

Additional Medicare Tax User Guide for QuickBooks

Beginning tax year 2013, a new Additional Medicare Tax (a provision of the Affordable Care Act) of **0.9 percent** applies to individuals' Medicare taxable wages, compensation, or self-employment income that exceeds \$200,000 in a calendar year. Employers are responsible for withholding the Additional Medicare Tax from Medicare taxable wages and compensation paid to an employee.

If you pay wages in 2013 or later to employees who are subject to Medicare tax (regardless of whether you think you will ever pay any of them over \$200,000), **according to Intuit QuickBooks, you must set up this new payroll tax item.** This lets QuickBooks handle tracking, calculating, withholding, and reporting the Additional Medicare Tax appropriately and automatically so you don't have to worry about if or when to apply it.

What do I need to do in QuickBooks?

1. Downloaded the latest **Payroll Update**.

From the **Employees** menu in QuickBooks, choose **Get Payroll Updates**.

2. Open **Payroll Setup** and then close it in order to automatically set up the new Medicare Employee Addl Tax payroll tax item.

- From the **Employees** menu, select **Payroll Setup**.
- At bottom left corner of screen, select **Finish Later**.
- Click **OK** to dismiss the informational message.
- QuickBooks automatically creates the **Medicare Employee Addl Tax payroll tax item**.

3. Open the **Payroll Item List** to verify that the Medicare Employee Addl Tax was created. Scroll down to bottom of list.

From the **Lists** menu, select **Payroll Item List**.

City Tax Withholding	Other Tax	-1...
Medicare Employee Ad...	Other Tax	0.9...

3. In the Employee Center, review each **employee name** to determine if the Medicare Employee Addl Tax payroll tax item was added to the employee's record.

Double-click on an **employee name**.

Select the **Payroll Info** tab on the left side.

Select the **Taxes button** at upper right side.

Select the **Other tab**. The Medicare Employee Addl Tax should be included.

Click **Ok** to exit.

ITEM NAME	TYPE
Medicare Employee Addl Tax	Medicare Employee Addl Tax

Once you set up the payroll tax item, QuickBooks reports the Additional Medicare Tax on 2013 Form 941 and will report on Forms 944, 943, and W-2 if the IRS requires reporting on those forms.