INTUIT PROFESSIONAL EDUCATION

Payroll Done Right:
An Advanced End-to-End Perspective

Intuit

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INTRODUCTION
Learning Objectives
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About QuickBooks Accountant Edition

INTRODUCTION

Learning Objectives

In this course, you will learn how to do the following:

- Distinguish between the different payroll services offered by QuickBooks
- Set up employees, payroll items, and other payroll-related information
- Process payroll transactions, including tax liability payments
- Work with payroll reports
- Apply payroll burdens to jobs and projects
- Use a Payroll Analysis Checklist to verify the accuracy of your clients' payroll entries

About this Course

Given the popularity of QuickBooks in the marketplace, there is a strong chance that a majority of your small business clients use QuickBooks. In this course, you will improve your understanding of QuickBooks Payroll Features beyond the basics to ensure your QuickBooks support services are cutting edge, as well as, set yourself apart from your competition.

There is a fundamental assumption in this course that participants already have a solid working knowledge of QuickBooks operations such as establishing preferences, entering and editing items, and recording transactions such as bills, invoices, and checks. As such, this course is not designed to provide an in-depth review of matters such as these.

In this webinar, you will learn about QuickBooks Payroll solutions for you and your clients. Take an in-depth look at tracking workers compensation, customizing payroll reports, and the end-to-end view of payroll processing. You will be able to troubleshoot unexpected results in payroll reporting and correct them using a step-by-step analysis checklist.

About QuickBooks Accountant Edition

QuickBooks 2008 Premier Accountant edition and QuickBooks Enterprise Solutions Version 8 Accountant Edition will be used as the demonstration software in this manual and the related webinar. QuickBooks Enterprise Version 8 and Premier Accountant Edition 2008 include all of the features of the QuickBooks Enterprise and Premier Editions with the additional features needed to help accountants support clients who use QuickBooks. QuickBooks Premier Accountant Edition 2008 and QuickBooks Enterprise Solutions Accountant Edition 8.0 include all of the features available in each industry-specific edition of QuickBooks: Contractor Edition, Non-Profit Edition, Professional Services Edition, Manufacturing and Wholesale Edition, and Retail Edition. For each of these industry types, Accountant Edition includes:

- Industry-Specific Reports and Memorized Reports
- Industry-Specific Help Menu Content
- Industry-Specific Form Templates
- Industry-Specific Sample Company Data Files

QuickBooks Premier Accountant Edition 2008 can read all editions of QuickBooks 2008 (Simple Start, Pro, Premier and Premier: Industry-Specific editions) without converting the data. The accountant can open the client's data file, make changes using the Accountant Edition and return the file to the client for them to restore using their own edition of QuickBooks 2008. QuickBooks Enterprise Solutions 8.0 Accountant Edition functions in this same way with all editions of QuickBooks Enterprise Solutions 8.0.

QuickBooks Premier Accountant Edition and QuickBooks Enterprise Solutions Accountant Edition are included in the benefits of the QuickBooks ProAdvisor program.

CHAPTER 1: UNDERSTANDING QUICKBOOKS PAYROLL SERVICES

In order to use QuickBooks to process payroll, users must first select from among the various payroll service options offered by QuickBooks. Each of these options has different features, is targeted to a different set of users, and is priced differently; accordingly, understanding the options that are available is a prerequisite to leveraging QuickBooks as a tool for handling payroll.

QuickBooks Basic Payroll

QuickBooks Basic Payroll provides users with the tools necessary to calculate and prepare payroll for up to three (active) employees at a time, but does not allow the user to prepare tax forms from within the program. Basic Payroll is a low-cost option for companies that want to self-direct their payroll management, but who rely on their accountants to prepare the payroll tax forms, or, for those companies who are comfortable filling out payroll tax forms manually using information provided by the QuickBooks payroll reports.

QuickBooks Enhanced Payroll

QuickBooks Enhanced Payroll is a more complete in-house payroll solution. Enhanced Payroll is an all-inclusive do-it-yourself solution, allowing users to calculate payroll, prepare federal and also state tax forms, and accrue workers compensation liabilities.

QuickBooks Enhanced Payroll for Accountants

QuickBooks Enhanced Payroll for Accountants provides accountants in public practice with all of the features of Enhanced Payroll. The primary differences are that Enhanced Payroll for Accountants provides the ability to complete payroll for up to 50 clients with one subscription, includes After-the-fact payroll, and Client-Ready Payroll Reports.

Enhanced Payroll for Accountants provides accountants access to seven client-ready payroll reports summarizing payroll activity by employee, payroll expense analysis, and payroll tax liabilities. An example of one such report, the **Paycheck Detail Report**, is shown below in **Figure 1**.

Paycheck Detail Report — For Paychecks Issued on: Dec 29, 2007

Earnings				Taxes			Other Additions/Deductions			Company Taxes & Contributions		
Dan T. Miller			333-44-5555						Chk #			
Earnings Item	*Hours*	*Current*	*YTD*	*Tax*	*Current*	*YTD*	*Item*	*Current*	*YTD*	*Item*	*Current*	*YTD*
Salary	-	1,596.15	43,096.05	Federal Withholding	-108.00	-3,016.00	Health Insurance	-	-600.00	Social Security Company	98.97	2,671.96
				Social Security Employee	-98.97	-2,671.96				Medicare Company	23.14	624.89
				Medicare Employee	-23.14	-624.89				Federal Unemployment	-	56.00
				Advance Earned Income Credit	-	-				CA - Unemployment Company	-	367.50
				CA - Withholding	-15.89	-497.03				CA - Employee Training Tax	-	7.00
				CA - Disability Employee	-	-470.86				Workers Compensation	266.11	7,184.97
Total Earnings	-	**1,596.15**	**43,096.05**	**Total Taxes**	**-246.00**	**-7,280.74**	**Total Other**	-	**-600.00**	**Total Company**	**388.22**	**10,912.32**
							Net Pay	**1,350.15**	**35,215.31**			
Elizabeth N. Mason			569-87-1234						Chk #			
Earnings Item	*Hours*	*Current*	*YTD*	*Tax*	*Current*	*YTD*	*Item*	*Current*	*YTD*	*Item*	*Current*	*YTD*
Overtime Rate	-	-	442.60	Federal Withholding	-129.00	-3,576.00	Health Insurance	-	-600.00	Social Security Company	73.16	2,002.76
Regular Pay	80.00	1,180.00	31,860.00	Social Security Employee	-73.16	-2,002.76				Medicare Company	17.11	468.39
Sick Hourly	-	-	-	Medicare Employee	-17.11	-468.39				Federal Unemployment	-	56.00
Vacation Hourly	-	-	-	CA - Withholding	-27.81	-838.14				CA - Unemployment Company	-	367.50
				CA - Disability Employee	-	-353.32				CA - Employee Training Tax	-	7.00
										Workers Compensation	121.18	3,302.14
Total Earnings	**80.00**	**1,180.00**	**32,302.60**	**Total Taxes**	**-247.08**	**-7,238.61**	**Total Other**	-	**-600.00**	**Total Company**	**211.45**	**6,203.79**
							Net Pay	**932.92**	**24,463.99**			
Gregg O. Schneider			444-55-6666						Chk #			
Earnings Item	*Hours*	*Current*	*YTD*	*Tax*	*Current*	*YTD*	*Item*	*Current*	*YTD*	*Item*	*Current*	*YTD*
Overtime Rate	-	-	517.60	Federal Withholding	-160.00	-4,808.00	Health Insurance	-12.50	-350.00	Social Security Company	85.56	2,427.77
Regular Pay	80.00	1,380.00	38,640.00	Social Security Employee	-85.56	-2,427.77				Medicare Company	20.01	567.79
Sick Hourly	-	-	-	Medicare Employee	-20.01	-567.79				Federal Unemployment	-	156.00
Vacation Hourly	-	-	-	CA - Withholding	-39.81	-1,252.33				CA - Unemployment Company	-	467.50
				CA - Disability Employee	-	-413.21				CA - Employee Training Tax	-	17.00
										Workers Compensation	13.11	370.36
Total Earnings	**80.00**	**1,380.00**	**39,157.60**	**Total Taxes**	**-305.38**	**-9,469.10**	**Total Other**	**-12.50**	**-350.00**	**Total Company**	**118.68**	**4,006.42**
							Net Pay	**1,062.12**	**29,338.50**			

Company Totals

Employee Count: 3			Check Count: 3									
Earnings Item	*Hours*	*Current*	*YTD*	*Tax*	*Current*	*YTD*	*Item*	*Current*	*YTD*	*Item*	*Current*	*YTD*
Overtime Rate	-	-	960.20	Federal Withholding	-397.00	-11,400.00	Health Insurance	-12.50	-1,550.00	Social Security Company	257.69	7,102.49
Regular Pay	160.00	2,560.00	70,500.00	Social Security Employee	-257.69	-7,102.49				Medicare Company	60.26	1,661.07
Salary	-	1,596.15	43,096.05	Medicare Employee	-60.26	-1,661.07				Federal Unemployment	-	268.00
Sick Hourly	-	-	-	Advance Earned Income Credit	-	-				CA - Unemployment Company	-	1,202.50
Vacation Hourly	-	-	-	CA - Withholding	-83.51	-2,587.50				CA - Employee Training Tax	-	31.00
				CA - Disability Employee	-	-1,237.39				Workers Compensation	400.40	10,857.47
Total Earnings	**160.00**	**4,156.15**	**114,556.25**	**Total Taxes**	**-798.46**	**-23,988.45**	**Total Other**	**-12.50**	**-1,550.00**	**Total Company**	**718.35**	**21,122.53**
							Net Pay	**3,345.19**	**89,017.80**			

Figure 1 - Paycheck Detail Report

QuickBooks Assisted Payroll

QuickBooks Assisted Payroll service provides a level of service in which responsibility for payroll is shared between the user and Intuit. With the Assisted Payroll service, users maintain control over routine payroll processing while responsibility for federal and state tax form processing is transferred to Intuit. Assisted payroll allows clients to self-direct their payroll but they no longer have to worry about making payroll tax deposits or filings. QuickBooks will make all the deposits and file federal and state forms. Forms and filing are guaranteed by Intuit to be error free and on time based on payroll data transmitted to Intuit from QuickBooks.

QuickBooks Online Payroll

QuickBooks Online Payroll is best suited to small businesses that need a simple payroll system. No tax forms are included with included with Online Payroll, so these businesses will likely need your help processing tax forms.

Direct Deposit

In addition to the various service offerings described above, QuickBooks offers a **Direct Deposit** option, allowing users to have paychecks deposited directly into employees' bank accounts. When this add-on service is utilized, paychecks are calculated in QuickBooks as usual, but instead of generating paper checks, net amounts are deposited into employees' bank accounts on the date specified by the QuickBooks user. In addition to providing a very secure means of paying employees, Direct Deposit offers the added convenience of being able to process payroll from virtually any location (if you have access to the QuickBooks file); further, paychecks can be scheduled for Direct Deposit up to 45 days in advance. When setting up clients with Direct Deposit, have them plan to process their payroll two business days prior to when they want payroll checks to be funded to their employees' bank accounts.

To learn more about payroll for you and your clients, visit: http://accountant.intuit.com/payroll

To test drive Enhanced Payroll for Accountants, visit: http://accountant.intuit.com/testdrive

To determine which state tax forms are currently supported for Enhanced Payroll subscriptions, visit: www.quickbooks.com/taxforms/

SETTING UP PAYROLL
Setting up Payroll Items
Setting up Employees
Tracking Workers Compensation
Applying Payroll Burden to Jobs
Setting up Scheduled Liabilities & E-Pay
Troubleshooting Payroll Setup and Transactions

CHAPTER 2: SETTING UP PAYROLL

One of the most important things you can do to help clients is to assist them with setting up QuickBooks payroll the right way. Even though many items in QuickBooks can be changed during the year even after many payroll runs have been processed, you will find that getting payroll set up properly before any payroll checks are printed will help to alleviate many problems down the road.

We will not be covering the basic payroll item setup in this book because we assume as Certified ProAdvisors that you already have that knowledge. We will, however, touch on a few setup items that we feel you may need additional help with.

Setting up Payroll Items

During payroll item setup, QuickBooks assigns any liability items such as taxes, garnishments, etc. to the "Payroll Liabilities" account and assigns all earnings and payroll tax items to an expense account called "Payroll Expenses."

It is a best practice to separate out the payroll liabilities into Federal Income Tax, Social Security, Medicare, and FUTA for the federal taxes and also to break out any state taxes the client may have. Set these up as subaccounts of the Payroll Liabilities account in order to group them properly on the Balance Sheet.

Set up an expense account called "Gross Wages" or some other account that allows you to separate out the wages from the taxes. All earnings should go to the "Gross Wages" account. For the payroll taxes, set up an expense account called "Payroll Taxes." Make these new expense accounts sub-account of the Payroll Expenses account which is created by QuickBooks automatically.

Setting up the items and the chart of accounts in this way will help you to more easily identify any discrepancies you may come across when trying to resolve problems with payroll in QuickBooks.

Payroll Item List

Item Name	Type	Expense Account	Liability Account
Salary	Yearly Salary	Payroll Expenses:Gross Wages	
Sick Salary	Yearly Salary	Payroll Expenses:Gross Wages	
Vacation Salary	Yearly Salary	Payroll Expenses:Gross Wages	
Overtime Rate	Hourly Wage	Payroll Expenses:Gross Wages	
Regular Pay	Hourly Wage	Payroll Expenses:Gross Wages	
Sick Hourly	Hourly Wage	Payroll Expenses:Gross Wages	
Vacation Hourly	Hourly Wage	Payroll Expenses:Gross Wages	
Bonus	Addition	Payroll Expenses:Gross Wages	
Mileage Reimb.	Addition	Payroll Expenses:Gross Wages	
Health Insurance	Deduction		Insurance
Workers Compensation	Company Contribution	Insurance:Work Comp	Payroll Liabilities:Workers Comp
Advance Earned Income Credit	Federal Tax		Payroll Liabilities:AEIC
Federal Unemployment	Federal Tax	Payroll Expenses:Payroll Taxes	Payroll Liabilities:FUTA
Federal Withholding	Federal Tax		Payroll Liabilities:Federal Income Tax Withheld
Medicare Company	Federal Tax	Payroll Expenses:Payroll Taxes	Payroll Liabilities:SS & MC
Medicare Employee	Federal Tax		Payroll Liabilities:SS & MC
Social Security Company	Federal Tax	Payroll Expenses:Payroll Taxes	Payroll Liabilities:SS & MC
Social Security Employee	Federal Tax		Payroll Liabilities:SS & MC
CA - Withholding	State Withholding Tax		Payroll Liabilities:State Income Tax Withheld
CA - Disability Employee	State Disability Tax		Payroll Liabilities:SDI
CA - Unemployment Company	State Unemployment Tax	Payroll Expenses:Payroll Taxes	Payroll Liabilities:SUI & ETT
CA - Employee Training Tax	Other Tax	Payroll Expenses:Payroll Taxes	Payroll Liabilities:SUI & ETT
Direct Deposit	Direct Deposit		Direct Deposit Liabilities

Figure 2—Sample Payroll Item List

In order for payroll to run smoothly, it is important to add the proper earnings and deductions for the client for whom you are setting up payroll. As shown in **Figure 3**, QuickBooks offers two methods for setting up payroll items: EZ Setup and Custom Setup.

Use of the Custom Setup option allows for very specific establishment of information such as liability and expense accounts associated with the item and tax tracking. For instance, this is used when you want to control to which account to code a Payroll Item, without having QuickBooks choose it for you as it does in the EZ Setup. An example would be a deduction item such as Health Insurance. Many companies choose to code this item to Health Insurance Expense, rather than through Payroll Liabilities, since most companies pre-pay their insurance bill for the month and then are reimbursed by their employees for their portion throughout the month through their withholdings.

In the following example, you'll learn how to set up a 401(k) deduction. We'll use the Custom Setup method in this example because it provides advanced users with more flexibility when setting up payroll items as virtually all types of items can be created using the Custom Setup.

