

Additional Medicare Tax User Guide for QuickBooks

Beginning in tax year 2013, a new Additional Medicare Tax (a provision of the Affordable Care Act) of **0.9 percent** applies to individuals' Medicare taxable wages, compensation, or self-employment income that exceeds certain threshold amounts based on their filing status. For more information, see the <u>IRS Q&A for the Additional Medicare Tax</u>.

How does this impact me?

Beginning on January 1, 2013, employers became responsible for withholding the Additional Medicare Tax from Medicare taxable wages and compensation paid to an employee in excess of \$200,000 in a calendar year.

To support this need, Intuit released a Payroll Update in December 2012 that included a new payroll tax item called Medicare Employee Addl Tax.

If you pay wages to employees who are subject to Medicare tax (no matter whether you think you will ever pay any of them over \$200,000), you must set up this new payroll tax item.

This lets QuickBooks handle tracking, calculating, withholding, and reporting the Additional Medicare Tax so you don't have to worry about if or when to apply it.

What do I need to do in QuickBooks?

If you have upgraded to QuickBooks 2014, R6 or later, and have an active Payroll subscription, QuickBooks automatically sets up this tax item for you.

Tip: To see which version of QuickBooks you have, press F2 on your keyboard. Your QuickBooks version and release (R) number appear at the top of the Product Information window.

If you have an older version of QuickBooks (QuickBooks 2013 or QuickBooks 2014 R1– 5), follow these three steps:

- 1. Be sure you've downloaded the latest Payroll Update.
- 2. <u>Open Payroll Setup and close it</u>. This sets up the new payroll tax item and attaches it to existing employees.
- 3. <u>Set up employee defaults</u> so that the new payroll tax item is automatically attached to new employees.

How does this impact my federal returns?

When it's time to file your payroll tax forms, QuickBooks automatically reports the Additional Medicare Tax on Forms 941, 944, 943, and W-2.

Other Frequently Asked Questions

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Step 1: Download the latest Payroll Update

If you have a version of QuickBooks earlier than QuickBooks 2014 R6, you need to download the latest payroll tax table updates (21601 or later).

To do this task:

1. From the Employees menu in QuickBooks, choose Get Payroll Updates.

🛎 Get Payroll Upda	tes	
You are using tax table You are using payroll ve	version: 21601 ersion: 04121035	Payroll Update Info
You must update before O Download only chan O Download entire pay	e: 12/20/2015 ges and additions to currently rroll update. <u>Troublesho</u>	Update / installed payroll files.
Subscription Number: Subscription Status: Federal EIN:	0005764762 Active 00-2859596	<u>A</u> ccount Info
	Close	

2. Check the tax table version you are using. If it is lower than 21601, select **Download entire payroll update** and click **Update**.

(Some of the graphics in this guide reflect an older version of QuickBooks; however, the instructions apply to QuickBooks 2013, 2014, 2015, and 2016.)

Step 2: Open and close Payroll Setup to add the payroll tax item

Adding the Medicare Employee AddI Tax payroll tax item is simple; QuickBooks does most of the work.

To do this task:

- 1. Be sure you have downloaded the latest payroll tax table updates (21601 or later).
- 2. From the Employees menu, choose Payroll Setup.
 - **Tip:** If you are using QuickBooks in multi-user mode, switch to single-user mode to perform these steps.

What if Payroll Setup doesn't open, or it closes unexpectedly?

3. If you're a new Payroll subscriber: Continue through the Payroll Setup wizard as normal. Just make sure you set up at least one employee so the payroll tax item will be added.

If you're not new to Payroll: When Payroll Setup has loaded and you see the QuickBooks Payroll Setup screen, click **Finish Later**. (Click **OK** to dismiss any informational messages.)

QuickBooks automatically creates the **Medicare Employee Addl Tax** payroll tax item and attaches it to the employee record of employees who are marked as subject to Medicare.

Are there employees whose records won't get changed during this process?

4. Follow the instructions below to verify that the payroll tax item has been added to the company file and attached to employee records.

Verifying that the payroll tax item was added

You can verify that QuickBooks added the payroll tax item to your company file by checking the Payroll Item List.

To do this task:

- 1. From the Lists menu, choose Payroll Item List.
- 2. Sort the list by Type (by clicking the **Type** column heading).
- 3. Scroll down to the **Other Tax** items and find **Medicare Employee Addl Tax** listed with the Other Tax items.

