QUICKBOOKS DESKTOP 2021 CLIENT TRAINING

Lesson 12

Payroll with QuickBooks

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COMPUBOOKS
Business Services

Lesson Objectives

- Gain an overview of payroll in QuickBooks
- Learn more about payroll setup
- Set up employee payroll information
- Set up payroll schedules
- Practice writing and printing a payroll check
- Learn how QuickBooks tracks your tax liabilities
- Practice paying payroll taxes

Setup for Payroll

Keep in mind you must subscribe to one of the available QuickBooks Payroll services that work with QuickBooks Desktop in order to run payroll in QuickBooks. However, you can test the features of QuickBooks Payroll using one of the sample companies such as Rock Castle Construction. Do not use this feature for actual payroll as the rates are not accurate.

If you want to turn on or off payroll in a company file, follow the procedure below.

Step-by-Step: Turn Payroll Off in a Company File

1. Make sure you are signed into the QuickBooks company as the Admin user. (If other users have been set up on other computers to access the company in multi-user mode, ensure they are not signed in and you are in single-user mode.)
2. From the Edit menu, choose **Preferences** → **Payroll & Employees** in the left panel.
3. To turn payroll off, click the **Company Preferences** → **No payroll**. To turn payroll on, in the same tab, select either **Full payroll** or **Online payroll**. If you are issuing paychecks but the calculations are manual in nature, click **Manual Payroll**. You will see a pop-up menu indicating the benefits of QuickBooks Payroll Services. (If you turn on payroll, you will be able to select the subscription of your choice from the **Employees** menu → **Payroll Center** → **Payroll Setup**.)
4. Click **OK**.

QuickBooks maintains a list for everything that affects the amount on a payroll check and for every company expense related to payroll. This list is called the Payroll Item List. There are payroll items for compensation, taxes, other additions and deductions, and employer-paid expenses. QuickBooks uses payroll items to track individual amounts on a paycheck and accumulated year-to-date wage and tax amounts for each employee.

Payroll items affect either Payroll Liabilities or Payroll Expenses on the Chart of Accounts by default (unless you make changes to their setup). However, you will be able to run detailed reports related to payroll based on the payroll items and how they are used in paychecks and payroll liabilities payments.

Step-by-Step: View the Payroll Item List

1. From the Employees menu of a QuickBooks sample company, choose **Manage Payroll Items → View/Edit Payroll Item List**. You can also access this list from **Lists → Payroll Item List**. (You must have payroll turned on to see this choice in an actual company.)

Payroll Item List

ITEM NAME	TYPE	AMOUNT	LIMIT	TAX TRACKING	PAYABLE TO	ACCOUNT ID
Salary	Yearly Salary			Compensation		
Sick Salary	Yearly Salary			Compensation		
Vacation Salary	Yearly Salary			Compensation		
Overtime Rate	Hourly Wage			Compensation		
Regular Pay	Hourly Wage			Compensation		
Sick Hourly	Hourly Wage			Compensation		
Vacation Hourly	Hourly Wage			Compensation		
Bonus	Bonus	0.00		Compensation		
Mileage Reimb.	Addition	0.45		Compensation		
Health Insurance	Deduction		-1,200.00	None		
Workers Compensation	Company Contribution			None	State Fund	
Advance Earned Income Credit	Federal Tax			Advance EIC Payment	Great Statewide Bank	00-7904153
Federal Unemployment	Federal Tax	0.6%	7,000.00	FUTA	Great Statewide Bank	00-7904153
Federal Withholding	Federal Tax			Federal	Great Statewide Bank	00-7904153
Medicare Company	Federal Tax	1.45%		Comp. Medicare	Great Statewide Bank	00-7904153
Medicare Employee	Federal Tax	1.45%		Medicare	Great Statewide Bank	00-7904153
Social Security Company	Federal Tax	6.2%	137,700.00	Comp. SS Tax	Great Statewide Bank	00-7904153
Social Security Employee	Federal Tax	6.2%	-137,700.00	SS Tax	Great Statewide Bank	00-7904153
CA - Withholding	State Withholding Tax			SWH	Employment Development Department	987-6543-2
CA - Disability Employee	State Disability Tax	1.0%	-122,909.00	SDI	Employment Development Department	987-6543-2
CA - Unemployment Company	State Unemployment Tax	5.25%	7,000.00	Comp. SUI	Employment Development Department	987-6543-2
CA - Employee Training Tax	Other Tax	0.1%	7,000.00	Co. Paid Other Tax	Employment Development Department	987-6543-2
CARES Co. Soc. Sec. Deferral	Other Tax			Co. Paid Other Tax	Great Statewide Bank	00-7904153
CARES Retention Credit	Other Tax			Co. Paid Other Tax	Great Statewide Bank	00-7904153
Medicare Employee Addl Tax	Other Tax	0.9%		Medicare Addl Tax	Great Statewide Bank	00-7904153
National Paid Leave Credit	Other Tax			Co. Paid Other Tax	Great Statewide Bank	00-7904153
Direct Deposit	Direct Deposit			None		

Payroll Item | Activities | Reports | Include inactive

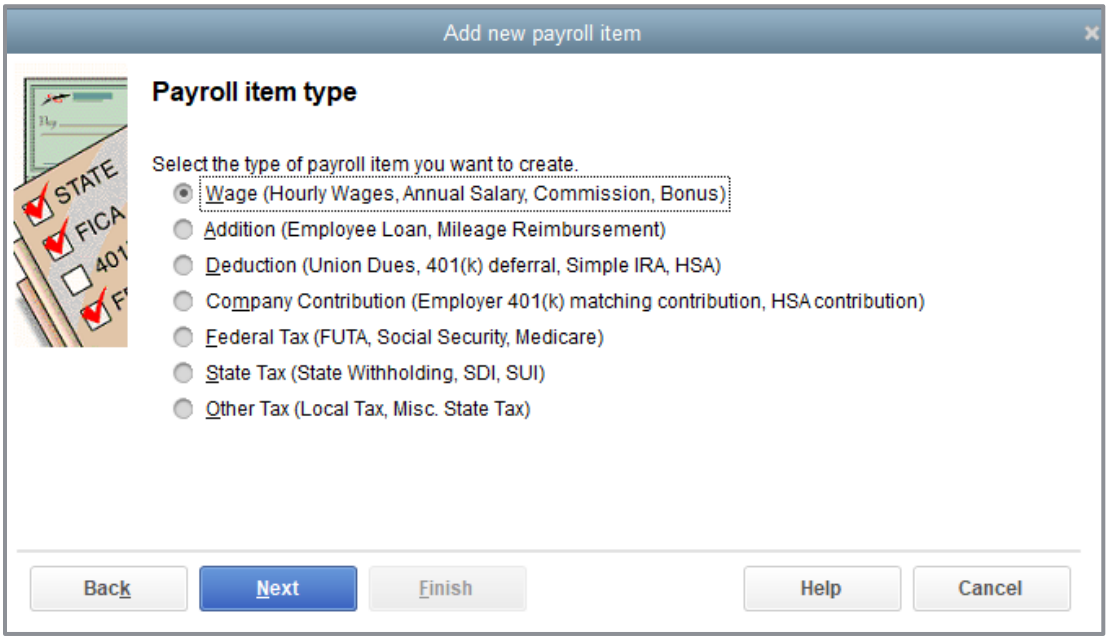
2. Close the Payroll Item List.

NOTES

If you need to add a payroll item after you've set up payroll in QuickBooks, use the following procedure.

Step-by-Step: Add a Payroll Item

1. From the Employees menu, choose **Manage Payroll Items → New Payroll Item**. (You can also access this from the Payroll Item List by selecting the **Payroll Item** button at the bottom and selecting **New**.)
2. Select **Custom Setup → Next**.
3. QuickBooks displays the Add new payroll item window, which walks you through the payroll item setup process.



