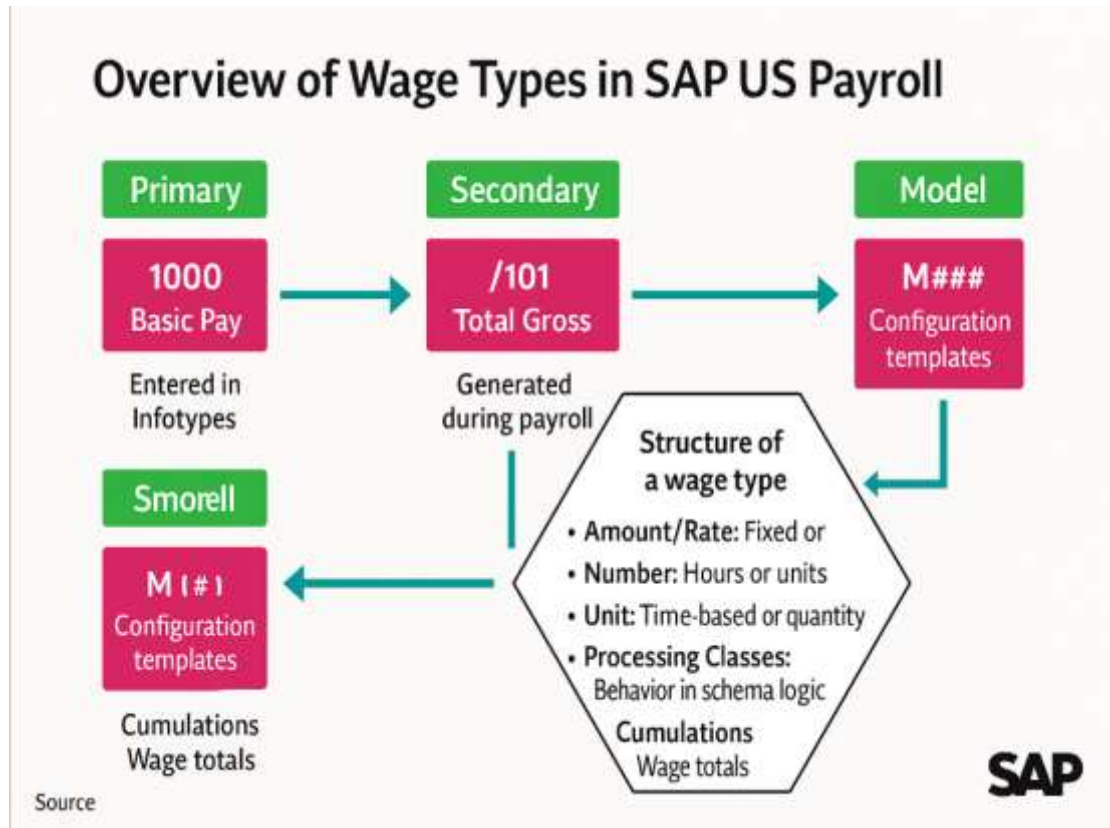


Figure 1: Overview of Wage Types in SAP US Payroll

4. How to Configure Wage Types in SAP US Payroll

Wage type configuration is performed in the SAP Implementation Guide (IMG):
SPRO → Payroll → Payroll: USA → Basic Settings → Wage Type Catalog

Key configuration tasks include:

- Defining wage type characteristics (e.g., amount, unit)
- Assigning processing classes for schema logic
- Linking to tax models for IRS compliance
- Mapping to general ledger accounts for SAP FI integration

Note: A screenshot of the Wage Type Catalog screen can be added in the journal version.

5. Structure of a Wage Type

Each wage type is defined by key attributes:

- **Amount/Rate:** Fixed (e.g., \$500 bonus) or variable (e.g., hourly rate)

- **Number:** Hours or units
- **Unit:** Time-based (e.g., hours, days) or quantity
- **Processing Classes:** Define behavior in schema logic
- **Cumulations:** Contribute to gross or taxable wage totals
- **Evaluation Class:** Used for reporting filters
- **Symbolic Account:** Enables SAP FI postings

6. US Payroll Compliance with Wage Types

6.1 Taxability Configuration

Each wage type must map to a tax model for:

- Federal Income Tax (FIT)
- Social Security / Medicare
- State and local tax applicability

Configured in tables **T512W**, **T511K**, and integrated with **BSI TaxFactory**.

