

QuickBooks® Payroll

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# QUICKBOOKS® PAYROLL

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## SECTION 1 INTRODUCTION TO QUICKBOOKS® PAYROLL

### What is the QuickBooks Do-It-Yourself Payroll Service?

For an annual fee of \$169, a Do-It-Yourself Payroll subscription enables you to process your own payroll with the confidence that your federal and state payroll tax tables and federal payroll tax forms are current. The Do-It-Yourself Payroll service provides subscribers with a tax table each time the federal government, or the state or local governments covered by the subscription, enact any changes that affect payroll taxes. You download tax tables when you get payroll updates from the service. Downloading the payroll update takes less than a minute, and it does not change your existing data.

With payroll updates, you get:

- **Federal tax updates.** Whenever federal withholding, social security, Medicare, federal unemployment (FUTA), or the advance earned income credit change, you receive an update.
- **Forms 940, 941, Schedule B (Form 941), W-2, and W-3.** If quarterly forms 941 and Schedule B have mandatory changes, you receive an update in time to file it. At the end of the calendar year, you receive an update that includes any changes to the yearly forms (W-2, W-3, and 940).
- **Updates for state withholding, state unemployment (SUI), and state disability insurance (SDI).** You receive an update when state withholding taxes, the wage base limit for SUI, the wage base limit and/or some tax-table-defined rates for SDI change for your state.
- **Updates for selected miscellaneous state and local taxes.** If the supported miscellaneous state and local taxes change for your state(s), you receive either an update or a notice about the change.
- **Auto-correction of certain taxes.** The tax table automatically handles rounding discrepancies and retroactive tax rate changes for flat-rate taxes, including social security, Medicare, FUTA, SUI, and SDI (if it is flat-rate). Non-retroactive tax rate changes are not adjusted.

### Core Benefits of QuickBooks Do-It-Yourself Payroll

- Enter payroll data once – process your payroll from within QuickBooks whenever you want.
- Download current tax tables and federal forms directly into your QuickBooks files – helps make certain your payroll withholdings are correct.
- Calculate earnings and deductions automatically.
- Print your own payroll checks.

### What QuickBooks Payroll Can Do for You

QuickBooks can perform many different payroll tasks, including calculating wages and taxes, managing compensation and liabilities, and processing payments for both employees and payroll tax agencies.

QuickBooks payroll can:

**Calculate payroll amounts:**

- Calculate wages for each pay period.
- Calculate hours worked, year-to-date totals for all employees, and show this information on payroll reports.
- Calculate amounts for Forms W-2 and W-3, and print on preprinted forms.
- Calculate federal, state, and selected local taxes for the United States, including the District of Columbia and Puerto Rico. (Requires a subscription to either the Do-It-Yourself or the Assisted Payroll service)  
QuickBooks doesn't calculate taxes for Guam, the Virgin Islands, American Samoa, or Canada.
- Prepare and print federal payroll tax Forms 940, 941, and Schedule B (Form 941).
- Observe wage base limits for taxes. (Requires a subscription to either the Do-It-Yourself or the Assisted Payroll service)

**Manage compensation, liabilities, and data:**

- Handle all kinds of compensation: salary, hourly (including overtime), commission, or a combination.
- Track sick or vacation time.
- Track Advance EIC payments, company loan repayments, 401(k) deductions, tips, union dues, bonuses, car expenses, and many other nonstandard payroll items.
- Use time data or allow you to specify hours worked for each job and class to allocate payroll expenses. (Available only in QuickBooks Pro and QuickBooks Premier.)
- Track your company's liability to the government, insurance companies, and other agencies.
- Observe annual limits you set for deductions and company-paid benefits.
- Record employee details such as pay and commission rates, social security number, and tax exemptions.

**Process employee and tax agency payments:**

- Create your paychecks with earnings, deductions, and year-to-date detail provided on the voucher (if you use voucher checks), or on a separate paystub that is automatically created and can be printed for your employees.
- Pay employees on a daily, weekly, biweekly, semimonthly, monthly, quarterly, or yearly basis.
- Allow you to specify extra taxes or deductions in addition to the standard federal and state taxes, and apply them to employees.
- Create checks to pay your company's payroll liabilities. For Assisted Payroll customers: Assisted Payroll makes these payments for you.

**Overview of Payroll Tracking**

QuickBooks calculates each employee's gross pay, and then calculates taxes and deductions to arrive at the net pay. With QuickBooks, you can write the paycheck, record the transaction in your QuickBooks checking account, keep track of your tax liabilities, and pay them.