📸 Payroll Item List							×
Item Name	Type 🔺	Amount	Annual Limit	Tax Tracking	Payable To	Account ID	
AZ - Job Training Tax	Other Tax	0.1%	7,000.00	Co. Paid Other Tax	AZ Unemployment Division		
GA - Admin. Assessment	Other Tax	0.08%	8,500.00	Co. Paid Other Tax	Georgia Tax Agency		
IN - Counties Tax	Other Tax			Local Income Tax	Indiana Tax Agency	000000000 999	
Indiana County Tax	Other Tax	-0.0025%		None	Indiana Tax Agency		
MA Workforce Training Fund	Other Tax	0.06%	14,000.00	Co. Paid Other Tax	Comptroller of Maryland		
Medicare Employee Addl Tax	Other Tax	0.9%		Medicare Addl Tax	United States Treasury	99-1111110	
NV Claimant Employment Tax	Other Tax	0.05%	26,400.00	Co. Paid Other Tax	Nevada Employement Secur		
OR - Transit Dist. (Tri-Met)	Other Tax	0.702%		Co. Paid Other Tax	Oregon Department of Rev		
OR - Transit District (LTD)	Other Tax	0.68%		Co. Paid Other Tax	Oregon Department of Rev		
OR - WBF Assessment Co.	Other Tax			Co. Paid Other Tax	Oregon Department of Rev		
OR - WBF Assessment Emp.	Other Tax			Co. Paid Other Tax	Oregon Department of Rev		
SC - Contingency Assessment	Other Tax	0.06%	12,000.00	Co. Paid Other Tax	South Carolina Unemployment		
Workers Compensation	Other Tax	5.77%	36,000.00	None	Commercial Casuality Insur		
Performance Bonus	Bonus	0.00		Compensation			-
Payroll Item Activities	Reports • Ind	lude in <u>a</u> ctive					÷

Verifying that the payroll tax item was attached to employee records

You can verify that QuickBooks added the payroll tax item to employee records by checking any one of your employees subject to Medicare tax.

To do this task:

- 1. From the Employees menu, choose Employee Center.
- 2. Double-click the employee name in the left column to open the employee's record.
- 3. Click the Payroll Info tab on the left.
- 4. Click the Taxes button.
- 5. On the **Federal** tab, verify that the employee is subject to Medicare taxes (the checkbox next to **Medicare** in the Subject to area is checked).
- 6. Click the **Other** tab and verify that **Medicare Employee AddI Tax** appears in the table of taxes for this employee. (You may need to scroll down the table to see this payroll tax item.)

Taxes for Fisher, Duncan	X
Eederal State Other	ОК
Item Name TYPE CA - Employment Training Tax A	Cancel
Medicare Employee Addi Tax Medicare Employee Addi Tax Print on W-2 as:	
Previous Local Data (For reference only)	

- 7. To ensure that QuickBooks always adds this payroll tax item for new employees subject to Medicare, be sure to <u>set up employee defaults</u>.
- 8. (Optional) To see other common places in QuickBooks where the Medicare Employee AddI Tax payroll tax item appears, see <u>Appendix A</u>.

(The graphics in this guide reflect an older version of QuickBooks; however, the instructions apply to QuickBooks 2013, 2014, 2015, and 2016.)

Step 3: Set up default for employee records

Once you have set up the new Medicare Employee Addl Tax payroll tax item, you need to add it to your new employee default settings (for employees subject to Medicare tax).

Note: If you add new employees **using Payroll Setup**, the Medicare Employee Addl Tax payroll tax item is automatically set up for employees subject to Medicare, regardless of whether you set up the new-employee defaults.

To do this task:

- 1. From the Employees menu, choose Employee Center.
- 2. From the Manage Employee Information drop-down, click Change New Employee Default Settings.



- 3. On the Employee Defaults window, click the Taxes button.
- 4. On the **Federal** tab, verify that the checkbox next to **Medicare** in the Subject to area is checked.
- 5. Click the **Other** tab. Click the drop-down arrow in the first blank row under Item Name and select **Medicare Employee AddI Tax** from the list.

	Can
Item Name	TYPE Delete
	▼ < select Other Tax ▲ Hel
< Add New >	
AZ - Job Training Tax	· · · · · · · · · · · · · · · · · · ·
CA - Employment Training Tax	ax
GA - Admin. Assessment	
IN - Counties Tax	
Indiana County Tax MA Workforce Training Fu	nd
Medicare Employee Addl Ta:	x
NV Claimant Employment T	Tax
OR - Transit Dist. (Tri-Met)	
OR - WBF Assessment Co.	
OR - WBF Assessment Emp.	. "

6. Click **OK** to close the Taxes Defaults window, and click **OK** again to close the Employee Defaults window.

(Some of the graphics in this guide reflect an older version of QuickBooks; however, the instructions apply to QuickBooks 2013, 2014, 2015, and 2016.)

Frequently Asked Questions

Q: Where can I get more information about the Additional Medicare Tax?

A: See the IRS Q&A for the Additional Medicare Tax.

Q: Is there an Additional Medicare Tax for tax year 2016?

A: Yes. The Additional Medicare Tax is in effect for tax year 2016. In addition to withholding Medicare tax at 1.45%, you must withhold a 0.9% Additional Medicare Tax from wages you pay to an employee in excess of \$200,000 for the calendar year.