6.2 Pre-tax vs. Post-tax Deductions

- **Pre-tax:** E.g., wage type 3100 – Health Insurance
- **Post-tax:** E.g., Union dues deducted after taxes

6.3 Imputed Income

Used for non-cash, taxable benefits (e.g., employer-paid insurance). Example: wage type **/Z10**

7. How to Create Custom Wage Types in SAP Payroll

Step 1: Copy a Model Wage Type

Use **Transaction OH11 or PU30** to copy from a standard wage type (e.g., 9100 → Z100).

Step 2: Define Characteristics

Set amount, unit, and assign permissibility in **Infotypes 0014** (recurring) or **0015** (additional payments).

Step 3: Assign Processing Classes

- **Class 10:** Controls taxability
- **Class 20:** Manages cumulations

Step 4: Map Symbolic Account

Connect the wage type to **FI postings** via **T030** or **PE51**

8. Real-World Use Case: Overtime Calculation

Scenario:

- Employee works 45 hours/week

40 hours = Basic Pay (**1000**) @ \$20/hr

8. Personnel Calculation Rules (PCRs) and Schemas
PCRs manipulate wage types dynamically during payroll processing.

Example for Overtime Calculation:

ZOT1

AMT=Z100 "Get hourly rate

MULTI NRA "Multiply rate × hours × 1.5

ADDWT 200 "Store in overtime wage type

These rules are executed in schema **U000** for US Payroll.

US Payroll Schema Flow

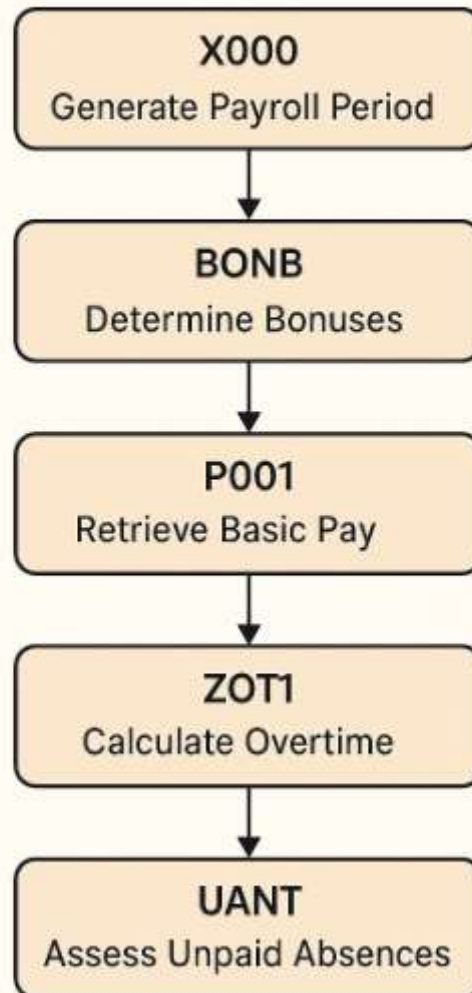


Figure 2: US Payroll Schema Flow

5 hours = Overtime (**Z200**) @ 1.5× rate

PCR Example:

ZOT2

NUM=5

AMT=20

MULTI NRA

ADDWT Z200

Result: \$150 overtime correctly processed.

9. Common Mistakes When Configuring Wage Types

Avoid these beginner errors:

- ✗ Not assigning **Processing Class 10** → tax issues
- ✗ Using wrong **Infotype** (e.g., 0015 instead of 0014)

- ❌ Missing **Symbolic Account** → FI posting errors
- ❌ Overwriting standard technical wage types (e.g., /101)

10. SAP Payroll Best Practices for Wage Types

- Use **Z-prefix** for all custom wage types
- Document **tax and cumulation logic** clearly
- Test with **retroactive and partial payroll** scenarios
- Collaborate with **FI/CO teams**
- Use **RPCLGA20** for output validation and payslip simulations

11. SAP Payroll Reporting for Wage Types

Use the following tools to monitor wage type behavior:

- **PC_PAYRESULT**: Displays payroll cluster results
- **RPCLGA20**: Standard wage type reporter
- **Custom ABAP**: Extracts deeper data from cluster **PCL2**

Example Output:

Employee ID: 12345

Wage Type	Description	Amount
1000	Basic Pay	\$4000
2000	Overtime	\$150
/101	Total Gross	\$4150

12. Conclusion

Wage types form the foundation of SAP US Payroll. For new consultants, mastering wage type configuration and schema logic is the gateway to delivering accurate, compliant payroll runs. This guide simplifies the complex into clear, actionable steps. As your skills grow, explore advanced topics like retro-calculations and time integration for deeper payroll mastery.

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