To set up a new payroll item:

1. From the **Employees** menu, choose **Manage Payroll Items**, and then choose **New Payroll Item**.

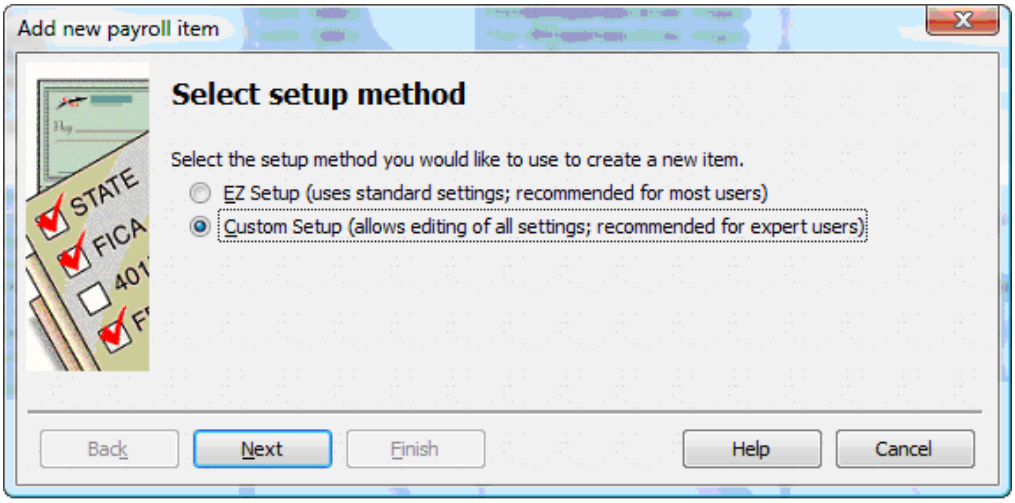

Figure 3—Selecting a Payroll Item Setup Method

2. Select the **Custom Setup** option, and then click **Next**.

   QuickBooks displays the window shown in **Figure 4** in which you select the type of item to set up.

   After the initial setup of the payroll system, you will rarely need to add a type of Federal Tax, State Tax or Other Tax. Most of the time, you will be adding a wage, an addition, or a deduction.

3. Select **Deduction** and then click **Next**.

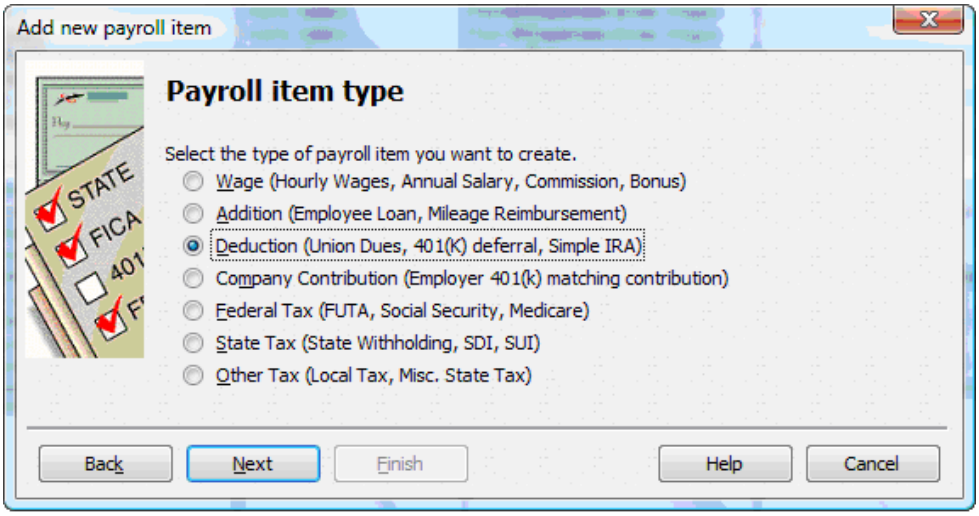

Figure 4—Selecting a Payroll Item Type

4. Enter a name for the item.

   For this example, we'll name the item **401(k)**.

Note that if you're setting up a garnishment, which usually have a specific vendor to pay and an account number (usually a social security number) that is attached to the specific employee, it is recommended that you add the initials of the employee to the name of the garnishment and assign this deduction to the employee only. For multiple garnishments, add a separate garnishment deduction payroll item for each employee that you are withholding from.

5. Click **Next**.
6. Enter the name of the vendor to whom you pay this deduction and enter the number that identifies you to the agency.
7. Use a subaccount to track the deduction.

   This makes it easier to verify amounts on the balance sheet with any discrepancies that may arise.

   QuickBooks only accrues amounts that have a Balance Sheet account assigned to the deduction. If you assign a deduction to an expense account, the liability is not accrued. For instance, if you are withholding medical insurance for each employee but the premiums are paid in lump sums every month, use an expense account to record the withholdings from each employee's paycheck as it is written. Since you wouldn't be writing out a separate check to the medical insurance company for the withholding, assigning this to an expense account will tell QuickBooks not to accrue the amount.

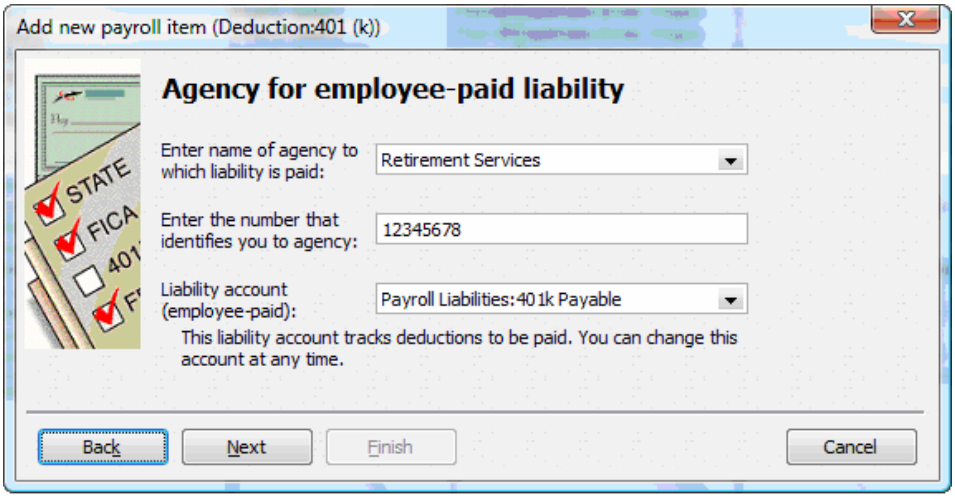

Figure 5—Entering Agency Information

8. Click **Next**.

9. Enter the tax tracking type.

   The tax tracking type affects how taxes are calculated and what amounts show on quarterly and annual payroll reports. For most deductions, you'll select "No Tax Tracking," but you'll want to track this deduction if it affects certain calculations of wages. QuickBooks provides a description of what happens on federal forms for each tax tracking type as shown in **Figure 6**.

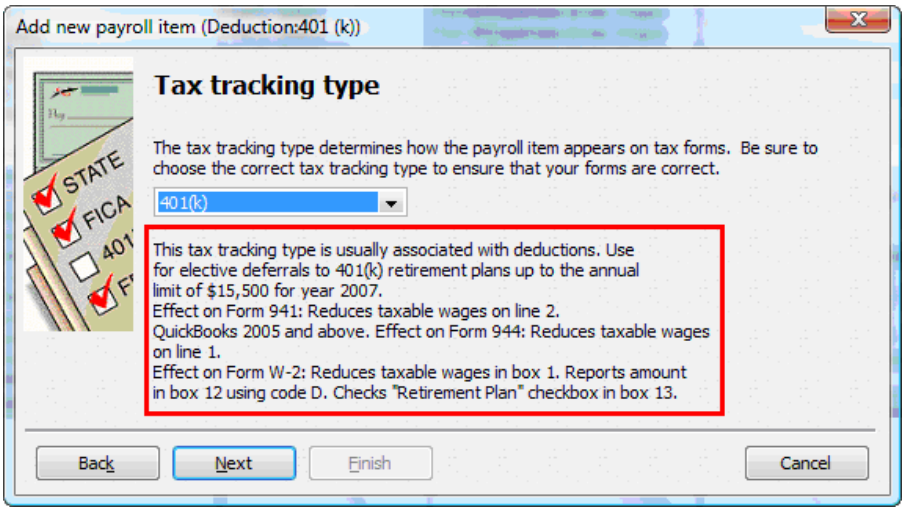

Figure 6—Selecting a Tax Tracking Type

10. Click **Next**.

11. Select the type of taxes *not* to withhold when using this deduction.

    QuickBooks calculates amounts only for the items that are not selected in this window.

    In our example, the 401(k) is not subject to state and federal withholding so those checkboxes should be selected as shown in **Figure 7**. QuickBooks selects the correct boxes based upon the tax tracking type automatically, but you should be knowledgeable about why QuickBooks does or does not select certain items.

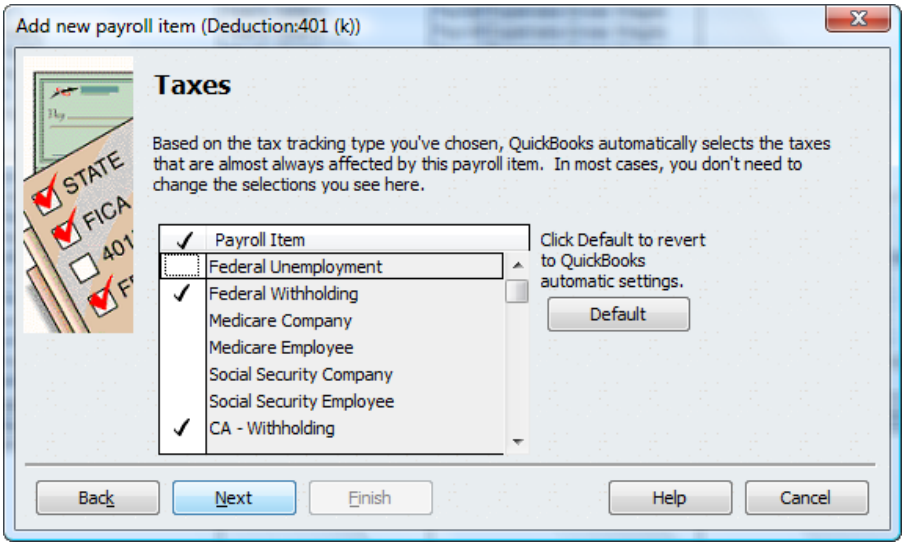

Figure 7—Indicating which Taxes Not to Withhold

12. Click **Next**.
13. Indicate on what the deduction should be calculated as shown in **Figure 8**.

    For most deductions, you'll select "Neither."

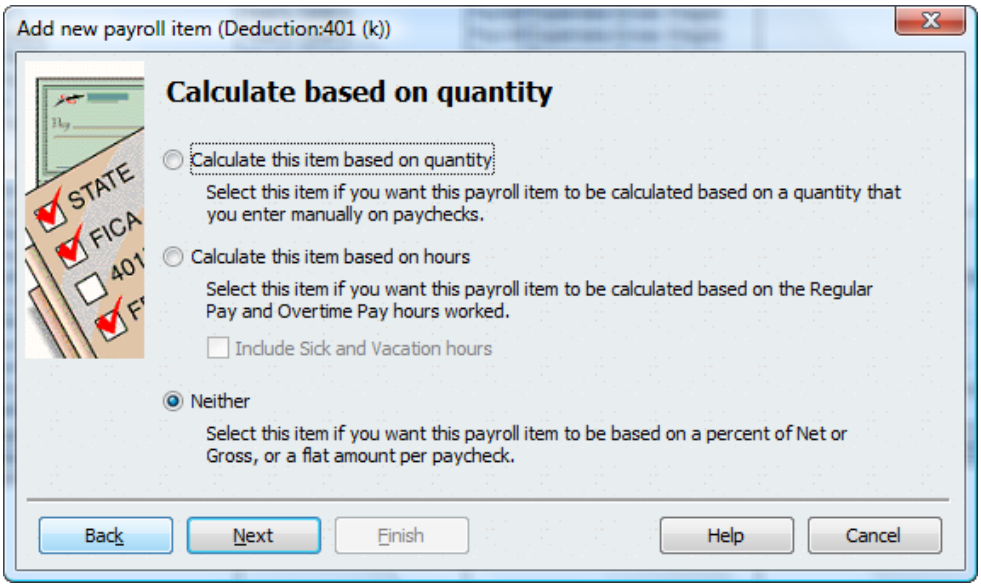

Figure 8—Indicating whether to Calculate Based on Quantity or Hours

14. Click **Next**.
15. Enter a default rate and limit for the item, if desired.

    To have QuickBooks display a rate and a limit for each employee to which this deduction is added, enter the information in the window shown in **Figure 9**. You can overwrite the limits when assigning the deduction to individual employees.

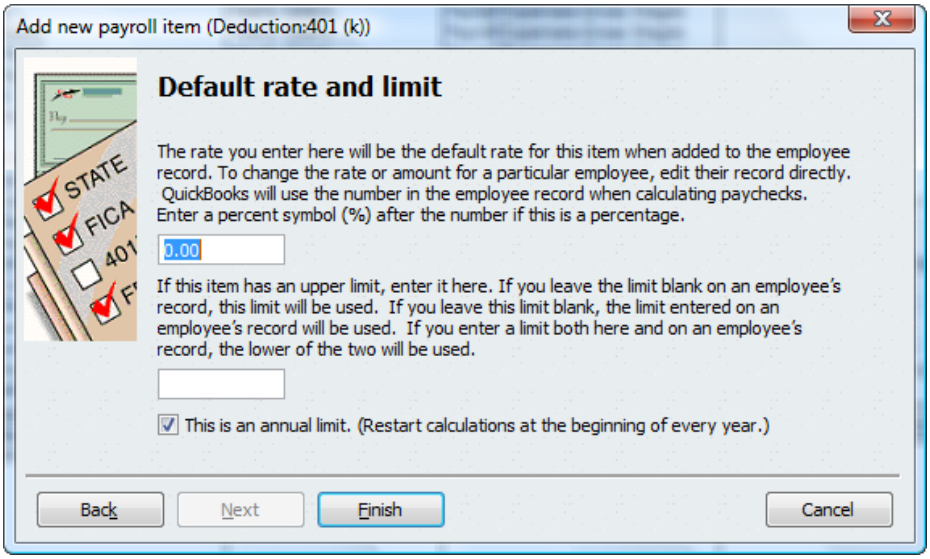

Figure 9—Setting Default Rates and Limits

Setting up Employees

Key among payroll setup issues is that of establishing employee information correctly. The employee records are divided into four tabs:

- Personal Information
- Payroll and Compensation
- Employment Info
- Workers Compensation

Much of the information on the tabs is self-explanatory, but we'll review information related to payroll and compensation information here, including sick and vacation acrruals, as well as assigning workers compensation codes to employees.

Entering Payroll and Compensation Information

QuickBooks maintains information about employee pay rates, tax withholdings, payroll additions and deductions, direct deposit data, and sick and vacation accruals on the Payroll & Compensation tab of employee records as shown in **Figure 10**.

To enter payroll and compensation information:

1. Open the employee's record.

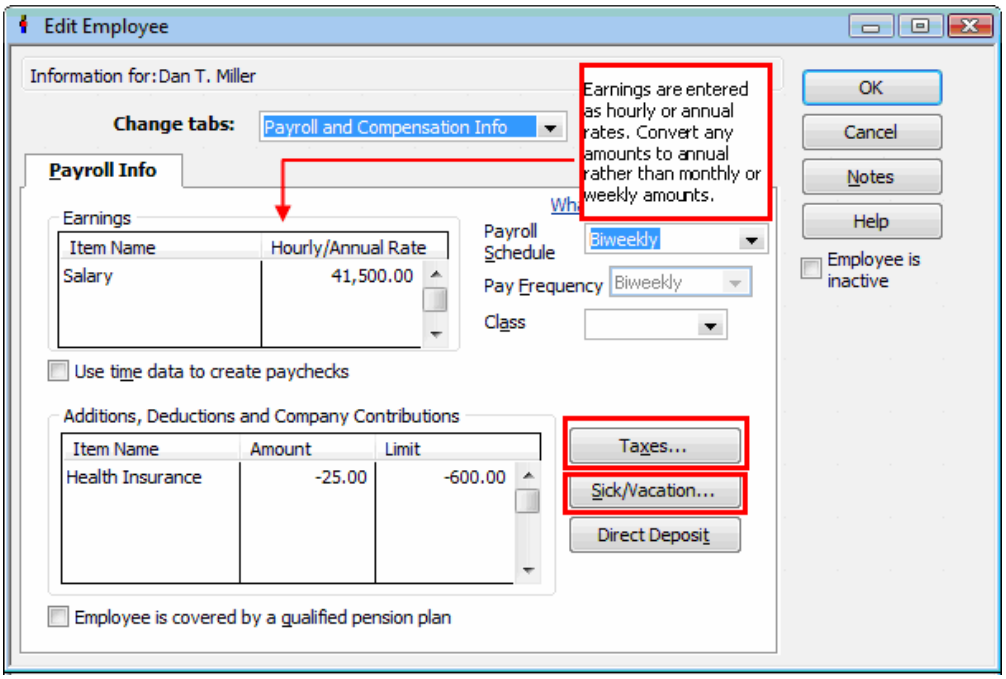

Figure 10—Entering Payroll & Compensation Information in the Employee Record

2. Assign the employee to a Payroll Schedule that corresponds to the group in which they are paid (i.e., weekly, biweekly, etc.).