There continues to be no employer share of Additional Medicare Tax.

Q: Does opening and closing Payroll Setup automatically update *all* employee records?

A: Following the instructions on page 3 adds the Medicare Employee Addl Tax to employee records for all existing active employees (and some inactive or released employees) marked as subject to Medicare.

However, the following types of employee records are **not** automatically updated:

- Employees marked as released with release dates in the past and no payroll activity in the current calendar year.
- Employees marked as inactive with no payroll activity in the current **and** previous calendar year.

If you reinstate one of these employees, you will need to manually add the Medicare Employee AddI Tax to his or her record. (See "<u>Attaching the payroll tax item to</u> <u>employees' records</u>" in Appendix B for instructions.)

Q: What if my employee wants me to withhold extra Medicare tax during the year to cover potential Additional Medicare Tax liability, for example, for dual-incomes?

A: There is no provision for withholding specifically for the Additional Medicare Tax. Instead, have your employee specify an additional income tax withholding amount on Form W-4. The employee can apply additional income tax withholding against all taxes shown on his or her individual income tax return (Form 1040), including any Additional Medicare Tax liability. (See Question 37 in the <u>IRS Q&A for the Additional</u> <u>Medicare Tax</u>.)

Be sure to enter the amount of additional income tax withholding from the employee's Form W-4 on the employee's record in QuickBooks (on the Federal tab of the Taxes window).

Appendix A—Where the Medicare Employee Addl Tax item appears in QuickBooks

This appendix is for you if you're curious about the most common places you'll see the Medicare Employee AddI Tax payroll tax item in QuickBooks.

Note: You may have expected that the item would be categorized in QuickBooks as a Federal tax, but you'll find it listed as an Other tax instead.

Payroll Item List

The Medicare Employee Addl Tax payroll tax item appears as an Other Tax type in the Payroll Item List. To find it quickly, sort the list by Type. If you change the name of this payroll tax item, remember to search for the name you used.

Item Name	Type 🔺	Amount	Annual Limit	Tax Tracking	Payable To	Account ID	
AZ - Job Training Tax	Other Tax	0.1%	7,000.00	Co. Paid Other Tax	AZ Unemployment Division		1
GA - Admin. Assessment	Other Tax	0.08%	8,500.00	Co. Paid Other Tax	Georgia Tax Agency		
IN - Counties Tax	Other Tax			Local Income Tax	Indiana Tax Agency	000000000 999	
Indiana County Tax	Other Tax	-0.0025%		None	Indiana Tax Agency		
MA Workforce Training Fund	Other Tax	0.06%	14,000.00	Co. Paid Other Tax	Comptroller of Maryland		
Medicare Employee Addl Tax	Other Tax	0.9%		Medicare Addl Tax	United States Treasury	99-1111110	
W Glaimant Employment Tax	Other Tax	0.05%	26,400.00	Co. Paid Other Tax	Nevada Employement Secur		
OR - Transit Dist. (Tri-Met)	Other Tax	0.702%		Co. Paid Other Tax	Oregon Department of Rev		
OR - Transit District (LTD)	Other Tax	0.68%		Co. Paid Other Tax	Oregon Department of Rev		
OR - WBF Assessment Co.	Other Tax			Co. Paid Other Tax	Oregon Department of Rev		
OR - WBF Assessment Emp.	Other Tax			Co. Paid Other Tax	Oregon Department of Rev		
SC - Contingency Assessment	Other Tax	0.06%	12,000.00	Co. Paid Other Tax	South Carolina Unemployment		
Workers Compensation	Other Tax	5.77%	36,000.00	None	Commercial Casuality Insur		L
Performance Bonus	Bonus	0.00		Compensation			-

Employee Record

For each employee subject to Medicare, the Medicare Employee Addl Tax payroll tax item should be listed on the Other tab of the Taxes window in the employee's record.

Taxes for Fisher, Duncan	×
<u>F</u> ederal <u>S</u> tate <u>O</u> ther	ОК
Item Name TYPE CA - Employment Training Tax CA - Employment Training Tax Medicare Employee Addl Tax Medicare Employee Addl Tax	Cancel
Medicare Employee Addl Tax Print on W-2 as:	
 Previous Local Data (For reference only) 	

Payroll Setup Wizard

When you use the Payroll Setup wizard to add or edit employees, employees you mark as Subject to Medicare are automatically marked as subject to the Medicare Employee AddI Tax on the federal tax information page.

