

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 [IRS Q&A for the Additional Medicare Tax](#).

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. [Open Payroll Setup and close it](#). This sets up the new payroll tax item and attaches it to existing employees.
3. [Set up employee defaults](#) 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](#)

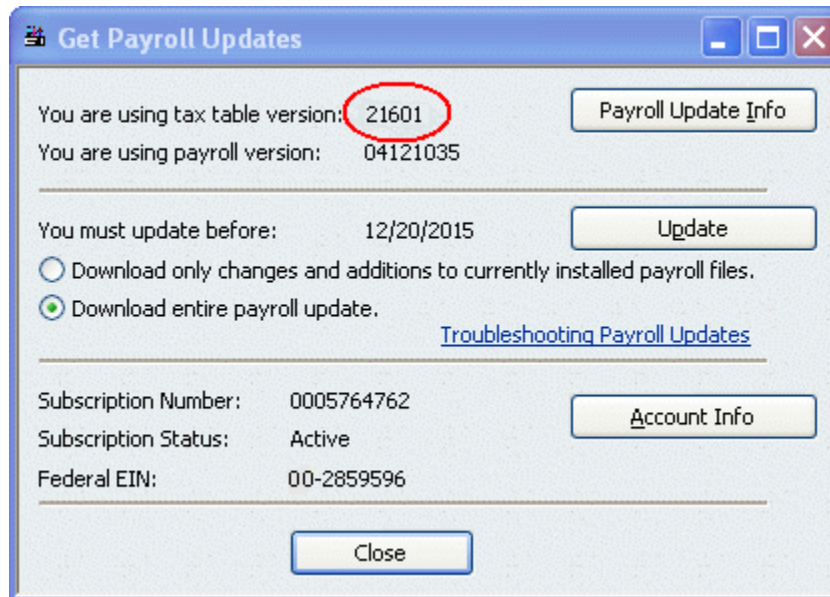
Last Updated: 12/17/15 ([Revision History](#))

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**.



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.)

[Back to top](#)

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

Adding the Medicare Employee Addl 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.

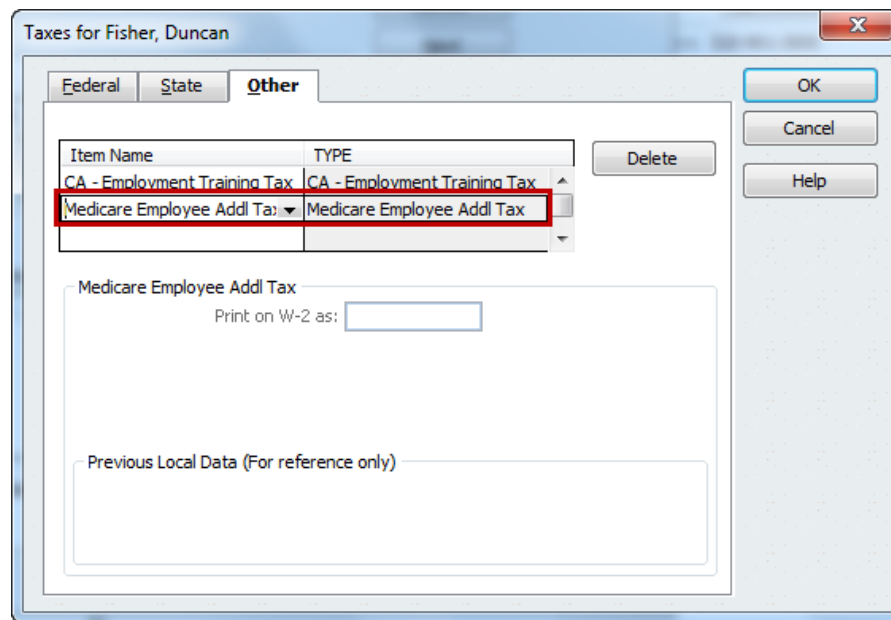
Item Name	Type	Amount	Annual Limit	Tax Tracking	Payable To	Account ID
AZ - Job Training Tax	Other Tax	0.1%	7,000.00	Co. Paid Other Tax	AZ Unemployment Division	
GA - Admin. Assessment	Other Tax	0.08%	8,500.00	Co. Paid Other Tax	Georgia Tax Agency	
IN - Counties Tax	Other Tax			Local Income Tax	Indiana Tax Agency	0000000000 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 - Unemployment Tax	Other Tax	0.05%	26,400.00	Co. Paid Other Tax	Nevada Employment 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 Casualty Insur...	
Performance Bonus	Bonus	0.00		Compensation		

