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Last Updated: 1/19/11   **Revision History**

HIRE Act Guide for QuickBooks

The Hiring Incentives to Restore Employment (HIRE) Act offers employers tax incentives for hiring unemployed workers.

Under this act, an employer is exempt from paying the employer portion of 2010 Social Security taxes on wages paid to qualified employees between March 19 and December 31, 2010. (For more about the HIRE Act exemption, check this IRS web site.)

Who qualifies for the HIRE Act exemption?

An **employee** is qualified under the HIRE Act exemption if he or she:

- Started working for you after February 3, 2010, and before January 1, 2011.
- Is not employed by you to replace another employee, unless the other employee left voluntarily or for cause.
- Is not a family member or relative.
- Has signed IRS Form W-11 (or similar statement) certifying, under penalties of perjury, that he or she has not been employed for more than 40 hours during the 60-day period before starting to work for you.

If you are uncertain whether your employee qualifies for the HIRE Act exemption, check this IRS web site.

Any **employer** other than the United States, a state, or a local government or a household employer qualifies for the HIRE Act exemption. Qualified employers include tax-exempt organizations and public institutions of higher education.

If you are uncertain whether your business qualifies for the HIRE Act exemption, check this IRS web site.

Beginning May 13, 2010 (payroll update 21011), QuickBooks (2007 and later) supports the payroll tax exemption provision of the HIRE Act.

What do I need to do in QuickBooks?

1. Be sure you've downloaded the latest Payroll Update (21011 or later for designating qualified employees, 21101 or later for tax forms).

2. Confirm your qualified employees by getting a signed Form W-11 (or similar affidavit) from each of them.

3. Designate qualified employees in QuickBooks.

4. Make any necessary liability adjustments.

5. File your employment tax returns and employee W-2s.

   - Form 941 filers   - Form 944 filers

   - Form 943 filers   - Form W-2

   Assisted Payroll users can skip this step since the Assisted Payroll service files your employment tax returns (except Form 943) for you.

6. Record any refund received as a result of reporting a 1st quarter HIRE Act credit on your 2nd quarter Form 941, annual Form 943, or annual Form 944 filing.

Frequently Asked Questions

## Download the latest Payroll Update

In order to designate qualified employees for the payroll tax exemption provision of the HIRE Act in QuickBooks (2007 or later), you need to have downloaded the latest payroll tax table updates (21011 or later).

Standard and **Enhanced Payroll** users (QuickBooks 2008 or later): In order to take advantage of QuickBooks support for the new Form 941, 943, 944, and W-2, you need to have downloaded the latest payroll tax table updates (21101 or later).

If you are using the QuickBooks Simple Start edition, see Appendix C for modifications you need to make to the instructions in this guide.

To do this task:

1. From the **Employees** menu in QuickBooks, choose **Get Payroll Updates**.
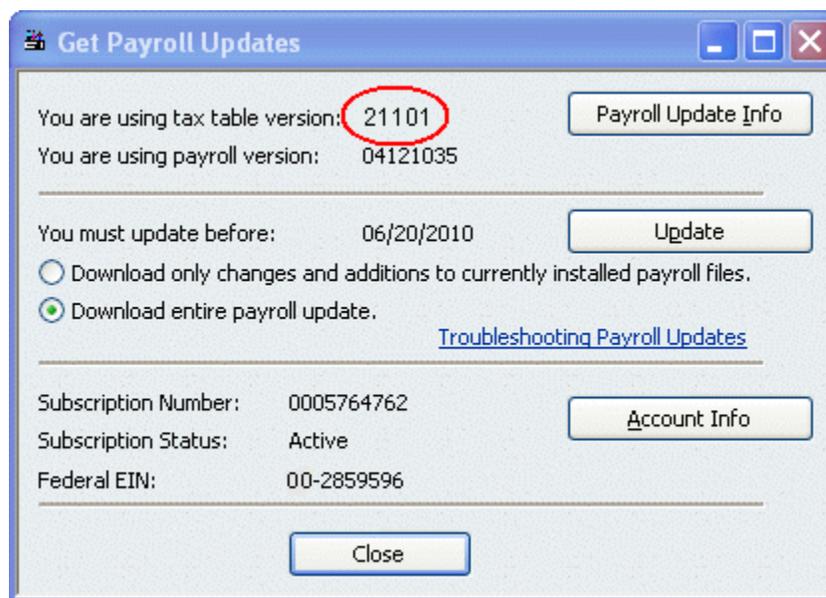
2. Check the tax table version you are using. If it is lower than 21101, select **Download entire payroll update** and click **Update**.

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Get signed Forms W-11

Before you can designate an employee as qualified for the HIRE Act exemption, you must receive **an affidavit** from the employee certifying, under penalties of perjury, that he or she has not been employed for more than 40 hours during the 60-day period before starting to work for you.

You can use IRS Form W-11 for this purpose (click the link to download the form from the IRS web site), or you can use another similar statement as long as it contains the same information as Form W-11 and the employee signs it under penalties of perjury. (A Spanish-language version of the IRS Form W-11 is available here.)

You **do not send** the Forms W-11 to the IRS or to Intuit Payroll Services, but you **must** keep these forms in your files along with your other payroll and income tax records.

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Designate qualified employees in QuickBooks

As soon as you have installed the 21011 (or later) tax table update and have a signed Form W-11 (or similar statement), you can designate employees as qualified for the HIRE Act exemption in QuickBooks.

Once you designate an employee as qualified, QuickBooks stops creating a liability for the employer portion of the Social Security tax (the Social Security Company payroll item) on subsequent paychecks through December 31, 2010. (See Make Liability Adjustments for information on how to handle the Social Security taxes for paychecks to qualified employees dated March 19 through the date you designate the employee as qualified in QuickBooks.)

Tip: **Do not change** employees you designate as qualified back to not qualified at the end of the 2010 calendar year. QuickBooks will automatically resume creating a liability for the employer portion of the Social Security tax (the Social Security Company payroll item) for these employees on January 1, 2011.

Important: In the spirit of the HIRE Act to promote hiring and retention of workers, QuickBooks supports an employee having only one qualification status (qualified or not qualified) during the calendar year. QuickBooks does not support situations where you hire, terminate, and rehire an employee during the 2010 calendar year if the employee's qualification status changes between one period of employment and the next. For information on what QuickBooks will do in various scenarios, see Appendix J.

To do this task:

1. From the **Employees** menu, choose **Payroll Setup**.

   Tip: If you are using QuickBooks in multi-user mode, switch to single-user access to perform the actions described in this section.

2. On the left panel of the Payroll Setup window, select **Employee Setup** and then **Employee List**.
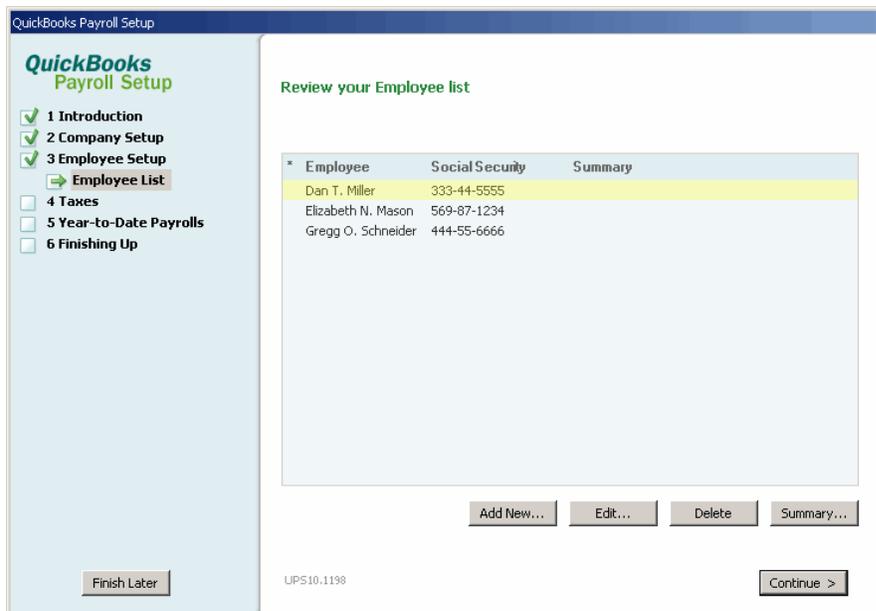
3. If you are setting up a new employee in QuickBooks, click **Add New**. If you have already set up the employee in QuickBooks, select the employee from the list and click **Edit**.

4. Add or edit information in each window in the Payroll Setup interview as necessary, clicking Next when you are ready to move to the next window.

5. On the window for entering federal tax information, click the drop-down arrow next to the HIRE Act Exemption box, and select **Qualified employee**.

Note: You cannot take both the HIRE Act payroll tax exemption and the Work Opportunity Tax Credit (WOTC) for a qualified employee. Therefore, if you prefer to take the WOTC for a qualified employee, select **Not a qualified employee** instead.

6. Click **Next** to move through the remaining windows until you can click **Finish** to complete the Employee Setup step.

7. Repeat these steps for each qualified employee.

8. Click **Finish Later** in the left panel of the Payroll Setup window when you are finished designating qualified employees.

When you choose **Qualified employee** to claim the payroll tax exemption for an employee, QuickBooks (2008 and later) verifies that the Hire Date you have entered for the employee is between February 4 and December 31, 2010. (Note that date validation does not occur in QuickBooks 2007.)

Paychecks you create **after designating** the employee as a qualified employee and dated **April 1 through December 31**, 2010, do not create a liability for the employer portion of the Social Security tax (the Social Security Company payroll item).

The maximum tax break to you for each employee is $6,621.60, or 6.2% of the total wages you pay the employee in 2010, up to the $106,800 Social Security wage cap. This payroll tax exemption has no effect on the employee's future Social Security benefits, and you still need to withhold the employee's 6.2% share of Social Security taxes, as well as income taxes. The employer and employee shares of Medicare taxes also still apply to these wages.

For Assisted Payroll users only: The Assisted Payroll Service requires that you set up an expense account in your QuickBooks chart of accounts to properly account for the company Social Security benefit for qualified employees. Follow these steps:

1. From the **Lists** menu, choose **Chart of Accounts**.

2. Click the **Account** drop-down arrow and choose **New**.

3. Select **Expense** for the account type and click **Continue**.
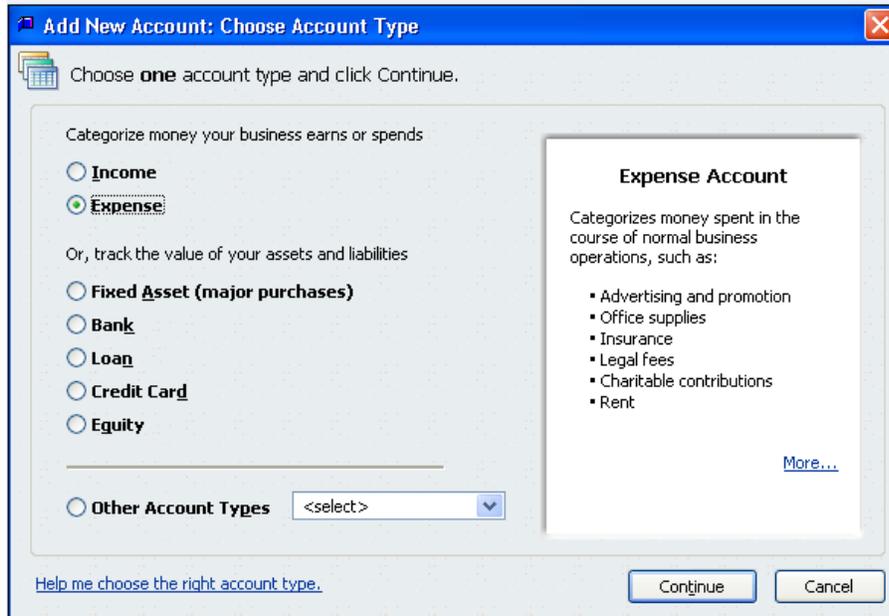
4. Enter **Payroll Expenses SS CO HIRE Act** in the **Account Name** field, and click **Save & Close**.
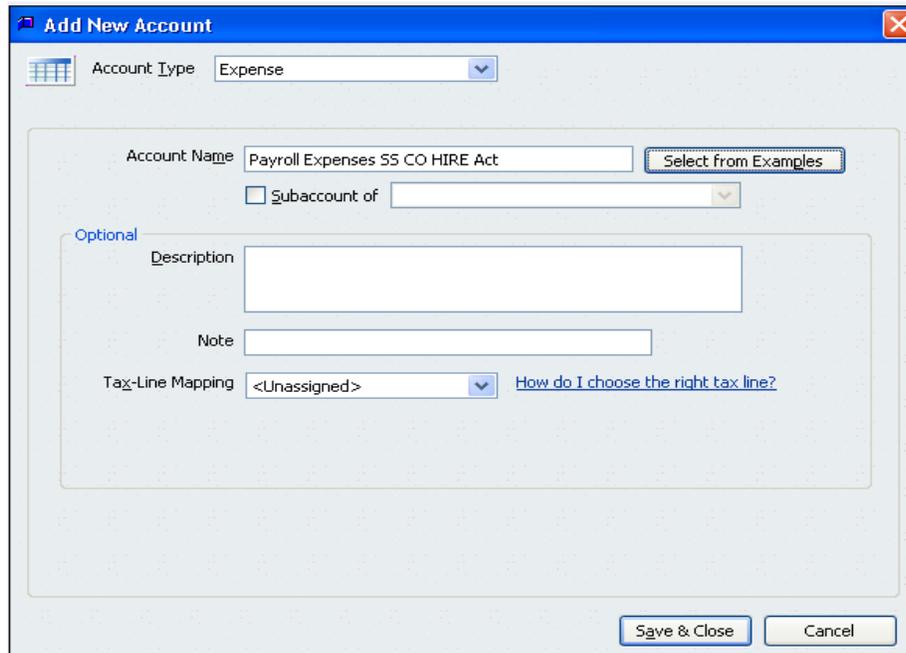
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Make Liability Adjustments

Since QuickBooks only stops creating a liability for the employer portion of the Social Security tax (the Social Security Company payroll item) on paychecks **after** you designate an employee as qualified, you need to take the appropriate additional actions described in this section to recognize the tax exemption for paychecks you created between March 19 (the day after the enactment of the HIRE Act) and the date you designate the employee in QuickBooks.

For Basic, Standard, and Enhanced Payroll users:

- If you paid qualified employees between **March 19 and March 31**, 2010, the IRS specifies that you must have claimed the payroll tax exemption for wages paid during this period when you filed your 2nd quarter Form 941 (or Form 943 or Form 944, for annual filers). You don't need to make any liability adjustments in QuickBooks for this period.

- If you paid qualified employees between **April 1 and the date you designated the employee as qualified** in QuickBooks, you must make liability adjustments for each paycheck for each qualified employee following the steps in this section.

For Assisted Payroll users:

- If you paid qualified employees between **March 19 and the date you designated the employee as qualified** in QuickBooks, you must make liability adjustments for each paycheck for each qualified employee following the steps in this section.

  When you have run your Payroll Item Detail report and are ready to make your liability adjustments, you must call an Assisted Payroll agent (as described in this section), and you should plan to remain on the phone with the agent until you have completed the adjustments.

To do this task:

Run a report showing your payroll liabilities

Note: These steps walk you through creating a modified Payroll Item Detail report, which we recommend. Assisted Payroll users must create this report. Basic, Standard, or Enhanced Payroll users can create any report that provides them with the information they will need to adjust payroll tax liabilities.

1. Be sure your payroll is current, and if you are an Assisted Payroll user, be sure you have sent all outstanding payrolls to the Assisted Payroll service for processing.

