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Payroll Tax Credit or Discount

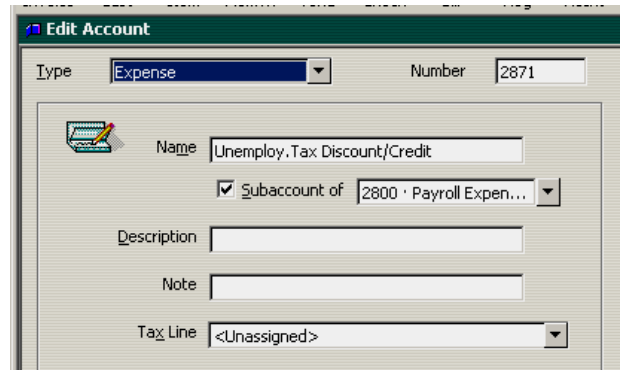
Occasionally, the employer (extension council) may receive a notice from a government entity stating that a credit or discount is due to the employer. This credit or discount may result from an overpayment from a prior pay period or tax year. The tax in question will continue to be posted as an employer tax expense. The credit or discount will be applied when the payroll liability check is created.

- ✚ Create a contra-expense account to track payroll tax credits or discounts.
- ✚ Create the payroll liability check with the full amount of tax due.
- ✚ Apply the tax credit or discount in the payroll liability check transaction and Recalculate the amount of tax due.

Note: Do not use the payroll liability Adjustment screen to apply the tax credit/discount.

Create a contra-expense account to track payroll tax credits or discounts.

- ✚ Open the **Chart of Accounts**. Lists, Chart of Accounts.
- ✚ Click the **Accounts** button at bottom left of window. Click **New**.
- ✚ Create a new **Expense account** as a **sub-account** under the appropriate employer payroll expense account.
For example, create 2871-Unemploy.Tax Credit/Discount under as a sub-account under 2870-Mo. Unemployment Compensation.



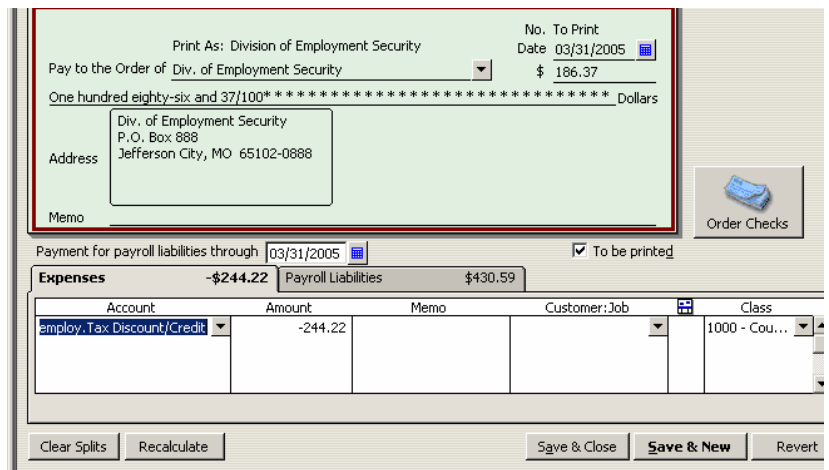
Apply the same concept to any Employer Tax Expense.

Create the payroll liability check with the full amount of tax due.

- ✚ Allow the Payroll Tax service to calculate the appropriate tax in each employee's paycheck transaction. Save the paycheck transaction.
- ✚ In the **Pay Payroll Liability** screen, specify a date range for your payroll liabilities.
- ✚ Select the payroll tax liability to pay, with the full amount of tax due.
- ✚ At the top of the window, click "**Review liability check to enter expenses/penalties,**" and click **Create** button.
(if the liability check is not the one you want to add the discount or credit to, click Next or Previous at the top of the window until the window displays the appropriate check.)

Apply the tax credit or discount in the payroll liability check transaction.

- ✚ In the Liability Check window, click the **Expenses** Tab.
- ✚ In the Account field, select the **contra-expense account** created to track the payroll tax discount or credit.
- ✚ Enter the amount of the discount or credit as a **negative number**.
- ✚ Select a class code for the expense. (A class code will not be applied to the liability).
- ✚ Click the **Recalculate** button to re-compute the amount of the check. Be certain that the total check amount decreased.
- ✚ **Save** the check.



Review appropriate **reports** in the **Expand view** to see the net effect of the credit/discount.