4. Select the type of payroll item you want to create, then click **Next**.
5. Follow the onscreen instructions to create the payroll item.
6. When you are done click **Finish**.
7. Close the Payroll Item List.

NOTES

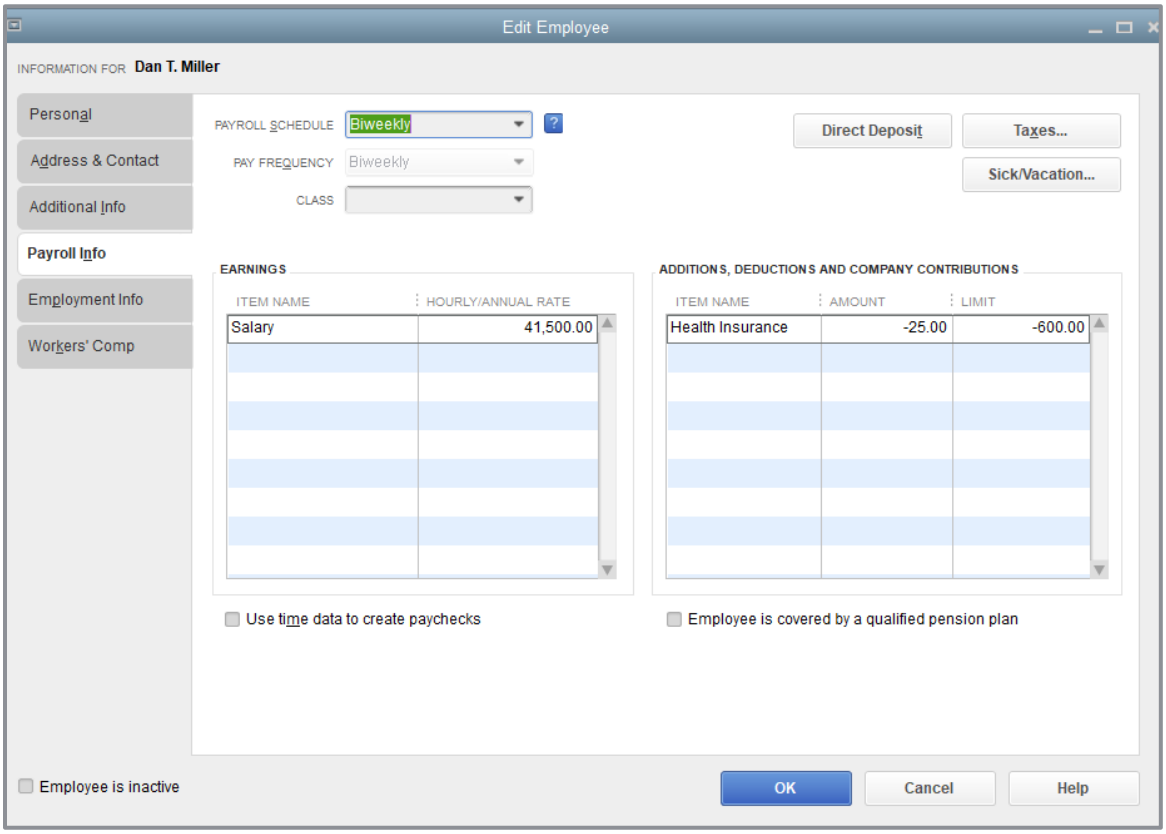
Set Up Employee Payroll Information

QuickBooks calculates payroll for each employee based on that employee's pay rate, marital status, exemptions and so on. The Employee Center stores general information about each employee, as well as payroll information.

Step-by-Step: View Information Stored in the Employee List

1. Click **Employees → Employee Center** in the menu bar to open the Employee Center.
2. Click the **Employees** tab in the left section.
3. Select the employee you wish to view, then right-click and select **Edit Employee**.
4. Click the **Address & Contact** tab to enter the employee's address, phone number and emergency contact details.
5. Click the **Additional Info** tab to access the employee ID or account number, billing rate level and custom fields.
6. Click the **Payroll Info** tab to set up the employee pay schedule, additions, deductions and company contributions.

7. Use the buttons on this tab to access additional information for direct deposit, taxes and sick/vacation pay.



8. Click the **Employment Info** tab (for employment dates and details, leave of absence information, and termination details if applicable) and the **Workers' Comp** tab (to assign the Workers' Comp Code).

9. Click **OK** to save your changes and to return to the Employee Center.

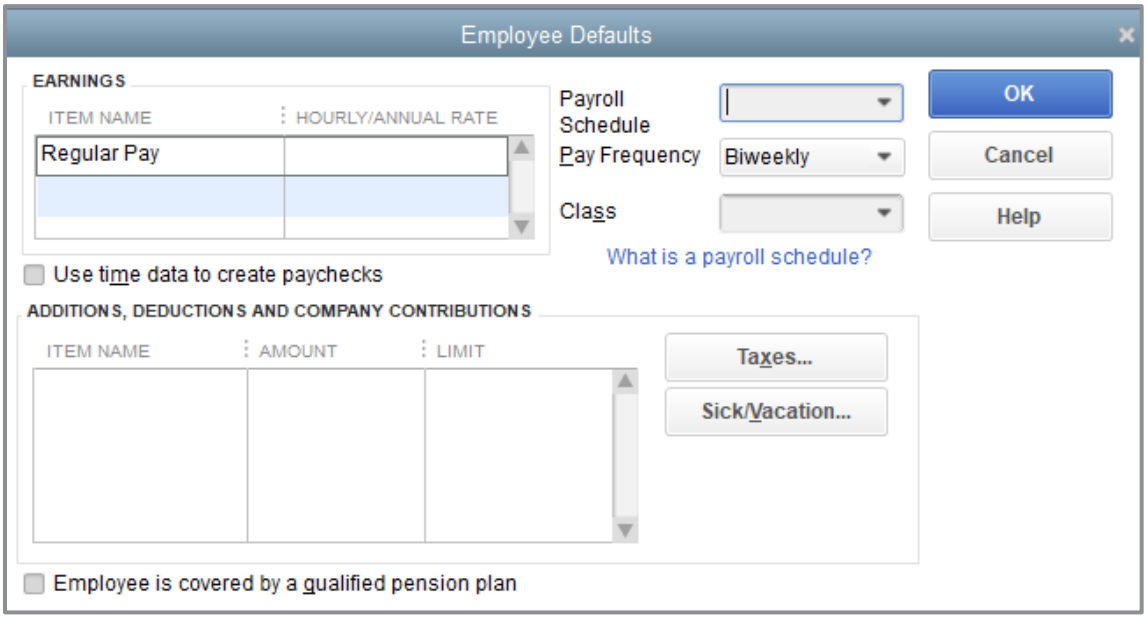
NOTES

Use Employee Defaults to Store Common Information

QuickBooks stores a wealth of information about each employee, but it doesn't require you to enter the same information over and over. When you have information that applies to most of your employees, you can enter it into your employee defaults. Then when you add an employee, QuickBooks automatically fills in the information stored with those employee defaults. You will need to add or change any information that is different for a particular employee.

Step-by-Step: View Employee Defaults

1. From the Employee Center, choose **Manage Employee Information → Change New Employee Default Settings**.



2. Set the default pay schedule, earnings items, etc. from the window.
3. Click **Taxes** to set up the default state/federal tax settings.
4. Click **OK** to close the Taxes Defaults window.
5. Click **Sick/Vacation** to modify the default settings, then **OK** to close it.
6. Click **OK** to close the Employee Defaults window.