2. From the **Reports** menu, choose **Employees & Payroll > Payroll Item Detail**.
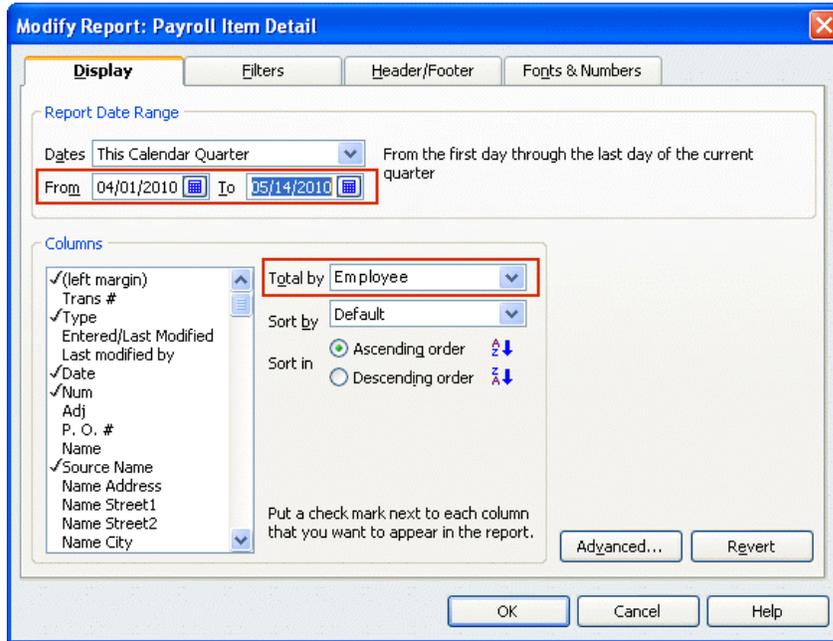
3. Click the **Modify Report** button.

4. On the **Display** tab:

- Set the date range.

  For Basic, Standard, and Enhanced Payroll users: April 1, 2010, to the current date

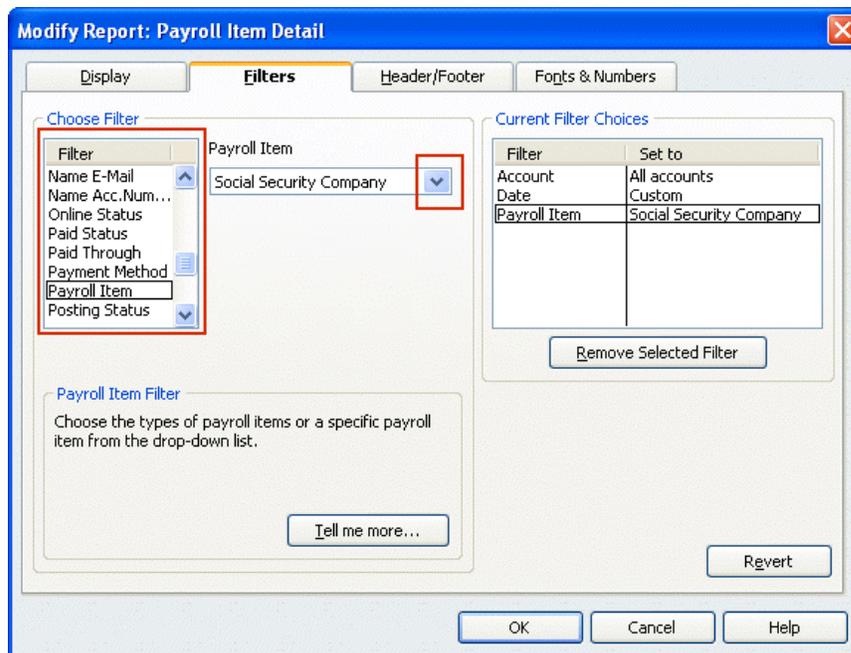 **For Assisted Payroll users**: March 19, 2010, to the current date

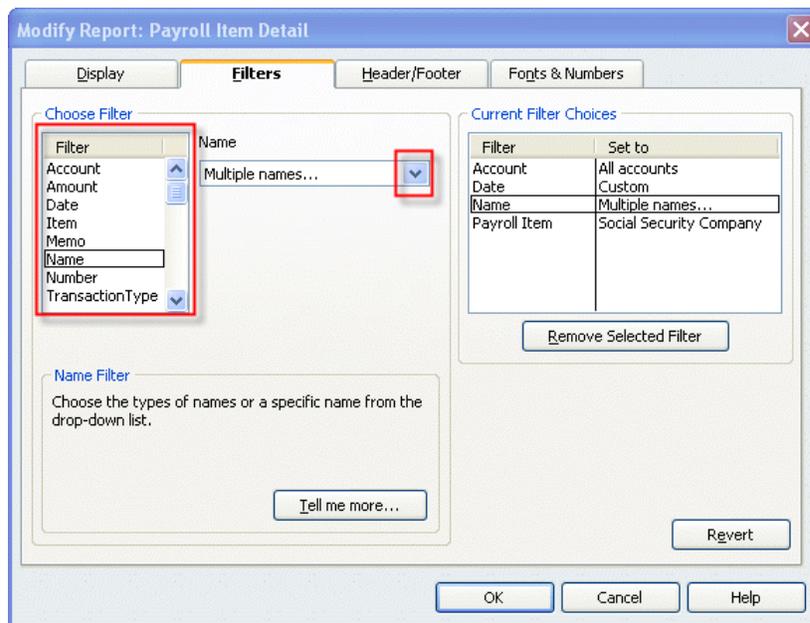- Click the **Total by** drop-down arrow, and choose **Employee**.

5. On the **Filters** tab:

- From the **Filter** list, select **Payroll Item**.

- Click the **Payroll Item** drop-down arrow, and select **Social Security Company**.

- From the **Filter** list, select **Name**.
- Click the **Name** drop-down arrow, and select **Multiple names**.

6. From the Select Name window, select the names of the qualified employees (making sure a check mark appears in front of each name), and click **OK**.

7. Click **OK** to close the Modify Report window and display the modified Payroll Item Detail report.

8. Click the **Print** button to print the report.

Assisted users only: Call an Assisted Payroll agent

9. If you have the **Assisted Payroll service**:

- Save a backup of your company file to your desktop.
- If you are using QuickBooks in multi-user mode, switch to single-user access.
- When you are in single-user mode, call 888.712.9702. Be sure you are ready to make your liability adjustments and have time to stay on the phone with the Assisted Payroll agent while you complete steps 10 through 20.

If you have **Basic, Standard, or Enhanced Payroll**, we recommend that you save a backup of your company file to your desktop before you continue at step 10.

Make appropriate liability adjustments

You need to make a liability adjustment for each paycheck you created for each qualified employee for the Social Security Company tax amount.

> **Tip:** If you are using QuickBooks in multi-user mode, switch to single-user access to perform the actions described in this section.

10. From the **Employees** menu, choose **Payroll Taxes and Liabilities > Adjust Payroll Liabilities**.

11. In the **Date** field, enter the date of the paycheck you are adjusting.

> **Tip:** Start with the earliest date and make the liability adjustments for all qualified employees for that date before proceeding to the next date.

> **Note:** For **Basic, Standard, and Enhanced Payroll** only—Since adjustments to prior liabilities can reduce a current liability payment, we recommend that if you have **not** made your April deposit of taxes to the IRS you should make the liability adjustments for April first, pay your April liabilities, and then make the remaining liability adjustments for May.

12. Be sure the **Effective Date** field is the same date as the **Date** field.

13. Select **Employee**, click the drop-down arrow, and select the qualified employee.

14. In the **Item Name** column, click the drop-down arrow, and select **Social Security Company**.

15. In the **Amount** column, enter the amount of the Social Security Company tax paid (from the modified Payroll Item Detail report) as **a negative number**.

16. In the **Memo** column, enter HIRE Act exemption (or a similar note) to explain the adjustment.

17. Click the **Accounts Affected** button and verify that **Affect liability and expense accounts** is selected. Click **OK**.

18. Click the **Next Adjustment** button to make the next liability adjustment, or click **OK** if you have made all the necessary liability adjustments.

Rerun the report showing your payroll liabilities

19. Repeat steps 2 through 8 to create a new modified Payroll Item Detail report.

20. Check to be sure that each Social Security Company item has an offsetting liability adjustment in a matching amount.

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File employment tax returns—Form 941

The IRS changed Form 941 beginning with the 2nd quarter 2010 filing. The revised form allows you to report the number of qualified employees and any exempt wages that you paid on behalf of qualified employees beginning March 19, 2010. If you have overpaid the employer portion of Social Security taxes for the filing period, you can use the revised form to request a refund.

Note: You were only allowed a credit in the 2nd quarter of 2010 for the employer portion of Social Security tax on wages/tips paid to qualified employees in the 1st quarter between March 19 and March 31, 2010. If you were entitled to this credit but did not claim it when you filed your 2nd quarter Form 941, you must file an amended return on Form 941-X to claim the credit. The IRS does not recognize entries on lines 12c and 12d on Form 941 filed for 3rd or 4th quarter 2010.

For **explanations** of the new lines on Form 941 pertaining to the HIRE Act, see Appendix A.

The remainder of this section explains:

- How to create a list of your qualified employees
- How to determine (or check) the values for lines 6a, 6b, and 6c
- How to complete the Form 941

Note: If you need to determine the values for lines 12c and 12d (2nd quarter filing only), see Appendix E.

Assisted Payroll users: You can ignore this section. The Assisted Payroll service prepares and files employment tax returns for you.

Basic Payroll users: Prepare your Form 941 by hand, using the payroll reports described in this section to determine your tax liability and HIRE Act exempt wages.

Standard and **Enhanced Payroll** users (QuickBooks 2008 or later): Create the payroll reports described in this section. These reports provide some of the numbers you need to complete the new Form 941 in QuickBooks (provided when you download the 21101 or later payroll tax table update). QuickBooks 2009 and QuickBooks 2010 users should also update to the latest release (R12 or later for QuickBooks 2009; R7 or later for QuickBooks 2010); in these releases (as well as all releases of QuickBooks 2011), QuickBooks automatically supplies the information for new lines 6a, 6b, and 6c on Form 941.

QuickBooks 2007 users: Because QuickBooks 2007 was discontinued on May 31, 2010, QuickBooks 2007 does not support the new Form 941. (Your payroll services are valid only when you are using a supported version of QuickBooks.)

Identify all your qualified employees

We recommend that you keep a list of all of the employees that you've designated as qualified in QuickBooks. Having such a list simplifies preparation of the reports you need in order to complete Form 941 each quarter.
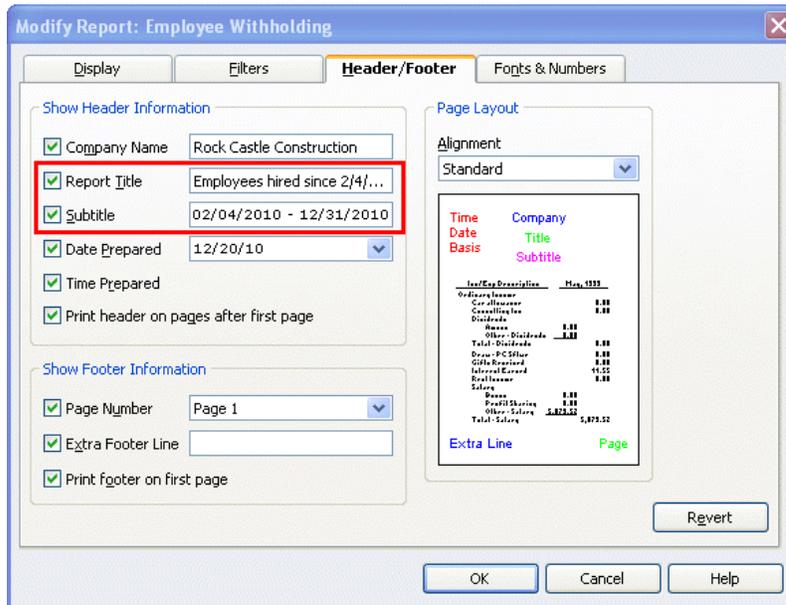
To do this task:

1. From the **Reports** menu, choose **Employees & Payroll** > **Employee Withholding**.
2. Click **Modify Report**.
3. On the Display tab, be sure that you've put a check mark next to **Employee** and **Hire Date** in the Columns list.
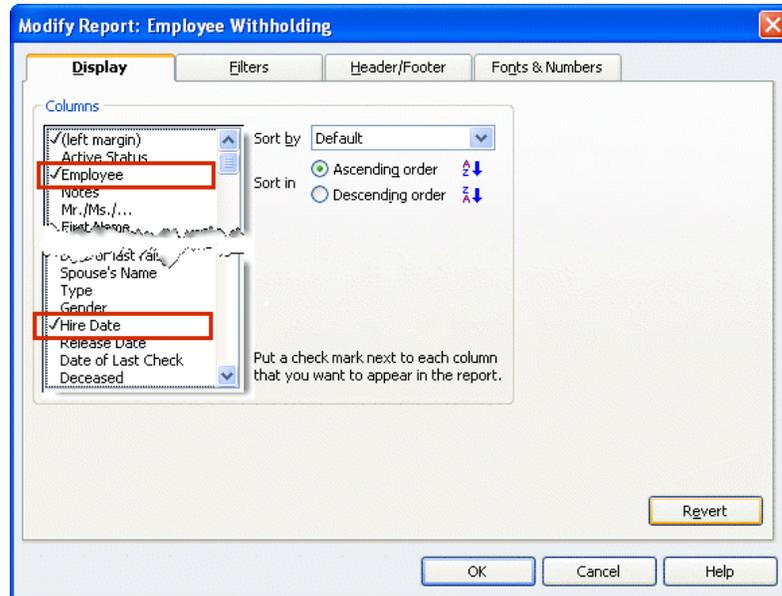
4. On the Filters tab, select **Hire Date** in the Choose Filter column. For the Hire Date, click the drop-down and choose **Custom**. Enter **02/04/2010** in the **From** field; enter the **filing quarter end date** (for example, 12/31/2010, for your 4th quarter 2010 filing) in the **To** field.
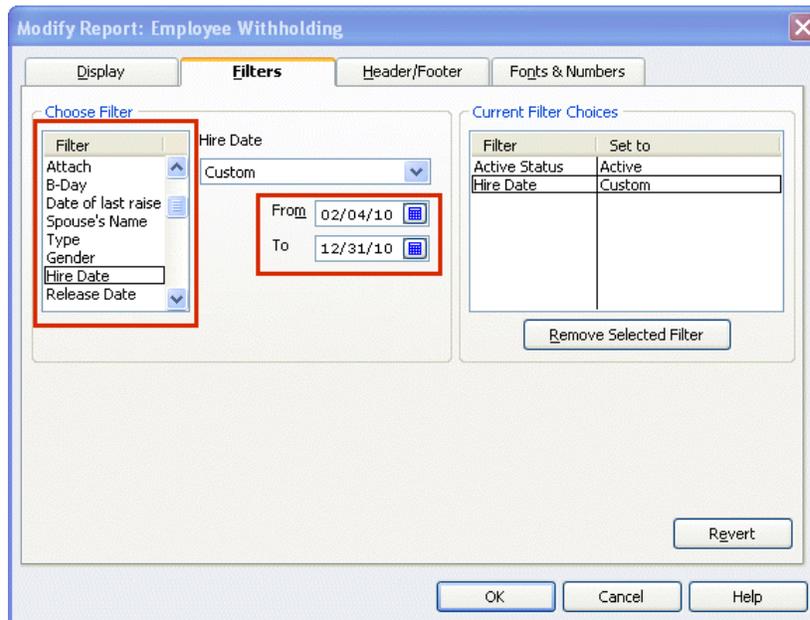
5. On the Header/Footer tab, check the **Report Title** box and name your report (for example, "Employees hired since 2/4/2010"). Check the **Subtitle** box and subtitle the report with the dates you used on the Filters tab (for example, 02/04/2010– 12/31/2010).

6. Click **OK**.

    The resulting report shows **all employees** with hire dates between 02/04/2010 and the end of the current filing quarter.

7. You can sort this report by employee. Click the drop-down arrow next to **Sort by** on the Report menu bar, and choose **Employee**. (Click **Refresh** if your report doesn't automatically change.)

8. Optionally, you can save this report definition. Click the **Memorize** button on the Report menu bar, and provide an appropriate name. (You can also choose to save this report in a Memorized Report Group.)

9. Create a version of this list that you can mark or modify in step 10. You can do any of the following:

   - You can print the report (click the **Print** button) and mark up the printed copy.

   - You can export the report to an Excel spreadsheet (click the **Export** button and select **a new Excel workbook**). Exporting to an Excel spreadsheet lets you easily remove the names of employees you have not designated as qualified, which you'll determine in step 10.

   - After completing step 10, you can generate the report again and filter on Names, choosing only the qualified employees.