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 Addl Tax** appears in the table of taxes for this employee. (You may need to scroll down the table to see this payroll tax item.)



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

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

[Back to top](#)

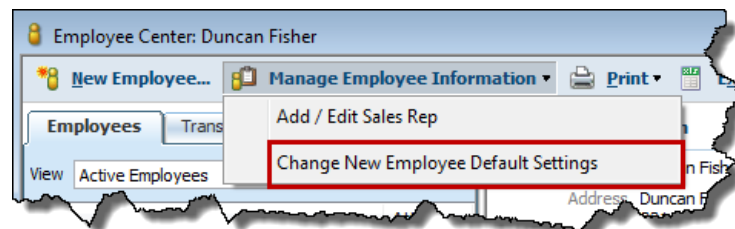
Step 3: Set up default for employee records

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).

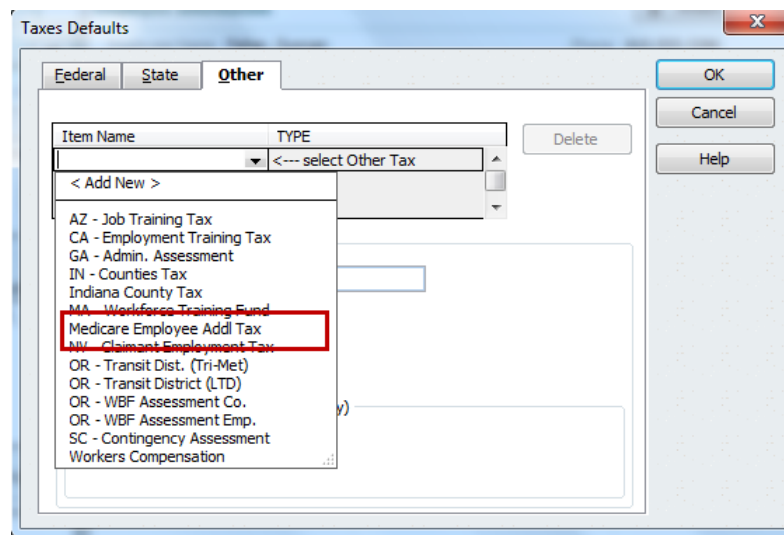
Note: If you add new employees **using Payroll Setup**, the Medicare Employee Addl Tax payroll tax item is automatically set up for employees subject to Medicare, regardless of whether you set up the new-employee defaults.

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 Addl Tax** from the list.



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.)

[Back to top](#)

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 Addl Tax to his or her record. (See "[Attaching the payroll tax item to employees' records](#)" 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 [IRS Q&A for the Additional Medicare Tax](#).)

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).

[Back to top](#)

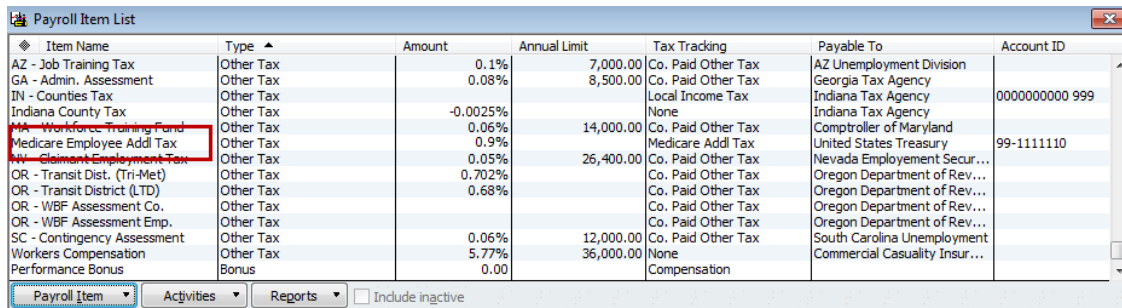
Appendix A—Where the Medicare Employee Addl Tax item appears in QuickBooks