You, as the employer, must subtract taxes and other deductions before issuing an employee's paycheck. Some typical paycheck deductions are federal and state withholding (income) taxes, social security taxes (FICA), Medicare taxes, and state unemployment insurance. You may also deduct for benefits such as a 401(k) plan, or contributions to your company's medical/dental plan.

When you withhold social security, Medicare, and federal withholding taxes from employees' paychecks, you must submit regular deposits of the withheld tax money (semiweekly or monthly, depending on the size of your payroll), and file quarterly forms that list the total amounts you withheld from each employee's paycheck.

## Calculating Payroll with QuickBooks

To do its payroll calculations, QuickBooks needs four kinds of information:

- **Information about your company**

Besides the company name and address, this includes information about your federal and state tax ID numbers. You enter this information in the EasyStep Interview when you set up your QuickBooks company data file. (You can view most company information by choosing Company Information from the Company menu.)

- **Information about your employees**

The QuickBooks Employee list stores general information about each of your employees, and specific information related to payroll (such as the employee's salary or hourly rate, filing status, number of exemptions, and miscellaneous additions, deductions, and company contributions). You can store payroll information that most employees have in common in employee defaults. Whenever you have a new employee to add, simply enter information that's specific to that employee (name, address, and so on).

- **Information about your payroll items**

QuickBooks maintains a list of items that affect the amount on a payroll check, including company expenses related to payroll. When you specify you want to use payroll, QuickBooks creates a number of payroll items for you. You add others as you need them.

- **Tax tables for federal, state, and local withholdings**

QuickBooks uses tax tables to calculate payroll. You get the current tax tables and keep them current when you subscribe to one of the Intuit Payroll Services. If you choose not to subscribe to one of these two payroll services, you need to calculate and enter your payroll tax deductions manually for each paycheck.

Once you've set up your company, employee data, and payroll items, to run payroll you enter the number of hours worked during the pay period for each employee. QuickBooks calculates the gross wages for the employee, and then refers to its tax tables (if you've subscribed to one of the Intuit Payroll Services—Do-It-Yourself Payroll or Assisted Payroll) and the company and employee information you've entered to calculate all withholdings and deductions and to arrive at the net pay figure. QuickBooks also calculates your company payroll expenses (for example, your contributions to social security and Medicare).

## Signing Up for QuickBooks Do-It-Yourself Payroll

You can sign up for the Do-It-Yourself Payroll service either via the Internet or by telephone. To use the Do-It-Yourself Payroll service, you must have an Internet connection.

### Signing up via the Internet

You can sign up for the service when you use the payroll setup interview to set up your payroll data. Step 2 of the setup interview guides you through the sign-up process. If you've already set up your payroll data or you're converting to Do-It-Yourself Payroll from another integrated payroll service, go to the Employee menu, choose Payroll Services, and then choose Add/Change payroll service to sign up for Do-It-Yourself Payroll. The interview guides you through the sign-up process.

### Signing up by telephone

To sign up by telephone, contact the payroll service.

A service representative will collect some basic information from you and provide you with a payroll service key, which you use to complete the sign-up process.

## Setting Up for Payroll

### Using the payroll setup interview

The payroll setup interview guides you through setting up payroll in QuickBooks. It helps you get your first payroll update, set up payroll taxes for your company, and set up common compensation and benefits correctly. Then it leads you through setting up individual employees and year-to-date payroll amounts so you can start doing payroll through QuickBooks.

1. From the Employees menu, choose Payroll Services, then Set Up Payroll.
2. Follow the onscreen instructions.  
Additional tips are displayed in the Questions box on the right side of any page.

### Company Setup

- **Payroll taxes.** A list of all payroll taxes that apply to your company, including both employee withholdings and company contributions.
- **State unemployment insurance (SUI) tax rate and identification number.** Employee-paid or company-paid tax rates for the current calendar year.
- **State disability insurance (SDI) tax rate and identification number.** Employee-paid or company-paid tax rates for the current calendar year. SDI is collected in the following states only: CA, HI, NJ, NY, RI, and Puerto Rico.
- **A list of other benefits your company pays on your employees' behalf,** such as health insurance.
- **Names and account numbers for financial institutions** to which you'll make payroll tax and other liability payments.

## Employee Setup

- **Employee personal data.** For each employee, you need the employee's name, address, phone number, social security number, filing status, and number of exemptions.

You can find this information on your employee's Form W-4 and its state equivalent. You also need the employee's hourly rate or annual salary, accrued sick and vacation hours, and hire date.

- **A list of other deductions from your employees' pay.** For each benefit, you need to know the amount or percentage for each employee; the annual limit, if any; and whether the deduction affects each of the payroll taxes.
- Employee bank account information, if using Direct Deposit (Assisted Payroll and Do-It-Yourself Payroll with Direct Deposit customers only).