10. Using the list you have just generated, verify which employees are designated as qualified employees in QuickBooks, as follows:

    a. From the **Employees** menu, choose **Payroll Setup > Employee Setup > Employee List**.

    b. Highlight an employee from your list, and click the **Summary** button.

    c. Scroll down to the **Taxes** section in the lower right, looking for **Special Exemption: Qualified Employee**. If this item appears, the employee has been designated as qualified and should remain on your list. If this item does not appear, the employee has not been designated as qualified and should be

removed from your list. (If the employee has not been designated as qualified in QuickBooks but should be, see the instructions on page 4.)

d. We recommend that you print this summary page for each qualified employee for future reference. (Click the **Print** button on the Summary page.)

 Tip: Keep these summary pages together in a file and add new qualified employees as you designate them in QuickBooks.

e. When you have finished printing summary pages for all your qualified employees, click **Finish Later** to exit Payroll Setup.

Determine the values for lines 6a, 6b, and 6c

You need to know the number of qualified employees whom you paid HIRE Act exempt wages in the current filing quarter (line 6b), the number of these employees whom you paid HIRE Act exempt wages for the first time in the current filing quarter (line 6a), and the total HIRE Act exempt wages/tips you paid to qualified employees during the filing quarter (line 6c).

Note: QuickBooks 2009 and QuickBooks 2010 users should also update to the latest release (R12 or later for QuickBooks 2009; R7 or later for QuickBooks 2010); in these releases (as well as all releases of QuickBooks 2011), QuickBooks automatically supplies the information for new lines 6a, 6b, and 6c on Form 941 so that you do not have to complete the steps in this section. However, completing the steps in this section allows you to double-check the numbers on your reports against the numbers QuickBooks provides.
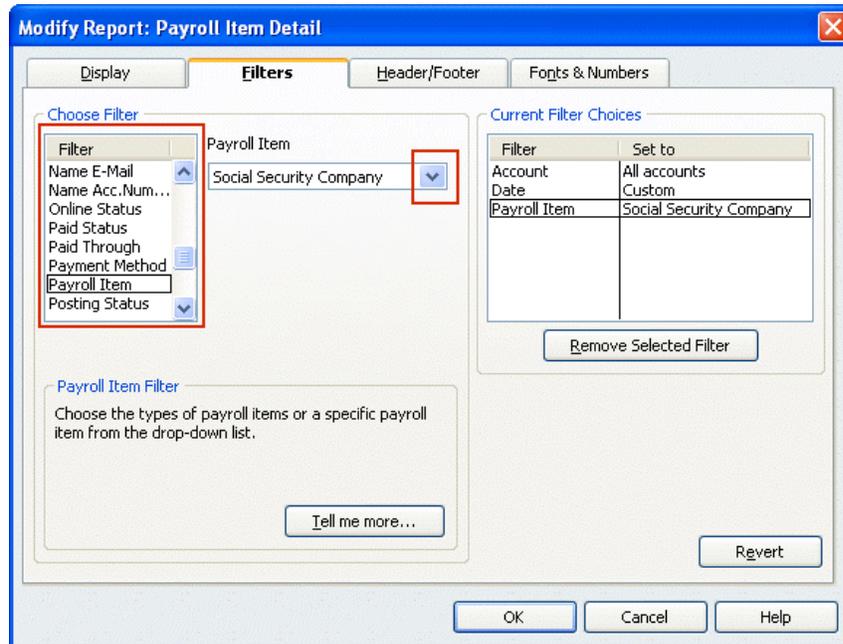
Tip: Print the **worksheet** in Appendix B and use it to record the values you get when you follow the steps here. Then when you are ready to complete Form 941, you will have these numbers handy.
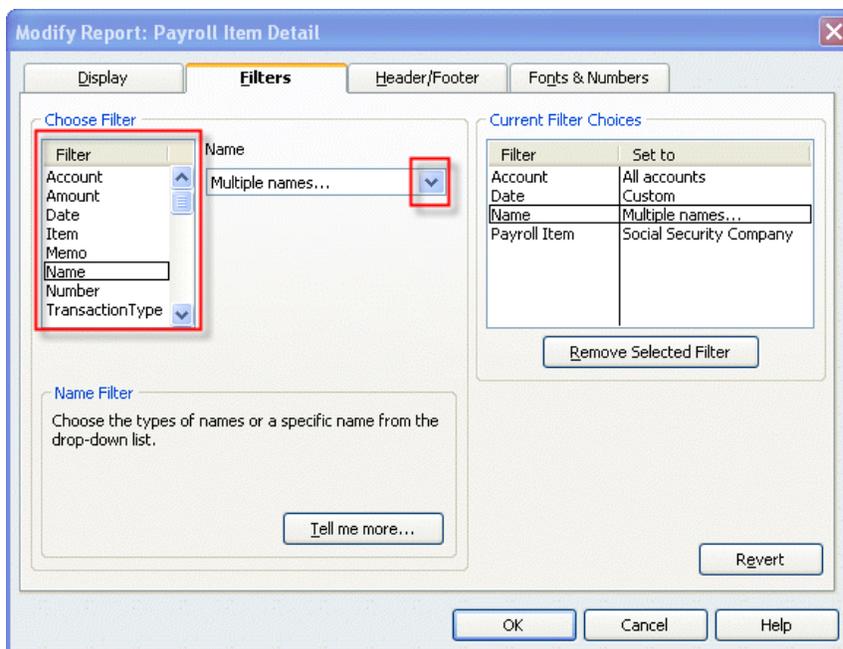
To do this task:

1. From the **Reports** menu, choose **Employees & Payroll > Payroll Item Detail**.

2. Click the **Modify Report** button.

3. On the **Display** tab:

   a. Set the date range for **the current filing quarter** (for example, 10/01/2010 to 12/31/2010).

   b. Click the **Total by** drop-down arrow, and choose **Employee**.

4. On the **Filters** tab:

    a. From the **Filter** list, select **Payroll Item**.

    b. Click the **Payroll Item** drop-down arrow, and select **Social Security Company**.

    c. From the **Filter** list, select **Name**.

    d. Click the **Name** drop-down arrow, and select **Multiple names**.

5. From the Select Name window, select the names of the **qualified employees** (from the list you made of all your qualified employees), making sure a check mark appears in front of each name, and click **OK**.

6. Click **OK** to close the Modify Report window and display the modified Payroll Item Detail report.

7. Click the **Print** button to print the report. (You can also **Memorize** this report, and you can **Export** it to an Excel spreadsheet.)

8. Count the number of unique employees listed on this report. (You will need this number for **line 6b** when you prepare your Form 941; record it on the worksheet you printed from Appendix B.)

9. Find the total in the Wage Base column on this report. (You will need this amount for **line 6c** when you prepare your Form 941; record it on the worksheet you printed from Appendix B.)

10. Repeat steps 1 through 7 with the date range **03/19/10 to the end of the preceding quarter** (for example, 3/19/2010 to 9/30/2010 for 4th quarter 2010 filing).

11. **Compare** the employees on the report for **the preceding quarters** (from step 10) with the employees on the report from **the current filing quarter** (the report you originally created in steps 1 through 7), counting the number of employees that appear on both reports.

12. **Subtract** this number from the number you counted for line 6b (in step 8). (You will use the result for **line 6a** when you prepare your Form 941; record it on the worksheet you printed from Appendix B.)

If you are a **Standard or Enhanced Payroll** user (QuickBooks 2008 or later), proceed to the next page for instructions on completing the Form 941 in QuickBooks.

If you are a **Basic Payroll** user, you must complete Form 941 manually, but you now have all the numbers you need to do so.
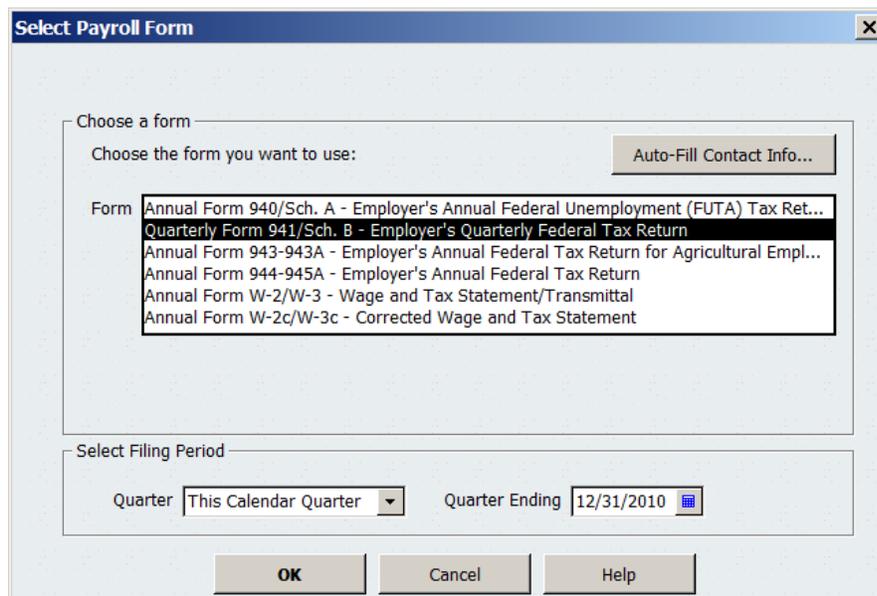
Complete Form 941

The steps in this section apply only to **Standard** and **Enhanced Payroll** users (QuickBooks 2008 or later).

To do this task:

1. Be sure you have **downloaded the latest payroll tax table updates** (21101 or later).

2. If you have QuickBooks 2009 or 2010, you should **update to the latest release** (R12 or later for QuickBooks 2009; R7 or later for QuickBooks 2010); in these releases (and all releases of QuickBooks 2011), QuickBooks automatically supplies the information for new lines 6a, 6b, and 6c on Form 941.

3. Be sure you have the numbers you recorded on the worksheet (see Appendix B).

4. From the **Employees** menu, choose **Payroll Tax Forms & W-2s** and then click **Process Payroll Forms.**

5. In the Select Form Type window, choose **Federal form** and click **OK**.
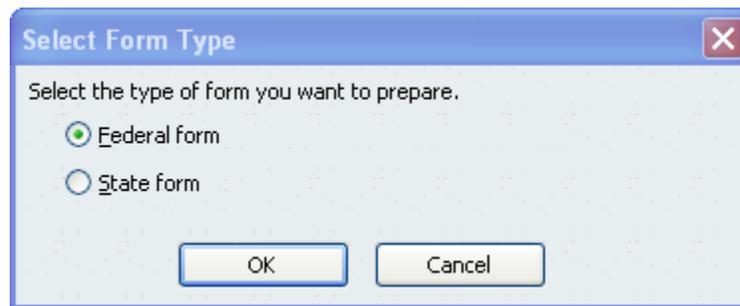
6. In the Select Payroll Form window, choose **Quarterly Form 941/Sch. B**.

7. Complete the Interview for Form 941.

QuickBooks 2009 (R12 and later), QuickBooks 2010 (R7 and later), and QuickBooks 2011 populate the fields associated with lines 6a, 6b, and 6c in the interview based on data in your company file. Although you can override values in the fields if you believe they are incorrect, doing so does not change your QuickBooks data. You should check with your tax advisor or accountant before making any changes.

8. Click **Check for Errors** to see errors or inconsistencies that QuickBooks found and to view and check the Form 941.

9. If you have an overpayment, we suggest that you select **Send a refund** to request a refund of this amount from the IRS. Check with your tax advisor or accountant if you have any questions.

10. Print, save, and submit the completed Form 941 as you normally do.

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Record any refund for 1st quarter HIRE Act credit

If you receive a refund check from the IRS in which all or a portion of the refund is for a 1st quarter HIRE Act credit reported on your 2nd quarter Form 941 (line 12e), your annual Form 943 (line 13e), or annual Form 944 (line 11e), you should record the refund so it **reduces** your **payroll expenses**, not your payroll liabilities.

You need to record the refund in this way because, according to the IRS, an employer is only allowed to get a **credit** for any exempt wages/tips paid to a qualified employee for the period between **March 19 and March 31, 2010**. This amount is *not* a reduction of the employer's Social Security liabilities.

For Quarterly 941 filers: See Recording a refund for quarterly Form 941 filers.

Recording a refund for annual Form 943 or Form 944 filers

Assisted Payroll users: The Assisted Payroll service files your Form 944, which includes your 1st quarter (3/19/2010 to 3/31/2010) HIRE Act credit, if any. If this amount is larger than your total tax liabilities for the year, the Assisted Payroll service requests a refund for you from the IRS.

The Assisted Payroll service **does not** file Form 943. If your annual Form 943 shows a 1st quarter (3/19/2010 to 3/31/2010) HIRE Act credit larger than your total tax liabilities for the year, you can request the difference as a refund from the IRS.

Basic, **Standard**, and **Enhanced Payroll** users: If your annual Form 943 or Form 944 shows a 1st quarter (3/19/2010 to 3/31/2010) HIRE Act credit larger than your total tax liabilities for the year, you can request the difference as a refund from the IRS.

Tip: Print the worksheet in Appendix D and use it to record the values you get when you follow the steps here. Then, when you are ready to record the deposit in QuickBooks, you will have these numbers handy.

To do this task:

1. Determine the total amount of the refund check received from the IRS. (Record it on the worksheet you printed from Appendix D.) (You will be comparing this amount with the amount you determine in the next step.)

2. Determine the amount that is reported on line 13e (March 19 – March 31, 2010) of your Form 943 or line 11e of your Form 944. (Record it on the worksheet you printed from Appendix D.)

   Form 943:

Form 944:

| 11c | Number of qualified employees paid exempt wages/tips March 19–31 | | |
| 11d | Exempt wages/tips paid to qualified employees March 19–31 . . . . | | × .062 = | 11e |

> **Important:** If this amount matches the refund check amount from step 1, **skip** immediately to step 6.

3. Subtract the step 2 amount from the step 1 amount. (Record the difference on the worksheet you printed from Appendix D.)

4. Run a Payroll Liability Balance report for 1/1/2010 through 12/31/2010. Print the report so you can reference it in the next step. Pay close attention to the items on this report that correspond to the federal items reported on your Form 944 or Form 943 (federal income tax, Social Security, Medicare, AEIC, COBRA Subsidy premiums).

5. For the amount in step 3, determine which payroll taxes and liabilities need to be adjusted based on the Payroll Liability Balance report from step 4.

   a. From the **Employees** menu in QuickBooks, choose **Payroll Tax and Liabilities > Deposit Refund of Liabilities**.

   b. Complete the refund deposit information. For the **For Period Beginning** date, consult the Payroll Liability Balance report you printed in step 4, and use the last day of the month or quarter in which the credit for the federal taxes appears. (The For Period Beginning date in the illustration below is only an example.) Select **Group with other undeposited funds**. (Note that you can split the balance amount among more than one tax or liability item as appropriate for your situation.)

   c. Click **OK**.

6. Determine the **Expense** account associated with the Social Security Company payroll item.

   Note: Assisted Payroll users who have already set up the Expense account of **Payroll Expenses SS CO HIRE Act** can skip this step. Go directly to step 7.

   a. From the **Lists** menu, choose **Payroll Item List**.

   b. Double-click the Social Security Company item.

   c. Click **Next** twice to get to the window that shows the associated Expense account. (Record the name on the worksheet you printed from Appendix D.)

7. Record the total refund check (from step 1) as a deposit to your bank account.

   a. From the **Banking** menu, choose **Make Deposit**.

   Note: If you adjusted taxes and liabilities in step 5, the **Payments to Deposit** window should reflect the refund deposit for these taxes and liabilities. Check the box in front of the applicable payment that is included in this deposit and click **OK**.

   b. In the **Make Deposit** window, complete the deposit by entering the amount from step 2 (the Form 944, line 11e, or Form 943, line 13e, amount) in the **Amount** field. For the **From Account** field, be sure to select the appropriate Expense account (the one you determined in step 6).

   Note: If you adjusted taxes and liabilities in step 5, you may also want to complete the Memo, Chk No, and Pmt Method fields for any of the Undeposited Funds line items.

   c. Verify that the **Deposit Total** matches the refund check you received.

   d. Click **Save & Close**.

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Recording a refund for quarterly Form 941 filers

Assisted Payroll users: When the Assisted Payroll service filed your 2nd quarter 2010 Form 941, it included your 1st quarter (3/19/2010 to 3/31/2010) HIRE Act credit, if any. If this amount was larger than your total tax liabilities for the 2nd quarter 2010 Form 941, the Assisted Payroll service requested a refund for you from the IRS.