This appendix is for you if you're curious about the most common places you'll see the Medicare Employee Addl 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

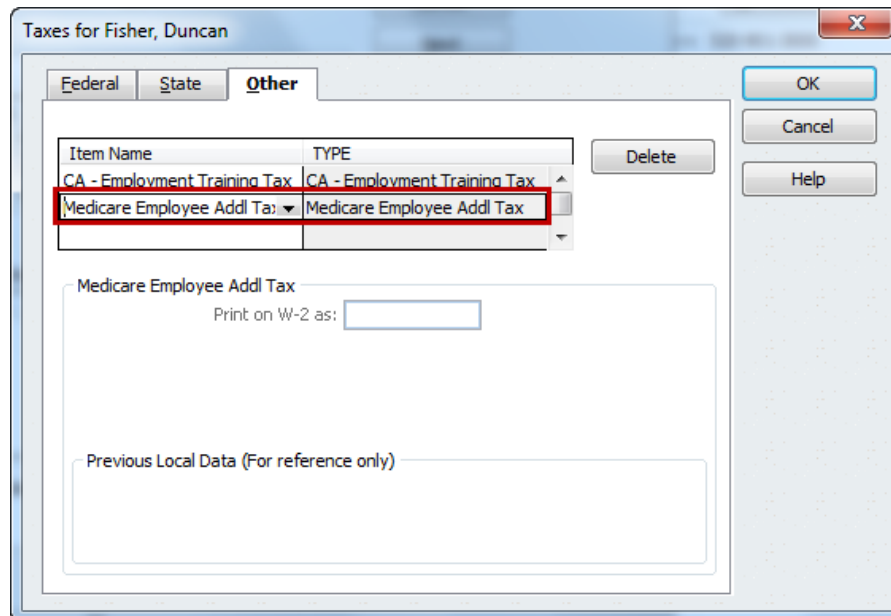
The Medicare Employee Addl Tax payroll tax item appears as an Other Tax type in the Payroll Item List. To find it quickly, sort the list by Type. If you change the name of this payroll tax item, remember to search for the name you used.



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	
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	0000000000 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
WV - Unemployment Tax	Other Tax	0.05%	26,400.00	Co. Paid Other Tax	Nevada Employment 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 Casualty Insur...	
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

Federal State **Other**

OK
Cancel
Help

Item Name	TYPE
CA - Employment Training Tax	CA - Employment Training Tax
Medicare Employee Addl Tax	Medicare Employee Addl Tax

Delete

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 Addl Tax on the federal tax information page.

Employee Duncan Fisher

Enter federal tax information for Duncan Fisher

Tip: You can find some of this information on the employee's Form W-4.

Filing Status: Single [Explain](#)

Allowances: 0 [Explain](#)

Extra Withholding: 0.00 [Explain](#)

Nonresident Alien Withholding: Does not apply [Explain](#)

HIRE Act Exemption: Not a qualified employee [Explain](#)

Withholdings and Credits:

Most employees' wages are subject to the three withholdings; the Advance Earned Income Credit can no longer be given. Changing the selections below inappropriately will cause your taxes to be calculated incorrectly, resulting in penalties. If you are unsure, check with your accountant or the IRS.