   Payroll Schedules are optional but if you do not use them, you must assign a Pay Frequency to the employee.

3. If the employee's wages need to be allocated to a certain class by default, enter that in the appropriate field.

Remember that if you enter a class here, it is only the default class used when creating paychecks for this employee. You can change this class or add multiple classes when entering paycheck information on pay day.

Entering Tax Information

To enter information about filing status and allowances:

1. In the employee record, click **Taxes** to enter information about filing status, allowances, etc. as shown in **Figure 11**.

   The information you need to complete this window is obtained from the W-4 that an employee fills out. If the employee does not fill out a separate withholding form for state, you can use the same information for the State withholdings as you do the Federal withholdings.

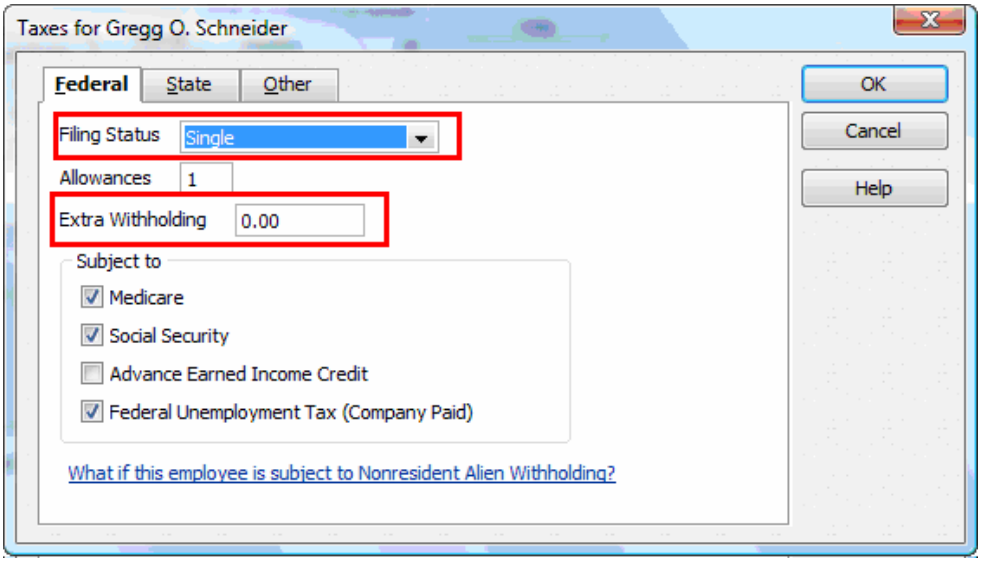

Figure 11—Entering Federal, State, and Other Tax Information

   If an employee, for some reason or another, knows specifically how much federal tax he or she wants to withhold from each paycheck, select "Don't Withhold," and then enter a flat dollar amount in the Extra Withholding field. This tells QuickBooks to not look up the tax based upon the federal tax tables, but to use only the flat amount of extra withholding that you entered for this employee. You can use the same technique for state withholding.

2. Click **OK** in the Taxes window.

Defining sick and vacation time accruals

QuickBooks provides easy-to-use and powerful tools for tracking payroll time accruals accurately. For each employee, you can set up different accruals for both sick and vacation time. If you don't like the terms "Sick" or "Vacation", you can also change the labels for these items in the Payroll & Employee preferences.

Before you set up sick and vacation time in QuickBooks, determine how the client needs to accrue both. QuickBooks lets you accrue all of the hours at the beginning of the year, accrue by each paycheck, or accrue by each hour worked. State law may dictate how these time accruals are set up, calculated, and used. Be sure you are familiar with your state's laws on time accruals.

After determining how the accruals will be made, review any existing employee records and enter the number of hours available as of the day you are entering this information, the number of hours used during this year, and the maximum number of hours to accrue for each employee.

To define sick and vacation accruals:

1. In the employee records, click **Sick/Vacation**.
2. If the hours reset each year ("use it or lose it"), click to put a checkmark in the "Reset hours each new year" checkboxes as shown in **Figure 12**.
3. If the employer has a probationary period during which new employees don't accrue sick or vacation time, enter the dates to start accruing in the "Begin accruing sick/vacation time on" field.
4. If the employer resets hours or accrues employees' hours at the beginning of each employee's anniversary date rather than just at the beginning of a calendar year, enter the appropriate dates in the "Year begins on" fields.

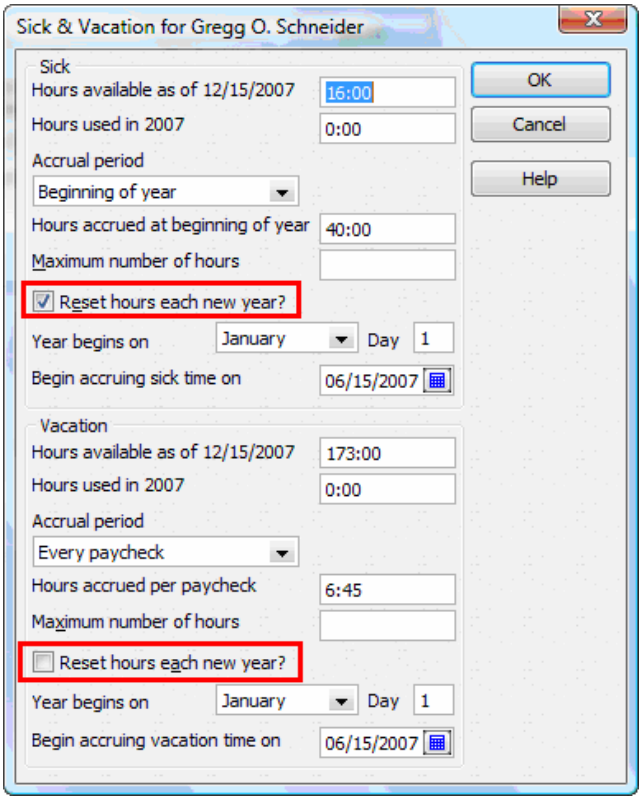

Figure 12—Defining Sick and Vacation Accurals in an Employee Record

5. Click **OK**.

Tracking Workers Compensation

The ability to track and accrue Workers Compensation amounts automatically within QuickBooks is a very valuable resource. The reports that are produced from the data can be used for planning of company expenses, audits by workers compensation providers, and various other financial reasons. Many states have different reporting requirements for workers compensation. Therefore, the reports and amounts generated from the data entered into QuickBooks may not work accurately for every state. But, the amounts and reports can be used, at a minimum, for the starting point for those states that have additional workers compensation requirements calculations that QuickBooks does not handle.

Workers' Compensation is available only with Enhanced Payroll subscriptions.

Turning on Workers Compensation

To turn on the workers compensation features in QuickBooks:

1. From the **Edit** menu, choose **Preferences**.
2. Select **Payroll & Employees**, and then select the **Company Preferences** tab.

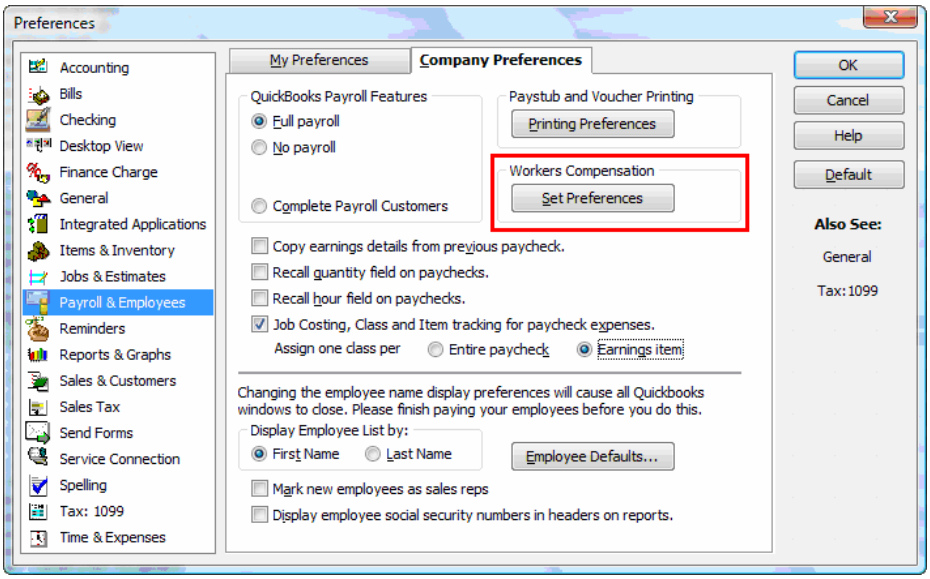

Figure 13—Setting Workers Compensation Preferences

3. In the Workers Compensation section of the window, click **Set Preferences**.

   This displays the window shown in **Figure 14**.

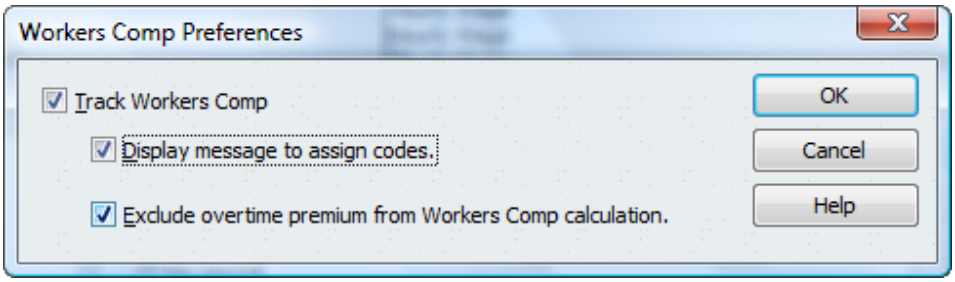

Figure 14—Selecting to Track Workers Compensation

4. Click to put a checkmark in the “Track Workers Comp” checkbox to turn on the workers compensation features of QuickBooks payroll.

   If you need to remind yourself or clients to assign workers compensation codes, click to put a checkmark in the “Display message to assign codes” checkbox.

5. If the state excludes overtime premium from workers compensation calculations, you may also need to check the box next to the appropriate option.

   Whether you select this checkbox or not, you will have the option to include or exclude overtime wages during the Workers Compensation setup wizard.

   If you need to allocate workers compensation expense to various classes during payroll processing, select the “Use Class Tracking” checkbox in the Accounting preferences.

6. Click **OK** in the Workers Comp Preferences window.

   If you need to allocate workers compensation expense to various classes during payroll processing, turn on class tracking before leaving the Preferences window.

Setting up Workers Compensation

To run the Workers Comp setup wizard:

1. From the **Employees** menu, choose **Workers Compensation**, and then choose **Set Up Workers Compensation** from the submenu.

   QuickBooks launches the Workers Compensation Setup wizard.

2. Click **Next**.

3. Enter a vendor for the workers comp insurance carrier and enter (optional) the number that identifies the client, such as the account number as shown in **Figure 15**.

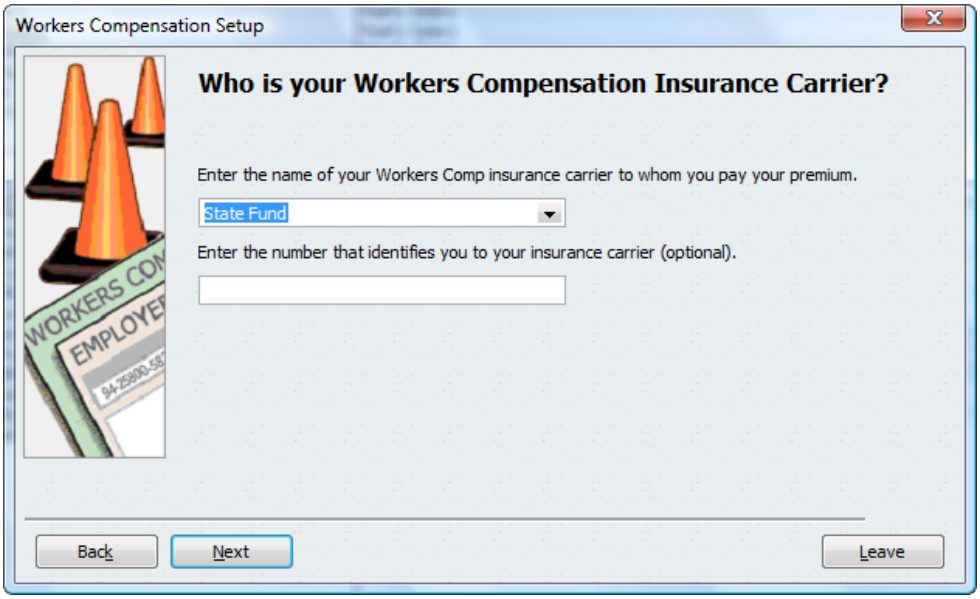

Figure 15—Workers Compensation Setup Wizard

4. Click **Next**.

5. Assign workers comp codes to each employee. See **Figure 16**.

   If you are just setting up workers comp and have not yet set up employees, you can skip this screen by clicking **Next**. We will come back to this screen and show you how to assign workers comp codes to existing employees.

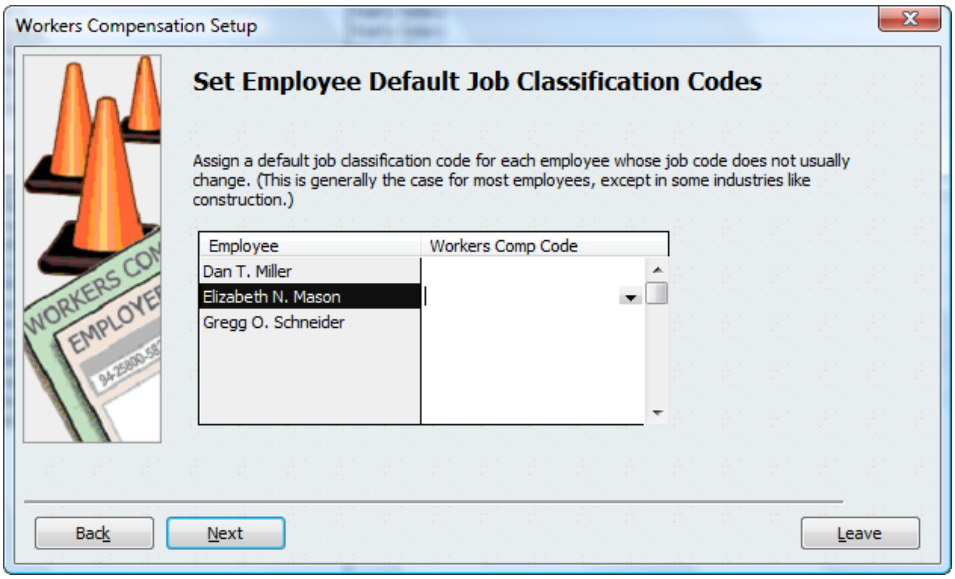

Figure 16—Setting Employee Default Classification Codes

6. Click **Next**.

   Your state and workers comp fund may include an experience modification factor in the workers comp computation.

7. Enter the information provided to you by the workers comp insurance carrier in the window shown in **Figure 17**.

This information typically changes from year-to-year and the insurance carrier will inform you of any changes to this factor. You can easily update and change the information as it becomes available.