Basic, **Standard**, and **Enhanced Payroll** users: If your 2nd quarter 2010 Form 941 showed a 1st quarter (3/19/2010 to 3/31/2010) HIRE Act credit larger than your total tax liabilities for the 2nd quarter of 2010, you had the option to request the difference as a refund from the IRS.

Tip: Print the worksheet in Appendix D and use it to record the values you get when you follow the steps here. Then, when you are ready to record the deposit in QuickBooks, you will have these numbers handy.

To do this task:

1. Determine the total amount of the refund check received from the IRS. (Record it on the worksheet you printed from Appendix D.) (You will be comparing this amount with the amount you determine in the next step.)

2. Determine the amount that is reported on line 12e (March 19 – March 31, 2010) of your 2nd quarter Form 941. (Record it on the worksheet you printed from Appendix D.)

>   **Important:**   If this amount matches the refund check amount from step 1, **skip** immediately to step 6.

3. Subtract the step 2 amount from the step 1 amount. (Record the difference on the worksheet you printed from Appendix D.)

4. Run a Payroll Liability Balance report for 4/1/2010 through 6/30/2010. Print the report so you can reference it in the next step. Pay close attention to the items on this report that correspond to the federal items reported on your 2nd quarter Form 941 (federal income tax, Social Security, Medicare, AEIC, COBRA Subsidy premiums).

5. For the amount in step 3, determine which payroll taxes and liabilities need to be adjusted based on the Payroll Liability Balance report from step 4.

    a. From the **Employees** menu in QuickBooks, choose **Payroll Tax and Liabilities > Deposit Refund of Liabilities**.

    b. Complete the refund deposit information. For the **For Period Beginning** date, consult the Payroll Liability Balance report you printed in step 4, and use the last day of the month or quarter in which the credit for the federal taxes appears. (The For Period Beginning date in the illustration below is only an example.) Select **Group with other undeposited funds**. (Note

that you can split the balance amount among more than one tax or liability item as appropriate for your situation.)

c. Click **OK**.

6. Determine the **Expense** account associated with the Social Security Company payroll item.

>   **Note: Assisted Payroll** users who have already set up the Expense account of **Payroll Expenses SS CO HIRE Act** can skip this step. Go directly to step 7.

a. From the **Lists** menu, choose **Payroll Item List**.

b. Double-click the Social Security Company item.

c. Click **Next** twice to get to the window that shows the associated Expense account. (Record the name on the worksheet you printed from Appendix D.)

8. Record the total refund check (from step 1) as a deposit to your bank account.

   a. From the **Banking** menu, choose **Make Deposit**.

      Note: If you adjusted taxes and liabilities in step 5, the **Payments to Deposit** window should reflect the refund deposit for these taxes and liabilities. Check the box in front of the applicable payment that is included in this deposit and click **OK**.

   b. In the **Make Deposit** window, complete the deposit by entering the amount from step 2 (the Form 941, line 12e amount) in the **Amount** field. For the **From Account** field, be sure to select the appropriate Expense account (the one you determined in step 6).

      Note: If you adjusted taxes and liabilities in step 5, you may also want to complete the Memo, Chk No, and Pmt Method fields for any of the Undeposited Funds line items.

   c. Verify that the **Deposit Total** matches the refund check you received.

   d. Click **Save & Close**.

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File employment tax returns—Form 943

The IRS has changed the annual Form 943 for 2010. The revised form lets you report any exempt wages that you paid on behalf of qualified employees beginning March 19, 2010. If you have overpaid the employer portion of Social Security taxes for the year, you can use the form to request a refund. This form also requires you to provide information about the number of qualified employees for whom you are taking the payroll tax exemption.

For **explanations** of the new lines on Form 943 pertaining to the HIRE Act, see Appendix F.

The remainder of this section explains:

- How to create a list of your qualified employees
- How to determine the values for lines 7a and 7b
- How to determine the values for lines 13c and 13d
- How to complete the Form 943

Assisted Payroll users: The Assisted Payroll service **does not** prepare or file Form 943 for you. Prepare your Form 943 by hand, using the payroll reports described in this section to determine your tax liability and HIRE Act exempt wages.

Basic Payroll users: Prepare your Form 943 by hand, using the payroll reports described in this section to determine your tax liability and HIRE Act exempt wages.

Standard and **Enhanced Payroll** users (QuickBooks 2008 or later): Create the payroll reports described in this section. These reports provide some of the numbers you need to complete the new Form 943 in QuickBooks (provided when you download the 21101 or later payroll tax table update).

QuickBooks 2007 users: Because QuickBooks 2007 was discontinued on May 31, 2010, QuickBooks 2007 does not support the new Form 943. (Your payroll services are valid only when you are using a supported version of QuickBooks.)
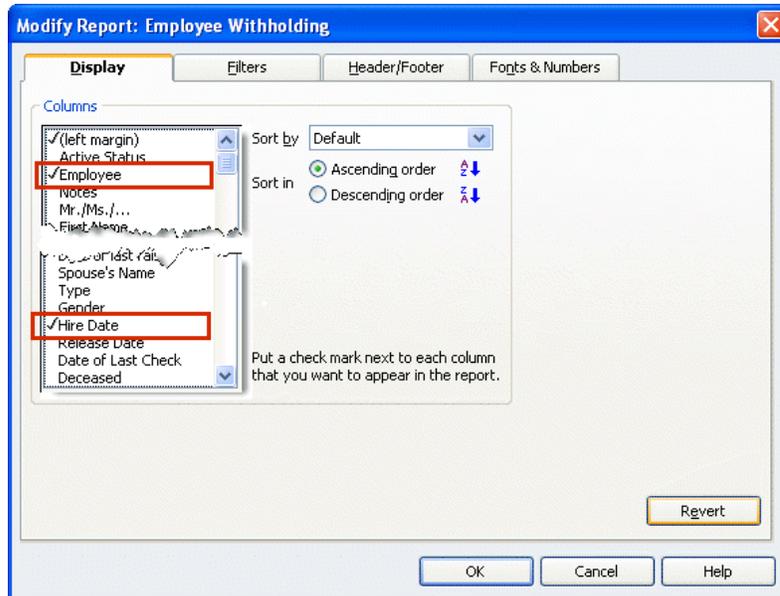

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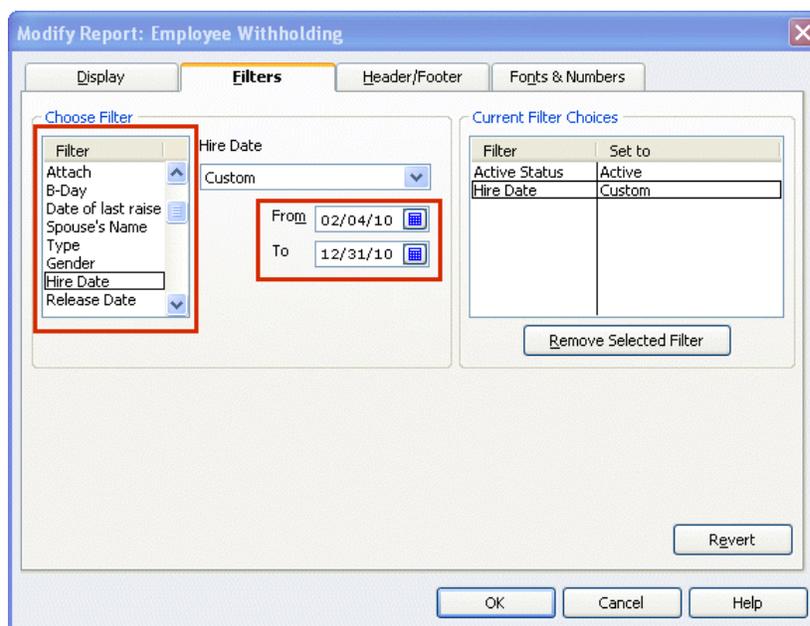## Identify all your qualified employees

We recommend that you create a list of all of the employees that you've designated as qualified in QuickBooks. Having such a list simplifies preparation of the reports you need in order to complete Form 943.
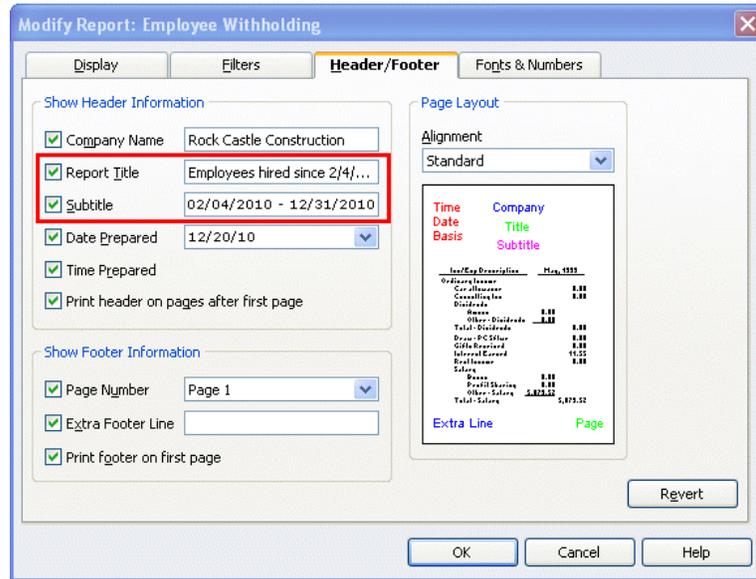
To do this task:

1. From the **Reports** menu, choose **Employees & Payroll** > **Employee Withholding**.
2. Click **Modify Report**.
3. On the Display tab, be sure that you've put a check mark next to **Employee** and **Hire Date** in the Columns list.

4. On the Filters tab, select **Hire Date** in the Choose Filter column. For the Hire Date, click the drop-down and choose **Custom**. Enter **02/04/2010** in the **From** field; enter **12/31/10** in the **To** field.

5. On the Header/Footer tab, check the **Report Title** box and name your report (for example, "Employees hired since 2/4/2010"). Check the **Subtitle** box and subtitle the report with the dates you used on the Filters tab (02/04/2010–12/31/2010).

6. Click **OK**.

The resulting report shows **all employees** with hire dates between 02/04/2010 and the end of the year.

7. You can sort this report by employee. Click the drop-down arrow next to **Sort by** on the Report menu bar, and choose **Employee**. (Click **Refresh** if your report doesn't automatically change.)

8. Optionally, you can save this report definition. Click the **Memorize** button on the Report menu bar, and provide an appropriate name. (You can also choose to save this report in a Memorized Report Group.)

9. Create a version of this list that you can mark or modify in step 10. You can do any of the following:

   - You can print the report (click the **Print** button) and mark up the printed copy.

   - You can export the report to an Excel spreadsheet (click the **Export** button and select **a new Excel workbook**). Exporting to an Excel spreadsheet lets you easily remove the names of employees you have not designated as qualified, which you'll determine in step 10.

   - After completing step 10, you can generate the report again and filter on Names, choosing only the qualified employees.

10. Using the list you have just generated, verify which employees are designated as qualified employees in QuickBooks, as follows:

   a. From the **Employees** menu, choose **Payroll Setup > Employee Setup > Employee List**.

   b. Highlight an employee from your list, and click the **Summary** button.

   c. Scroll down to the **Taxes** section in the lower right, looking for **Special Exemption: Qualified Employee**. If this item appears, the employee has been designated as qualified and should remain on your list. If this item does not appear, the employee has not been designated as qualified and should be

removed from your list. (If the employee has not been designated as qualified in QuickBooks but should be, see the instructions on page 4.)

d. We recommend that you print this summary page for each qualified employee for future reference. (Click the **Print** button on the Summary page.)

   Tip: Keep these summary pages together in a file and add new qualified employees as you designate them in QuickBooks.

e. When you have finished printing summary pages for all your qualified employees, click **Finish Later** to exit Payroll Setup.

Determine the values for lines 7a and 7b

You need to know the number of qualified employees whom you paid HIRE Act exempt wages between April 1 and December 31, 2010 (line 7a) and the total HIRE Act exempt wages/tips you paid to qualified employees during that period (line 7b). (If you paid qualified employees between March 19 and March 31, you report those employees and wages/tips on lines 13c and 13d to claim a credit.)
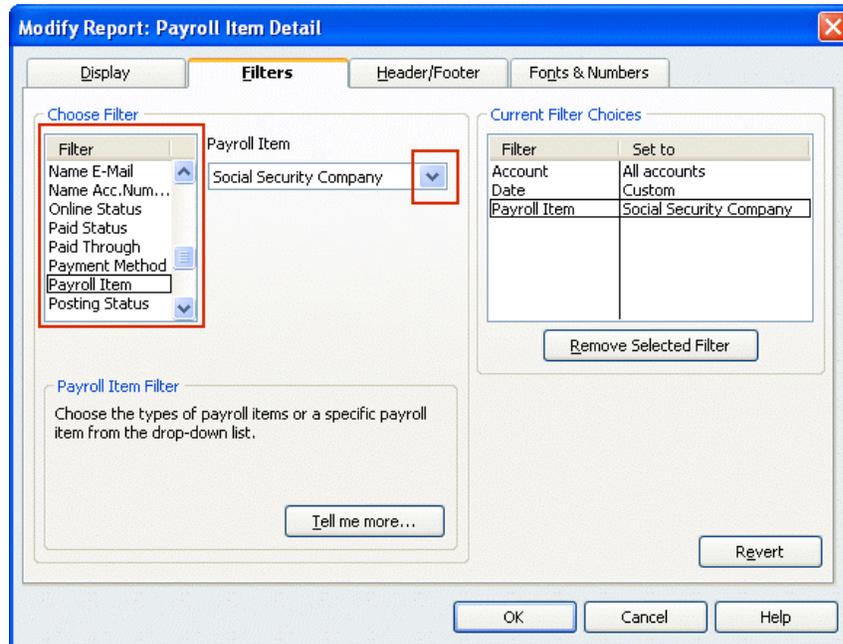
Tip: Print the **worksheet** in Appendix G and use it to record the values you get when you follow the steps here. Then when you are ready to complete Form 943, you will have these numbers handy.
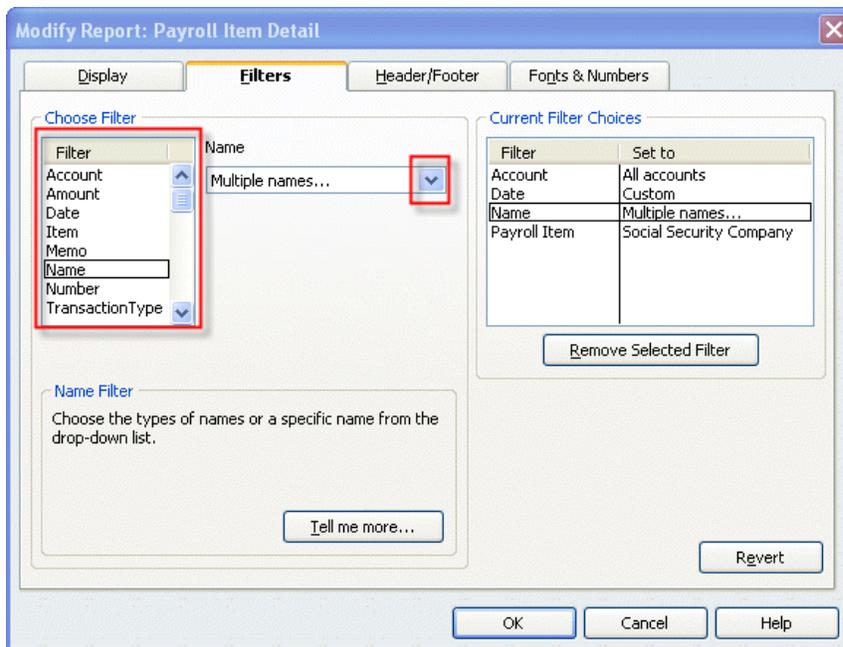
To do this task:

1. From the **Reports** menu, choose **Employees & Payroll > Payroll Item Detail**.

2. Click the **Modify Report** button.

3. On the **Display** tab:

   a. Set the **From** date to **04/01/10** and the **To** date to **12/31/10**.

   b. Click the **Total by** drop-down arrow, and choose **Employee**.

4. On the **Filters** tab:

   a. From the **Filter** list, select **Payroll Item**.

   b. Click the **Payroll Item** drop-down arrow, and select **Social Security Company**.

   c. From the **Filter** list, select **Name**.

   d. Click the **Name** drop-down arrow, and select **Multiple names**.