Subject to Medicare and Medicare Employee Addl Tax [Explain](#)

Subject to Social Security [Explain](#)

Subject to Federal Unemployment

Subject to Advance Earned Income Credit [Explain](#)

Cancel < Previous Next >

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

QuickBooks Payroll Setup

- Introduction
- Company Setup
- Employee Setup
- Taxes
 - 941/944 Form
 - Federal taxes
 - State taxes
 - Schedule payments
 - E-pay accounts
 - Enrollments
- Year-to-Date Payrolls
- Data Review
- Finishing Up

[Free Payroll Support](#)

Finish Later

Here are the federal taxes we set up for you

Click **Edit** if you need to review or make changes to any of these taxes.

Federal Tax	Description
Federal Withholding	Also known as Federal Withholding Tax
Advance Earned Income Credit	Also known as AEIC
Federal Unemployment	Also known as FUTA
Medicare Company	Medicare Tax
Medicare Employee	Medicare Tax
Medicare Employee Addl Tax	Medicare Additional Tax
Social Security Company	Also known as FICA
Social Security Employee	Also known as FICA

[How do I view or change a federal tax rate?](#) [Edit...](#)

UPS13.1658 [Continue >](#)

Paycheck Detail

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

Preview Paycheck

Fisher, Duncan Pay Period: 12/30/2012 - 01/12/2013

Use Direct Deposit Class: [v]

Item Name	Rate	Hours	Customer:Job	Sick Available
Hourly Wage	18.75	35:00		0:00

Totals: 656.25 35:00 hrs

Item Name	Rate	Quantity

Item Name	Amount	YTD
Hourly Wage	656.25	656.25
Medicare Employee Addl Tax	0.00	0.00
Federal Withholding	-69.00	-69.00
Social Security Employee	-27.56	-27.56
Medicare Employee	-9.52	-9.52
CA - Withholding	-8.15	-8.15
CA - Disability Employee	-6.56	-6.56

Check Amount: 535.46

Buttons: Save & Previous, Save & Next, Save & Close, Cancel, Help, Enter net/Calculate gross

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	SSN	Status (Fed/State)	Allowances/Extra
Duncan Fisher, 331 Poplar Rd., Bayshore, CA 94326	***-**-6666	Single/Married (two incomes)	Fed-0/0/CA-0/0
		Pay Period: 12/30/2012 - 01/12/2013	Pay Date: 01/11/2013

Earnings and Hours	Qty	Rate	Current	YTD Amount
Hourly Wage	35:00	18.75	656.25	656.25

Taxes	Current	YTD Amount
Medicare Employee Addl Tax	0.00	0.00
Federal Withholding	-69.00	-69.00
Social Security Employee	-40.69	-40.69
Medicare Employee	-9.52	-9.52
CA - Withholding	-8.03	-8.03
CA - Disability Employee	-6.56	-6.56
	-133.80	-133.80

Net Pay	522.45	522.45
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Pay Stub