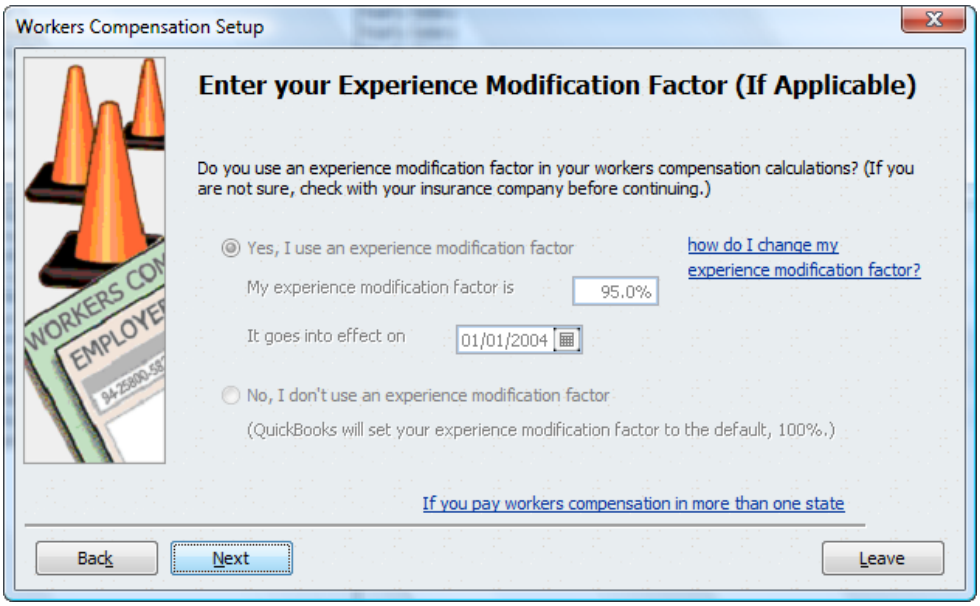

Figure 17—Entering Experience Modification Factor

8. Click **Next**.
9. Indicate whether or not the client pays overtime wages.
10. Click **Next**.

The window shown in **Figure 18** is where you turn on or off the option of including overtime premiums form the workers compensation calculation mentioned earlier.

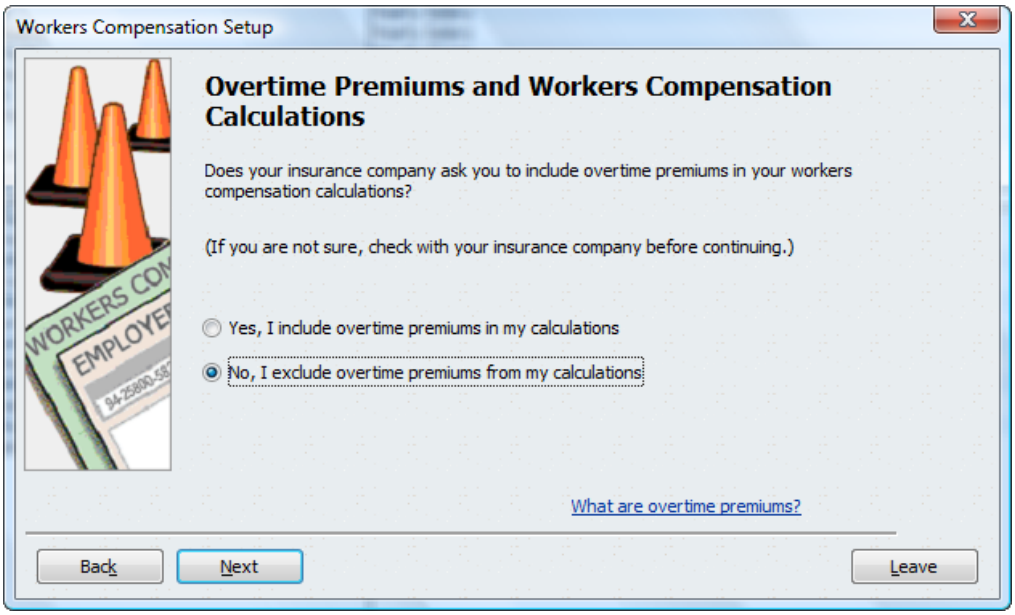

Figure 18—Including or Excluding Overtime Premiums

What you select depends on the workers compensation insurance carrier, so review any requirements the insurance carrier may have. For a majority of states, overtime is excluded from workers compensation calculations.

11. Click **Next**.
12. Assign a name to this new payroll item.

    This is an Employer payroll item only and will not show on employee paystubs.

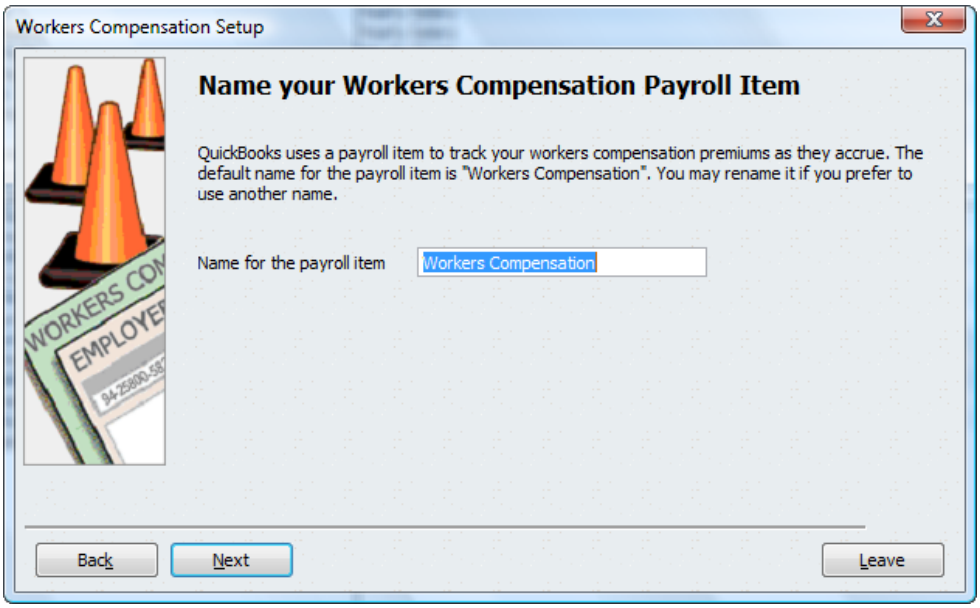

Figure 19—Naming the Payroll Item

13. Click **Next**.

    QuickBooks displays a summary screen showing you all of the items you have set up. See **Figure 19**.

Note the checkmark next to the Workers Compensation Overview in Leave the Workers Compensation checkmark selected if you want additional information about workers compensation after you complete the wizard.

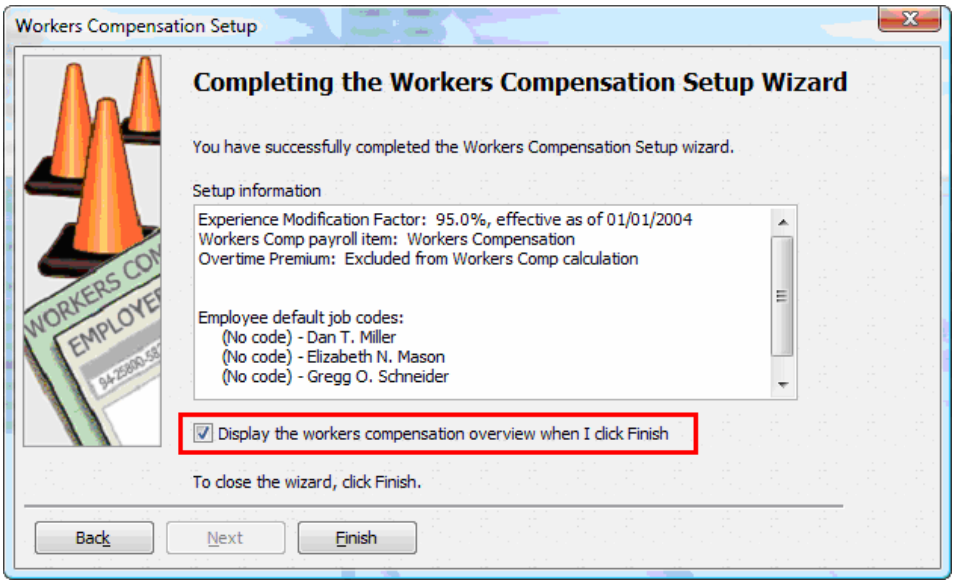

Figure 20—Workers Compensation Wizard Summary Screen

14. Click **Finish**.

Defining Workers Compensation Codes

Once you've set the preferences and completed the setup wizard, you need to set up the workers comp codes that you'll assign to each employee for the area of the business in which they work. This information can be obtained by reviewing prior workers comp reports filed or talking directly with the insurance carrier to get the most up-to-date rates. The rates entered in the Workers Comp Code list are used as the basis for accruing workers compensation liabilities each pay period.

To set up the workers comp codes:

1. From the **Employees** menu, choose **Workers Compensation** and then choose **Workers Comp Code List**.

   QuickBooks creates an "Exempt" code for every employer automatically as shown in **Figure 21**. If the employer has already set up any codes, they display here as well.

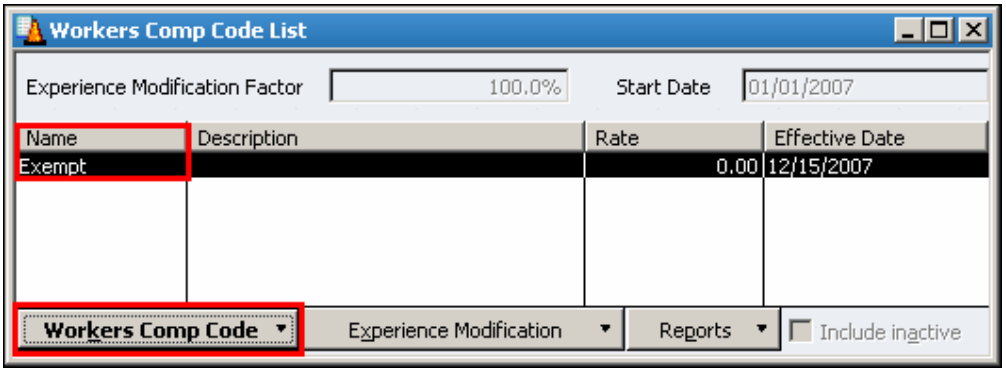

Figure 21—Workers Comp Code List

2. To create a new code, press **CTRL+N** or click the **Workers Comp Code** menu button and then select **New**.
3. Enter each code (along with the description and rate) required by the insurance carrier as shown in **Figure 22**.

   Many workers comp carriers have their own coding system and descriptions. It is best to use their codes and descriptions here.

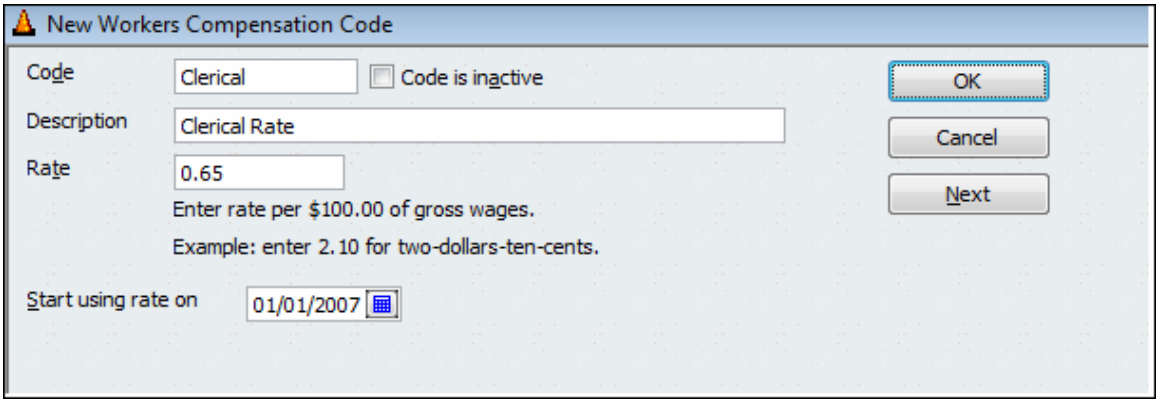

Figure 22—Setting up a New Workers Compensation Code

4. Enter the rate per $100 of gross wages for that particular work code.
5. Enter the date to which you should start using this rate.

   If a rate changes during the year, enter the new rate and the date you want to start using the new rate. QuickBooks will use the old rate on any paychecks created before this date and the new rate for any paychecks created on or after this date.

Assigning Workers Comp Codes to Employees

After you have set up the workers compensation codes, you need to assign the codes to each employee. You could go into each existing employee and click on the Workers Comp tab and add the information there but that is a long process.

To assign codes to existing employees:

1. Go through the workers compensation wizard again until you reach the screen shown in **Figure 23**.

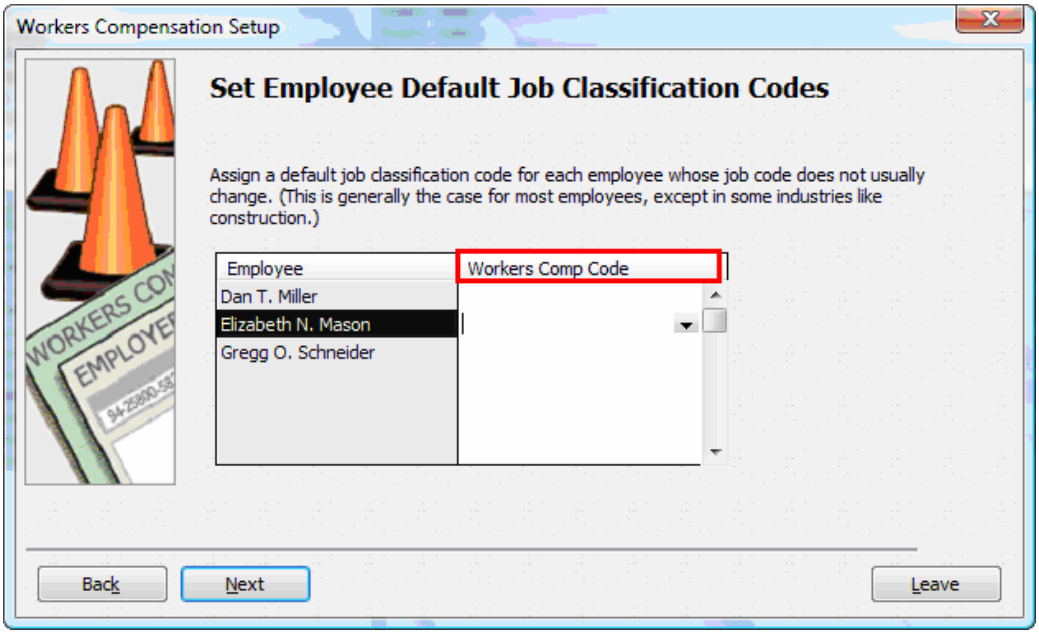

Figure 23—Assigning Workers Compensation Codes to Employees

2. For each employee, select a Workers Comp Code by choosing one from the drop-down list.

   This facilitates data entry of these codes for employers that have more than a few employees to which they need to assign codes.

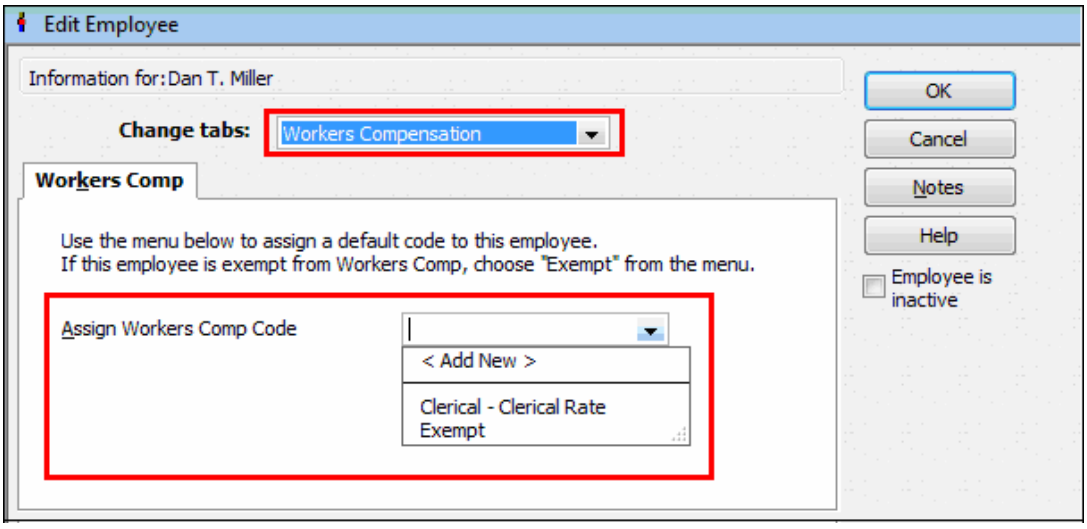

Figure 24—Assigning a Workers Comp Code to an Employee

Assigning Workers Comp Codes to Individual Employees

For new employees added during the year, assign a workers compensation code during employee setup.

To assign codes as employees are hired:

1. Open the employee record and select the Workers Compensation tab as shown in **Figure 24**.
2. Select the appropriate code from the Assign Workers Comp Code drop-down list.