Employee Duncan Fisher				8
Enter federal tax informatio	n for Dur	ıcan Fisher		
Tip: You can find some of this infor	mation on t	the employee's Form W	-4.	
Filing Status	Single		_ Fv	volain
Filling Status	Single		· ·	gram
Allowances	0	Explain		
Extra Withholding	0.00	Explain		
Nonresident Alien Withholding	Does not	apply		(plain
HIRE Act Exemption	Not a qua	alified employee		<u>(plain</u>
Withholdings and Credits:				
Most employees' wages are subj given. Changing the selections b	ject to the t elow inappr	three withholdings; the opriately will cause you	Advance Ea Ir taxes to b	arned Income Credit can no longer be oe calculated incorrectly, resulting in
penalties. If you are unsure, che	ck with you	r accountant or the IRS		
👿 Subject to Medicare and Med	dicare Empl	loyee Addl Tax <u>Expla</u>	in	
Subject to Social Security	xplain			
📝 Subject to Federal Unemploy	yment			
📄 Subject to Advance Earned I	ncome Cre	dit <u>Explain</u>		
Cancel				< Previous Next >
1001034337				

The Medicare Employee Addl Tax also appears on the list of Federal taxes in Payroll Setup. If you use Payroll Setup to change where or how you pay your Medicare Employee taxes, you should make the same change for the Medicare Employee Addl Tax.

QuickBooks Payroll Setup		X
QuickBooks Payroll Setup Introduction Company Setup Employee Setup	Here are the federal taxes we set up Click Edit if you need to review or make chang	for you les to any of these taxes.
✓ <u>Taxes</u>	* Federal Tax	Description
941/944 Form	Eederal Withholding	Also known as Federal Withholding Tax
Federal taxes	Advance Earned Income Credit	Also known as AEIC
<u>State taxes</u>	Federal Unemployment	Also known as FUTA
Schedule payments	Medicare Company	Medicare Tax
E-pay accounts	Medicare Employee	Medicare Tax
Enrollments	Medicare Employee Addl Tax	Medicare Additional Tax
Year-to-Date Payrolls	Social Security Company	Also known as FICA
Data Review	Social Security Employee	Also known as FICA
Free Payroll Support		
	How do I view or change a federal tax rate	2
Finish Later	UP513.1658	Continue >

Paycheck Detail

When you pay employees, you can see the Medicare Employee AddI Tax item in the Employee Summary section of their paycheck detail.

Fisher, Duncan					P <u>a</u> y Dse	Period 12/30/20 Direct Deposit	012 🔜 - 01/12/2013 🚺 Class
Item Name Hourly Wage	•	Rate	18.75	Hours 35:00	Customer:Job		Sick Available 0:0 /acation Avail. 0:0 Sick Accrued /ac. Accrued Do not accrue sick/vai
Tot Other Payroll Items	als:	656.25	35:00 hrs		Employee Summary	How a	are these items calculated
Item Name	Rate		Quantity	/	Item Name	Amount	YTD
				*	Hourly Wage	656.2	5 656.25
					Medicare Employee Addl Tax	0.0	0.00
					Federal Withholding	-69.0	0 -69.00
					Social Security Employee	-27.5	6 -27.56
				-	Medicare Employee	-9.5	2 -9.52
					CA - Withholding	-8.1	5 -8.15
ompany Summary		How are t	these items of	alculated?	CA - Disability Employee	-6.5	6 -6.56
Item Name	Amo	unt Y	TD	0.00			
CA - Employment Training	Tax	40.60		10.60			
Modicaro Company		-10.69		0.69			
Federal Unemployment		3.94		3.94			
CA - Unemployment Comp	any	22.31		22.31	Check Amount:	535.46	
Save & Previous Sav	re & <u>N</u> ext		Save & Clo	ise	Cancel	lelp	Enter net/Calculate gr

Notice that the amount for this payroll tax item appears as \$0.00 until the employee's year-to-date Medicare wages exceed \$200,000 for the calendar year.

Paycheck Voucher

The Medicare Employee Addl Tax item appears under Taxes on the voucher portion of the employee's paycheck.

Employee Duncan Fisher, 331 Poplar Rd., B	Bayshore, CA	94326			SSN Status (Fed/State) ***-**-6666 Single/Married (two incomes) Page Pagind: 12/20/2012, 01//2/2012	Allowances/Extra Fed-0/0/CA-0/0
Earnings and Hours Hourly Wage	Qty 35:00	Rate 18.75	Current 656.25	YTD Amount 656.25	Pay Penda. 12/30/2012 - 01/12/2013	Pay Date. 01/11/2015
Taxes			Current	YTD Amount	_	
Medicare Employee Addl Tax			0.00			
Federal Withholding			-69.00	-69.00		
Medicare Employee			-40.05	-40.05		
CA - Withholding			-8.03	-9.02		
CA - Disability Employee			-6.56	-6.56		
or bloability Employee			-133.80	-133.80		
Net Pay			522.45	522.45		

Pay Stub

The Medicare Employee Addl Tax item appears on the employee's pay stub in the Taxes section.