## Year-to-date (YTD) Totals

- **Employee payroll summaries for the current calendar year.** These totals should include gross salary or wages, taxes withheld, other deductions, and any additions such as commissions or bonuses.
- **Company payroll totals for the current calendar year.** These totals should include contributions to social security, Medicare, FUTA tax, and any other company-paid taxes or payroll expenses.
- Copies of all current calendar year federal and state withholding reports and coupons.

## General Questions About Payroll Setup

### What information will I need to complete this interview?

A summary of the information you need appears below. When working on this interview, have your payroll records nearby so you can look up the information you need.

- **Payroll taxes:** Know your federal EIN. Know account numbers for each state agency to which you pay payroll taxes and which state taxes you pay. Know your company's state unemployment insurance rate and your rate for any other tax that varies by company.
- **Compensation:** Know the different types of compensation your company offers. When you set up individual employees, you'll need to know rates and amounts.
- **Benefits:** Know the different types of benefits your company offers. Insurance and retirement plans can be complicated, so you may need to have access to materials from your plan provider.
- **Other payments and deductions:** Know whether your company has other paycheck deductions (for example, union dues, loan repayments) or payments (for example, travel reimbursements).
- **Payee information:** Know the names of the payees to whom you pay the money you owe for taxes, benefits, and other deductions. Know your company's account number with each payee.
- **Default employee settings:** Know which types of compensation, benefits, and taxes are most likely needed when setting up a new employee.

- **Employee setup:** For each employee, know name, address, social security number, start date, compensation and benefits amounts, payroll tax setup, accrued sick and vacation hours.
- **Year-to-date amounts:** For each employee, know prior payroll transactions for the current calendar year. Know prior tax payments and other liability payments, such as 401(k), for the current calendar year.

### **Do I have to complete this whole interview all at once?**

No. Any time you come to a page with a Finish Later button, you can leave the interview by clicking the button. Everything you've done so far is saved.

If you have to close the interview in a hurry, you can click Cancel until you come to a page with a Finish Later button. However, you may lose information entered since you were last at a page with a Finish Later button.

To return to the interview, from the Employee menu, choose Payroll Services, then Set Up Payroll. The interview will indicate what has been completed and what is still to be completed.

### **How can I get help entering information on a page?**

On some pages, if you enter incorrect information (for example, a tax rate that is below the limit of a state's allowable rates), the interview displays an error icon and a message about what is allowable. You must re-enter the information to continue.

Each page displays one or more frequently asked questions (FAQs) that people have when filling in the requested information. To see the answer, click the question. You may not be able to resize the FAQs window, but you can scroll to read all the text.

To return to the interview, click Close.

### **My company has never had employees before. What should I know before trying to set up payroll?**

Setting up payroll can be time-consuming and complicated. You'll probably need a professional advisor to get you set up with the right federal and state agencies. For example, every employer must have a federal Employer Identification Number. If you have not yet applied for one, do so immediately.

In addition, every state collects payroll taxes, so be sure to set up accounts with the state agency or agencies you need to pay.

### **Will I have to connect to the Internet to complete this interview?**

Yes. The interview will advise you when you need to connect. For more information about Do-It-Yourself Payroll and other options for doing payroll with QuickBooks 2003, click the first step on the Payroll Setup Steps page.

If your computer is not connected to the Internet but you share your data file over a network with one that is connected, leave the interview when you're prompted to connect, and close the file. On the connected computer, open the file and return to the interview.

### **What happens to the information I enter during this interview?**

The information you enter is temporarily saved in your computer's memory. When you reach a page with a Finish Later or Done button, your QuickBooks data file is updated (for example, at the end of setting up payroll taxes).

If the interview has advised you that you are connected to the Internet, your information is being transmitted via a secure connection to an Intuit server. Only the information needed to complete the task at hand (for example, signing up for Assisted Payroll) is being sent online.

### **What do I have to do to get updated payroll tax information?**

If you sign up for Do-It-Yourself Payroll and choose the online option, you can download one payroll update free of charge or pay an annual fee to receive updates throughout the year.

If you sign up for Do-It-Yourself Payroll and choose the disk delivery option, you will receive your first payroll update on CD by mail. (Subscribers who choose disk delivery do not receive the first update free.)

For details, click the first step on the Payroll Setup Steps page.

### **Is this interview the only way I can set up payroll, or can I use the procedures that worked in previous versions of QuickBooks?**

Many of the procedures that worked in previous versions of QuickBooks are still available. You don't have to use the interview for those procedures. However, certain tasks, such as signing up for a payroll option or year-to-date setup, are now handled by the interview.