Accruing Workers Compensation Liabilities

Once the following setup tasks have been completed, QuickBooks can accrue workers' compensation liabilities on a paycheck-by-paycheck basis (this feature is only available to those subscribers of the Enhanced payroll service subscriptions). Once accrued, these liabilities are treated just as any other payroll liability and can be paid through the Payroll Center.

- Turn on Workers Compensation
- Create Workers Compensation Codes and Items
- Establish Default Workers Compensation Payroll Items for Each Employee

Allocating Workers Compensation Expenses to Jobs

To allocate accrued workers compensation expense to various jobs or classes automatically:

- Edit the Workers Compensation Payroll item and select **Track Expenses by Job** as shown in **Figure 25**.

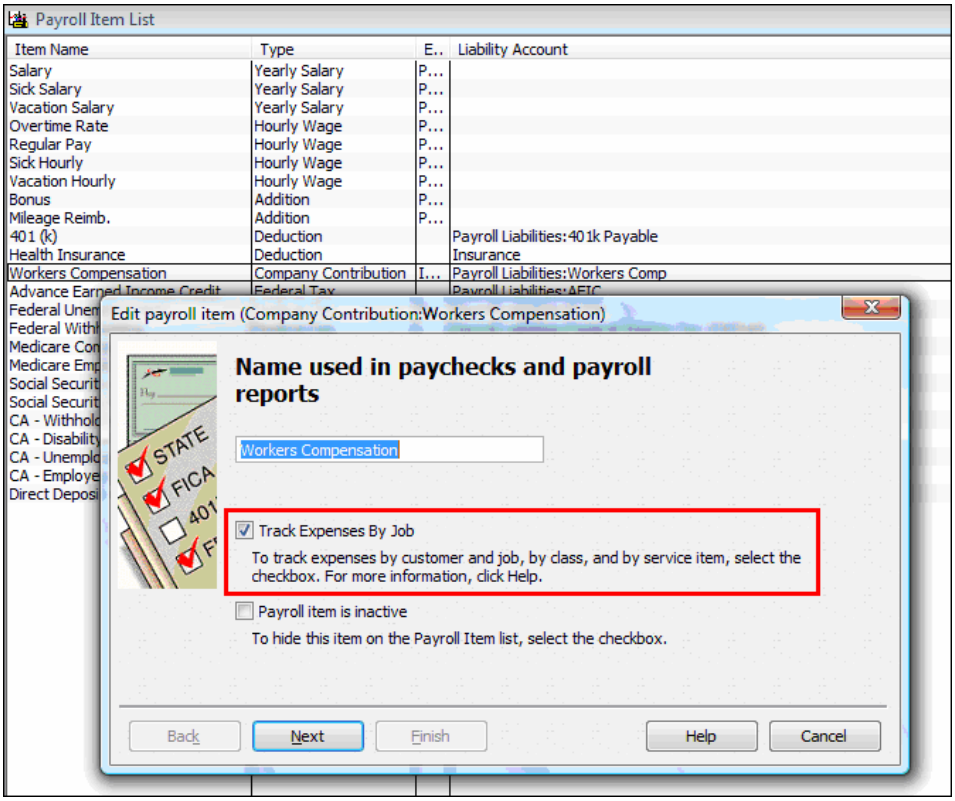

Figure 25—Tracking Workers Comp Expenses by Job

Reporting on Workers Compensation

After workers compensation has been set up and payroll checks have been processed, you are able to produce workers compensation reports such as the one shown in **Figure 26**.

Rock Castle Construction
Workers Compensation Summary
November 2007

	Nov 07							
	Gross Wages	OT Premium	WC Wages	Hours	WC Rate	WC Premium	Exp. Mod.	Adj. WC Prem..
5553 - Roofing	3,192.30		3,192.30		17.55	560.24	95.0%	532.22
5645 - Carpentry	2,426.39	22.13	2,404.26	163	10.81	259.90	95.0%	246.90
8810 - Clerical	2,837.64	25.88	2,811.76	163	1.00	28.12	95.0%	26.71
No WC Code	1,596.16		1,596.16			0.00	95.0%	0.00
TOTAL	10,052.49	48.01	10,004.48	326		848.26		805.83

Figure 26—Workers Compensation Summary Report

These reports can be handed directly over to a workers compensation auditor to assist them in an audit.

Applying Payroll Burden to Jobs

You can set up QuickBooks to allow for the application of payroll overhead and burden to jobs and projects. When the preference **Job Costing, Class & Item tracking for paycheck expenses** is enabled, you can generate reports indicating how much payroll burden is applied to specific jobs. For instance, the **Profit & Loss by Job** report shown indicates the amount of Workers Compensation Costs and Direct Payroll Taxes applied to specific jobs.

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Accrual Basis

Quality-Built Construction
Profit & Loss by Job
January through December 2007

	Guest Cottage (Wiessinger, Gary)	Total Wiessinger, Gary	TOTAL
Ordinary Income/Expense			
Income			
4110 · Construction Income	325,000.00	325,000.00	325,000.00
Total Income	325,000.00	325,000.00	325,000.00
Cost of Goods Sold			
5110 · Job Related Costs	122,656.10	122,656.10	122,656.10
5200 · Job Labor Costs			
5210 · Job Labor (Gross Wages)	57,540.00	57,540.00	57,540.00
5220 · Worker's Compensation Costs	5,429.43	5,429.43	5,429.43
5230 · Direct Payroll Taxes	888.11	888.11	888.11
Total 5200 · Job Labor Costs	63,857.54	63,857.54	63,857.54
Total COGS	186,513.64	186,513.64	186,513.64
Gross Profit	138,486.36	138,486.36	138,486.36

QuickBooks calculates the amounts to be applied to each job based on the relative amount of wages charged to the job during the pay period. For instance, if during a pay period an employee had a total of $1,000 in gross wages and $800 (80%) of those wages were charged to a specific job, then 80% of the company-paid payroll taxes and burden would be pro-rated to that job.

Setting Up Scheduled Liabilities & E-Pay

For liabilities to appear on the “Pay Scheduled Liabilities” section of the payroll center, they need to be set up. Scheduled payments are not defined automatically. The advantage of using the Pay Scheduled Liabilities section is to help you to be able to see when and what taxes are due at a glance and pay them easily.

To set up scheduled liabilities:

1. From the **Related Payment Activities** menu button in the **Payroll Center**, choose **Edit Payment Due Dates/Methods**.

   QuickBooks opens the Payroll Setup Interview and displays a list of all of the payments available for scheduling, along with the description of the payment method selected, if any, as shown in **Figure 27**.

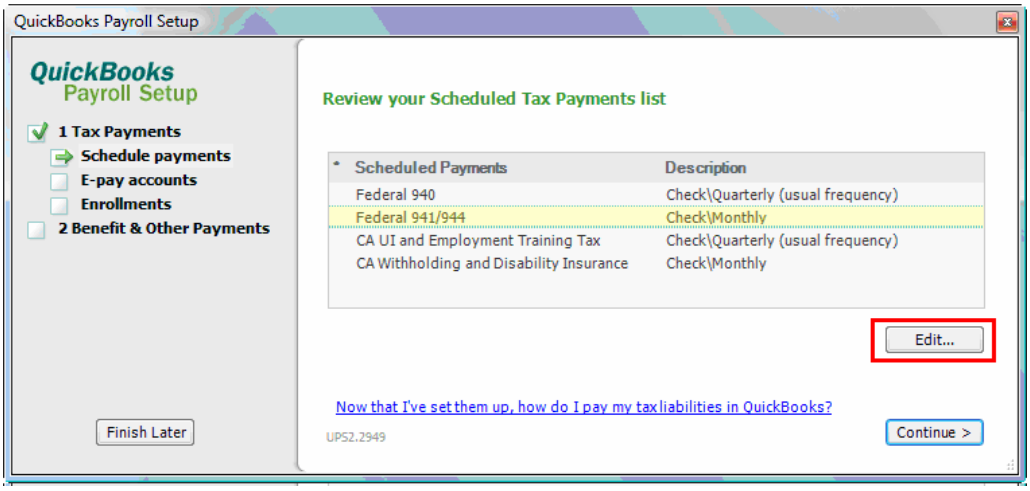


Figure 27—Setting up Scheduled Liability Payments

   If you would to continue to pay payroll liabilities as you did in previous versions, select **Create Custom Liability Payments** from the **Related Payments Activities** menu button.

2. Click **Edit** to open a payment to change or review its payment frequency.

   For instance, you can set up the 941/944 payment with the corresponding frequency that the IRS has mandated for the company. For most companies, you will select “After Each Payroll (Semiweekly)” as shown in **Figure 28**.

It is in this screen that you tell QuickBooks if you would like to pay this liability by check or through E-pay.

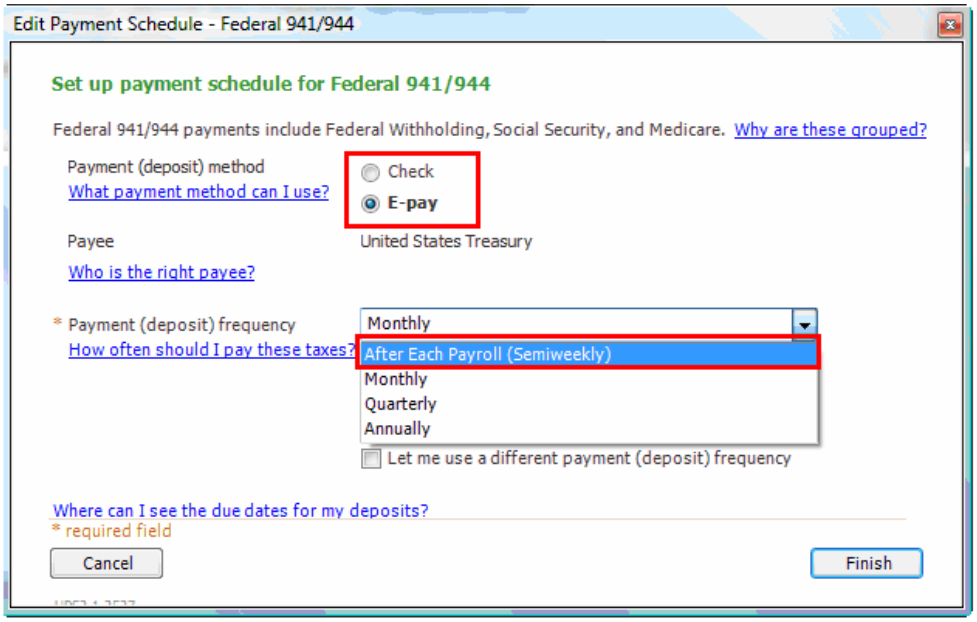


Figure 28—Editing Payment Schedules

3. Click **Finish**.

QuickBooks takes you to the next portion of the setup process in which you set up cash accounts for E-pay, if this option was selected as a payment method.

To set up for E-Pay:

1. Select the account to set up for E-pay and click **Edit** as shown in **Figure 29**.

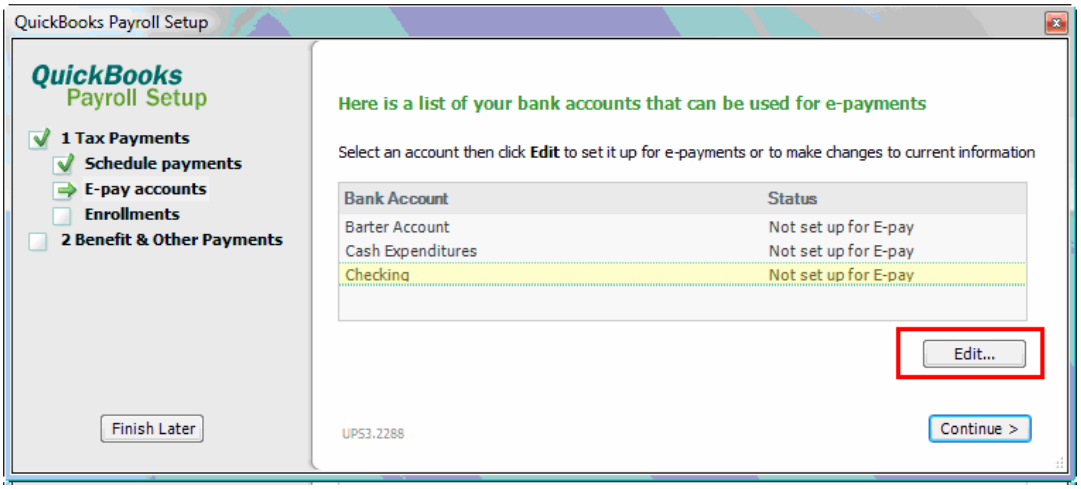


Figure 29—Setting up Accounts for E-Pay

2. Enter the bank account and routing numbers as shown in **Figure 30**.

   Note that there is no verification of this account information, so be sure to check that you've entered the information accurately.

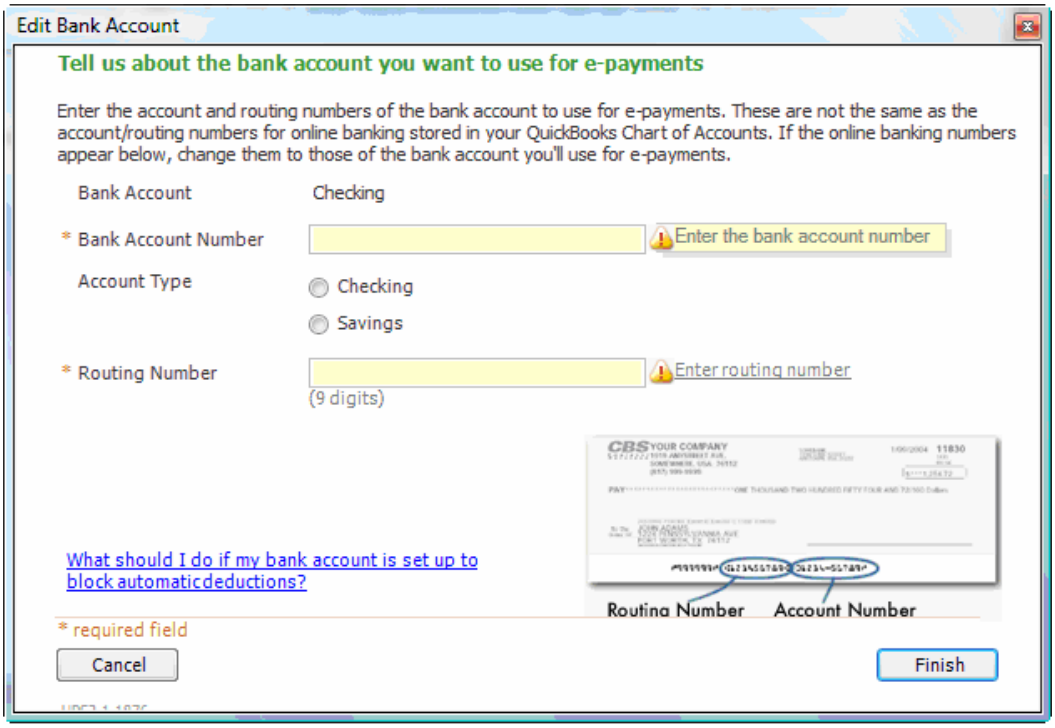


Figure 30—Entry screen for Bank Account Information for E-Pay

3. Click **Finish**.

If this is the first time the company has attempted to E-Pay its taxes, you need to complete an enrollment process. For the 941/944, QuickBooks takes you through the enrollment process and transmits the information to the proper agency to get things set up.

If you want to E-Pay state taxes, QuickBooks presents you with the information and websites to visit to enroll for the E-pay service, but QuickBooks does not perform the enrollment for you. For many states, it is a manual process of filling out a form and attaching a voided check to the enrollment application.

For both the 941/944 and/or state enrollments, the accounts are not be set up immediately, as you need to wait for information to arrive via regular mail with the PIN information before you can file taxes through QuickBooks.

If the company is already enrolled with EFTPS and is making payments through the internet, you can use its existing login information to make payments through QuickBooks without waiting for anything to be mailed.

If the company is making EFTPS payments by phone, you'll need to log on to www.eftps.com and obtain an internet password for the account to be used through the QuickBooks E-pay service.

Troubleshooting Payroll Setup and Transactions

This section contains information about reports and other tools you can use to troubleshoot issues with payroll.

Analyzing Payroll

The following **Payroll Analysis Checklist** can be used to validate adequacy, accuracy, and appropriateness of a company's QuickBooks payroll setup.