Duncan Fish 331 Poplar R Bayshore, Ca	er &d. A 94326						
Employee Pay Stub	Ch	eck number:	23		Pay Period: 12	/30/2012 - 01/12/2013	Pay Date: 01/11/2013
Employee					SSN	Status (Fed/State)	Allowances/Extra
Juncan Fisher, 331 Popiar Rd., I	Baysnore, C.	A 94326				Single/Married (two incomes)	Fed-0/0/CA-0/0
arnings and Hours	Qty	Rate	Current	YTD Amount			
arnings and Hours Jourly Wage	Qty 35:00	Rate 18.75	Current 656.25	YTD Amount 656.25			
arnings and Hours lourly Wage axes	Qty 35:00	Rate 18.75	Current 656.25 Current	YTD Amount 656.25 YTD Amount			
arnings and Hours Iourly Wage axes Medicare Employee Addl Tax	Qty 35:00	Rate 18.75	Current 656.25 Current 0.00	YTD Amount 656.25 YTD Amount 0.00	I		
arnings and Hours lourly Wage axes <u>Aedicare Employee Addl Tax</u> ederal Withholding Varial Security Employee	Qty 35:00	Rate 18.75	Current 656.25 Current -69.00 40.69	YTD Amount 656.25 YTD Amount 0.00 -69.00 40.69	I		
Earnings and Hours Hourly Wage Taxes Aedicare Employee AddI Tax rederal Withholding Social Security Employee Aedicare Employee	Qty 35:00	Rate 18.75	Current 656.25 Current -69.00 -40.69 -9.52	YTD Amount 656.25 YTD Amount 0.00 -69.00 -40.69 -9.52	I		
Carnings and Hours tourly Wage Taxes <u>Adelicare Employee AddI Tax</u> rederal Withholding Social Security Employee Aedicare Employee Ae Withholding	Qty 35:00	Rate 18.75	Current 656.25 Current -69.00 -40.69 -9.52 -8.03	YTD Amount 656.25 YTD Amount 0.00 -69.00 -40.69 -9.52 -8.03	I		
annings and Hours lourly Wage axes Aedicare Employee Addl Tax ederal Withholding Social Security Employee Aedicare Employee Ao Withholding CA - Disability Employee	Qty 35:00	Rate 18.75	Current 656.25 Current -69.00 -40.69 -9.52 -8.03 -6.56	YTD Amount 656.25 YTD Amount -69.00 -40.69 -9.52 -8.03 -6.56	I		
Farnings and Hours Hourly Wage Taxes Hedricare Employee Addi Tax ederal Withholding Social Security Employee Acticare Employee A - Withholding XA - Disability Employee	Qty 35:00	Rate 18.75	Current 656.25 Current -69.00 -40.69 -9.52 -8.03 -6.56 -133.80	YTD Amount 656.25 YTD Amount -69.00 -40.69 -9.52 -8.03 -6.56 -133.80	I		

Scheduled Liability Payments

The Medicare Employee AddI Tax item is automatically included along with Medicare Employee and Medicare Company when you pay your scheduled payroll tax liabilities to the U.S. Treasury.

	1	Send By	Status	Payment	Method	Period	Amount Due	
Pay Scheduled Liabilities	V	01/15/13 01/31/13 01/31/13 02/15/13 04/30/13	Upcoming Upcoming Upcoming Upcoming Upcoming	Federal 941/944/943 AZ UI and Job Training Tax Federal 940 Federal 941/944/943 Federal 940	Check Check <u>Check</u> <u>Check</u> Check	Dec 2012 Q4 2012 Q4 2012 Jan 2013 Q1 2013	<u>365.50</u> <u>34.29</u> <u>15.06</u> 91,009.75 <u>42.00</u>	*
	_			Charly E-payro	Total Sele	cted Items:	91,009.75	······
		Related Pay	ment Activit	ties • Check E-paymo	ent Status		View/Pay	

E	🖞 Liability Payment - Bank o	of Patrick	in a second	×
ſ	Payment 1 of 1			📇 <u>P</u> rint
	Bank Account Bank of Patric	(•	Ending Balance	1,006,676.22
	Pay to the Order of <u>United</u> <u>Ninety-one thousand nine a</u> Address Memo <u>99-1111110</u>	States Treasury nd 75/100******		No. To Print Date 02/15/2013 ()) \$ 91,009.75 ********** Dollars
	Period: 01/01/13 - 01/31/13		How do I e-pay?	⊙ E-payment ⊚ C<u>h</u>eck
	Expenses	\$0.00 Payroll Lia	abilities \$91,009.75	To be printed
	Payroll Item	Amount	Memo	Class
	Social Security Employee Medicare Company	7,049.40	1	^
	Medicare Employee	2,982.02		
	Medicare Employee Addl Tax	50.91		▼ 1 ¹
	Recalculate		Save & Close	& Next Cancel

Custom Liability Payments

When you create a custom liability payment that includes either Medicare Company or Medicare Employee tax withholding, QuickBooks automatically selects the other tax item and includes its amount. However, QuickBooks does **not** automatically select and include the Medicare Employee AddI Tax item. If you need to pay this tax, you must manually select it. (Note that if you have renamed the payroll tax item, it might not appear directly under the Medicare Company and Medicare Employee items.)