Set Up Payroll Schedules

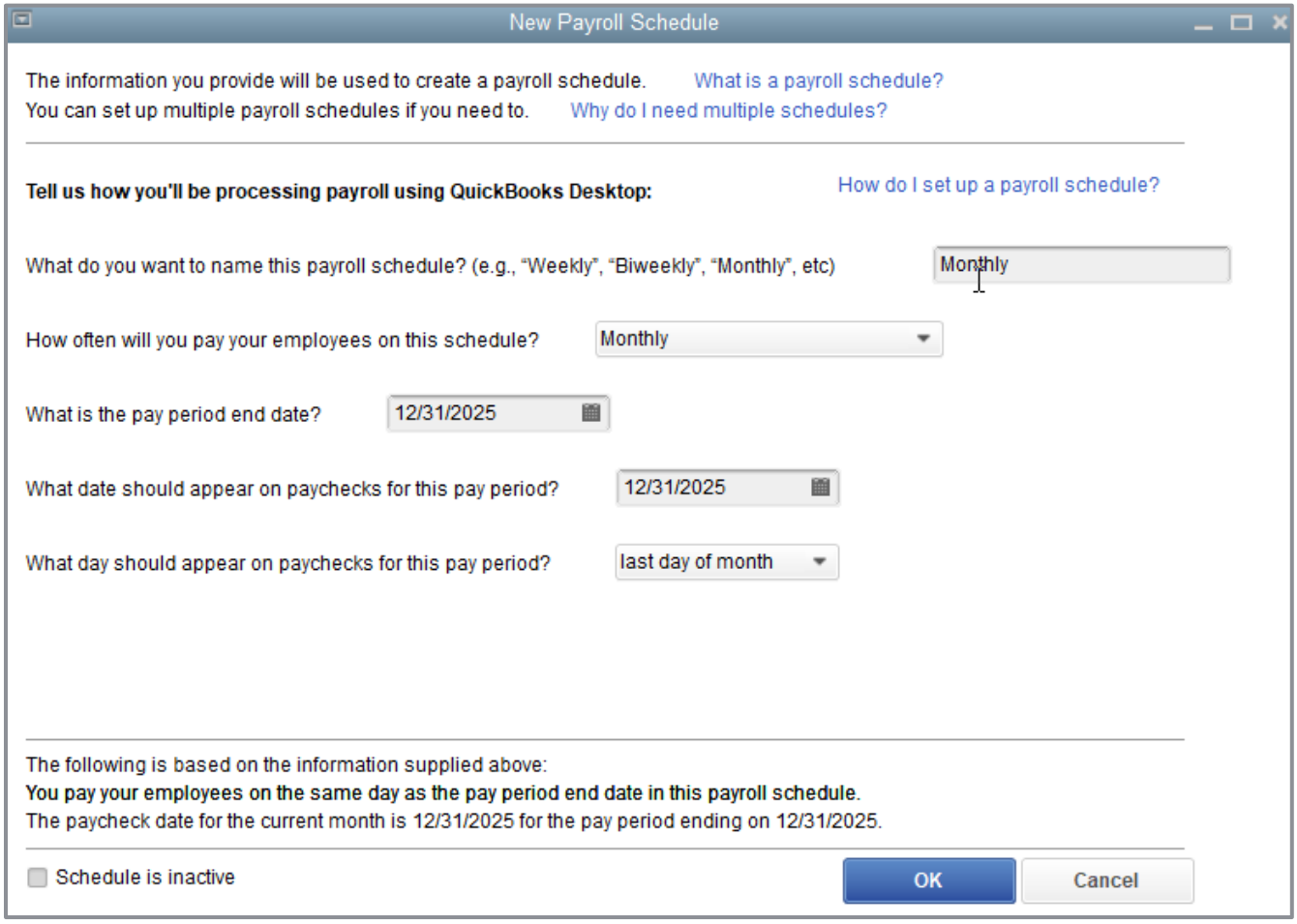
You can set up payroll schedules to group employees with the same pay frequency (daily, semi-monthly, bi-weekly, monthly, quarterly, and annually). You define how often you pay your employees, which date their paycheck is due and which day you run payroll. QuickBooks calculates your upcoming payroll schedule so you can pay your employees on time.

Using payroll schedules is a quick and convenient way to pay your employees each pay period. You set up the payroll schedule one time, assign the payroll schedule to the appropriate employees and QuickBooks calculates the due dates for each upcoming pay period.

You do not need payroll schedules to run payroll, however. You can run payroll without them by running Unscheduled Payroll or paying an employee a termination check.

Step-by-Step: Define a Payroll Schedule

1. From the Employees menu at the top, choose **Add or Edit Pay Schedules**.
2. Click the **Payroll Schedule** menu button at the bottom left, then choose **New**.



3. Enter a name for your payroll schedule in the What do you want to name this payroll schedule? field.
4. Press **Tab** and select the pay frequency.
5. Press **Tab** and select the pay period end date for the next period you wish to run payroll.
6. Press **Tab** and select the date that should appear on the checks for the next period you wish to run payroll.
7. Press **Tab** and select the day that should appear on the checks for the next period you wish to run payroll.
8. Click **OK**.
9. You'll see a confirmation that the payroll schedule you just created has been set up. Click **OK**.
10. Repeat as needed to set up your pay schedules.
11. Close the Payroll Schedule List.

Now that you've set up the pay schedules, you can assign each employee to the appropriate pay schedule.

Step-by-Step: Assign a Pay Schedule

1. From the Employees menu, choose **Employee Center**.
2. Click the **Employees** tab in the left section.
3. Right-click the employee you wish to assign a pay schedule to, then select **Edit Employee**.
4. In the Edit Employee window, choose the **Payroll Info** tab.
5. From the Payroll Schedule drop-down list, select the **pay schedule** you wish to assign.
6. Click **OK**.
7. Repeat the steps for each employee to assign the proper pay schedules.