5. From the Select Name window, select the names of the **qualified employees** (from the list you made of all your qualified employees), making sure a check mark appears in front of each name, and click **OK**.

6. Click **OK** to close the Modify Report window and display the modified Payroll Item Detail report.

7. Click the **Print** button to print the report. (You can also **Memorize** this report, and you can **Export** it to an Excel spreadsheet.)

8. Count the number of unique employees listed on this report. (You will need this number for **line 7a** when you prepare your Form 943; record it on the worksheet you printed from Appendix G.)

9. Find the total in the Wage Base column on this report. (You will need this amount for **line 7b** when you prepare your Form 943; record it on the worksheet you printed from Appendix G.)
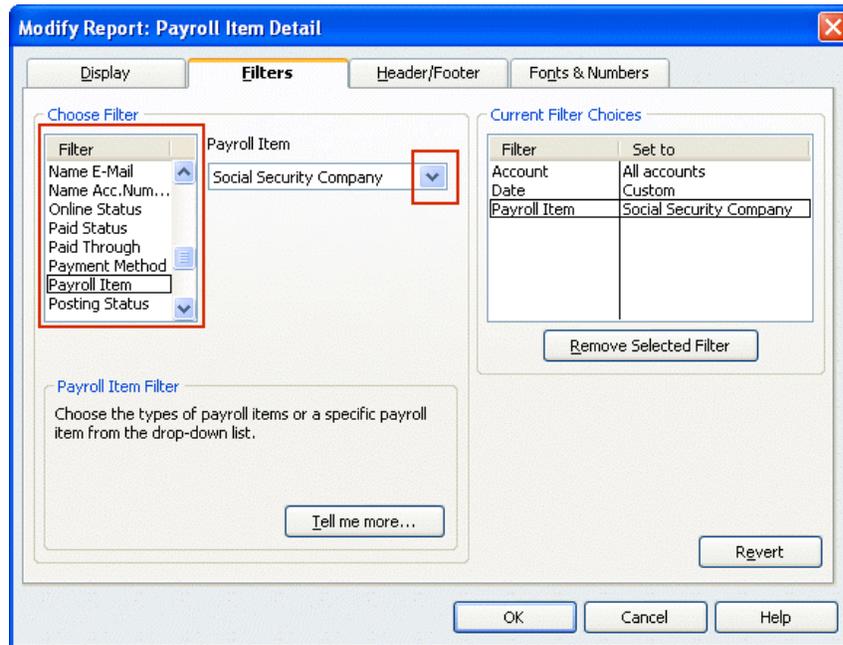
Determine the values for lines 13c and 13d

You also need to know the number of qualified employees you paid between March 19 and March 31, 2010, and the total HIRE Act exempt wages/tips you paid those employees so that you can claim a credit for the Social Security taxes you paid on those wages/tips. Follow these steps to determine the appropriate values.
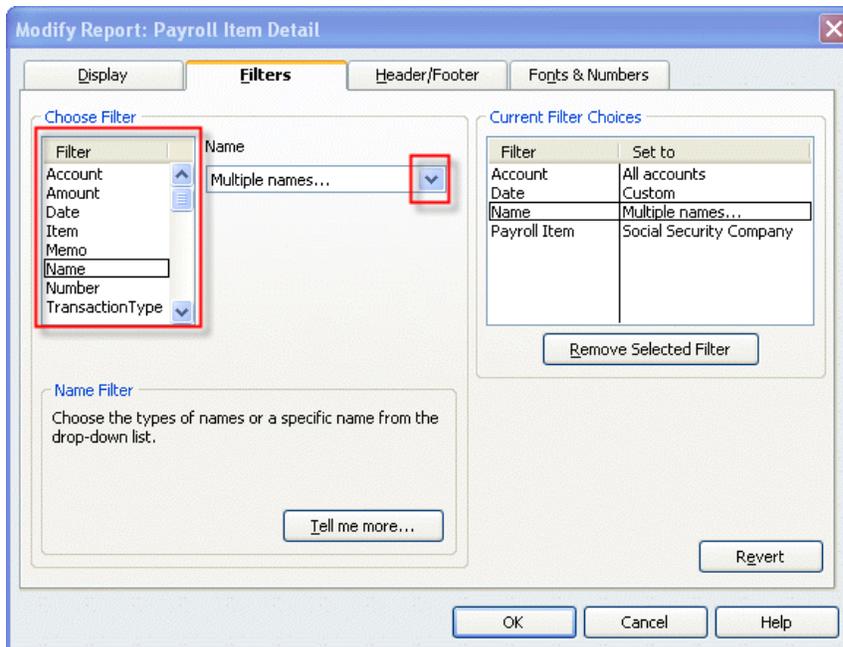
To do this task:

1. From the **Reports** menu, choose **Employees & Payroll > Payroll Item Detail**.

2. Click the **Modify Report** button.

3. On the **Display** tab:

    a. Set the date range from **03/19/2010** to **03/31/2010**.

    b. Click the **Total by** drop-down arrow, and choose **Employee**.

4. On the **Filters** tab:

   a. From the **Filter** list, select **Payroll Item**.

   b. Click the **Payroll Item** drop-down arrow, and select **Social Security Company**.

   c. From the **Filter** list, select **Name**.

   d. Click the **Name** drop-down arrow, and select **Multiple names**.

5. From the Select Name window, select the names of the **qualified employees** (from the list you made of all your qualified employees), making sure a check mark appears in front of each name, and click **OK**.

6. Click **OK** to close the Modify Report window and display the modified Payroll Item Detail report.

7. Click the **Print** button to print the report. (You can also **Memorize** this report, and you can **Export** it to an Excel spreadsheet.)

8. Count the number of unique employees listed on this report. (You will need this number for **line 13c** when you prepare your Form 943; record it on the worksheet you printed from Appendix G.)

9. Find the total in the Wage Base column on this report. (You will need this amount for **line 13d** when you prepare your Form 943; record it on the worksheet you printed from Appendix G.)

If you are a **Standard or Enhanced Payroll** user (QuickBooks 2008 or later), proceed to the next page for instructions on completing the Form 943 in QuickBooks.
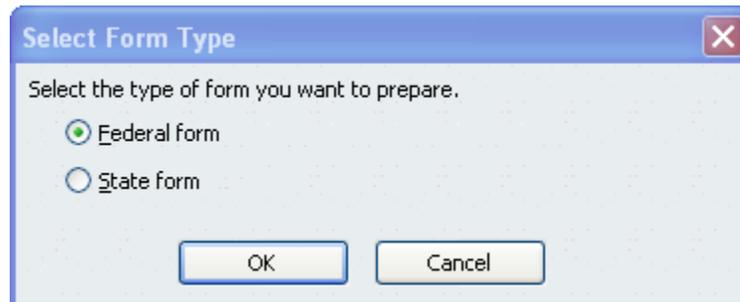
If you are a **Basic Payroll** user, you must complete Form 943 manually, but you now have the numbers you need to do so.

Complete Form 943

The steps in this section apply only to **Standard** and **Enhanced Payroll** users (QuickBooks 2008 or later).

To do this task:

1. Be sure you have **downloaded the latest payroll tax table updates** (21101 or later).

2. Be sure you have the numbers you recorded on the worksheet (see Appendix G).

3. From the **Employees** menu, choose **Payroll Tax Forms & W-2s** and then click **Process Payroll Forms.**

4. In the Select Form Type window, choose **Federal form** and click **OK**.

5. In the Select Payroll Form window, choose **Annual Form 943-943A**.

6. Complete the Interview for Form 943. Use your worksheet to provide the information requested.

7. Click **Check for Errors** to see errors or inconsistencies that QuickBooks found and to view and check the Form 943.

8. If you have an overpayment, we suggest that you select **Send a refund** to request a refund of this amount from the IRS. Check with your tax advisor or accountant if you have any questions.

9. Print, save, and submit the completed Form 943 as you normally do.

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File employment tax returns—Form 944

The IRS has changed the annual Form 944 for 2010. The revised form lets you report any exempt wages that you paid on behalf of qualified employees beginning March 19, 2010. If you have overpaid the employer portion of Social Security taxes for the year, you can use the form to request a refund. This form also requires you to provide information about the number of qualified employees for whom you are taking the payroll tax exemption.

For **explanations** of the new lines on Form 944 pertaining to the HIRE Act, see Appendix H.

The remainder of this section explains:

- How to create a list of your qualified employees
- How to determine the values for lines 5a and 5b
- How to determine the values for lines 11c and 11d
- How to complete the Form 944

Assisted Payroll users: You can ignore this section. The Assisted Payroll service prepares and files employment tax returns for you.

Basic Payroll users: Prepare your Form 944 by hand, using the payroll reports described in this section to determine your tax liability and HIRE Act exempt wages.

Standard and **Enhanced Payroll** users (QuickBooks 2008 or later): Create the payroll reports described in this section. These reports provide some of the numbers you need to complete the new Form 944 in QuickBooks (provided when you download the 21101 or later payroll tax table update).

QuickBooks 2007 users: Because QuickBooks 2007 was discontinued on May 31, 2010, QuickBooks 2007 does not support the new Form 944. (Your payroll services are valid only when you are using a supported version of QuickBooks.)

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Identify all your qualified employees

We recommend that you create a list of all of the employees that you've designated as qualified in QuickBooks. Having such a list simplifies preparation of the reports you need in order to complete Form 944.

To do this task:

1. From the **Reports** menu, choose **Employees & Payroll** > **Employee Withholding**.
2. Click **Modify Report**.
3. On the Display tab, be sure that you've put a check mark next to **Employee** and **Hire Date** in the Columns list.

4. On the Filters tab, select **Hire Date** in the Choose Filter column. For the Hire Date, click the drop-down and choose **Custom**. Enter **02/04/2010** in the **From** field; enter **12/31/10** in the **To** field.

5. On the Header/Footer tab, check the **Report Title** box and name your report (for example, "Employees hired since 2/4/2010"). Check the **Subtitle** box and subtitle the report with the dates you used on the Filters tab (02/04/2010–12/31/2010).

6. Click **OK**.

   The resulting report shows **all employees** with hire dates between 02/04/2010 and the end of the year.

7. You can sort this report by employee. Click the drop-down arrow next to **Sort by** on the Report menu bar, and choose **Employee**. (Click **Refresh** if your report doesn't automatically change.)

8. Optionally, you can save this report definition. Click the **Memorize** button on the Report menu bar, and provide an appropriate name. (You can also choose to save this report in a Memorized Report Group.)

9. Create a version of this list that you can mark or modify in step 10. You can do any of the following:
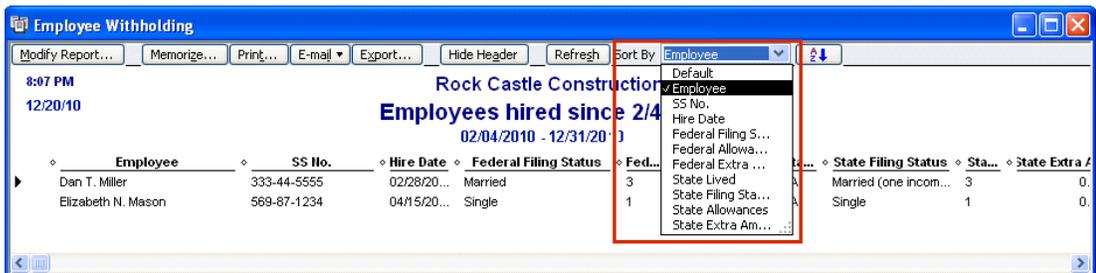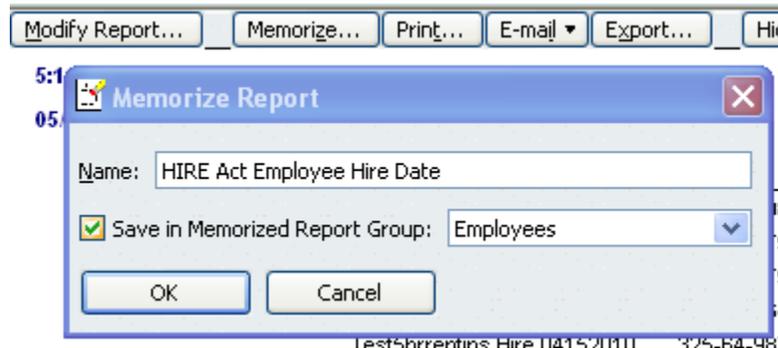
   - You can print the report (click the **Print** button) and mark up the printed copy.

   - You can export the report to an Excel spreadsheet (click the **Export** button and select **a new Excel workbook**). Exporting to an Excel spreadsheet lets you easily remove the names of employees you have not designated as qualified, which you'll determine in step 10.

   - After completing step 10, you can generate the report again and filter on Names, choosing only the qualified employees.

10. Using the list you have just generated, verify which employees are designated as qualified employees in QuickBooks, as follows:

   a. From the **Employees** menu, choose **Payroll Setup > Employee Setup > Employee List**.

   b. Highlight an employee from your list, and click the **Summary** button.

   c. Scroll down to the **Taxes** section in the lower right, looking for **Special Exemption: Qualified Employee**. If this item appears, the employee has been designated as qualified and should remain on your list. If this item does not appear, the employee has not been designated as qualified and should be

removed from your list. (If the employee has not been designated as qualified in QuickBooks but should be, see the instructions on page 4.)

d. We recommend that you print this summary page for each qualified employee for future reference. (Click the **Print** button on the Summary page.)

   Tip: Keep these summary pages together in a file and add new qualified employees as you designate them in QuickBooks.

e. When you have finished printing summary pages for all your qualified employees, click **Finish Later** to exit Payroll Setup.

Determine the values for lines 5a and 5b

You need to know the number of qualified employees whom you paid HIRE Act exempt wages between April 1 and December 31, 2010 (line 5a) and the total HIRE Act exempt wages/tips you paid to qualified employees during that period (line 5b). (If you paid qualified employees between March 19 and March 31, you report those employees and wages/tips on lines 11c and 11d to claim a credit.)

Tip: Print the **worksheet** in Appendix I and use it to record the values you get when you follow the steps here. Then when you are ready to complete Form 944, you will have these numbers handy.

To do this task:

1. From the **Reports** menu, choose **Employees & Payroll > Payroll Item Detail**.

2. Click the **Modify Report** button.

3. On the **Display** tab:

   a. Set the **From** date to **04/01/10** and the **To** date to **12/31/10**.

   b. Click the **Total by** drop-down arrow, and choose **Employee**.

4. On the **Filters** tab:

    a. From the **Filter** list, select **Payroll Item**.

    b. Click the **Payroll Item** drop-down arrow, and select **Social Security Company**.

    c. From the **Filter** list, select **Name**.

    d. Click the **Name** drop-down arrow, and select **Multiple names**.

5. From the Select Name window, select the names of the **qualified employees** (from the list you made of all your qualified employees), making sure a check mark appears in front of each name, and click **OK**.

6. Click **OK** to close the Modify Report window and display the modified Payroll Item Detail report.

7. Click the **Print** button to print the report. (You can also **Memorize** this report, and you can **Export** it to an Excel spreadsheet.)

8. Count the number of unique employees listed on this report. (You will need this number for **line 5a** when you prepare your Form 944; record it on the worksheet you printed from Appendix I.)

9. Find the total in the Wage Base column on this report. (You will need this amount for **line 5b** when you prepare your Form 944; record it on the worksheet you printed from Appendix I.)