To be printe <u>d</u> Bank Account	 Review liability check to enter expenses/penalties 		Create Cancel Payroll Liabilities Report Help	
Bank of Patrick 🔹	Create liability check without reviewing			
Check Date 01/26/2013 🔳	Show Payroll Liabilities			
ort By Payable To 💌	Dates Custom	m 01/13/2013 🔳	Through 01/26/2013	
✓ Payroll Item	Payable To	Balance	Amt. To Pay	
CA - Unemployment Company	CA State Franchise Tax Board	215.6	9 0.00 ^	
CA - Withholding	CA State Franchise Tax Board	29,001.1	3 0.00	
Federal Unemployment	United States Treasury	38.0	6 0.00	
Federal Withholding	United States Treasury	70,827.0	0.00	
 Medicare Company 	United States Treasury	2,972.5	2,972.50	
🖌 Medicare Employee	United States Treasury	2,972.5	2,972.50	
Medicare Employee Addl Tax	United States Treasury	50.9	1 0.00	
Social Security Company	United States Treasury	7,008.7	1 0.00	
Social Security Employee	United States Treasury	7,008.7	1 0.00 -	
		121,103.8	4 5,945.00	

Payroll Reports

You can see the Medicare Employee AddI Tax item in many payroll reports (**Reports > Employees & Payroll**).

One of the most common payroll reports is the Payroll Summary report. Notice that in this report the Medicare Employee Addl Tax item appears in the Taxes Withheld section and that it appears with Other Tax items after all federal and state tax items. Remember that if you filter this report to display only certain payroll items; use the All Taxes Withheld filter rather than the All Federal filter if you want to see the Medicare Employee Addl Tax item.

🔟 Payroll Summary					- • •		
Customize Report Share Template Memorize Print E-mail • Excel • H	lide He <u>a</u> der R	efre <u>s</u> h					
Dates This Calendar Quarter - From 01/01/2013 To 03/31/2013 Co	olumns Employee	 Internet 					
6-49 DM	Deals C.	atta Canatauntian					
OLIO FM	ROCK Ca	istie Construction					
01/01/13	Payr	oll Summary					
	January through March 2013						
	Fis	sher, Duncan		TOTAL			
· · ·	• Hours •	Rate + Jan - Mar 13 +	Hours +	Rate			
Employee Wages, Taxes and Adjustments							
Gross Pay							
Hourly Wage	35	18.75 656.25	35	656.25			
Performance Bonus		205,000.00	25	205,000.00			
Iotal Gross Pay	35	205,656.25	35	205,656.25			
Adjusted Gross Pay	35	205,656.25	35	205,656.25			
Taxes Withheld							
Federal Withholding		-70,896.00		-70,896.00			
Medicare Employee		-2,982.02		-2,982.02			
Social Security Employee		-7,049.40		-7,049.40			
CA - Withholding		-29,009.21		-29,009.21			
CA - Disability Employee		-1,008.80		-1,008.80	_		
Medicare Employee AddI Tax		-50.91		-50.91			
Total Taxes Withheld	_	<u>-110,996.34</u>	—	-110,996.34	_		
Net Pay	<u>35</u>	94,659.91	35	94,659.91			
Employer Taxes and Contributions							
Federal Unemployment		42.00		42.00			
Medicare Company		2,982.02		2,982.02			
Social Security Company		7,049.40		7,049.40			
CA - Unemployment Company		238.00		238.00			
CA - Employment Training Tax		7.00		7.00			
Total Employer Taxes and Contributions		10,318.42		10,318.42			
]							

If you double-click the amount shown for the item (either under an employee's column or under the Total column), QuickBooks shows you the details for this amount in the Transactions by Payroll Item report.

Ę	Transactions by P	ayroll Item							- • •
	Customize Report Share Template Memorize Print E-mal • Excel • Hide Header Refresh								
Dates Custom 🗸 From 01/01/2013 🔳 To 03/31/2013 📕 Total By Payroll item detail 💌 Sort By Default 💌									
Γ	6:16 PM				Rock Castle Const	ruction			
	01/01/13				Transactions by Pa	vroll Item			
					January through Mar	ch 2013			
	♦ Type	♦ Date	♦ <u>Num</u>	♦ Name	Income Subject To Tax	Wage Base	Wage Base (Tips) >	Amount +	Balance +
	Medicare Emplo	oyee Addi Tax							
	Paycheck	01/11/2013	23	Fisher, Duncan	656.25	0.00	0.00	0.00	0.00 <
	Paycheck	01/25/2013		Fisher, Duncan	205,000.00	5,656.25	0.00	-50.91	-50.91
	Total Medicare En	nployee Addl Tax			205,656.25	5,656.25	0.00	-50.91	-50.91
	TOTAL				205,656.25	5,656.25	0.00 =	-50.91 _	-50.91

The Income Subject to Tax column for this item represents the taxable wages paid for each employee from the time the Medicare Employee AddI Tax payroll tax item was added to the employee's record. (That is, it may not match the Income Subject to Tax amount under Medicare Employee if the item was added after some paychecks were created. This discrepancy is not a problem.)