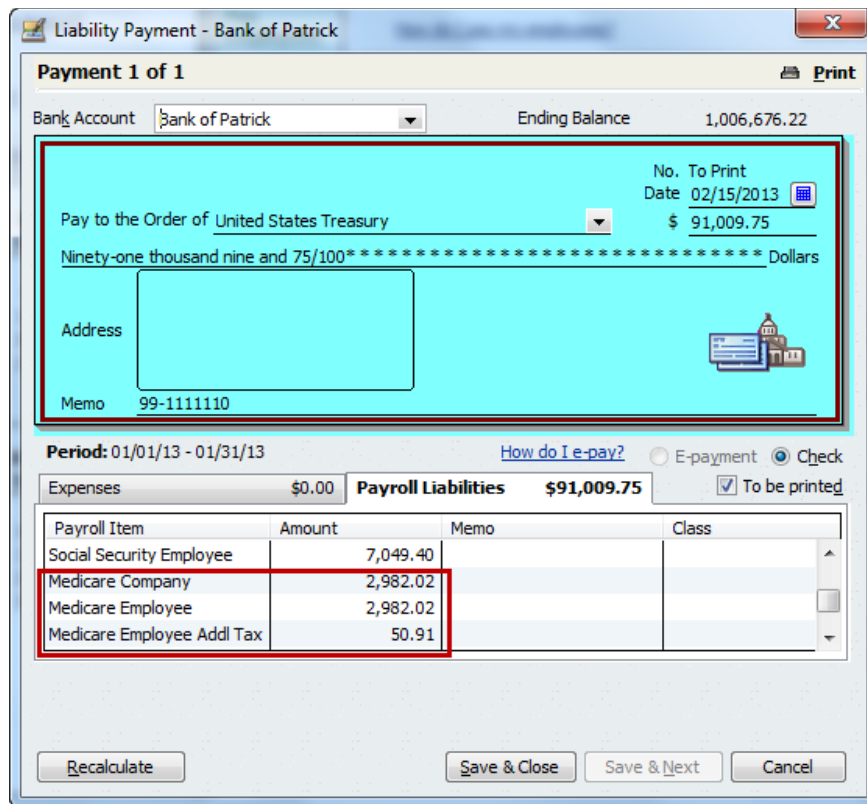
The Medicare Employee Addl Tax item appears on the employee's pay stub in the Taxes section.

Duncan Fisher 331 Poplar Rd. Bayshore, CA 94326		Employee Pay Stub		Check number: 23	Pay Period: 12/30/2012 - 01/12/2013	Pay Date: 01/11/2013
Employee		SSN	Status (Fed/State)	Allowances/Extra		
Duncan Fisher, 331 Poplar Rd., Bayshore, CA 94326		***-**-6666	Single/Married (two incomes)	Fed-00/CA-00		
Earnings and Hours		Qty	Rate	Current	YTD Amount	
Hourly Wage		35.00	18.75	656.25	656.25	
Taxes				Current	YTD Amount	
Medicare Employee Addl Tax				0.00	0.00	
Federal Withholding				-69.00	-69.00	
Social Security Employee				-40.69	-40.69	
Medicare Employee				-9.52	-9.52	
CA - Withholding				-8.03	-8.03	
CA - Disability Employee				-6.56	-6.56	
				-133.80	-133.80	
Net Pay				522.45	522.45	

Scheduled Liability Payments

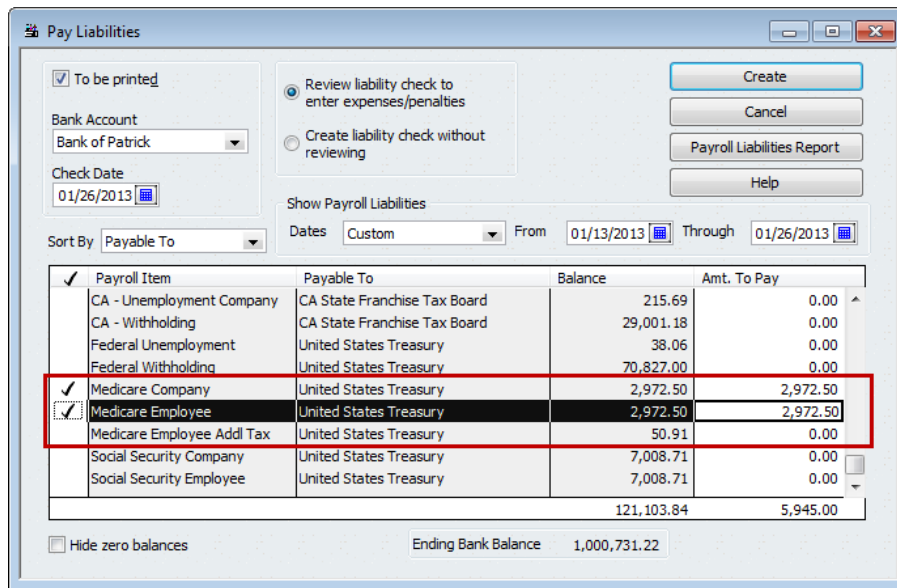
The Medicare Employee Addl Tax item is automatically included along with Medicare Employee and Medicare Company when you pay your scheduled payroll tax liabilities to the U.S. Treasury.