☑ Confirm payroll preferences are set appropriately.
Verify the accuracy of each employee record, including:
- Name and address information
- Wage and salary information
- Payroll tax withholding information
- Workers Compensation information
- Sick Time/Vacation Time information

☑ Verify the accuracy of Payroll Item setup, including:
- Item name
- Vendor and account number
- Expense and liability accounts
- User-supplied tax rate (where appropriate – for example, state unemployment tax rate)

Consider using the Payroll Item Listing report as a means of verifying and confirming the data.

☑ Confirm that the payroll service subscription is active
From the **Employees** menu, choose **My Payroll Service**, then choose **Manage Service Key**.

☑ Confirm that the tax table in use is the most current tax table available; if not, download and install the current tax table:
From the **Employees** menu, choose **Get Payroll Updates**.

☑ Run the Payroll Checkup tool to provide a complete analysis of a company's payroll system.

☑ Using the Payroll Item Detail report, analyze payroll transactions to determine the accuracy of calculations.

☑ Using the Payroll Detail Review report, determine if manual override of paychecks is occurring frequently.

☑ Verify that payroll liabilities per the Payroll Center agree to amounts per the general ledger; make adjustments as appropriate to correct balances.

☑ Compare the Payroll Summary report to the Profit & Loss report.

☑ Compare the Payroll Liability Balances report to the Balance Sheet.

Using the Payroll Checkup Tool

After setting up all of the payroll information (or to just verify that payroll information is setup properly), run the Payroll Checkup procedure. QuickBooks Payroll Checkup provides a mechanism for verifying the setup of payroll data. When Payroll Checkup is run, key data is analyzed to determine if there is any missing information or any inconsistencies or discrepancies in the data.

To run Payroll Checkup:

- From the **Employees** menu, choose **My Payroll Service**, and then choose **Run Payroll Checkup**.

When the Payroll Checkup is processed, it runs tests on three distinct areas of payroll:

- Review of employee records for missing information and possible discrepancies
- Review of payroll item setup
- Review of wage and tax amounts

As the Payroll Checkup completes various sections of the review, errors are displayed on the screen; critical errors must be corrected before the routine proceeds to the next section.

Using reports to troubleshoot payroll

This section provides descriptions of some reports you can use to find information about payroll.

Payroll Item Listing

The **Payroll Item Listing** report – an example of which is shown below in – provides a comprehensive overview of Payroll Item setup data. By default, the report includes data for the following fields:

- Payroll Item
- Type
- Amount
- Limit
- Expense Account
- Liability Account
- Tax Tracking

Of course, the report can be customized and other fields such as Deposit Frequency and FUTA Credit can be added to the fields listed above to meet specific user needs.

9:17 PM
12/15/07

Rock Castle Construction
Payroll Item Listing

Payroll Item	Type	Amount	Limit	Expense Account	Liability Account	Tax Tracking
Salary	Yearly Salary			Payroll Expenses		Compensation
Sick Salary	Yearly Salary			Payroll Expenses		Compensation
Vacation Salary	Yearly Salary			Payroll Expenses		Compensation
Hourly wage	Hourly Wage			Payroll Expenses		Compensation
Hourly wage overtime (x1.5)	Hourly Wage			Payroll Expenses		Compensation
Hourly wage overtime (x2)	Hourly Wage			Payroll Expenses		Compensation
Overtime Rate	Hourly Wage			Payroll Expenses		Compensation
Regular Pay	Hourly Wage			Payroll Expenses		Compensation
Sick Hourly	Hourly Wage			Payroll Expenses		Compensation
Vacation Hourly	Hourly Wage			Payroll Expenses		Compensation
Bonus	Bonus	0.00		Payroll Expenses		Compensation
Mileage Reimb.	Addition	0.32		Payroll Expenses		Compensation
Health Insurance	Deduction	0.00	1,200.00		Payroll Liabilities	None
Workers Compensation	Company Contribution			Payroll Expenses	Payroll Liabilities	None
Advance Earned Income Credit	Federal Tax				Payroll Liabilities	Advance EIC Payme...
Federal Unemployment	Federal Tax	0.8%	7,000.00	Payroll Expenses	Payroll Liabilities	FUTA
Federal Withholding	Federal Tax				Payroll Liabilities	Federal
Medicare Company	Federal Tax	1.45%		Payroll Expenses	Payroll Liabilities	Comp. Medicare
Medicare Employee	Federal Tax	1.45%			Payroll Liabilities	Medicare
Social Security Company	Federal Tax	6.2%	94,200.00	Payroll Expenses	Payroll Liabilities	Comp. SS Tax
Social Security Employee	Federal Tax	6.2%	94,200.00		Payroll Liabilities	SS Tax
CA - Withholding	State Withholding Tax				Payroll Liabilities	SWH
CA - Disability Employee	State Disability Tax	0.8%	79,418.00		Payroll Liabilities	SDI
CA - Unemployment Company	State Unemployment...	5.25%	7,000.00	Payroll Expenses	Payroll Liabilities	Comp. SUI
CA - Employee Training Tax	Other Tax	0.1%	7,000.00	Payroll Expenses	Payroll Liabilities	Co. Paid Other Tax
Direct Deposit	Direct Deposit				Direct Deposit Liabilities	None

Figure 31—Sample Payroll Item Listing Report

The Payroll Item Listing report is a useful tool for verifying the setup of Payroll Items in QuickBooks because you can see at one glance if Payroll Items are coded correctly.

Another way to review the setup is to select **Payroll Item List** from the Lists menu. At the bottom of the window, choose **Payroll Item** menu, then **Customize Columns** as shown in **Figure 32**.

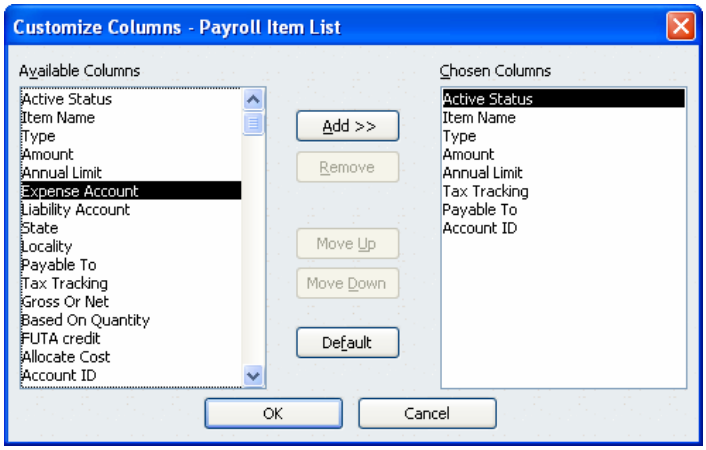


Figure 32—Customize Columns on the Payroll Item List

Click on the Columns you want to appear on your Payroll Item List in the **Available Columns** section, then click **Add**. You can re-order the columns by choosing **Move Up** or **Move Down**. See **Figure 33** for the columns that were added for the liability and expense accounts on the Payroll Item list so they can be viewed at a glance at any time.

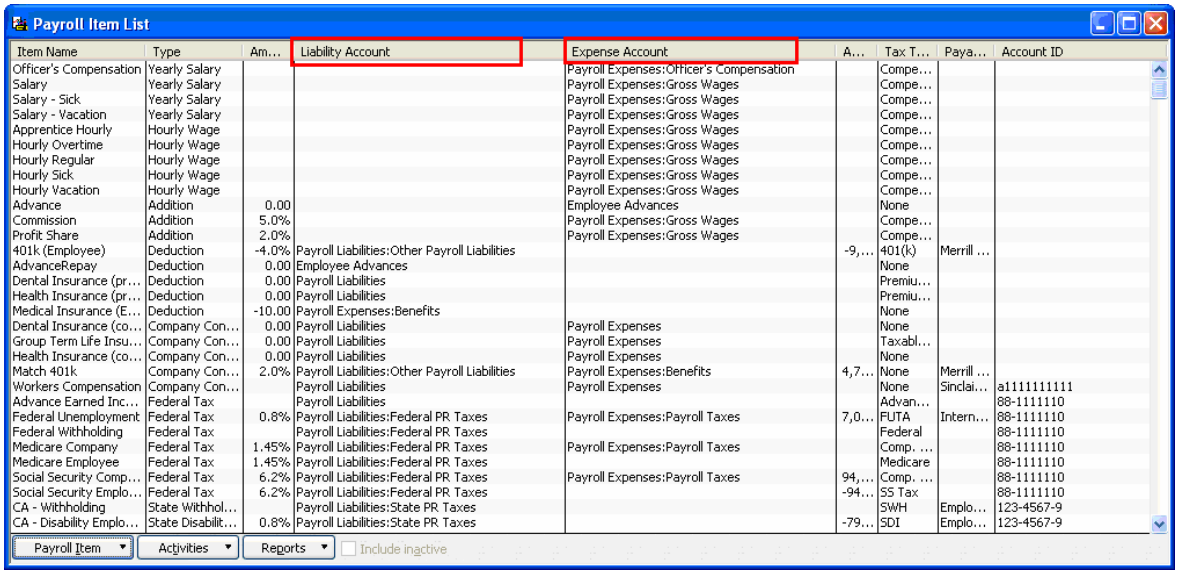


Figure 33—Payroll Item List with Additional Columns for Expenses and Liabilities

Payroll Item Detail Report

The **Payroll Item Detail** report displays for each Payroll Item all transactions affecting that Payroll Item during the time period covered by the report. As shown in **Figure 34**, the Payroll Item Detail report displays the following information regarding each payroll transaction:

- Date
- Source Name
- Payroll Item
- Type
- Wage Base
- Amount

This report can be useful in determining which paychecks during a date range contain certain types of transactions – 401(k) deductions for example.

9:45 PM
12/15/07

Rock Castle Construction
Payroll Item Detail
December 1, 2007

Num	Date	Source Name	Payroll Item	Type	Wage Base	Amount
Salary						
	12/01/2007	Dan T. Miller	Salary	Paycheck	0.00	1,596.15
Total Salary					0.00	1,596.15
Overtime Rate						
	12/01/2007	Elizabeth N. Mason	Overtime Rate	Paycheck	0.00	0.00
	12/01/2007	Gregg O. Schneider	Overtime Rate	Paycheck	0.00	0.00
Total Overtime Rate					0.00	0.00
Regular Pay						
	12/01/2007	Elizabeth N. Mason	Regular Pay	Paycheck	0.00	1,180.00
	12/01/2007	Gregg O. Schneider	Regular Pay	Paycheck	0.00	1,380.00
Total Regular Pay					0.00	2,560.00
Sick Hourly						
	12/01/2007	Elizabeth N. Mason	Sick Hourly	Paycheck	0.00	0.00
	12/01/2007	Gregg O. Schneider	Sick Hourly	Paycheck	0.00	0.00
Total Sick Hourly					0.00	0.00
Vacation Hourly						
	12/01/2007	Elizabeth N. Mason	Vacation Hourly	Paycheck	0.00	0.00
	12/01/2007	Gregg O. Schneider	Vacation Hourly	Paycheck	0.00	0.00
Total Vacation Hourly					0.00	0.00
Advance Earned Income Credit						
	12/01/2007	Dan T. Miller	Advance Earned Income C...	Paycheck	1,596.15	0.00
Total Advance Earned Income Credit					1,596.15	0.00

Figure 34—Payroll Item Detail Report

Payroll Detail Review Report

The **Payroll Detail Review** report provides a detailed look at each payroll item on all paychecks for the period under report. As shown in **Figure 35** the report provides the following data by default:

- Date
- Payroll Item
- Date/Time of Transaction Entry
- Payroll Tax Table Version
- Income Subject to Tax
- Wage Base
- Payroll Tax Rate
- Whether the Calculated Amount of the Payroll Item was Edited by the User
- Amount of the Payroll Item on the Paycheck
- Calculated Amount of the Payroll Item on the Paycheck
- Difference Between Amount of Item on a Paycheck and the Calculated Amount of that Item

Because the Payroll Detail Review report indicates which calculations have been overridden, it can be very useful in identifying those payroll-related transactions which are incorrect due to manual override.

9:54 PM
12/15/07

Rock Castle Construction

Payroll Detail Review

December 1, 2007

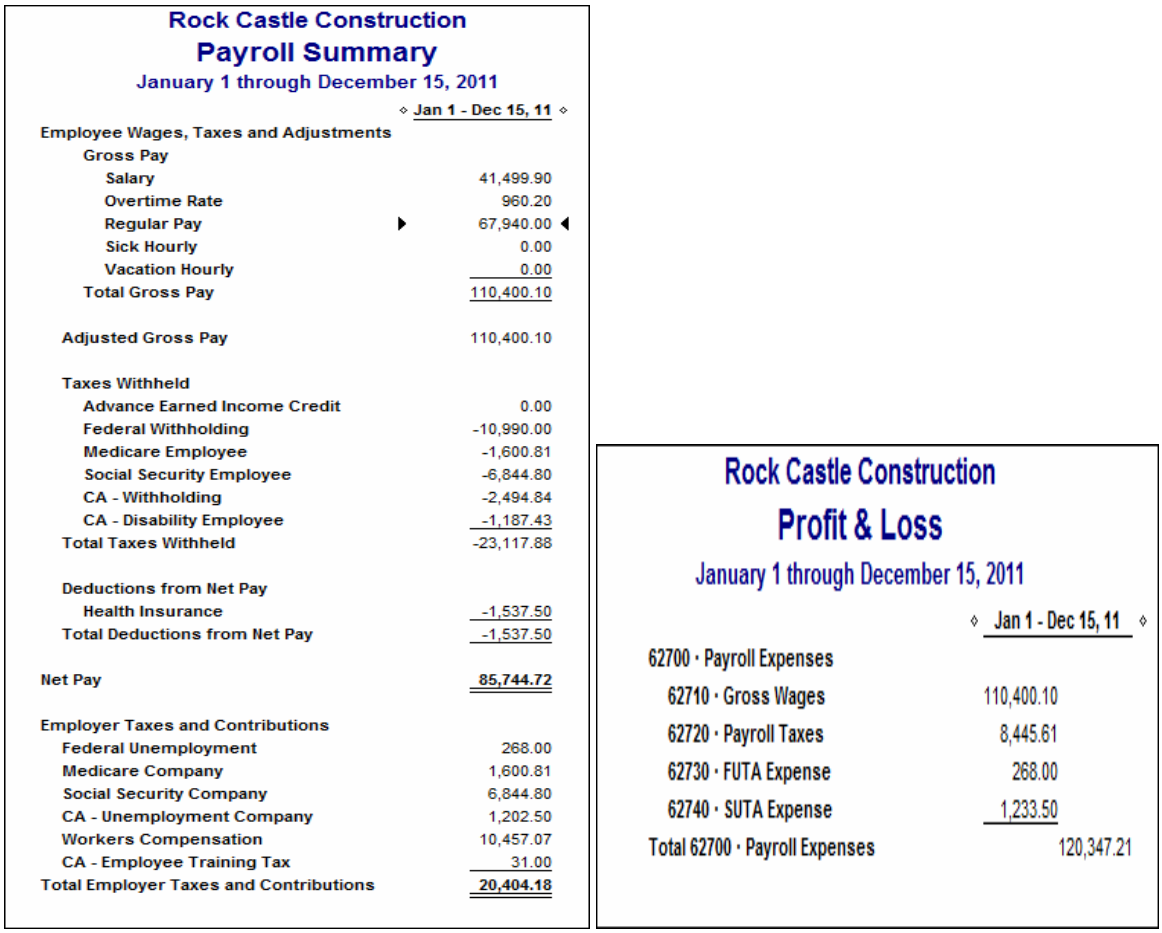
Date	Entered/Last Mod...	Tax Table ...	Income Subject...	Wage Base	Payroll Tax...	User E...	Amount	Calculated Amo...	Amount Differe...
Dan T. Miller									
Salary									
12/01/2007	12/15/2007 16:58:14	20408	0.00	0.00		N	1,596.15	1,596.15	0.00
Total Salary			0.00	0.00			1,596.15		
Advance Earned Income Credit									
12/01/2007	12/15/2007 16:58:14	20408	1,596.15	1,596.15		N	0.00	0.00	0.00
Total Advance Earned Income Credit			1,596.15	1,596.15			0.00		
Federal Withholding									
12/01/2007	12/15/2007 16:58:14	20408	1,596.15	1,596.15		N	-112.00	-112.00	0.00
Total Federal Withholding			1,596.15	1,596.15			-112.00		
Medicare Employee									
12/01/2007	12/15/2007 16:58:14	20408	1,596.15	1,596.15	1.45%	N	-23.15	-23.15	0.00
Total Medicare Employee			1,596.15	1,596.15			-23.15		
Social Security Employee									
12/01/2007	12/15/2007 16:58:14	20408	1,596.15	1,596.15	6.2%	N	-98.96	-98.96	0.00
Total Social Security Employee			1,596.15	1,596.15			-98.96		
Federal Unemployment									

Figure 35—Payroll Detail Review Report

Comparing the Profit and Loss report to the Payroll Summary Report

To verify the accuracy of the amounts on the Profit & Loss report, compare the Profit & Loss report to the Payroll Summary report for the same period. You should be able to match the numbers on the Payroll Summary to the Profit & Loss report. See **Figure 36**.