Additional Medicare Tax User Guide for QuickBooks © 2015 Intuit Inc. All rights reserved. <u>Trademarks</u>. The Wage Base column is more important. The IRS has added a line to Form 941 for employers to report individuals' wages subject to the Additional Medicare Tax; the wages reflected in the Wage Base column are automatically inserted on this line. As long as you set up the Medicare Employee AddI Tax payroll tax item for an employee before you pay that employee over \$200,000, the Wage Base column is \$0.00 until the employee's Medicare taxable wages exceed \$200,000. Then the Wage Base column shows the amount of Medicare taxable wages paid in excess of \$200,000. QuickBooks uses this column to report on Form 941/944/943.

Another common payroll report is the Payroll Detail Review. Note again that the Medicare Employee Addl Tax item appears with Other Tax items after all federal and state tax items.

🔟 Payroll Detail	Review									
Customize Report	Share Template Memorize Print	E-mail E <u>x</u> cel	Hide Header	Refresh					ter ter ter	
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01/01/13			Payr	oll Detail Re	eview					
			Janua	ary through Marc	h 2013					
	◆ Date	♦ Tax Table ♦	Income Subject •	Wage Base + Pay	roll Tax > U	ser E >	Amount • 0	Calculated Amo + Amour	t Differe +	
	Hourly Wage									Â
1	01/11/2013 12/11/2012 07:30:04	21301	0.00	0.00		Y	656.25	656.25	0.00 ◄	
	Total Hourly Wage		0.00	0.00			656.25			
	Performance Bonus									
	01/25/2013 12/31/2012 14:07:05	21301	0.00	0.00		N	205,000.00	205,000.00	0.00	
	Total Performance Bonus		0.00	0.00			205,000.00			
	Federal Withholding									
	01/11/2013 12/11/2012 07:30:04	21301	656.25	656.25		N	-69.00	-69.00	0.00	
	Total Federal Withholding	21301	205,656.25	205,656.25		N	-70,827.00	-70,027.00	0.00	
	Medicare Employee 01/11/2013 12/11/2012 07:30:04	21301	656 25	656.25	1 45%	N	-9.52	-9.52	0.00	
	01/25/2013 12/31/2012 14:07:05	21301	205,000.00	205,000.00	1.45%	N	-2,972.50	-2,972.50	0.00	
	Total Medicare Employee		205,656.25	205,656.25			-2,982.02			
	Social Security Employee									
	01/11/2013 12/11/2012 07:30:04	21301	656.25	656.25	6.2%	N	-40.69	-40.69	0.00	
Lana .	01/25/2013 12/31/2019 14:07:05	213~	205.000.00	di, stationed in the	62° vr	h Ulandi	-7,008.71	008-74-000	0.00	and the second
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for the second	- CA - binemployn		and the for the second	یک سب سر	بىرىر - يېرى -	/~~~~,	- Conserved	Carriel Carrier	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	al the second of
	01/11/2013 12/11/2012 07:30:04	21301	656.25	656.25	3.4%	N	-22.31	-22.31	0.00	
	Total CA - Unemployment Company	21301	205,656.25	7,000.00	3.476	N	-215.69	-215.09	0.00	
l r										
	Medicare Employee Addi Tax 01/11/2013 12/11/2012 07:30:04	21301	656.25	0.00	0.9%	N	0.00	0.00	0.00	
	01/25/2013 12/31/2012 14:07:05	21301	205,000.00	5,656.25	0.9%	N	-50.91	-50.91	0.00	
	Total Medicare Employee Addl Tax		205,656.25	5,656.25			-50.91			
	CA - Employment Training Tax									
	01/11/2013 12/11/2012 07:30:04	21301	656.25	656.25	0.1%	N	-0.66	-0.66	0.00	
	01/25/2013 12/31/2012 14:07:05 Total CA - Employment Training Tax	21301	205,000.00	6,343.75	0.1%	N	-6.34	-6.34	0.00	
	team on a comparyment maning fax		200,000.20	1,000.00			-7.00			
1										T

(Some of the graphics in this guide reflect an older version of QuickBooks; however, the instructions apply to QuickBooks 2013, 2014, 2015, and 2016.)

Appendix B—What to do if Payroll Setup doesn't work

Some customers report that they have problems opening Payroll Setup, or that Payroll Setup closes unexpectedly. If this happens, you can use these instructions to manually add the Medicare Employee Addl Tax to your company file and attach it to your employees' records.