 Pay Scheduled Liabilities	<input checked="" type="checkbox"/>	Send By	Status	Payment	Method	Period	Amount Due	
		01/15/13	Upcoming	Federal 941/944/943	Check	Dec 2012	<u>365.50</u>	▲
		01/31/13	Upcoming	AZ UI and Job Training Tax	Check	Q4 2012	<u>34.29</u>	
		01/31/13	Upcoming	Federal 940	Check	Q4 2012	<u>15.06</u>	
	<input checked="" type="checkbox"/>	02/15/13	Upcoming	Federal 941/944/943	Check	Jan 2013	<u>91,009.75</u>	
		04/30/13	Upcoming	Federal 940	Check	Q1 2013	<u>42.00</u>	▼
Total Selected Items:							91,009.75	
<input type="button" value="Related Payment Activities"/>				Check E-payment Status		<input type="button" value="View/Pay"/>		



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 Addl 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.)



Payroll Reports

You can see the Medicare Employee Addl 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.

	Fisher, Duncan			TOTAL		
	Hours	Rate	Jan - Mar 13	Hours	Rate	Jan - Mar 13
Employee Wages, Taxes and Adjustments						
Gross Pay						
Hourly Wage	35	18.75	656.25	35		656.25
Performance Bonus			205,000.00			205,000.00
Total 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 Addl Tax			-50.91			-50.91
Total Taxes Withheld			-110,996.34			-110,996.34
Net Pay	35		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.

Type	Date	Num	Name	Income Subject To Tax	Wage Base	Wage Base (Tips)	Amount	Balance
Medicare Employee Addl 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 Employee 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 Addl 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.)

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 Addl 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.

Date	Entered/Last Mod.	Tax Table	Income Subject	Wage Base	Payroll Tax	User E.	Amount	Calculated Amo.	Amount Differ.
Fisher, Duncan									
Hourly Wage									
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
01/25/2013	12/31/2012 14:07:05	21301	205,000.00	205,000.00		N	-70,827.00	-70,827.00	0.00
Total Federal Withholding			205,656.25	205,656.25			-70,896.00		
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
01/25/2013	12/31/2012 14:07:05	21301	205,000.00	205,000.00	6.2%	N	-7,008.71	-7,008.71	0.00
CA - Unemployment Company									
01/11/2013	12/11/2012 07:30:04	21301	656.25	656.25	3.4%	N	-22.31	-22.31	0.00
01/25/2013	12/31/2012 14:07:05	21301	205,000.00	6,343.75	3.4%	N	-215.69	-215.69	0.00
Total CA - Unemployment Company			205,656.25	7,000.00			-238.00		
Medicare Employee Addl 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	21301	205,000.00	6,343.75	0.1%	N	-6.34	-6.34	0.00
Total CA - Employment Training Tax			205,656.25	7,000.00			-7.00		