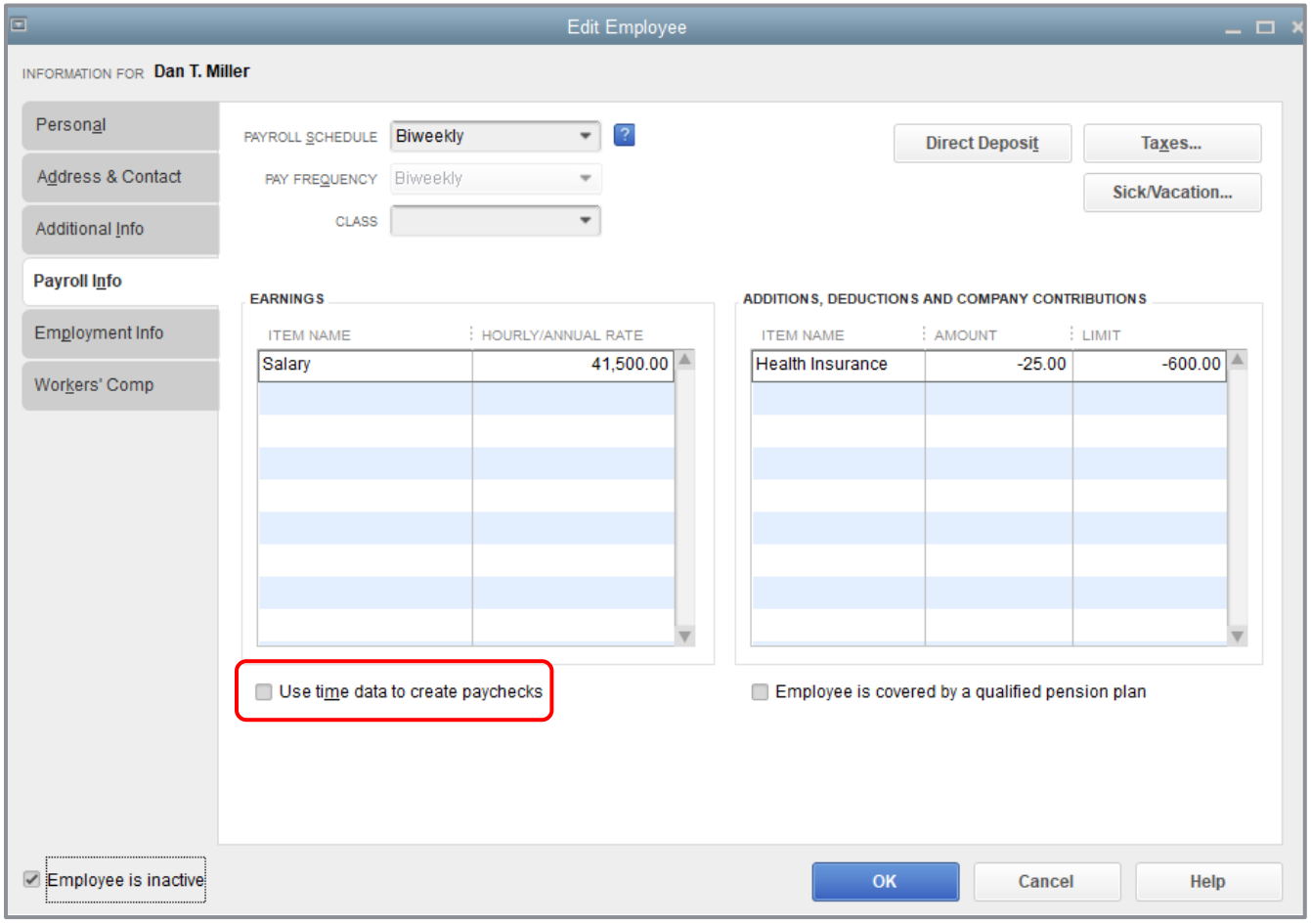
NOTES

Add a New Employee

Step-by-Step: Add a New Employee

1. With the Employee Center displayed, click **New Employee** at the top left in the Employees tab.
2. Enter the corresponding information in the Personal, Address & Contact and Additional Info fields.
3. In the Payroll Info tab:
   - From the **Payroll Schedule** drop-down select the schedule required
   - Choose the earning items that apply to this employee in the Earnings grid (e.g., salary, hourly, overtime, etc.)
   - Choose any items that apply to the employee from the Additions, Deductions and Company Contributions grid
   - Click the **Direct Deposit** button to set up direct deposit information
   - Click the **Taxes** button to set up federal withholding and state tax information
   - Click the **Sick/Vacation** button to add any sick/vacation time accrual information

IMPORTANT: *If you would like the time automatically entered from timesheets, place a check in the box labeled Use time data to create paychecks.*



4. Enter remaining information in the Employment Info and Workers' Comp tabs.
5. Click **OK**.

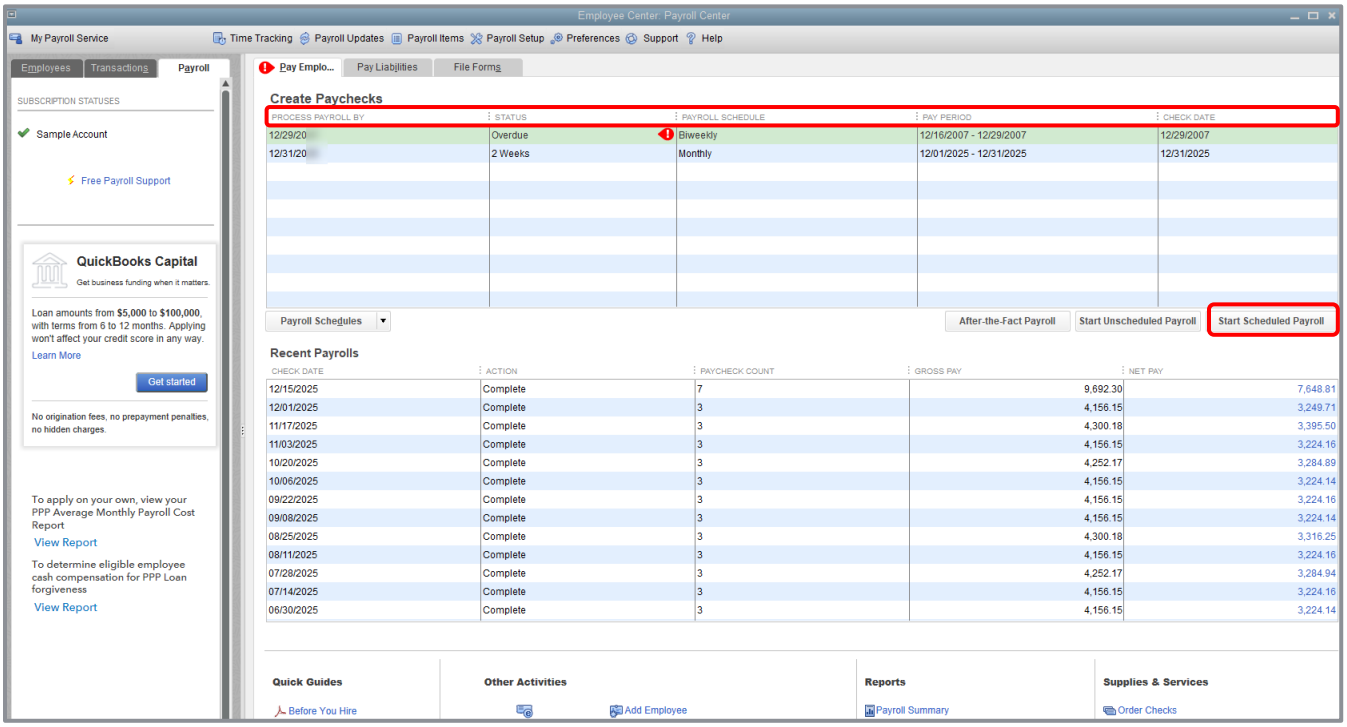
NOTES

Run a Payroll Schedule

QuickBooks lets you print payroll checks in a batch based on payroll schedules.