Adding the payroll tax item to the company record

For QuickBooks to properly handle the Additional Medicare Tax calculations, withholding, and payroll tax form reporting, you must first set up the Medicare Employee AddI Tax payroll tax item for your company.

To do this task:

- 1. From the Employees menu, choose Manage Payroll Items > New Payroll Item.
- 2. Select Custom setup and click Next.
- 3. Select Other Tax and click Next.
- 4. Click the drop-down arrow next to User-Defined Tax, and select **Medicare Employee AddI Tax** from the list. Click **Next**.

Add new payro	oll item		
Jar	Other tax		
STATE	Other tax: Choose a predefined tax fro tax you want, choose User-Defined Ta:	m the list. If you do not see the to create a tax.	•
FILM	User-Defined Tax	.	
D 401	ME - Comp Skills Schir Fund ME - Surtax MI - Cities Res Tax MI - Cities Work Tax MI - Othes Work Tax MN - Workforce Enhancement Fee MS - Training Contribution MT - Admin, Fund Tax MT - Old Fund Liab. Company	ny?	
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	NJ - WF/SWF Employee NM - Trust Fund NM - Workers' Comp Fee Co.		

5. Accept the default name for the **Medicare Employee Addl Tax** payroll tax item by clicking **Next**.

(Although you can change the name of this payroll tax item, we recommend that you accept the default so that you can easily remember and find it in on paychecks and payroll reports.)

- 6. Click the drop-down arrow in the box for the name of the agency to which the tax is paid, and select the same agency (vendor) name you use for the Medicare Company and Medicare Employee payroll tax items (typically, the United States Treasury).
- 7. Accept the Payroll Liabilities default account, and click Next.

8. Assisted Payroll users only: If you get this warning that you have not entered tax ID information for the Medicare Employee AddI Tax item, click **Yes** to ignore it.



9. Accept the displayed settings on any additional windows, clicking **Next** until you can click **Finish**.

Attaching the payroll tax item to employees' records

For **each employee** subject to Medicare, you must manually add the Medicare Employee AddI Tax payroll tax item as an Other Tax on the employee's record.

To do this task:

- 1. From the Employees menu, choose Employee Center.
- 2. Double-click the employee name in the left column to open the employee's record.
- 3. Click the Payroll Info tab on the left.
- 4. Click the Taxes button.
- 5. On the **Federal** tab, verify that the employee is subject to Medicare taxes (the checkbox next to **Medicare** in the Subject to area is checked).
- 6. Click the **Other** tab. Click the drop-down arrow in the first blank row under Item Name and select **Medicare Employee AddI Tax** from the list.

Eederal State Oth	er <u>er ser ser ser ser</u>	OK
		Cancel
Item Name	TYPE Delete	
CA - Employment Training Ta	x CA - Employment Training Tax 🔺	Help
	< select Other Tax	
< Add New >	-	
GA - Admin. Assessment IN - Counties Tax Indiana County Tax MA - Workforce Training Fit Medicare Employee Addl Tr INV - Claimant Employee Addl Tr INV - Claimant Employee OR - Transit District (LTU) OR - Transit District (LTU) OR - WBF Assessment Emp SC - Contingency Assessm	und ax Tax y)	

- 7. Click **OK** to close the Taxes window, and click **OK** again to close the employee record.
- 8. Double-click the next employee name and repeat steps 3 through 7.

To ensure that QuickBooks always adds this payroll tax item for new employees subject to Medicare, be sure to <u>set up employee defaults</u>.

(Some of the graphics in this guide reflect an older version of QuickBooks; however, the instructions apply to QuickBooks 2013, 2014, 2015, and 2016.)

Revision history

Date	Revision Details
12/13/2012	Original document
12/21/2012	Added alert about possible issue with Payroll Update 21301.
12/27/2012	Changed required update to Payroll Update 21302; added clarification on employee records that get automatically updated.
1/1/2013	Updated to add new graphics and reflect 2013 system behavior.
1/4/2013	Updated with workaround for issue in which multiple Earnings payroll items are reordered by Payroll Setup.
1/17/2013	Changed required update to Payroll Update 21304, and updated FAQs.
3/21/2013	Updated to reflect changes in Form 941.
4/22/2013	Clarified report dates for Payroll Item Detail report when preparing Form 941.
12/12/2013	Updated for changes in Form W-2 and reference to the latest payroll update.
12/26/2013	Updated for Form 944/943 included in the latest payroll update.
12/31/2013	Removed information specific to 2013.
3/13/2014	Updated for 2014 Form 941 included in Payroll Update 21408.
6/19/2014	Updated to reflect QuickBooks 2014 R6 automatic setup for Medicare Employee Addl Tax payroll item.
12/11/2014	Updated for 2014 Forms 943, 944, and W-2 included in the latest payroll update.
12/17/2015	Updated for 2015