Doing Payroll With QuickBooks

Lesson 12

Lesson objectives

- To gain an overview of payroll in QuickBooks
- To learn more about payroll setup
- To set up employee payroll information
- To set up payroll schedules
- To practice writing and printing a payroll check
- To learn how QuickBooks tracks your tax liabilities
- To practice paying payroll taxes

Setting up for payroll

To turn payroll off in a company data file:

- From the Edit menu, choose Preferences, and click Payroll & Employees in the left panel.
- Click the Company Preferences tab and select No payroll.
- Click OK.

Setting up for payroll

To view the Payroll Item list:

1. From the Employees menu, choose Manage Payroll Items, and then choose View/Edit Payroll Item List. (You must have payroll turned on to see this choice.)
2. Close the Payroll Item list.

Setting up for payroll

To add a payroll item:

1. From the Employees menu, choose Manage Payroll Items, and then choose View/Edit Payroll Item list.
2. Click the Payroll Item menu button, and then choose New.
3. Leave EZ Setup selected and click Next.
4. Select the type of payroll item you want to create. Then, click Next .
5. Follow the onscreen instructions.
6. When you are done, click Finish.
7. Close the Payroll Item List.

Setting up employee payroll information

To view information stored in the Employee list:

1. Click Employee Center on the icon bar.
2. Select Dan T. Miller in the list, and then click Edit Employee.
3. Click the Address and Contact tab.
4. Click the Additional Info tab.
5. In the Change tabs drop-down list, select Payroll and Compensation Info.
6. Click Taxes.
7. Click the State tab to review the state withholdings.
8. Click OK to return to the Edit Employee window.
9. Click OK again to return to the Employee Center.

Using employee defaults to store common information

To view employee defaults:

1. With the Employee Center displayed, choose Change New Employee Default Settings from the Manage Employee Information menu button.
2. Select the Use time data to create paychecks checkbox to include pay for time entered using the time tracking feature.
3. In the Additions, Deductions and Company Contributions area, click in the Item Name column, and then choose Health Insurance from the drop-down list.
4. In the Amount column, type 50 and press Tab.

Using employee defaults to store common information

To view employee defaults:

5. Click Taxes.
6. Click Cancel to close the Taxes Defaults window.
7. Click Sick/Vacation.
8. Click Cancel to close the Sick & Vacation Defaults window.
9. Click OK to close the Employee Defaults window.

Setting up payroll schedules

To define a payroll schedule:

1. From the Employees menu, choose Add or Edit Pay Schedules.
2. Click the Payroll Schedule menu button, and then choose New.
3. Type Monthly in the “What do you want to name this payroll schedule?” field.
4. Press Tab and select Monthly as the pay frequency.
5. Press Tab and select 12/31/2015 as the pay period end date.

Setting up payroll schedules

To define a payroll schedule:

6. Press Tab and select 12/31/2015 as the date that should appear on the checks.
7. Press Tab and choose Last day of the month from the drop-down menu.
8. Click OK.
9. To define the pay schedule for the employees paid weekly, click the Payroll Schedule menu button, and then choose New.

Setting up payroll schedules

To define a payroll schedule:

10. Type Weekly in the “What do you want to name this payroll schedule?” field.
11. Press Tab and select Weekly as the pay frequency.
12. Press Tab and select 12/22/2015 as the pay period end date.
13. Press Tab and select 12/22/2015 as the date that should appear on the checks.
14. Click OK.
15. Close the Payroll Schedule List.

Assigning employees to payroll schedules

To assign a pay schedule:

1. From the Employees menu, choose Employee Center.
2. Click the Employees tab if it is not already selected.
3. Select Dan T. Miller and then click Edit Employee.
4. In the Edit Employee window, choose Payroll and Compensation Info from the Change tabs drop-down list.
5. From the Payroll Schedule drop-down list, select Monthly.

Assigning employees to payroll schedules

To assign a pay schedule:

6. Click OK.
7. Select Elizabeth Mason from the Employee List and click Edit Employee.
8. In the Edit Employee window, choose Payroll and Compensation Info from the Change tabs drop-down list.
9. From the Payroll Schedule drop-down list, select Weekly.
10. Click OK.
11. Repeat the steps for Gregg Schnieder and assign him to the Weekly pay schedule.

Adding a new employee

To add a new employee:

1. With the Employee Center displayed, click New Employee.
2. On the Personal tab, enter the employee data.
3. On the Address and Contact tab, enter the employee data.
4. In the Change tabs drop-down list, select Employment Info.
5. In the Hire Date field, enter 11/28/2015.
6. In the Change tabs drop-down list, select Payroll and Compensation Info.

Adding a new employee

To add a new employee:

7. In the Earnings section of the window, click the Item Name column and press Tab.
8. In the Hour/Annual Rate column for the Regular Pay payroll item, type 15. Then press Tab.
9. From the Pay Schedule drop-down list, choose Weekly.
10. Click Taxes.
11. From the Filing Status drop-down list, choose Married.
12. Click State.
13. In the Filing Status field, choose Married (two incomes).

Adding a new employee

To add a new employee:

14. Click OK.
15. In the Additions, Deductions, and Company Contributions area, type 15 in the Amount column for Health Insurance and press Tab.
16. Click OK.
17. When QuickBooks asks whether you want to set up additional payroll information, click Leave As Is.
18. Leave the Employee Center open.