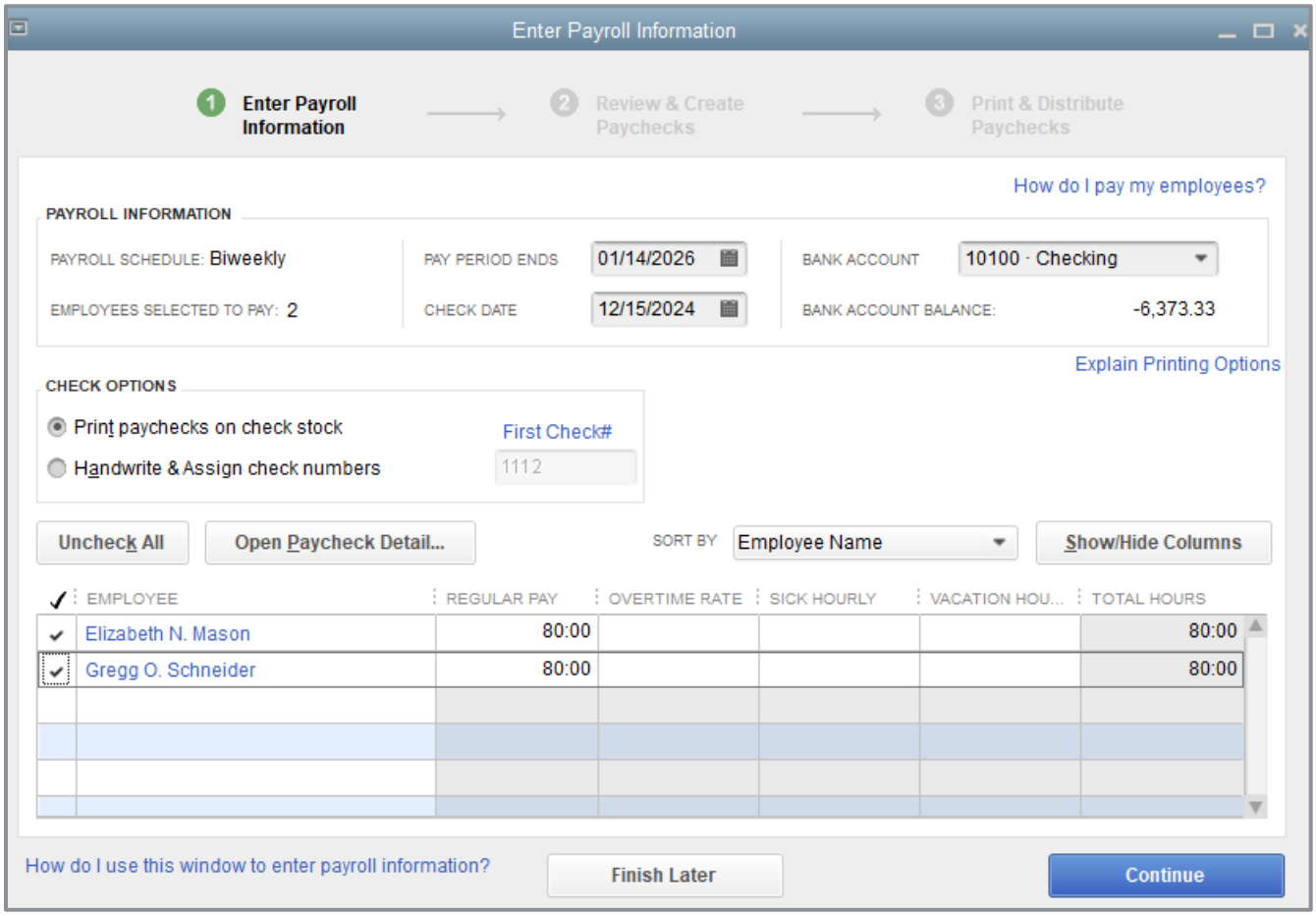
Step-by-Step: Run a Payroll Schedule

1. In the Employee Center, click the **Payroll** tab in the left section.
2. In the right section, click the **Pay Employees** tab.
3. In the Pay Employees section, choose the **Biweekly** pay schedule.
4. Click the **Start Scheduled Payroll** button. (If the Special Paycheck Situation window pops up, click **Continue**.)
5. Specify the pay period, check date and bank account from which paychecks will be produced, and if the checks are to be printed or handwritten. If they are handwritten, specify the first check number.



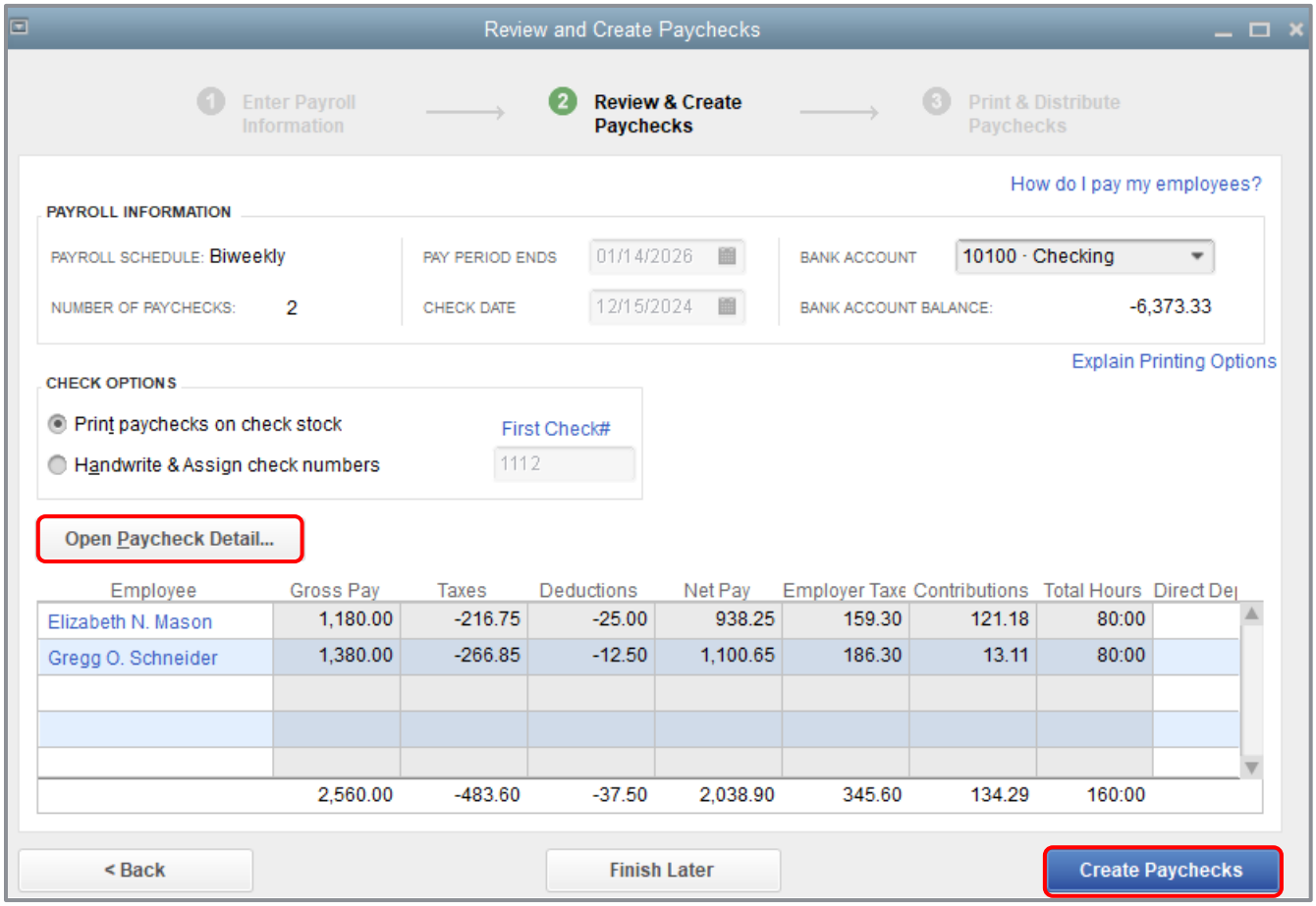
6. If you receive another Special Paycheck Situation window, click **Continue**.