If the numbers do not match, you may need to investigate the reason why they don't match. Many times, this is due to other transactions that are not payroll transactions, such as checks, bills, and deposits, that may have been incorrectly coded to a payroll account.



Rock Castle Construction
Payroll Summary
January 1 through December 15, 2011

	Jan 1 - Dec 15, 11
Employee Wages, Taxes and Adjustments	
Gross Pay	
Salary	41,499.90
Overtime Rate	960.20
Regular Pay	67,940.00
Sick Hourly	0.00
Vacation Hourly	0.00
Total Gross Pay	110,400.10
Adjusted Gross Pay	110,400.10
Taxes Withheld	
Advance Earned Income Credit	0.00
Federal Withholding	-10,990.00
Medicare Employee	-1,600.81
Social Security Employee	-6,844.80
CA - Withholding	-2,494.84
CA - Disability Employee	-1,187.43
Total Taxes Withheld	-23,117.88
Deductions from Net Pay	
Health Insurance	-1,537.50
Total Deductions from Net Pay	-1,537.50
Net Pay	85,744.72
Employer Taxes and Contributions	
Federal Unemployment	268.00
Medicare Company	1,600.81
Social Security Company	6,844.80
CA - Unemployment Company	1,202.50
Workers Compensation	10,457.07
CA - Employee Training Tax	31.00
Total Employer Taxes and Contributions	20,404.18

Rock Castle Construction
Profit & Loss
January 1 through December 15, 2011

	Jan 1 - Dec 15, 11
62700 · Payroll Expenses	
62710 · Gross Wages	110,400.10
62720 · Payroll Taxes	8,445.61
62730 · FUTA Expense	268.00
62740 · SUTA Expense	1,233.50
Total 62700 · Payroll Expenses	120,347.21

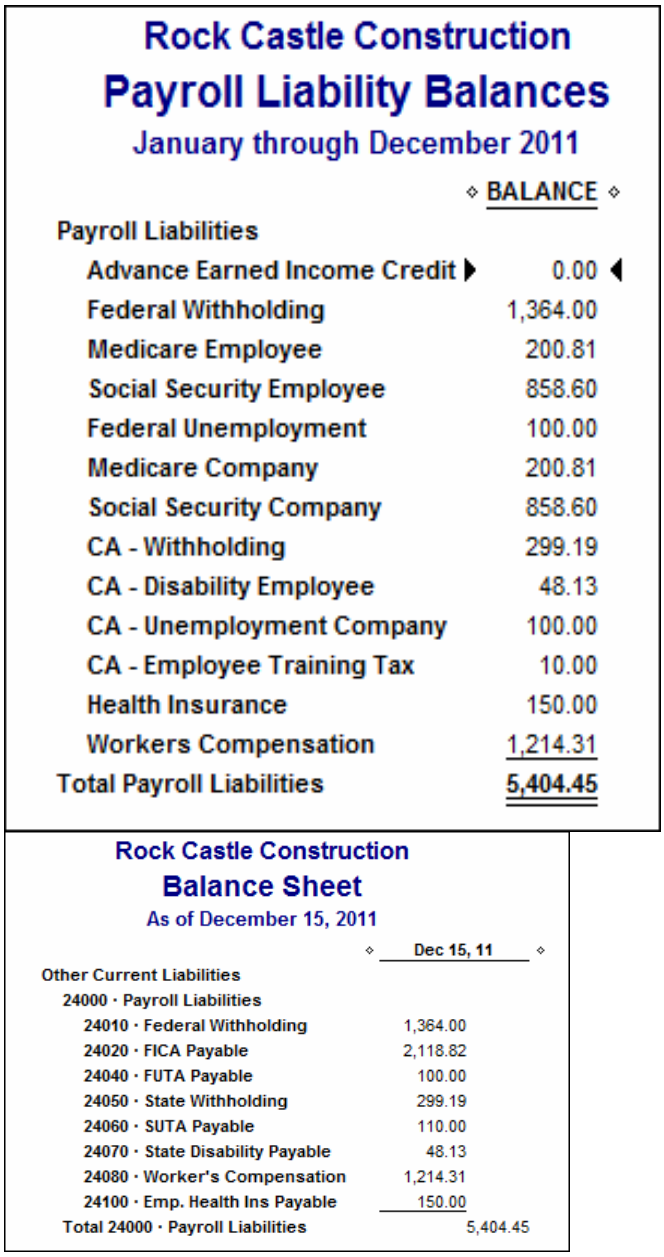
Figure 36—Comparing the P&L to the Payroll Summary Report

Comparing the Balance Sheet with the Payroll Liability Balances Report

To verify the information that appears on the Balance Sheet with the information in payroll, run a Payroll Liability Balances report to compare the two to each other. See **Figure 37**.

As with the Profit & Loss report above, if there are any discrepancies, it is probably due to the fact the incorrect items were posted to the payroll accounts.

You should now be able to see why we split up all of the liability and expense accounts into all of their separate parts earlier in this guide. It makes it easier to match up amounts in the Payroll Liability Balances report to the Balance Sheet.



Rock Castle Construction
Payroll Liability Balances
January through December 2011

	BALANCE
Payroll Liabilities	
Advance Earned Income Credit	0.00
Federal Withholding	1,364.00
Medicare Employee	200.81
Social Security Employee	858.60
Federal Unemployment	100.00
Medicare Company	200.81
Social Security Company	858.60
CA - Withholding	299.19
CA - Disability Employee	48.13
CA - Unemployment Company	100.00
CA - Employee Training Tax	10.00
Health Insurance	150.00
Workers Compensation	1,214.31
Total Payroll Liabilities	5,404.45

Rock Castle Construction
Balance Sheet
As of December 15, 2011

	Dec 15, 11
Other Current Liabilities	
24000 · Payroll Liabilities	
24010 · Federal Withholding	1,364.00
24020 · FICA Payable	2,118.82
24040 · FUTA Payable	100.00
24050 · State Withholding	299.19
24060 · SUTA Payable	110.00
24070 · State Disability Payable	48.13
24080 · Worker's Compensation	1,214.31
24100 · Emp. Health Ins Payable	150.00
Total 24000 · Payroll Liabilities	5,404.45

Figure 37—Comparing the Balance Sheet to the Payroll Liability Balances Report

PROCESSING PAYROLL TRANSACTIONS
Running Scheduled Payroll
Running Unscheduled Payroll
Paying Payroll Taxes
Recording Transactions from Outside Payroll Services

CHAPTER 3:
PROCESSING PAYROLL TRANSACTIONS

For most payroll processing, you'll use scheduled payroll. In this section, we'll review the procedures for running both scheduled and unscheduled payroll.

Running scheduled payroll

To create paychecks:

1. In the **Pay Employees** section of the **Payroll Center**, click to select the row containing the pay group for which you want to run payroll.
2. Click **Start Scheduled Payroll**.

   If you have not defined any payroll schedules, QuickBooks prompts you to set up the schedules now.

   Notice that all of the dates reflect when processing needs to be done. If any employees within a Payroll Group have direct deposit, the "Process Payroll by…" will reflect the two-business days prior to the check date by which payroll needs to be processed.
3. Make any necessary adjustments, and click **Continue**.
4. Review the data and calculations and click **Create Paychecks**.

   QuickBooks displays the window shown in **Figure 38** in which you can direct the printing of paychecks or paystubs.

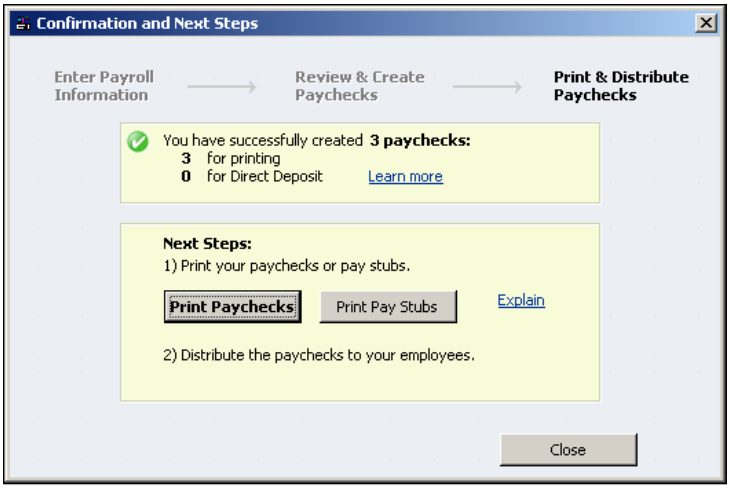


Figure 38—Confirmation and Next Steps Window

Running Unscheduled Payroll

If you need to run a payroll for one or more employees that do not fall within a regular pay cycle, you use unscheduled payroll to run the checks. You might also want to use unscheduled payroll to run any employee overtime checks that you didn't want to include in the regular payroll because including such pay in the regular check would over-withhold federal and state income taxes.

To run unscheduled payroll:

1. From in the **Pay Employees** section of the **Payroll Center**, click **Unscheduled Payroll**.

   When running an unscheduled payroll, all active employees are listed no matter what payroll group or frequency of pay they are assigned to.

2. Click to put a checkmark next to the name of each employee for which you want to create an unscheduled payroll.

   You will likely need to change the detail information for each employee you want to pay.

3. Click on the employee's name or click Open Paycheck Detail to edit that information (if necessary). See **Figure 39**.

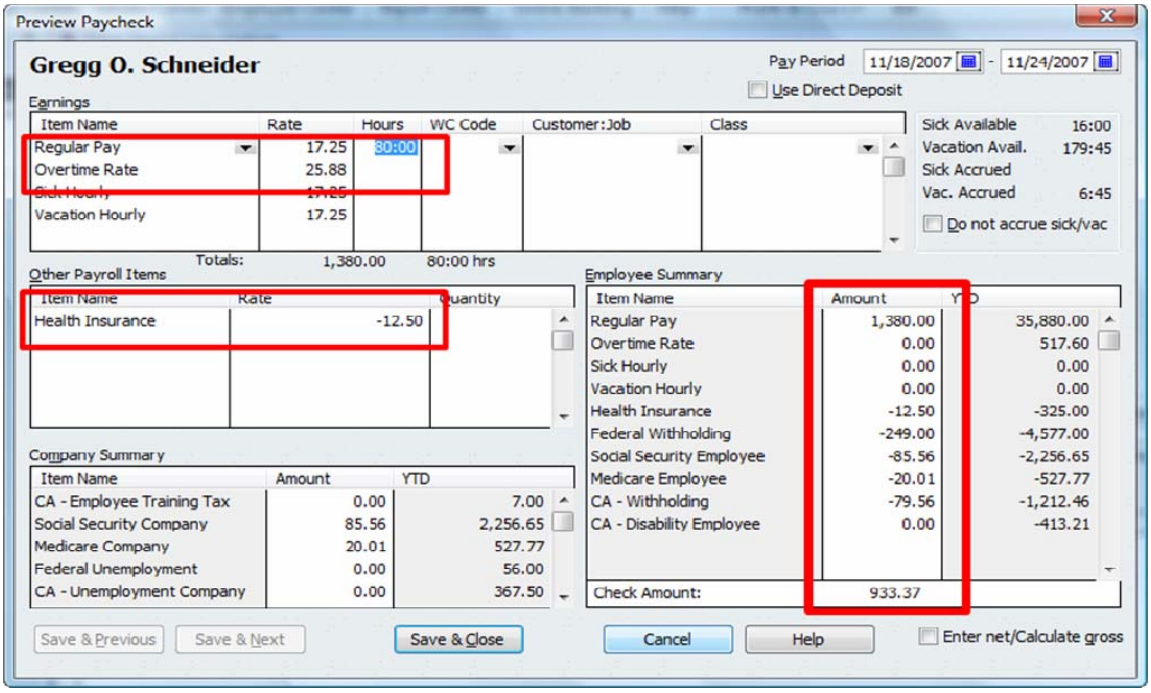


Figure 39—Editing Paycheck Detail when Running Unscheduled Payroll

Just like running any other regular payroll, the information from the employee file appears here, such as regular pay and any other deductions such as Health Insurance.

4. If you are running an unscheduled payroll, you have probably already withheld these deductions so when creating an unscheduled payroll for an employee, "zero out" any of the Other Payroll Items that do not pertain to this check.

5. Enter only the overtime hours and "zero out" the regular hours if they appear from the last paycheck.

Creating a Termination Check

You can now easily create a termination checks in QuickBooks. Although there are other methods to creating a termination check, the following illustrates the best way to create a termination check because of the minimal amount of processing steps required.

To create a termination check:

1. In the Pay Employees section of the Payroll Center, click Related Payroll Activities, and then choose Create Termination Check as shown in **Figure 40**.

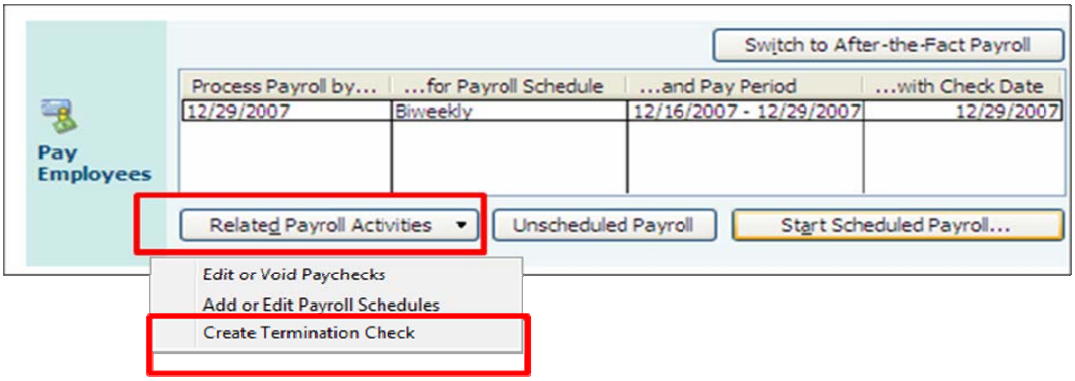


Figure 40—The Create Termination Check Option in the Payroll Center

2. In the window that displays, select the name of the employee to be terminated and enter the release date as shown in **Figure 41**.

   Be sure not to enter a termination in the employee file prior to processing a termination check because employees that have an existing termination date in their employee file are not listed in this window.

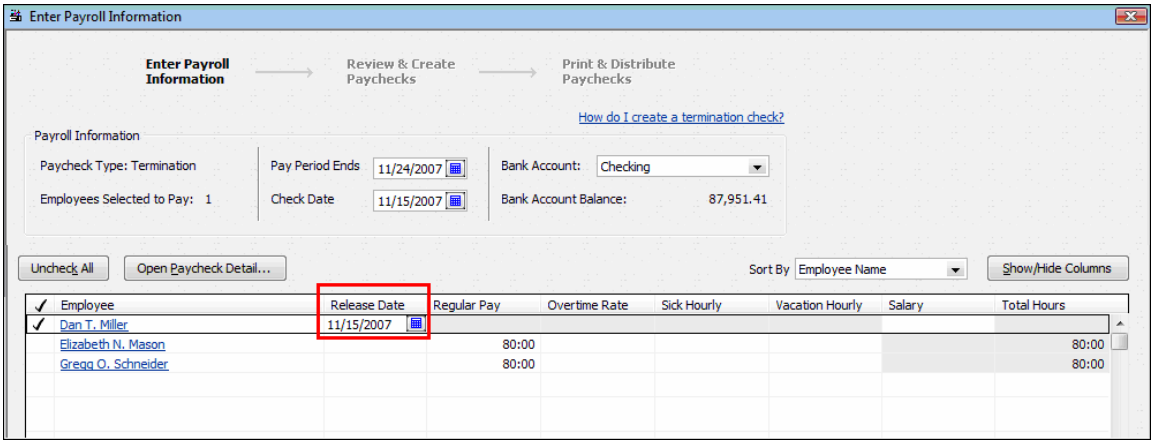


Figure 41—Entering Payroll Information for Termination Check

   You may need to remove other earnings and/or deductions from the paycheck detail screen manually (as necessary) to calculate the termination check accurately.