Running a payroll schedule

To run a paycheck:

1. In the Employee Center, click the Payroll tab.
2. In the Pay Employees section, select the Weekly pay schedule.
3. Click Start Scheduled Payroll.
4. Click in the Regular Pay column for Gregg O. Schneider's name and enter 40.
5. Click in the Regular Pay column for Michael M. Wilhite's name and enter 25.
6. Click Continue.

Running a payroll schedule

To run a paycheck:

7. In the Employee column, click Michael M. Wilhite. (Be sure to click the underlined link for the employee name.)
8. Click Save & Close to return to the Review and Create Paychecks window.
9. Click Create Paychecks.
10. You don't want to print the paychecks now, so click Close.
11. Close the Payroll Center.

Viewing the paycheck

To view the paycheck from the register:

1. From the Lists menu, choose Chart of Accounts.
2. Double-click Checking.
3. Select the paycheck transaction for Michael M. Wilhite, and click Edit Transaction.
4. Click Save & Close to close the Paycheck – Checking window.
5. Close the checking account register, but leave the chart of accounts open.

Printing paychecks and paycheck stubs

To print a paycheck:

1. From the File menu, choose Print Forms, and then choose Paychecks.
2. In the First Check Number field, type 301.
3. Make sure there's a checkmark next to all the employee names, and then click OK.
4. Click Print.

Tracking your tax liabilities

To display the payroll expenses QuickReport:

1. In the Chart of Accounts window, select the Payroll Expenses account.
2. From the Reports menu button, choose QuickReport: Payroll Expenses.
3. From the Dates drop-down menu, choose This Month.
4. Close the QuickReport.
5. In the chart of accounts, double-click the Payroll Liabilities account.
6. Close the register.
7. Close the chart of accounts.

Paying payroll taxes

To create a payroll liabilities report:

1. From the Reports menu, choose Employees & Payroll, and then choose Payroll Liability Balances.
2. Click Modify Report, select Display columns by Year across the top, and then click OK.
3. Close the report.
4. Click No at the message asking if you'd like to memorize the report.

Writing a check for payroll taxes

To pay payroll liabilities:

1. From the Employees menu, choose Payroll Taxes and Liabilities, and then click Create Custom Liability Payments.
2. In the “From” field type 11/30/2015, and then type 12/15/2015 in the “Through” field.
3. Click OK.
4. Click in the column to the left of the Federal Withholding payroll item.
5. Click in the column to the left of the Medicare Company payroll item.

Writing a check for payroll taxes

To pay payroll liabilities:

6. Click in the column to the left of the Social Security Company payroll item.
7. Make sure Review liability check to enter expenses/penalties is selected and then click Create.
8. In the Memo field, type EIN 96-4820567, Form 941.
9. Click Save & Close to record the check.
10. Click Yes if QuickBooks asks if you wish to save changes made to this transaction.

LESSON 12 Review questions and activities

Lesson 12: Doing payroll with QuickBooks

Review questions

1 What is required in order for QuickBooks to calculate payroll?

_____________ _________________________________

2 Which two accounts are typically linked to payroll items?

a ____

b ____

3 Which of the following are QuickBooks payroll item types?

a Compensation

b Paid Time Off

c Retirement Benefits

d All of the above

4 What report would you run to determine how much you owe in payroll taxes?

____

5 What QuickBooks feature would you use to make setting up payroll easier when a number of employees have the same hourly wage, payroll schedule, and base deductions?

a Tax tables

b Employee defaults

c Payroll items

d Assisted payroll

6 True or false: Payroll schedules are required to run payroll in QuickBooks.

a True

b False

7 Payroll schedules help you do which of the following?

a Group employees with the same pay frequency

b Write bonus checks

c Prepare termination checks

d Pay payroll tax liabilities

Review activities

1. Add a salaried employee to the Employee Center. Enter the employee's personal information, their yearly salary, federal and state tax information, and at least one additional paycheck deduction. Assign the employee to the Monthly payroll schedule.
2. Run the Monthly payroll schedule and process a paycheck for the new employee. Then, view the check in QuickBooks. Open at least one payroll liability account register to see how the paycheck changes the account's balance.
3. Select one of the payroll expense accounts from the chart of accounts. Create a QuickReport for that expense account.

Lesson 12: Doing payroll with QuickBooks

Review questions

1 What is required in order for QuickBooks to calculate payroll?

Tax tables

2 Which two accounts are typically linked to payroll items?

- **a** *Payroll Liabilities*
- **b** *Payroll Expenses*

3 Which of the following are QuickBooks payroll item types?

- **a** Compensation
- **b** Paid Time Off
- **c** Retirement Benefits
- **d** *All of the above*

4 What report would you run to determine how much you owe in payroll taxes?

Payroll Liability Balances

5 What QuickBooks feature would you use to make setting up payroll easier when a number of employees have the same hourly wage, payroll schedule, and base deductions?

- **a** Tax tables
- **b** *Employee defaults*
- **c** Payroll items
- **d** Assisted payroll

6 True or false: Payroll schedules are required to run payroll in QuickBooks.

- **a** True
- **b** *False. You can still run payroll using Special Payroll in the Payroll Center.*

7 Payroll schedules help you do which of the following?

- **a** *Group employees with the same pay frequency*
- **b** Write bonus checks
- **c** Prepare termination checks
- **d** Pay payroll tax liabilities

