

## Payroll Procedure Outline

**Important!** Use the QB Payroll Screens to pay and print Employee paychecks and to pay and print Payroll Liability checks for both employee withholdings and employer expenses. Do NOT create paychecks and payroll liability checks in the Write Check Screen or directly in the Checking Register!!!!

### Here is a Quick Overview of the step-by-step Payroll Procedure.

For a list of all Payroll procedures, visit the [Payroll](#) Procedures web site.

**Payroll Item Setup** (see procedure "[Employer Payroll Items](#)" for details)

- ★ Edit Payroll Items (**List, Payroll Items**) to be certain that...
  - ◆ All "company contributions" items are tracked by Job (and Class) under **Edit, Preferences.**
  - ◆ Correct Payroll Vendor Name is identified.

**Employee Data Setup** (see procedure "[Setting Up Employees](#)" for details)

- ★ Enter Employee Data (**Employees, Employee Center, Edit employee**)...
  - ◆ Employee monthly or hourly salary
  - ◆ employee tax and benefits withholdings
  - ◆ employer-paid tax and benefit expenses

**Pay Employees** (see procedure "[Prepare Employee Pay Checks](#)" for details)

- ★ Collect Employee **Time Sheets**, signed and approved by the appropriate supervisor.
- ★ **Employees** (from menu bar), **Payroll Center, Pay Employees**
- ★ Review bank account, pay period, check date
- ★ Select the employee(s) to pay.
- ★ Review Federal, Medicare, Social Security, State, and all Employee withholding amounts.
- ★ Review Employer-Paid Medicare, Social Security and any benefit expenses in the "Company Summary" box.
- ★ Make changes where necessary.
- ★ Print Employee Paychecks.

**Pay Payroll Liabilities** (see procedure "[Pay Payroll Taxes and Benefits](#)" for details)

- ★ **Employees** (from menu bar), select **Payroll taxes and liabilities**, select **Create Custom Liability Payments.**
- ★ **Select date range.** Retain **01/01/<current year>** for beginning date.
- ★ Be sure "**to be printed**" is checked!!
- ★ Select the Payroll Vendors to Pay. Most months, you will select all payroll vendors, except the State Withholding (which is paid quarterly).

#### Print Payroll Liability Checks

Once you select the Payroll Vendors to Pay, they are listed in the "Checks waiting to be printed" with other non-payroll checks.

- ★ **File, Print forms, Checks.**

**Process and Print 941 or 944 Form** (see procedure "[941,944 Tax Forms](#)" for details)

- ★ **Employees** (from menu bar), **Payroll Center, Process Payroll forms.**
- ★ Select options: Create, Preview, Edit or Print

*QB will print the data and the 941 or 944 form, if you subscribe to the Standard Payroll Service.*

**Process W<sub>2</sub> and W<sub>3</sub> Forms** (see procedure "[W2 Form Guidelines](#)" for details)

- ★ **Employees** (from menu bar), **Payroll Center, Process Payroll forms.**
- ★ Print W<sub>2</sub> and W<sub>3</sub> forms directly from QuickBooks, if you subscribe to the Standard Payroll Service.

## How Payroll transactions are created

QuickBooks creates a transaction for each of the amounts listed below.

### Employee Paycheck

	<b>Debit</b>	<b>Credit</b>
2730-Salary Expense	2,000.00	
9010-Fed. Withholding Payable		100.00
9020-Soc.Sec.Tax Payable		50.00
9025-Medicare Tax Payable		30.00
9030-State Tax Payable		20.00
9055-MCHCP Medical payable		100.00
9070-Retirement PEBSCO Payable		20.00
0050-Checking Account (Cash) Net Pay		1,680.00
2820-Social Security Expense (employer)	50.00	
9020-Soc.Sec.Tax Payable (employer)		50.00
2825-Medicare Tax Expense (employer)	30.00	
9025-Medicare Tax Payable (employer)		30.00
2860-Retirement PEBSCO Expense (employer)	100.00	
9070-Retirement PEBSCO Payable (employer)		100.00

**Class Tracking** is recorded for all amounts under the Debit column. Items under the Debit column are Expense accounts.

### Payroll Liability Check

#### Check for Bank or IRS

	<b>Debit</b>	<b>Credit</b>
9010-Fed. Withholding Payable	100.00	
9020-Soc.Sec. Tax Payable	50.00	
9020-Soc.Sec. Tax Payable	50.00	
9025-Medicare Tax Payable	20.00	
9025-Medicare Tax Payable	20.00	
0050-Checking Account (Cash)		240.00

#### Check for Retirement Benefit

9055-MCHCP Medical Payable	100.00	
9070-Retirement PEBSCO Payable	20.00	
9070-Retirement PEBSCO Payable	100.00	
0050-Checking Account (Cash)		220.00

All Payroll Liability check transactions use the 9xxx payroll liability accounts to offset the outstanding liabilities. No class code is assigned for payroll liabilities because the amounts are tracked by Class in the Payroll expense accounts, 2730 or 28xx.

State Withholding Tax Payable will increase each month until the end of the quarter when the total 3 months are paid.