7. Select the employees you wish to pay by ensuring there is a checkmark next to their name in the grid.

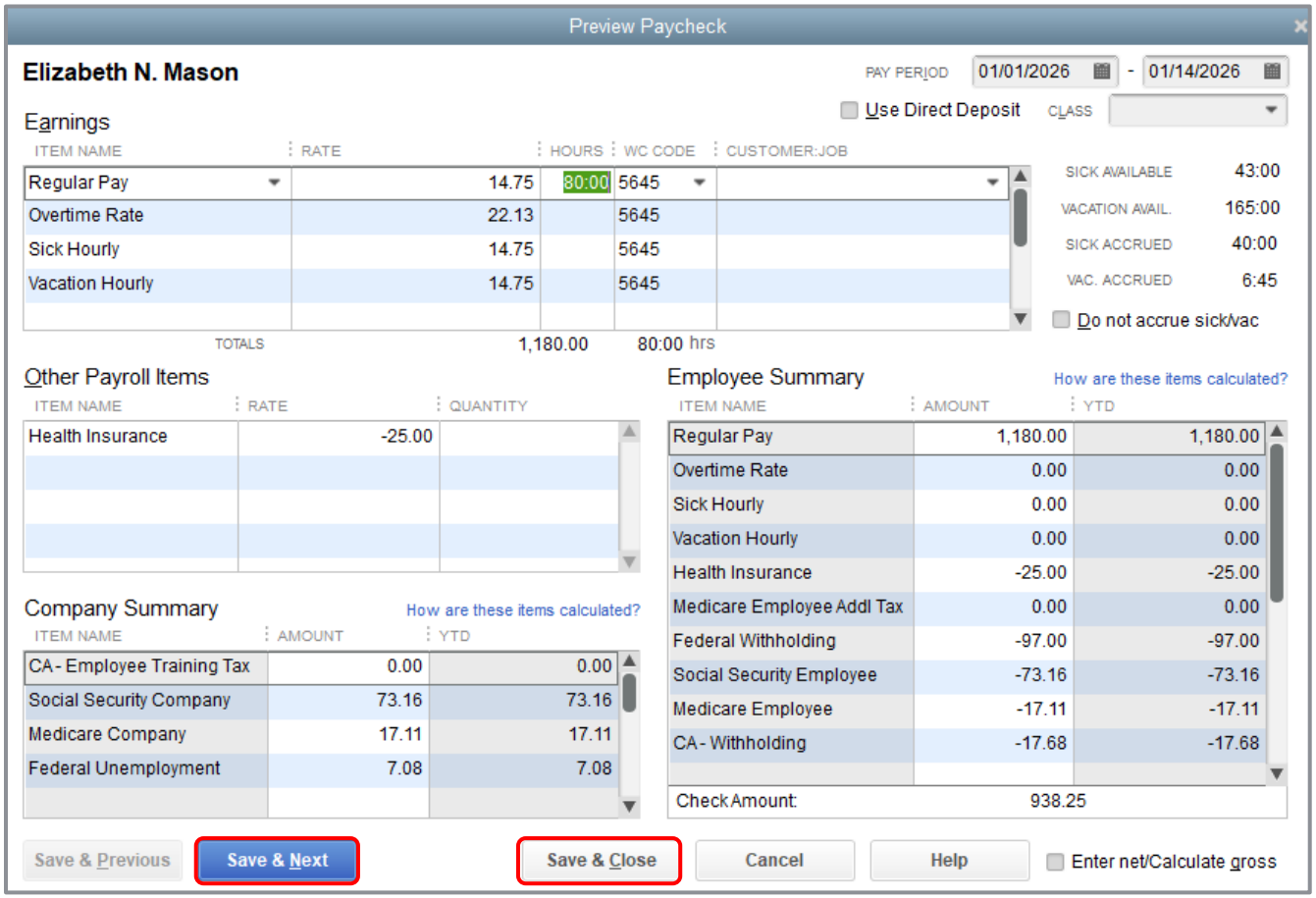


8. Click **Continue**. You may get a warning about one or more paychecks not having an assigned class. Click **OK**.

9. To review all paychecks, click the **Open Paycheck Detail** button or, to review one paycheck, click the employee's name in the grid.

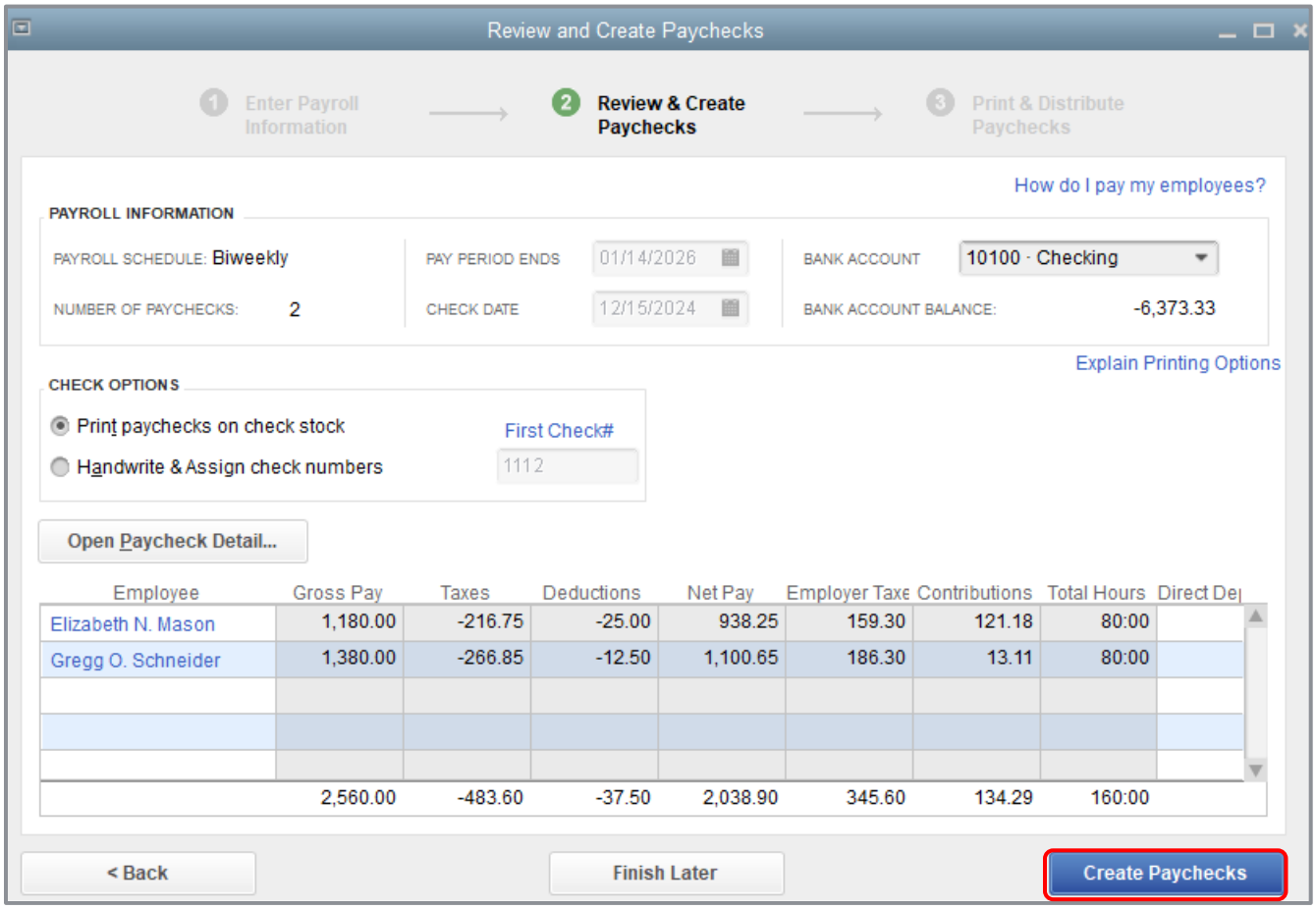


10. If you clicked **Open Paycheck Detail** you are reviewing the paychecks one at a time; click **Save & Next** to review the next paycheck.