3. Make any adjustments to earnings or deductions and click **Continue**.
4. Click **Create Paychecks**.

Paying Payroll Taxes

In this section, we'll discuss how to pay the taxes owed after a payroll checks are created.

To be able to use E-pay to pay payroll taxes, you must have already enrolled in the federal and/or state program. To find out which states support E-pay, visit:
http://support.quickbooks.intuit.com/support/Payroll/Efp/QuickList.aspx

To pay payroll taxes:

1. From the **Employees** menu, choose **Payroll Center**.
2. In the **Pay Scheduled Liabilities** section, click to put a checkmark next to each tax you want to pay from the list that displays in the window shown in **Figure 42**.

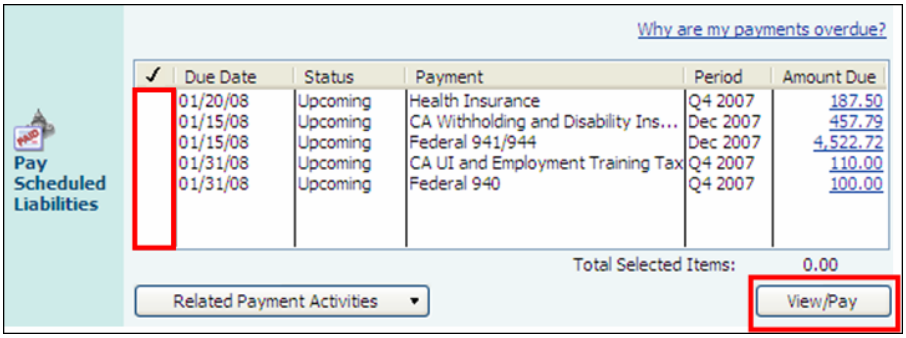


Figure 42

3. Click **View/Pay** to review the payments.

   QuickBooks displays the tax to be paid.

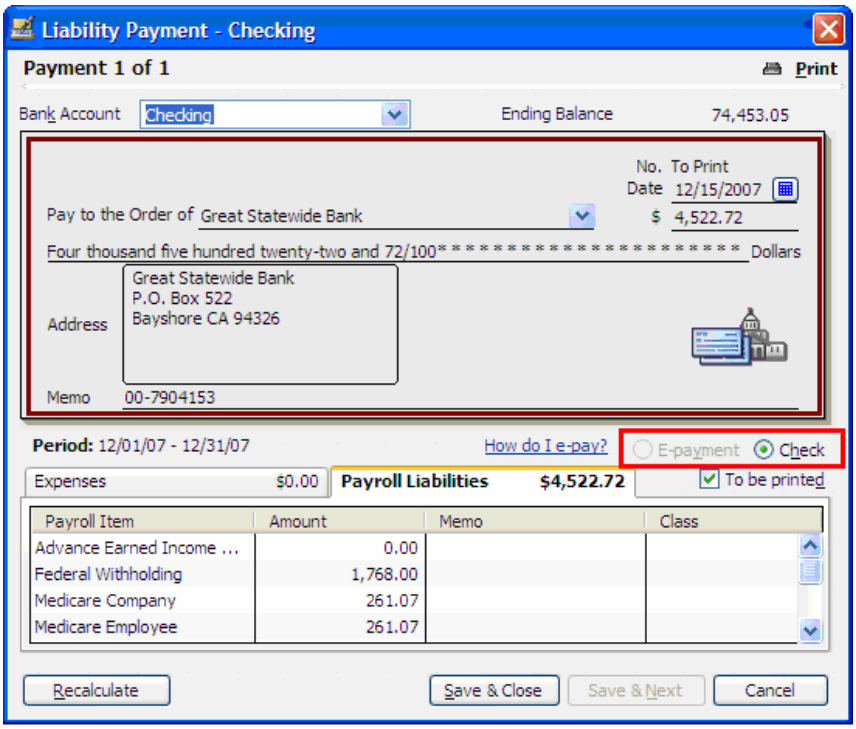


Figure 43—Liability Payment

4. Select a payment method.

   You can select check or e-payment. The default method for payment is what you selected when setting up the Due Date/Methods of payment for the taxes.

   For E-payments an E-pay button is available. Click that button to bring up the window in which you to enter the PIN number and password established when the e-payments were set up. Note that you will also be prompted for a phone number; this phone number must be 10 digits long and contain only the numbers themselves without any dashes or parentheses.

When troubleshooting a QuickBooks file to research an inaccurate payroll liability account, look to see if a check was created using the Write Checks window and not through the Payroll Liability function in QuickBooks. If so, the liability for payroll taxes will not be relieved. Instead, the liability would continue to grow, even though the check was issued to the proper agency. Another thing to look for is to see if a manual journal entry was recorded rather than an adjustment made through the Adjust Payroll function.

Recording Transactions from Outside Payroll Services

Clients using outside payroll services need to enter activity from the payroll service into QuickBooks so that their financial information is complete.

When using an outside payroll service, you must enter the information so that it shows in the checking account (or whichever account the client uses) so that the account can be reconciled. Some payroll services credit the entire amount of the payroll in one transaction to the bank account—including any outstanding printed checks. When this is the case, use the following procedure.

To record payroll information from external payroll services:

1. Review the reports from the payroll service for each payroll processed and identify with the client the numbers that need to be entered into QuickBooks.
2. Record the necessary payroll information using a journal entry in QuickBooks.

   Memorize the journal entry to facilitate future entries.

Many payroll services, however, show only the net amount in a lump sum for those employees who have direct deposit. For the employees for whom they print checks, the checks clear the bank individually as any other printed check from QuickBooks would. This presents a problem because you don't want to have to enter every single paycheck and all of the deduction and gross earnings detail for each employee who is paid by check.

Although the following method does not require you to enter each line of each individual check, it does require you to enter one check for each employee with the net check amount.

To record payroll information when entering individual checks from outside services:

1. Create an account called "Payroll Clearing" in which to hold the net checks for each payroll run.
2. When recording the journal entry to enter information from the payroll service in QuickBooks, code the net amount of any paper checks to the Payroll Clearing account.

   This "zeroes-out" the Payroll Clearing account after each payroll run and allows you to record and track each individual paycheck in the checking account.

Processing Payroll Forms

You should already be familiar with the basic steps involved with processing payroll tax forms within QuickBooks, so we won't review them here. We will review some information regarding filing federal and state forms electronically.

Starting with QuickBooks 2007, you can file 941/944, 940, and W-2's electronically. Similar to the procedure for E-pay, you must also enroll through QuickBooks that allows you to submit 941, 940, and 944s to the Social Security Administration. This enrollment is separate from the enrollment for e-pay and need to enroll to get the PIN number to use for submitting the quarterly reports. You can file W-2's electronically without going through an enrollment process and you do not need a PIN or password to submit to the proper agency.

Many states also allow you file quarterly forms electronically, but you will need to check with the individual state to find out what its requirements are.

You can visit the following site to determine which states support electronic filing of quarterly and/or annual tax form:

http://support.quickbooks.intuit.com/support/Payroll/Efp/QuickList.aspx

Filing federal or state forms electronically

To E-file federal or state forms:

1. Edit the payroll tax form data in the **Company Information** window and fill in the preparer information as shown in **Figure 44**.

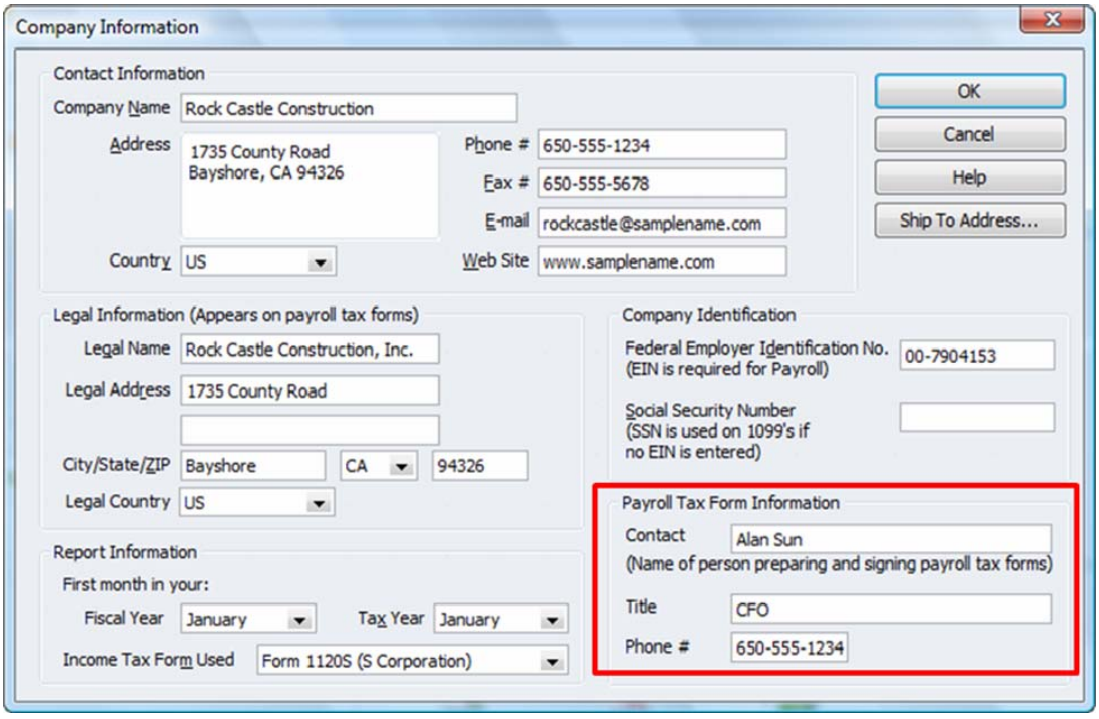


Figure 44—Entering Contact Information for Payroll Tax Forms

If you have a subscription to the Enhanced Payroll for Accountants, you can also fill in the third-party information/paid-preparer information within QuickBooks so you don't have to enter it every time. See **Figure 45**.

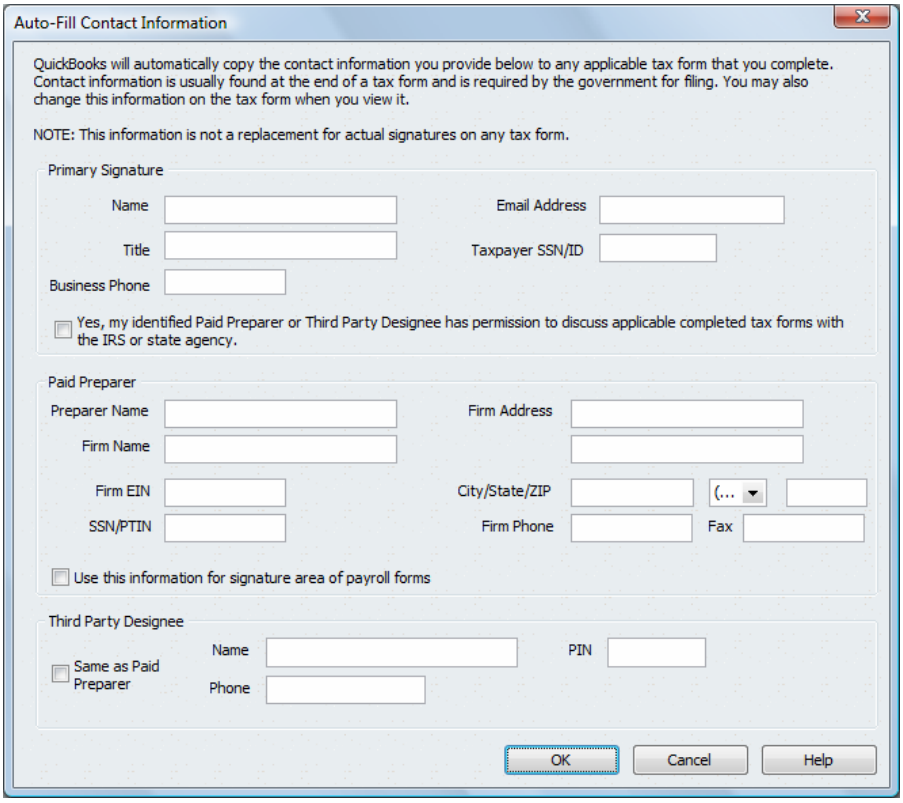


Figure 45—Auto-Fill Contact Information Window

2. From the **Payroll Center**, select **Process Payroll Forms**, and then select Federal or State as shown in **Figure 46**.

Basic payroll subscribers cannot print federal or state forms. However, clients with Basic payroll subscriptions can send their files to you at the end of each quarter, and you can add them to your Enhanced Payroll for Accountants subscription and process both the federal and state forms for them.

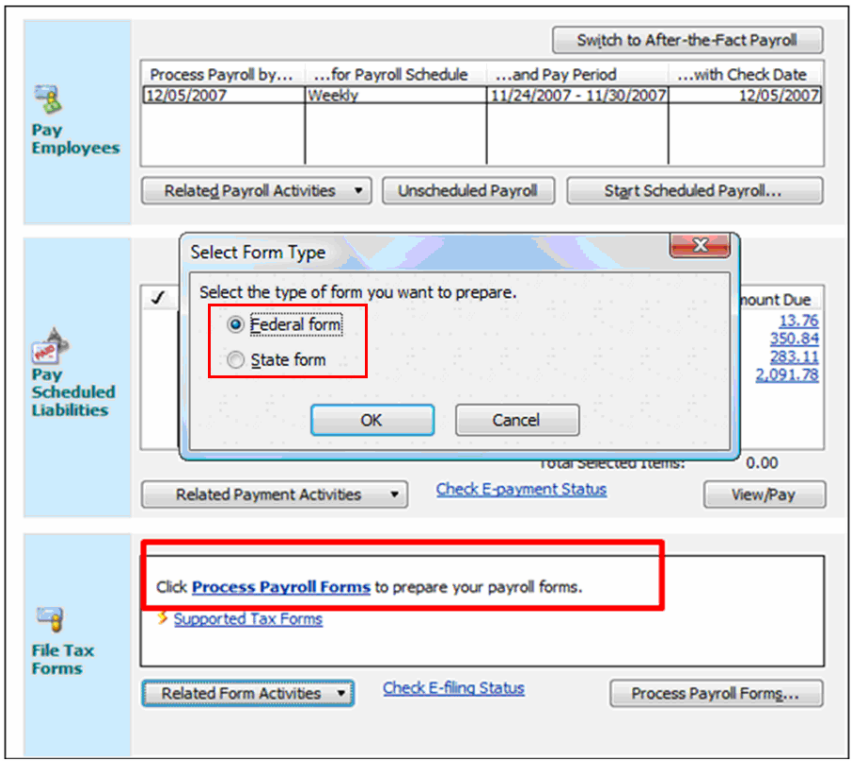


Figure 46—Selecting the Type of Form to File

3. Select the form and the filing period.
4. Print a copy for yourself.
5. Click **E-file Federal Forms** as shown in **Figure 47**.

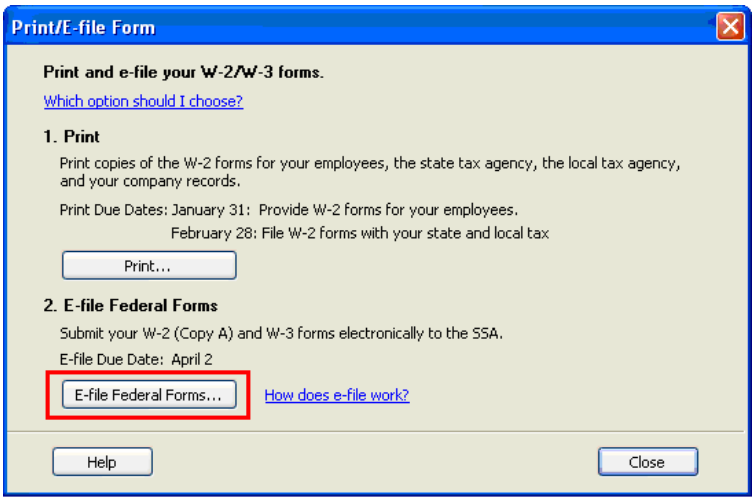


Figure 47—Print or E-file Forms Window

Depending on the form, you will be given the opportunity to fill in additional information such as a PIN number and phone number before you can submit the form. The window in **Figure 48** is an example of the window you'll see when filing W-2's electronically. Note that the only information required to submit these is an e-mail address.

Figure 48—Login Window for E-filing W-2s