(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

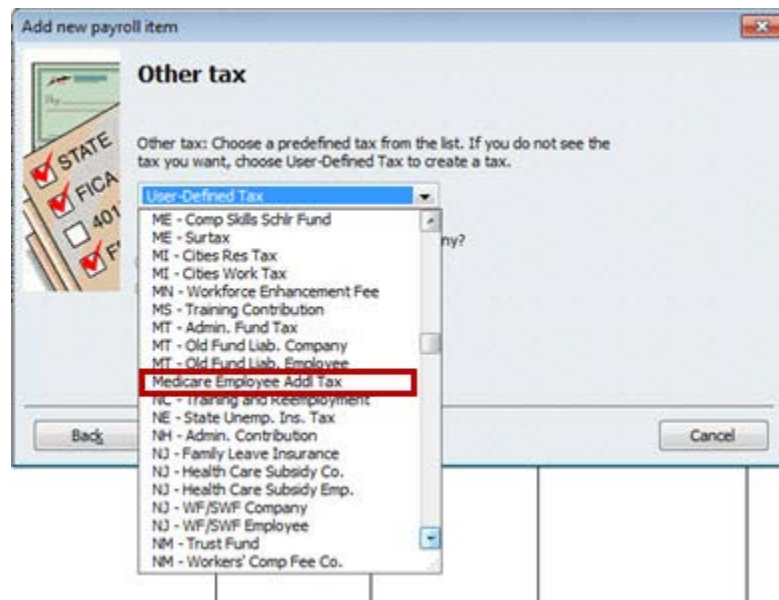
Some customers report that they have problems opening Payroll Setup, or that Payroll Setup closes unexpectedly. If this happens, you can use these instructions to manually add the Medicare Employee Addl Tax to your company file and attach it to your employees' records.

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 Addl 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 Addl Tax** from the list. Click **Next**.

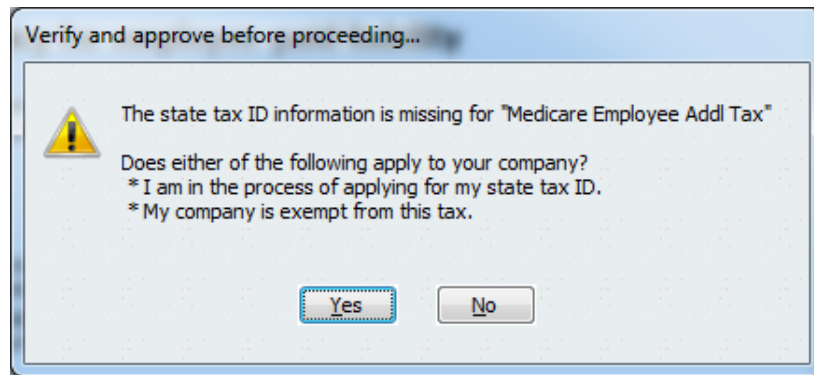


5. Accept the default name for the **Medicare Employee Addl Tax** payroll tax item by clicking **Next**.

(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 Addl Tax item, click **Yes** to ignore it.



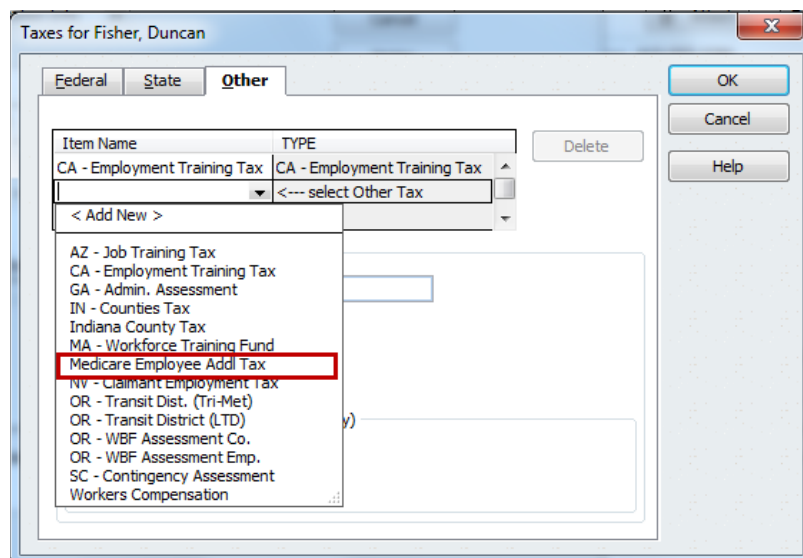
9. Accept the displayed settings on any additional windows, clicking **Next** until you can click **Finish**.

Attaching the payroll tax item to employees' records

For **each employee** subject to Medicare, you must manually add the Medicare Employee Addl 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 Addl Tax** from the list.



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 [set up employee defaults](#).

(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