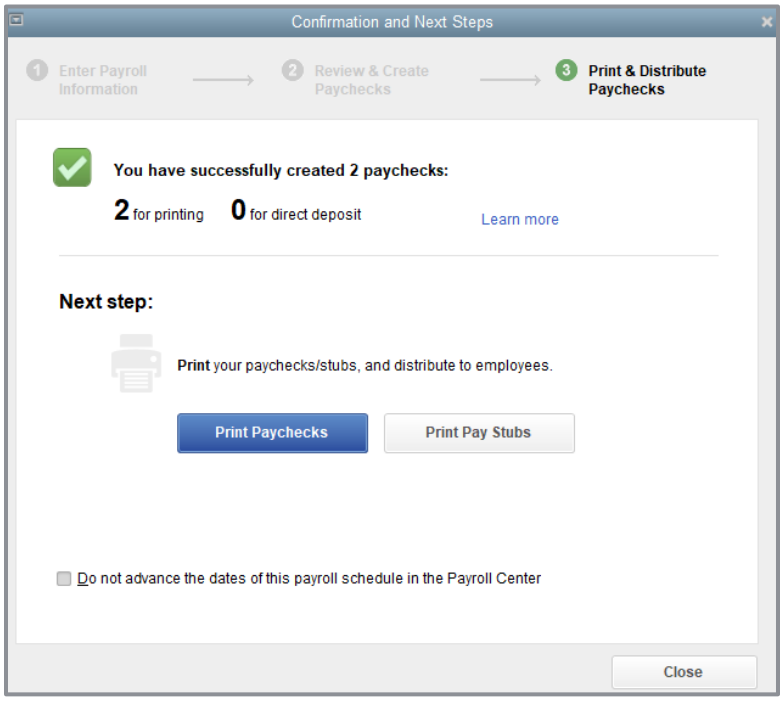


11. Once you've reviewed all the paychecks you wish, click **Save & Close** on the paycheck(s) to return to the Review & Create Paychecks window.

12. Click **Create Paychecks**.



QuickBooks creates a payroll check for each employee in the chosen payroll schedule for the correct net amount, showing the deductions in the voucher area. QuickBooks confirms you have created the paychecks. You can then choose **Print Paychecks** (or **Print Pay Stubs** if they are going to be handwritten checks).



13. If you don't want to print the paychecks now, click **Close**.

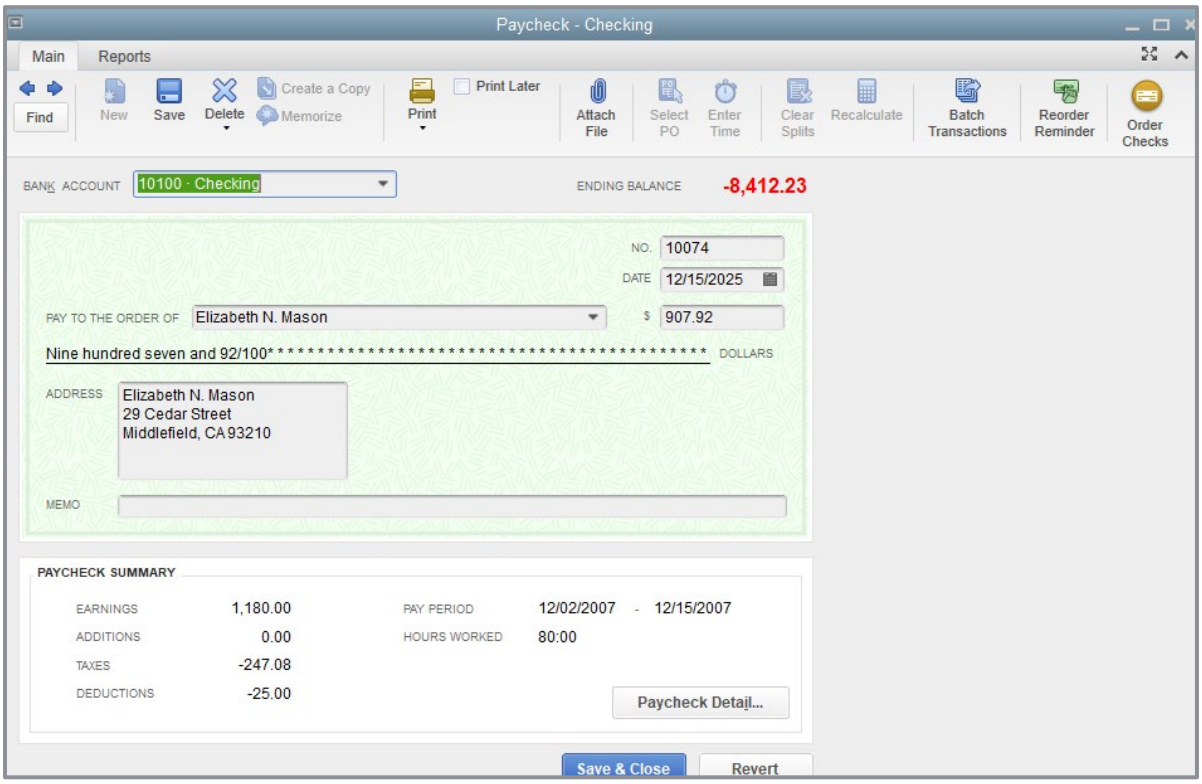
NOTES

View the Paycheck

QuickBooks records payroll checks in your QuickBooks bank account register (whichever bank account you selected when you started to pay these employees). You can see the check by going to the register and opening it the way you open any transaction in a register, but it is easiest to view employee checks from the Employee Center.

Step-by-Step: View the Paycheck from the Employee Center

1. From the Employees drop-down menu, click **Employee Center**.
2. Click the **Employees** tab in the left section if it isn't already selected.
3. Select the name of the employee whose paycheck you want to view.
4. You'll see a list of recent paychecks for that employee in the Transactions tab in the right section of the Employee Center. Double-click the paycheck you want to open from the employee's transaction list.


Paycheck - Checking
Main
Reports
Find
New
Save
Delete
Create a Copy
Memorize
Print
Print Later
Attach File
Select PO
Enter Time
Clear Splits
Recalculate
Batch Transactions
Reorder Reminder
Order Checks
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PAY TO THE ORDER OF
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Nine hundred seven and 92/100* * * *

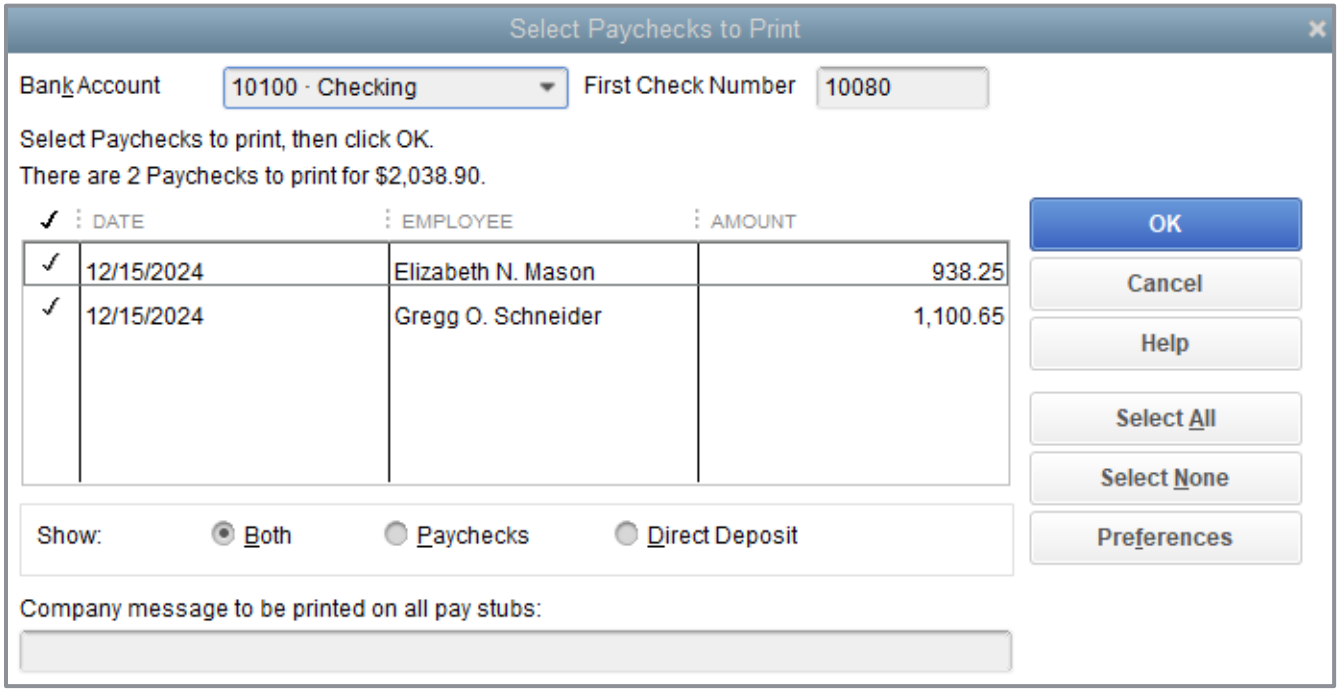
Print Paychecks after Leaving Pay Employees Window