Determine the values for lines 11c and 11d

You also need to know the number of qualified employees you paid between March 19 and March 31, 2010, and the total HIRE Act exempt wages/tips you paid those employees so that you can claim a credit for the Social Security taxes you paid on those wages/tips. Follow these steps to determine the appropriate values.
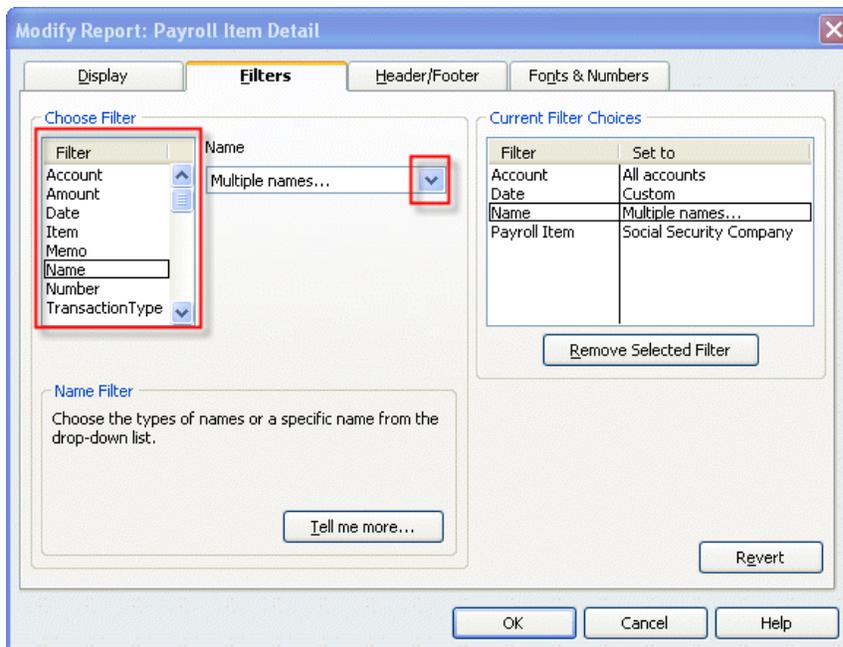
To do this task:

1. From the **Reports** menu, choose **Employees & Payroll > Payroll Item Detail**.

2. Click the **Modify Report** button.

3. On the **Display** tab:

   a. Set the date range from **03/19/2010** to **03/31/2010**.

   b. Click the **Total by** drop-down arrow, and choose **Employee**.

4. On the **Filters** tab:

   a. From the **Filter** list, select **Payroll Item**.

   b. Click the **Payroll Item** drop-down arrow, and select **Social Security Company**.

   c. From the **Filter** list, select **Name**.

   d. Click the **Name** drop-down arrow, and select **Multiple names**.

5. From the Select Name window, select the names of the **qualified employees** (from the list you made of all your qualified employees), making sure a check mark appears in front of each name, and click **OK**.

6. Click **OK** to close the Modify Report window and display the modified Payroll Item Detail report.

7. Click the **Print** button to print the report. (You can also **Memorize** this report, and you can **Export** it to an Excel spreadsheet.)

8. Count the number of unique employees listed on this report. (You will need this number for **line 11c** when you prepare your Form 944; record it on the worksheet you printed from Appendix I.)

9. Find the total in the Wage Base column on this report. (You will need this amount for **line 11d** when you prepare your Form 944; record it on the worksheet you printed from Appendix I.)

If you are a **Standard or Enhanced Payroll** user (QuickBooks 2008 or later), proceed to the next page for instructions on completing the Form 944 in QuickBooks.

If you are a **Basic Payroll** user, you must complete Form 944 manually, but you now have the numbers you need to do so.

Complete Form 944

The steps in this section apply only to **Standard** and **Enhanced Payroll** users (QuickBooks 2008 or later).

To do this task:

1. Be sure you have **downloaded the latest payroll tax table updates** (21101 or later).

2. Be sure you have the numbers you recorded on the worksheet (see).

3. From the **Employees** menu, choose **Payroll Tax Forms & W-2s** and then click **Process Payroll Forms.**

4. In the Select Form Type window, choose **Federal form** and click **OK**.
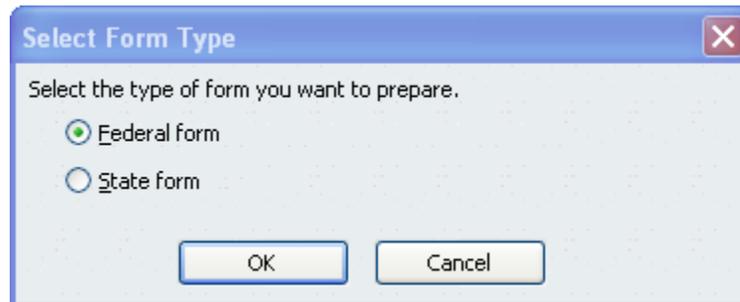
5. In the Select Payroll Form window, choose **Annual Form 944-945A**.
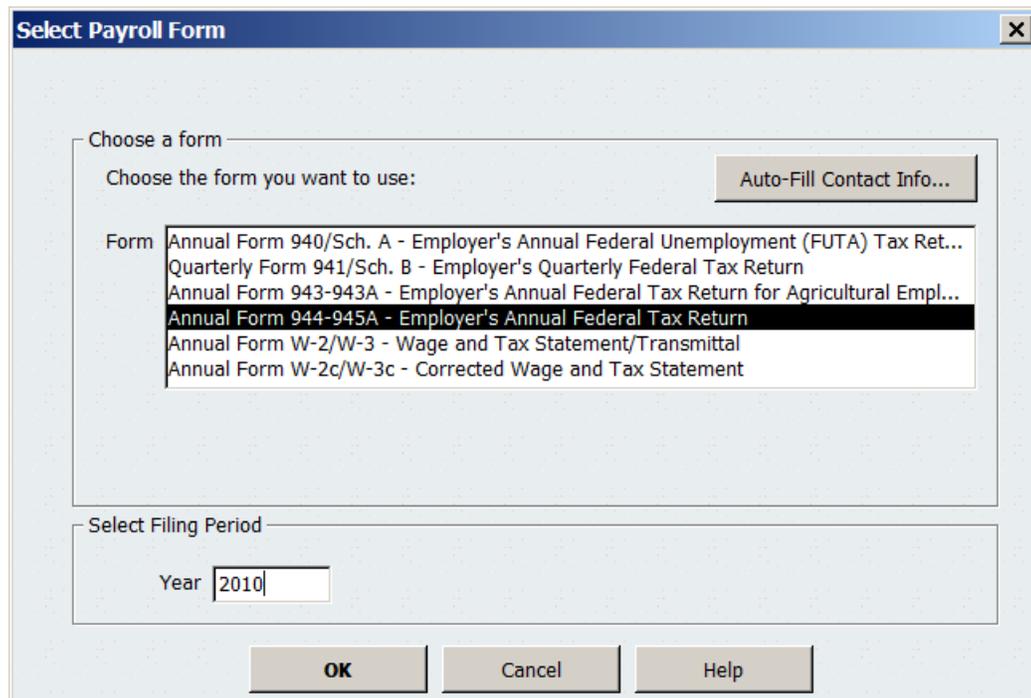
6. Complete the Interview for Form 944. Use your worksheet to provide the information requested.

Enter the **total number of individuals** provided assistance payments reported on the line above .....
COBRA data entered above will automatically flow to the Form 944 Line 11a and 11b.

Reporting payroll tax exemption under the Hiring Incentives to Restore Employment (HIRE) Act
If this provision applies to you, and you have designated qualified employees in QuickBooks, complete the lines below according to the instructions provided in "View details about this form."

For exempt wages/tips *paid to* qualified employees *after March 31st (Form 944 Line 5):*
Enter **total number** of paid employees who qualify under the HIRE Act ....
Enter **exempt wages/tips paid** to employees qualifying under the HIRE Act. ....
Data entered above will automatically flow to the Form 944 Line 5a, 5b .

Note: wages paid to qualified employees March 19th to March 31st *(Form 944 Line 11c and 11d):*
Enter **number of qualified employees** paid exempt wages/tips **March 19th to March 31st** ....
Enter **exempt wages/tips** paid to qualified employees **March 19th to March 31st** ....
March 19th - March 31st data entered above will automatically flow to the Form 944 Line 11c and 11d.

7. Click **Check for Errors** to see errors or inconsistencies that QuickBooks found and to view and check the Form 944.

8. If you have an overpayment, we suggest that you select **Send a refund** to request a refund of this amount from the IRS. Check with your tax advisor or accountant if you have any questions.

9. Print, save, and submit the completed Form 944 as you normally do.

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File employee W-2s

The IRS has changed Forms W-2 and W-3. The revised forms let you report HIRE Act exempt wages and tips that you paid on behalf of qualified employees beginning March 19, 2010.

Assisted Payroll users: You can ignore this section. The Assisted Payroll service prepares and files W-2s and W-3s for you.

Basic Payroll users: Prepare your employees' Forms W-2 by hand, using the payroll reports described in this section to determine HIRE Act exempt wages and tips for qualified employees.

Standard and **Enhanced Payroll** users (QuickBooks 2008 or later): Create the payroll reports described in this section. These reports provide some of the numbers you need to complete or verify the new Forms W-2 and W-3 in QuickBooks (provided when you download the 21101 or later payroll tax table update). QuickBooks 2009 and QuickBooks 2010 users should also update to the latest release (R12 or later for QuickBooks 2009; R7 or later for QuickBooks 2010); in these releases (as well as all releases of QuickBooks 2011), QuickBooks automatically supplies the information for the new CC code in box 12 on Form W-2. The total of all Forms W-2 with code CC flows to the new box 12b on Form W-3.

QuickBooks 2007 users: Because this version of QuickBooks was discontinued on May 31, 2010, QuickBooks 2007 will not support the new Forms W-2 and W-3. (Your payroll services are valid only when you are using a supported version of QuickBooks.)

Identify all your qualified employees

We recommend that you create a list of all of the employees that you've designated as qualified in QuickBooks. Having such a list simplifies preparation of the report you need in order to complete employees' Forms W-2.

Tip: If you've already created a list of all your qualified employees as part of preparing your 4th quarter 2010 Form 941, your annual Form 943, or your annual Form 944, you can use that list and skip to page 59.

To do this task:

1. From the **Reports** menu, choose **Employees & Payroll** > **Employee Withholding**.
2. Click **Modify Report**.
3. On the Display tab, be sure that you've put a check mark next to **Employee** and **Hire Date** in the Columns list.
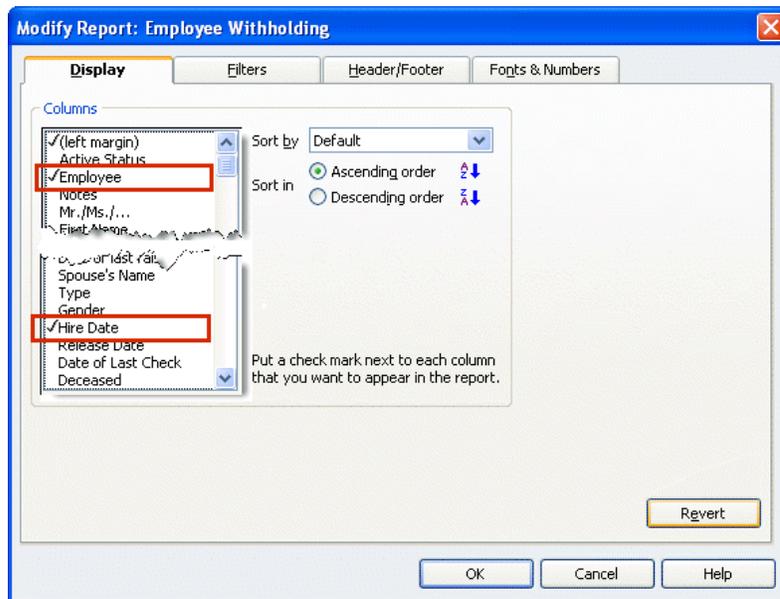
4. On the Filters tab, select **Hire Date** in the Choose Filter column. For the Hire Date, click the drop-down and choose **Custom**. Enter **02/04/2010** in the **From** field; enter **12/31/2010** in the **To** field.

5. On the Header/Footer tab, check the **Report Title** box and name your report (for example, "Employees hired since 2/4/2010"). Check the **Subtitle** box and subtitle the report with the dates you used on the Filters tab (02/04/2010–12/31/2010).

6. Click **OK**.

   The resulting report shows **all employees** with hire dates between 02/04/2010 and the end of the year.

7. You can sort this report by employee. Click the drop-down arrow next to **Sort by** on the Report menu bar, and choose **Employee**. (Click **Refresh** if your report doesn't automatically change.)

8. Optionally, you can save this report definition. Click the **Memorize** button on the Report menu bar, and provide an appropriate name. (You can also choose to save this report in a Memorized Report Group.)

9. Create a version of this list that you can mark or modify in step 10. You can do any of the following:

   - You can print the report (click the **Print** button) and mark up the printed copy.

   - You can export the report to an Excel spreadsheet (click the **Export** button and select **a new Excel workbook**). Exporting to an Excel spreadsheet lets you easily remove the names of employees you have not designated as qualified, which you'll determine in step 10.

   - After completing step 10, you can generate the report again and filter on Names, choosing only the qualified employees.

10. Using the list you have just generated, verify which employees are designated as qualified employees in QuickBooks, as follows:

   a. From the **Employees** menu, choose **Payroll Setup > Employee Setup > Employee List**.

   b. Highlight an employee from your list, and click the **Summary** button.

   c. Scroll down to the **Taxes** section in the lower right, looking for **Special Exemption: Qualified Employee**. If this item appears, the employee has been designated as qualified and should remain on your list. If this item does not appear, the employee has not been designated as qualified and should be

removed from your list. (If the employee has not been designated as qualified in QuickBooks but should be, see the instructions on page 4.)

d. We recommend that you print this summary page for each qualified employee for future reference. (Click the **Print** button on the Summary page.)

>   **Tip:** Keep these summary pages together in a file and add new qualified employees as you designate them in QuickBooks.

e. When you have finished printing summary pages for all your qualified employees, click **Finish Later** to exit Payroll Setup.

Determine the HIRE Act exempt wages/tips for each qualified employee

You need to know the total HIRE Act exempt wages/tips you paid to each qualified employee during the year.

To do this task:

1. From the **Reports** menu, choose **Employees & Payroll > Payroll Item Detail**.

2. Click the **Modify Report** button.

3. On the **Display** tab:

   a. Set the **From** date to **03/19/2010** and the **To** date to **12/31/2010**.

   b. Click the **Total by** drop-down arrow, and choose **Employee**.

4. On the **Filters** tab:

    a. From the **Filter** list, select **Payroll Item**.

    b. Click the **Payroll Item** drop-down arrow, and select **Social Security Company**.

    c. From the **Filter** list, select **Name**.

    d. Click the **Name** drop-down arrow, and select **Multiple names**.

5. From the Select Name window, select the names of the **qualified employees** (from the list you made of all your qualified employees), making sure a check mark appears in front of each name, and click **OK**.

6. Click **OK** to close the Modify Report window and display the modified Payroll Item Detail report.

7. Click the **Print** button to print the report. (You can also **Memorize** this report, and you can **Export** it to an Excel spreadsheet.)

8. For each employee, find the total in the Wage Base column on this report. (You will need this amount for **box 12** when you prepare the employee's Form W-2.)

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Complete Form W-2 and Form W-3

The steps in this section apply only to **Standard** and **Enhanced Payroll** users (QuickBooks 2008 or later).

To do this task:

1. Be sure you have **downloaded the latest payroll tax table updates** (21101 or later).

2. If you have QuickBooks 2009 or 2010, you should **update to the latest release** (R12 or later for QuickBooks 2009; R7 or later for QuickBooks 2010); in these releases (and all releases of QuickBooks 2011), QuickBooks automatically supplies the information for box 12 for qualified employees.