### **After I've set up payroll, how do I make changes or updates?**

For some changes, you can return to the interview and click the relevant steps or tasks until you find what you want to change. For example:

- To set up taxes for another state, or to change your company's rate for a tax, click the setup step for setting up your company. Then click the step for setting up payroll taxes. Follow the onscreen instructions.
- To add a new benefit, click the setup step for setting up your company. Then click the step for setting up compensation and benefits. Follow the onscreen instructions.

You don't have to use the interview to make changes. In fact, you can't use the interview to make certain kinds of changes--for example, deleting a payroll item or an employee.

### **What happens when you run the Payroll Checkup**

Payroll Checkup is a diagnostic tool within QuickBooks that helps you verify your current setup by scanning your payroll data for missing information and discrepancies.

The Payroll Checkup has three parts:

- Review of employee records (looks for missing information and possible discrepancies)

- Review of payroll item setup
- Review of wage and tax amounts (for each flat-rate tax, compares an employee's actual tax amount with an amount calculated from the employee's wage base for the tax)

### **Running the Payroll Checkup**

1. From the Employees menu, choose Run Payroll Checkup.
2. On the Payroll Data Review page of the Payroll Setup window, click Continue.

QuickBooks first summarizes actual and possible problems with your employee setup and your payroll item setup.

When it starts wage and tax verification, QuickBooks displays a progress bar, indicating that it is scanning your payroll data. When the scanning process is complete, the results appear on the Wage and Tax Verification Results page.

3. Click Print Results to keep a copy for your records and to use as a reference if you need to resolve any problems with your payroll data.

## **Payroll Update**

The payroll update is a feature of the Intuit Payroll Services with which you get:

- Current tax tables and payroll tax forms
- Compliance enhancements, including support for new taxes and tax-tracking types
- Important messages and information from the payroll service
- Subscription verification

### **Getting a payroll update (online option)**

For QuickBooks to calculate your payroll taxes and provide payroll tax forms, you must sign up for one of the integrated Intuit Payroll Services and connect to the payroll service to get payroll updates. Internet access is required. We recommend that you connect to the payroll service each time you pay your employees (or at least every 45 days) to help ensure that you have the most current tax table available.

1. From the Employees menu, choose Get Updates and then choose Get Payroll Updates.
2. Click Update to download the payroll update.

A progress bar appears indicating that the payroll update is downloading. To see the contents of the most recent update, click OK in the confirmation window, or click the Tax Table Info button in the Get Payroll Updates window.

## **Calculating Payroll Taxes Without a Subscription to One of the Intuit Payroll Services**

### **To calculate your payroll taxes manually**

If you don't sign up for one of the Intuit Payroll Services, QuickBooks won't calculate your payroll taxes or provide payroll tax forms. You will need to manually calculate your payroll taxes and enter them for each paycheck.

### **Before you start**

Set your company file to manual payroll setting. (This is a one-time task.)

1. From the Employees menu, choose Payroll Services and then choose Set Up Payroll.
2. Click Choose a payroll option.
3. Scroll to the bottom of the page, and in the paragraph that begins, "If you don't want to use an Intuit Payroll Service...", click Learn more.
4. Click "I choose to manually calculate payroll taxes."

**Note:** Payroll tax information for the federal, state, and local agencies can change at various times throughout the tax year. To avoid penalties, be sure to consult your tax agencies often for any changes.

### **Prepare your payroll**

Follow these steps to prepare your payroll in QuickBooks:

1. Contact the IRS, your state tax agency, and your professional tax advisor to get the most recent payroll tax information:
  - o Tax tables, including mid-year tax changes that can affect your payroll
  - o Wage base limits on taxes such as FUTA
  - o The frequency with which you pay your payroll taxes. (The frequency can change from year to year, depending on certain conditions in your company.)
2. Each pay period, use the information you gather in Step 1 to calculate the current and year-to-date federal and state tax information for each employee.

Without a subscription to one of the Intuit Payroll Services, QuickBooks inserts a zero-tax amount for each payroll item associated with a tax. You must replace the zero-tax amounts with the appropriate tax for each paycheck.

3. Pay your payroll taxes using the tax schedules provided by the IRS and your state or local tax agency.

### **Turning Payroll On and Off**

When you install QuickBooks, payroll is enabled. Depending on your company needs, however, you may want to:

- Turn payroll off if, for example, you have no employees or you use another program to track your payroll.
- Turn payroll on if you had previously turned it off.

**To turn payroll on or off in QuickBooks**

1. From the Edit menu, choose Preferences.
2. Select Payroll & Employees in the scroll box, and click the Company Preferences tab.
3. Select Full payroll to access all the payroll features in QuickBooks.

**or**

Select No payroll to turn off all payroll features in QuickBooks.

4. Click OK.