3. Be sure you have the report you created in step 6 on the previous page.

4. From the **Employees** menu, choose **Payroll Tax Forms & W-2s** and then click **Process Payroll Forms.**

5. In the Select Form Type window, choose **Federal form** and click **OK**.
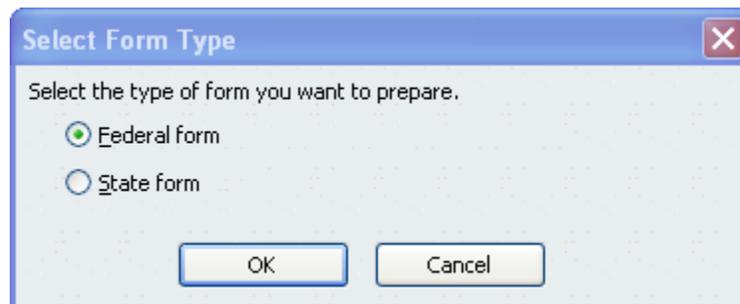
6. In the Select Payroll Form window, choose **Annual Form W-2/W-3**.
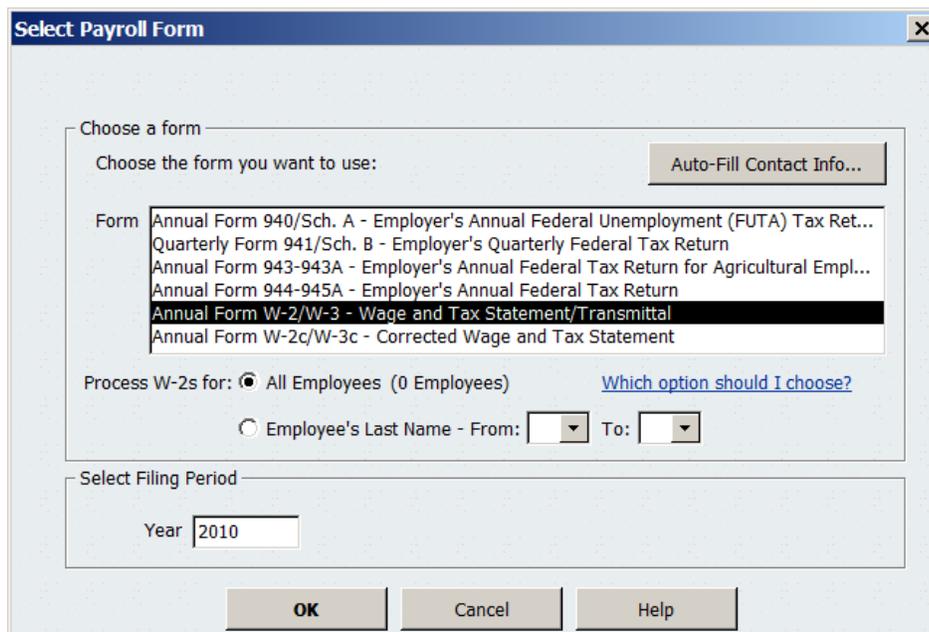
7. In the Select Employees for Form W-2/W-3, check the employees for whom you are creating W-2s, and click **Review/Edit**.

8. Complete the **Step 1: Forms W-2 and W-3 Interview** pages, clicking **Next** to move through the pages.

9. Review the **Step 2: Form W-2 Worksheet** page for each employee, clicking **Next** to move from one Form W-2 to the next.

QuickBooks 2009 (R12 and later), QuickBooks 2010 (R7 and later), and QuickBooks 2011 populate box 12 in the worksheet with code CC and the HIRE Act exempt wages/tips if the employee is designated as qualified in QuickBooks. Although you can override values in the fields if you believe they are incorrect, doing so does not change your QuickBooks data. You should check with your tax advisor or accountant before making any changes.

If you have a version of QuickBooks that does not automatically fill in box 12 for HIRE Act exempt wages/tips, you will need to enter this information on the worksheet for qualified employees.

a. Click the box immediately to the right of the first blank line under box 12, and select code CC from the drop-down.

b. Enter the total amount of HIRE Act exempt wages and tips for the employee in the space to the right of the code CC.

10. Complete the **Step 2: List of Selected Employees** page, and click **Next**.

11. On the **Step 3: Form W-3 — Transmittal of Wage and Tax Statements** page, review the total in box 12b. Form W-3 automatically totals the amounts coded with CC in box 12 from all of the W-2s.

12. Click **Check for Errors** to see errors or inconsistencies that QuickBooks found and to view and check the Forms W-2.

13. Print, save, and submit the completed Forms W-2 and Form W-3 as you normally do.

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Frequently Asked Questions

Q: What if I'm still using QuickBooks 2007?

A: Because this version of QuickBooks was discontinued on May 31, 2010, QuickBooks 2007 does not support the new employment tax forms (Form 941, Form 943, Form 944). In addition, payroll history and data review are not supported for HIRE Act employees. (Your payroll services are valid only when you are using a supported version of QuickBooks.) For more information, visit us at www.usepayroll.com/prservicediscon.

Q: What if I'm using QuickBooks Simple Start edition?

A: Some of the reports and windows used in the instructions in this guide differ for QuickBooks Simple Start edition. See Appendix C for alterations to the instructions in this guide.

Q: Why don't I see the option for designating a qualified employee?

A: The field for marking an employee as qualified can only be accessed by running the Payroll Setup program. The field **does not** appear in the information you can add or edit for employees from the Employee Center in QuickBooks.

To run the Payroll Setup program, choose **Employee > Payroll Setup**, and continue following the instructions from step 2 on page 4.

Q: What happens when I designate an employee as qualified for the HIRE Act exemption?

A: When you designate an employee as qualified for the HIRE Act payroll tax exemption, QuickBooks (2008 and later) verifies that the Hire Date you have entered for the employee is between February 4 and December 31, 2010. (Note that date validation does not occur in QuickBooks 2007.)

On paychecks you create **after designating** the employee as a qualified employee and dated **April 1 through December 31**, 2010, the Social Security Company payroll item appears as $0.00.

The maximum tax break to you for each employee is $6,621.60, or 6.2% of the total wages you pay the employee in 2010, up to the $106,800 Social Security wage cap. This payroll tax exemption has no effect on the employee's future Social Security benefits, and you still need to withhold the employee's 6.2% share of Social Security taxes, as well as income taxes. The employer and employee shares of Medicare taxes also still apply to these wages.

Q: Do I have to make any changes to qualified employees when the HIRE Act exemption expires at the end of 2010?

A: No. QuickBooks will automatically resume standard withholding for the Social Security Company payroll item beginning January 1, 2011.

Q: I'm a Basic, Standard, or Enhanced Payroll user. Your instructions say I don't need to make a liability adjustment for payments I make to qualified employees between March 19 and March 31, 2010. But if I don't, how will I get the credit for these payments?

A: The payroll tax exemption that would be applicable to wages paid between 03/19/2010 and 03/31/2010 cannot be applied on the first quarter Form 941, so you do not want to make any liability adjustments in QuickBooks for 03/19/2010 through 03/31/2010.

You got credit by claiming the payroll tax exemption for wages paid 03/19/2010 through 03/31/2010 when you filed your 2nd quarter Form 941 (or Form 943 or Form 944, for annual filers). If you are a quarterly filer, you claimed this credit by completing lines 12c through 12e on your 2nd quarter **Form 941**. If you were entitled to this credit but did not claim it when you filed your 2nd quarter Form 941, you must file an amended return on Form 941-X to claim the credit. The IRS does not recognize entries on lines 12c and 12d on Form 941 filed for 3rd or 4th quarter 2010.

For annual filers, the IRS has revised the 2010 Form 943 and Form 944. If you file **Form 943**, you claim this credit by completing lines 13c through 13e. If you file **Form 944**, you claim this credit by completing lines 11c through 11e.

Q: Will the 2010 Form W-2 or W-3 be changing because of the HIRE Act payroll tax exemption?

A: Yes. The IRS has added a new code (Code CC) for box 12 so that employers can report the amount of exempt wages and tips covered by the payroll tax exemption. The total of wages with code CC are reported in a new box 12b on Form W-3.

Basic, Standard, and **Enhanced Payroll** users (QuickBooks 2008 or later): See page 54 for information on preparing Forms W-2 and W-3.

Assisted Payroll users: The Assisted Payroll service prepares and files Forms W-2 and W-3 for you.

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Appendix A—Explanation of the new lines on Form 941

Following are **explanations** for the new lines that have been added to Form 941. (Instructions for determining the appropriate values for these lines start on page 13.)

Line 6a—Number of qualified employees first paid exempt wages/tips this quarter

On this line, report the number of employees who meet both of these requirements:

- You have designated the employee in QuickBooks as a qualified employee for the HIRE Act.
- The employee's first paycheck with HIRE Act exempt wages was dated in the quarter for which you are filing.

Important: The number reported on line **6a** should be **less than or equal** to the number reported on line **6b**. Employees counted for line 6a must not be reported on line 12c.

Line 6b—Number of qualified employees paid exempt wages/tips this quarter

On this line, report the number of employees who meet both of these requirements:

- You have designated the employee in QuickBooks as a qualified employee for the HIRE Act.
- The employee had at least one paycheck with HIRE Act exempt wages dated in the quarter for which you are filing.

Important: The number reported on line **6a is included** in the number reported on line **6b**. On the 2nd quarter Form 941 only, employees counted for line 6b may also be reported on line 12c.

Line 6c—Exempt wages/tips paid to qualified employees this quarter

On this line, report the total amount of HIRE Act exempt wages/tips **paid** to all the employees counted on line 6b for the quarter you are filing.

Line 12c—Number of qualified employees paid exempt wages/tips March 19–31

On this line, report the number of employees who meet both of these requirements:

- You have designated the employee in QuickBooks as a qualified employee for the HIRE Act.

- The employee had at least one paycheck with HIRE Act exempt wages dated between March 19, 2010, and March 31, 2010.

Important: This line can **only** be completed on your **2nd quarter 2010** filing. The number reported on line 12c may also be included on line 6b if these qualified employees meet the line 6b requirements. This line should be blank on the Form 941 for 3rd and 4th quarter 2010 filings.

Line 12d— Exempt wages/tips paid to qualified employees March 19–31

On this line, report the total amount of HIRE Act exempt wages/tips **paid** between March 19 and March 31, 2010, to all the employees counted on line 12c.

Important: This line can **only** be completed on your **2nd quarter 2010** filing. This line should be blank on the Form 941 for 3rd and 4th quarter 2010 filings.

Appendix B—Worksheet for collecting Form 941 information

We recommend that you **print** this worksheet and use it as you complete the steps described on pages 13 through 19 to record the results. You'll need this information to complete your Form 941 or the Form 941 interview in QuickBooks.

Company Name: _____

Filing Quarter: _____   **Date:** _____

Line 6a—Number of qualified employees first paid HIRE Act exempt wages/tips this quarter (From step 12 on page 19)   _____

Line 6b—Number of qualified employees paid HIRE Act exempt wages/tips this quarter (From step 8 on page 19)   _____

Line 6c—HIRE Act exempt wages/tips paid to qualified employees this quarter (From step 9 on page 19)   _____

Important: Lines 12c and 12d should *only* **be completed for the 2nd quarter 2010 filing. The IRS does not recognize them on 3rd or 4th quarter Form 941 filings.**

Line 12c—Number of qualified employees paid HIRE Act exempt wages/tips March 19–31 (From step 8 on page 76)   _____

Line 12d— HIRE Act exempt wages/tips paid to qualified employees March 19–31 (From step 9 on page 76)   _____

Appendix C—Instructions for Simple Start users

If you are using QuickBooks Simple Start edition, you will notice some differences in the way you access some of the windows and reports described in this guide. The following outline summarizes those differences for each section.

Download the latest Payroll Update (p. 2)

Replace step 1 with the following:

1. From the **Payroll** icon, select **Go to the Payroll Center**. Click the **Setup and Maintain** drop-down arrow at the top of the Payroll Center window, and select **Get Payroll Updates**.

Designate qualified employees in QuickBooks (p. 4)

Replace step 1 with the following:

1. From the **Payroll** icon, select **Go to the Payroll Center**. Click the **Setup and Maintain** drop-down arrow at the top of the Payroll Center window, and select **Payroll Setup**.

Make liability adjustments (p. 7)

Replace step 2 with the following:

2. From the **Reports** menu, choose **Payroll Item Detail**.

Replace step 4 with the following:

4. In the **Modify Report: Payroll Item Detail** window:

    - Set the date range.

        For Basic, Standard, and Enhanced Payroll users: April 1, 2010, to the current date

        For Assisted Payroll users: March 19, 2010, to the current date

    - Click the **Total by** drop-down arrow, and choose **Employee**.

    - Click the **Sort by** drop-down arrow, and choose **Payroll Item**.

Ignore steps 5 and 6.

After step 8, add these two steps:

8-1. From the printed report, determine and mark the employees that you have designated as qualified employees in QuickBooks. (You can refer to step 10 on page 15 for one way to determine your qualified employees.)

8-2. For those employees, identify the paychecks for which the Payroll Item column value is Social Security Company and there is a tax liability in the Amount column.

Replace step 10 with the following:

10. From the **Pay Scheduled Liabilities** section of the **Payroll Center**, select **Related Payment Activities > Adjust Payroll Liabilities**.

File Form 941—Identify all of your qualified employees (p. 13)

Replace step 1 with the following:

1. From the **Reports** menu, choose **Employee Withholding**.

Replace steps 3 and 4 with the following:

3. Be sure that you've put a check mark next to **Employee** and **Hire Date** in the Columns list.

4. Click the **Sort by** drop-down arrow, and choose **Hire Date**.

Ignore step 5.

Replace step 6 with the following:

6. Click **OK**.

The resulting report shows **all employees**. You will need to identify the employees with hire dates between 02/04/2010 and the end of the current filing quarter.

Ignore steps 7 and 8.

Replace step 9 with the following:

9. Click the **Print** button to create a version of this list that you can mark or modify in step 10.

Replace step 10a with the following:

a. From the **Payroll** icon, select **Go to the Payroll Center**. Click the **Setup and Maintain** drop-down arrow at the top of the Payroll Center window, and choose **Payroll Setup > Employee Setup > Employee List**.

File Form 941—Determine the values for lines 6a, 6b, and 6c (p. 17)

Replace steps 1 through 12 with these steps:

1. From the **Reports** menu, choose **Payroll Detail Review**.

2. Click the **Modify Report** button.

3. In the Modify Report: Payroll Detail Review window:

   a. Set the date range from the **first date of the filing quarter** (for example, 10/01/2010) and go to the **last date of the filing quarter** (for example, 12/31/2010).

   b. Be sure you've put a checkmark next to **Name** in the Columns list.

4. Click **OK** to close the Modify Report window and display the modified Payroll Detail Review report.

5. Click the **Print** button to print the report.

6. Determine the number of HIRE Act qualified employees in the current filing quarter from this report. (You will need this number for **line 6b** when you prepare your Form 941; record it on the worksheet you printed from Appendix B.)

7. For each of the qualified employees, find the total amount of Social Security Company exempt wages in the Wage Base column. (You will need this amount for **line 6c** when you prepare your Form 941; record it on the worksheet you printed from Appendix B.)

8. Repeat steps 1 through 5 above, with the date range **03/19/2010 to the end of the preceding quarter** (for example, 3/19/2010 to 9/30/2010 for 4th quarter 2010 filing).

9. **Compare** the employees you determined to be qualified employees on the report for **the preceding quarters** (from step 8) with the employees you determined to be qualified employees on the report from **the current filing quarter** (the report you originally created in steps 1 through 5), counting the number of qualified employees that appear on both reports.

10. Subtract this number from the number you counted for line 6b (in step 6). (You will use the result for **line 6a** when you prepare your Form 941; record it on the worksheet you printed from Appendix B.)

File Form 941—Complete Form 941 (p. 20)

Replace step 4 with the following:

4. From the **File Tax Forms** section of the **Payroll Center**, click **Process Payroll Forms**.

Appendix D—Worksheet for recording any refund

We recommend that you **print** this worksheet and use it as you complete the steps described on pages 22 through 24 (Forms 943 and 944) or pages 25 through 27 (Form 941) to collect the results you'll need for recording your refund in QuickBooks.

Company Name: _____

Date: _____

For quarterly Form 941 filers:

Step 1—Total refund check amount

_____

Step 2—Line 12e from 2nd quarter Form 941

_____

Step 3—Subtract step 2 amount from step 1 amount

_____

Step 6—Name of Expense account

_____

For annual Form 943 filers:

Step 1—Total refund check amount

_____

Step 2—Line 13e from Form 943

_____

Step 3—Subtract step 2 amount from step 1 amount

_____

Step 6—Name of Expense account

_____

For annual Form 944 filers:

Step 1—Total refund check amount

_____

Step 2—Line 11e from Form 944

_____

Step 3—Subtract step 2 amount from step 1 amount

_____

Step 6—Name of Expense account

_____

Appendix E—Determining values for 2nd quarter Form 941 (lines 12c and 12d)

For your 2nd quarter filing only, you needed to know the number of qualified employees you paid between March 19 and March 31, 2010, and the total HIRE Act exempt wages/tips you paid those employees. QuickBooks does not supply these numbers to Form 941, so you needed to follow these steps to determine the appropriate values.

If you were entitled to a credit and did not claim it on your 2nd quarter 2010 filing, you must file an amended return on Form 941-X to claim the credit. The IRS does not recognize entries on lines 12c and 12d on Form 941 filed for 3rd or 4th quarter 2010.

Tip: Print the **worksheet** in Appendix B and use it to record the values you get when you follow the steps here. Then when you are ready to complete Form 941-X, you will have these numbers handy.

To do this task:

1. From the **Reports** menu, choose **Employees & Payroll > Payroll Item Detail**.

2. Click the **Modify Report** button.

3. On the **Display** tab:

    a. Set the date range from 03/19/2010 to 03/31/2010.

    b. Click the **Total by** drop-down arrow, and choose **Employee**.

4. On the **Filters** tab:

    a. From the **Filter** list, select **Payroll Item**.

    b. Click the **Payroll Item** drop-down arrow, and select **Social Security Company**.

    c. From the **Filter** list, select **Name**.

    d. Click the **Name** drop-down arrow, and select **Multiple names**.

5. From the Select Name window, select the names of the **qualified employees** (from the list you made of all your qualified employees), making sure a check mark appears in front of each name, and click **OK**.

6. Click **OK** to close the Modify Report window and display the modified Payroll Item Detail report.

7. Click the **Print** button to print the report. (You can also **Memorize** this report, and you can **Export** it to an Excel spreadsheet.)

8. Count the number of unique employees listed on this report. (You will need this number for **line 12c** when you prepare your Form 941; record it on the worksheet you printed from Appendix B.)

9. Find the total in the Wage Base column on this report. (You will need this amount for **line 12d** when you prepare your Form 941; record it on the worksheet you printed from Appendix B.)

For QuickBooks Simple Start

For QuickBooks Simple Start edition, follow these instructions for lines 12c and 12d:

1. From the **Reports** menu, choose **Payroll Detail Review**.

2. Click the **Modify Report** button.

3. In the Modify Report: Payroll Detail Review window:

   a. Set the date range from 03/19/2010 to 03/31/2010.

   b. Be sure you've put a checkmark next to **Name** in the Columns list.

4. Click **OK** to close the Modify Report window and display the modified Payroll Detail Review report.

5. Click the **Print** button to print the report.

6. Determine the number of HIRE Act qualified employees listed on this report. (You will need this number for line 12c when you prepare your Form 941; record it on the worksheet you printed from Appendix B.)

7. For each of the qualified employees, find the total amount of Social Security Company exempt wages in the Wage Base column. (You will need this amount for line 12d when you prepare your Form 941; record it on the worksheet you printed from Appendix B.)

Appendix F—Explanation of the new lines on Form 943

Following are **explanations** for the new lines that have been added to Form 943. (Instructions for determining the appropriate values for these lines start on page 29.)

Line 7a—Number of qualified employees paid wages after March 31, 2010

On this line, report the number of employees who meet both of these requirements:

- You have designated the employee in QuickBooks as a qualified employee for the HIRE Act.
- The employee had at least one paycheck with HIRE Act exempt wages dated after March 31, 2010.

Line 7b—Exempt wages paid to qualified employees after March 31, 2010

On this line, report the total amount of HIRE Act exempt wages/tips **paid** to all the employees counted on line 7a.

13a COBRA premium assistance payments (see instructions)	13a		
13b Number of individuals provided COBRA premium assistance	13b		
13c Number of qualified employees paid exempt wages March 19-31 . .	13c		
13d Exempt wages paid to qualified employees March 19-31	13d		
13e Social security tax exemption (multiply line 13d by 6.2% (.062)	13e		
14 Add lines 13, 13a, and 13e	14		

Line 13c—Number of qualified employees paid exempt wages March 19–31

On this line, report the number of employees who meet both of these requirements:

- You have designated the employee in QuickBooks as a qualified employee for the HIRE Act.

- The employee had at least one paycheck with HIRE Act exempt wages dated between March 19, 2010, and March 31, 2010.

Line 13d— Exempt wages paid to qualified employees March 19–31

On this line, report the total amount of HIRE Act exempt wages/tips **paid** between March 19 and March 31, 2010, to all the employees counted on line 13c.

Appendix G—Worksheet for collecting Form 943 information

We recommend that you **print** this worksheet and use it as you complete the steps described on pages 29 through 38 to record the results. You'll need this information to complete your Form 943 or the Form 943 interview in QuickBooks.

Company Name: _____

Filing Year: _____   **Date:** _____

**Line 7a—Number of qualified employees paid wages after
March 31, 2010** (From step 8 on page 35)   _____

**Line 7b— Exempt wages paid to qualified employees after
March 31, 2010** (From step 9 on page 35)   _____

**Line 13c— Number of qualified employees paid exempt wages
March 19–31** (From step 8 on page 38)   _____

**Line 13d— Exempt wages paid to qualified employees March
19–31** (From step 9 on page 38)   _____

Appendix H—Explanation of the new lines on Form 944

Following are **explanations** for the new lines that have been added to Form 944. (Instructions for determining the appropriate values for these lines start on page 42.)

Line 5a—Number of qualified employees paid exempt wages/tips after March 31

On this line, report the number of employees who meet both of these requirements:

- You have designated the employee in QuickBooks as a qualified employee for the HIRE Act.
- The employee had at least one paycheck with HIRE Act exempt wages dated after March 31, 2010.

Line 5b—Exempt wages/tips paid to qualified employees after March 31

On this line, report the total amount of HIRE Act exempt wages/tips **paid** to all the employees counted on line 5a.

11a	COBRA premium assistance payments (see instructions)	11a		
11b	Number of individuals provided COBRA premium assistance			
11c	Number of qualified employees paid exempt wages/tips March 19–31			
11d	Exempt wages/tips paid to qualified employees March 19–31		× .062 =	11e
12	Add lines 10, 11a, and 11e	12		

Line 11c—Number of qualified employees paid exempt wages/tips March 19–31

On this line, report the number of employees who meet both of these requirements:

- You have designated the employee in QuickBooks as a qualified employee for the HIRE Act.

- The employee had at least one paycheck with HIRE Act exempt wages dated between March 19, 2010, and March 31, 2010.

Line 11d— Exempt wages/tips paid to qualified employees March 19–31

On this line, report the total amount of HIRE Act exempt wages/tips **paid** between March 19 and March 31, 2010, to all the employees counted on line 11c.

Appendix I—Worksheet for collecting Form 944 information

We recommend that you **print** this worksheet and use it as you complete the steps described on pages 42 through 51 to record the results. You'll need this information to complete your Form 944 or the Form 944 interview in QuickBooks.

Company Name: _____

Filing Year: _____   **Date:** _____

**Line 5a—Number of qualified employees paid wages/tips after
March 31** (From step 8 on page 48)   _____

**Line 5b— Exempt wages/tips paid to qualified employees after
March 31** (From step 9 on page 48)   _____

**Line 11c— Number of qualified employees paid exempt
wages/tips March 19–31** (From step 8 on page 51)   _____

**Line 11d— Exempt wages/tips paid to qualified employees
March 19–31** (From step 9 on page 51)   _____

Appendix J—Rehiring employees

QuickBooks supports an employee having only one HIRE Act qualification status (qualified or not qualified) during the 2010 calendar year. QuickBooks does not support situations in which you hire, terminate, and rehire an employee during the 2010 calendar year if the employee's qualification status changes between one period of employment and the next.

To help you understand QuickBooks behavior if you change the qualification status of an employee within the 2010 calendar year, this appendix describes some possible rehiring scenarios.

Scenario 1

You rehire an employee who previously worked for you earlier in 2010. During the previous period of employment, he or she was *not qualified* for the HIRE Act exemption, but for this new term of employment, the employee is *qualified* for the exemption. You set the HIRE Act exemption flag for the rehired employee to "Qualified" in Payroll Setup.

Impact on Social Security Company tax (Basic, Standard, Enhanced, and Assisted Payroll): From the time the flag is set to "Qualified," all paychecks created for this employee with a paycheck date from 4/1/2010 through 12/31/2010 will calculate Social Security Company tax as zero.

Impact on 941 tax form in QuickBooks (Standard and Enhanced Payroll): QuickBooks 2009 (R12 or later), QuickBooks 2010 (R7 or later), and QuickBooks 2011 will include **all** the wages paid during the filing period (beginning with 2nd quarter 2010) for this employee when it prefills line 6c on the form interview. If the employee's status changed during the filing period**, this amount will be incorrect** by the amount of wages that were earned while the employee was not qualified.

Impact on Form W-2 in QuickBooks (Standard and Enhanced Payroll): QuickBooks 2009 (R12 or later), QuickBooks 2010 (R7 or later), and QuickBooks 2011 will include **all** the wages paid from 3/19/2010 through 12/31/2010 for this employee when it prefills box 12 with code CC. If the employee's status changed during the year**, this amount will be incorrect** by the amount of wages that were earned while the employee was not qualified.

Impact on HIRE Act Guide instructions (Basic, Standard, and Enhanced Payroll): You may use the instructions in this guide as a guideline for preparing the information for completing your tax forms. You will need to create separate reports for your employees whose status did not change during the filing period and those whose status did change. You will also need to adjust date ranges for the reports as appropriate to your situation in order to determine the correct amount of HIRE Act exempt wages to report.

Scenario 2

You have the same situation described in Scenario 1; that is, you rehire an employee who previously worked for you earlier in 2010. During the previous period of employment, he or she was *not qualified* for the HIRE Act exemption, but for this new term of employment, the employee is *qualified* for the exemption. However, in this case you decide to leave the HIRE Act exemption flag for the rehired employee set to "Not qualified" in Payroll Setup.

Impact on Social Security Company tax (Basic, Standard, Enhanced, and Assisted Payroll): Paychecks created for this employee will continue to calculate Social Security Company tax at 6.2% up to the annual wage base, resulting in an overstatement of your tax liability.

If you attempt to adjust your tax liabilities to reverse this overstatement, QuickBooks will self-adjust the next time you create a paycheck for this employee (since QuickBooks uses an annual calculation method for calculating taxes), essentially undoing your attempt to adjust your tax liabilities.

Impact on 941 tax form in QuickBooks (Standard and Enhanced Payroll): QuickBooks 2009 (R12 or later), QuickBooks 2010 (R7 or later), and QuickBooks 2011 **will not include any** wages paid during the filing period (beginning with 2nd quarter 2010) for this employee when it prefills line 6c on the form interview. You must determine the appropriate amount of HIRE Act exempt wages for this employee and add them to the total amount that QuickBooks provides.

Impact on Form W-2 in QuickBooks (Standard and Enhanced Payroll): QuickBooks 2009 (R12 or later), QuickBooks 2010 (R7 or later), and QuickBooks 2011 **will not prefill any** wages paid from 3/19/2010 through 12/31/2010 for this employee in box 12 with code CC. You will need to calculate and manually enter this employee's HIRE Act exempt wages on his or her W-2.

Impact on tax forms filed for Assisted Payroll users: The Assisted Payroll service **will not count** this employee or **include any** wages paid during the filing period for this employee when it prepares the HIRE Act exempt lines on the tax forms that it files on behalf of Assisted Payroll users.

Impact on HIRE Act Guide instructions (Basic, Standard, and Enhanced Payroll): You may use the instructions in this guide as a guideline for preparing the information for completing your tax forms. You will need to create separate reports for your employees whose status did not change during the filing period and those whose status did change. You will also need to adjust date ranges for the reports as appropriate to your situation in order to determine the correct amount of HIRE Act exempt wages to report.

Scenario 3

You rehire an employee who previously worked for you earlier in 2010. During the previous period of employment, he or she was *qualified* for the HIRE Act exemption and the HIRE Act exemption flag was set to "Qualified" in Payroll Setup. For this new term of employment, the employee is *not qualified* for the exemption. You decide to change the HIRE Act exemption flag for the rehired employee to "Not qualified" in Payroll Setup.

Impact on Social Security Company tax (Basic, Standard, Enhanced, and Assisted Payroll): Once you change the flag to "Not qualified" and begin creating paychecks for the employee, the QuickBooks self-adjusting tax calculation feature, which adjusts the year-to-date amounts for flat-rate payroll taxes, adjusts the Social Security Company tax, attempting to catch up all the tax that was previously exempted when the employee was designated as "Qualified."

If you attempt to adjust your tax liabilities to reverse this overstatement, QuickBooks will continue to self-adjust each time you create a paycheck for this employee, essentially increasing the Social Security Company tax deduction and undoing your attempt to adjust your tax liabilities.

Impact on 941 tax form in QuickBooks (Standard and Enhanced Payroll): QuickBooks 2009 (R12 or later), QuickBooks 2010 (R7 or later), and QuickBooks 2011 **will not include any** wages paid during the filing period for this employee when it prefills line 6c on the form interview. You must determine the appropriate amount of HIRE Act exempt wages for this employee and add that amount to the total amount that QuickBooks provides.

Impact on Form W-2 in QuickBooks (Standard and Enhanced Payroll): QuickBooks 2009 (R12 or later), QuickBooks 2010 (R7 or later), and QuickBooks 2011 **will not prefill any** wages paid from 3/19/2010 through 12/31/2010 for this

employee in box 12 with code CC. You will need to calculate and manually enter this employee's HIRE Act exempt wages on his or her W-2.

Impact on HIRE Act Guide instructions (Basic, Standard, and Enhanced Payroll): You may use the instructions in this guide as a guideline for preparing the information for completing your tax forms. You will need to create separate reports for your employees whose status did not change during the filing period and those whose status did change. You will also need to adjust date ranges for the reports as appropriate to your situation in order to determine the correct amount of HIRE Act exempt wages to report.

Scenario 4

You have the same situation described in Scenario 3; that is, you rehire an employee who previously worked for you earlier in 2010. During the previous period of employment, he or she was *qualified* for the HIRE Act exemption and the HIRE Act exemption flag was set to "Qualified" in Payroll Setup. For this new term of employment, the employee is *not qualified* for the exemption. However, in this case you decide to leave the HIRE Act exemption flag for the rehired employee set to "Qualified" in Payroll Setup.

Impact on Social Security Company tax (Basic, Standard, Enhanced, and Assisted Payroll): From the time the flag is set to "Qualified," all paychecks created for this employee with a paycheck date from 4/1/2010 through 12/31/2010 will calculate the Social Security Company tax as zero.

Impact on 941 tax form in QuickBooks (Standard and Enhanced Payroll): QuickBooks 2009 (R12 or later), QuickBooks 2010 (R7 or later), and QuickBooks 2011 will include **all** wages paid during the filing period (beginning with 2nd quarter 2010) for this employee when it prefills line 6c on the form interview. If the employee's status changed during the filing period, **this amount will be incorrect** by the amount of wages earned while the employee was not qualified.

Impact on Form W-2 in QuickBooks (Standard and Enhanced Payroll): QuickBooks 2009 (R12 or later), QuickBooks 2010 (R7 or later), and QuickBooks 2011 will include all the wages paid from 3/19/2010 through 12/31/2010 for this employee when it prefills box 12 with code CC. If the employee's status changed during the year, **this amount will be incorrect** by the amount of wages that were earned while the employee was not qualified.

Impact on HIRE Act Guide instructions (Basic, Standard, and Enhanced Payroll): You may use the instructions in this guide as a guideline for preparing the information for completing your tax forms. You will need to create separate reports for your employees whose status did not change during the filing period and those whose status did change. You will also need to adjust date ranges for the reports as appropriate to your situation in order to determine the correct amount of HIRE Act exempt wages to report.

Revision history

Date	Revision Details
5/13/2010	Original document
5/19/2010	Improved IRS web site links (p. 1); clarified that adjustment amounts should be entered as negative numbers (p. 9).
6/1/2010	Made a number of small wording changes to clarify various steps; added example to FAQ on what happens in QuickBooks after an employee is designated as a qualified employee (p. 12)
6/17/2010	Added information for completing Form 941 starting with your 2nd quarter 2010 filing. Includes reports you can create in QuickBooks to provide the new information the IRS requires.
8/11/2010	Added new FAQs and new Appendix C for Simple Start users.
9/15/2010	Added section on recording refunds of 1st quarter HIRE Act credit.
9/17/2010	Updated text for completing Form 941 for 3rd quarter 2010 filing.
10/6/2010	Updated text to include recommendation to update to the newest release of QuickBooks 2009 (R12), in which QuickBooks automatically supplies certain information to the Form 941 interview that previously had to be manually entered.
12/16/2010	Added new sections for completing Form 943, Form 944, and Form W-2; updated text for completing Form 941 for 4th quarter 2010 filing; updated section on recording refunds to cover refunds from filing Form 943 or 944; added new FAQ on qualified employee status in 2011.
12/23/2010	Clarified date requirements for entering refund deposits.
1/19/2011	Added Appendix J describing issues with rehired employees whose qualification status changes.