You can print paychecks (that were selected as Print paychecks on check stock in the Review and Create Paychecks window rather than Handwrite & Assign check numbers) after creating them while still in the Pay Employees area. However, you do not have to print them at that time. You can close the payroll function and print them at any time.

You print paychecks similarly to other QuickBooks checks. If you use voucher checks, QuickBooks prints the payroll item detail in the voucher area. If you don't use voucher checks, you can print a pay stub to give to your employees.

Step-by-Step: Print Paychecks after you Exit the Pay Employees Window

1. From the File menu, choose **Print Forms → Paychecks**.
2. Select the bank account that is the source of the paychecks from the Bank Account drop-down.
3. In the First Check Number field enter the starting check number from the check stock on which you are printing.
4. Make sure there's a checkmark next to all employee names whose paychecks you are going to print, and then click **OK**.



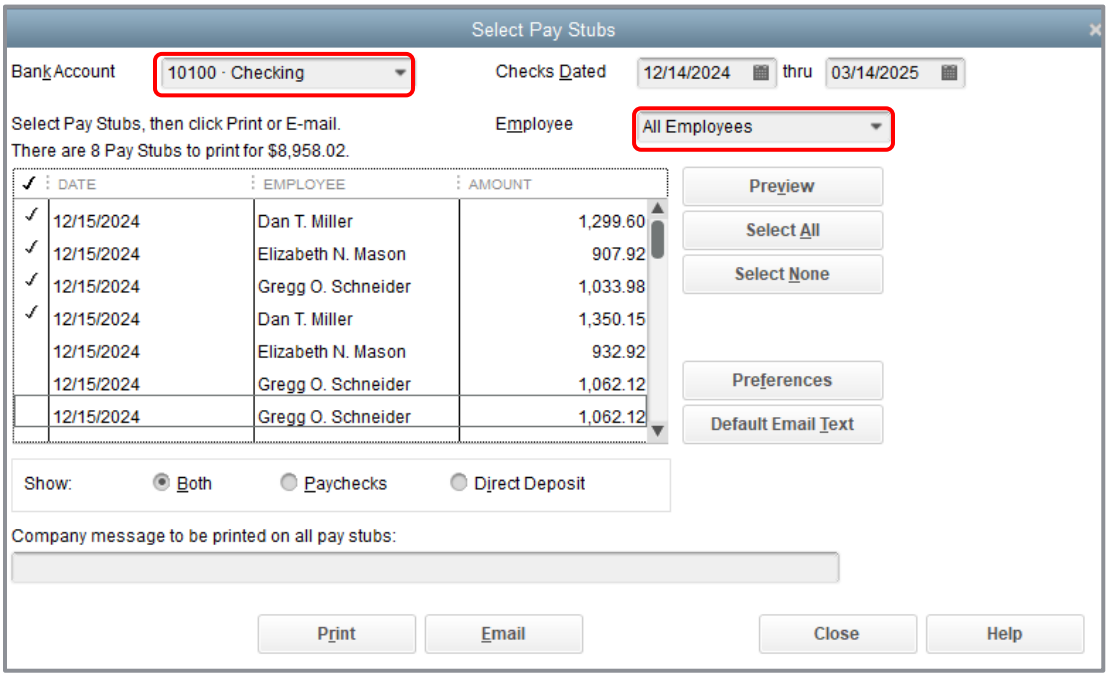
5. If desired, enter the text for a company message to appear on all pay stubs.
6. Click **Print**.

Print or Email Pay Stubs after Leaving Pay Employees Window

You can print pay stubs after recording paychecks that are to be handwritten while still in the Pay Employees area. However, you can close the payroll function and print or email them at any time.

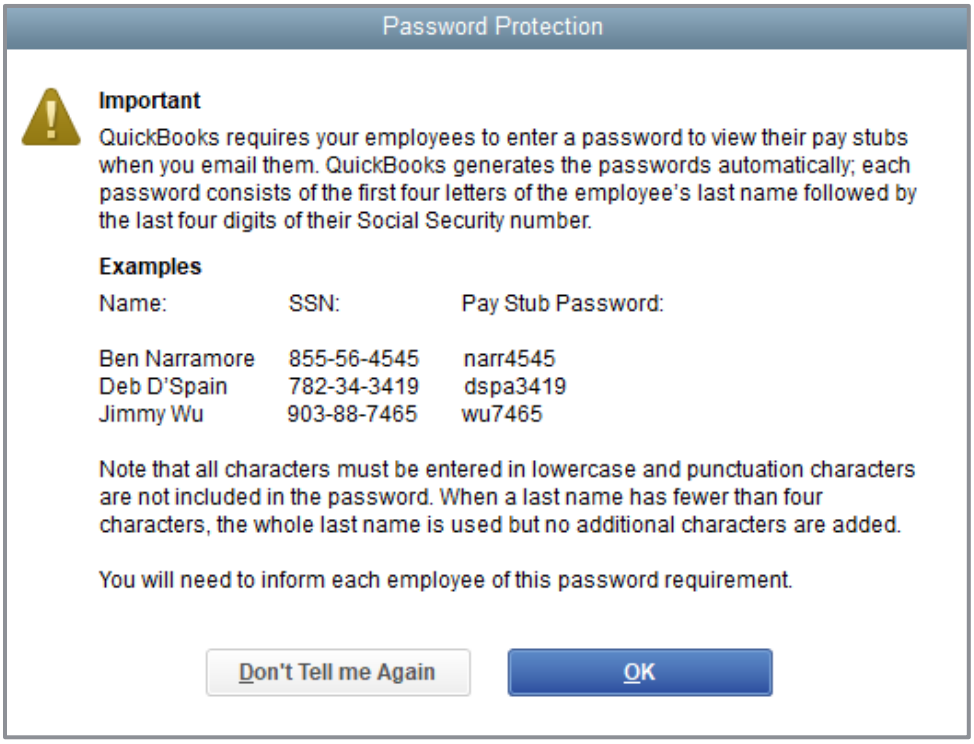
Step-by-Step: Print or Email Pay Stubs after You Exit the Pay Employees Window

1. From the File menu, choose **Print Forms → Pay Stubs**.
2. Select the bank account that is the source of the paychecks from the Bank Account drop-down.



3. Specify a date range for listing pay stubs.

4. In the Employee drop-down, make sure **All Employees** is selected or, if desired, specify one employee, so you can find the employee(s) for whom you wish to print one or more paystubs.
5. Place a checkmark next to the employees' paychecks for which you want to print or email a pay stub.
6. If desired, enter the text for a company message to appear on all pay stubs.
7. Click **Print** or **Email**. If you chose Email you will see a Paystub Information screen. Click OK. The Password Protection screen appears. Read the information and click **OK**. Follow the prompts to complete any missing employee email addresses.



8. You'll see an Email Security window appear. Click **OK**.

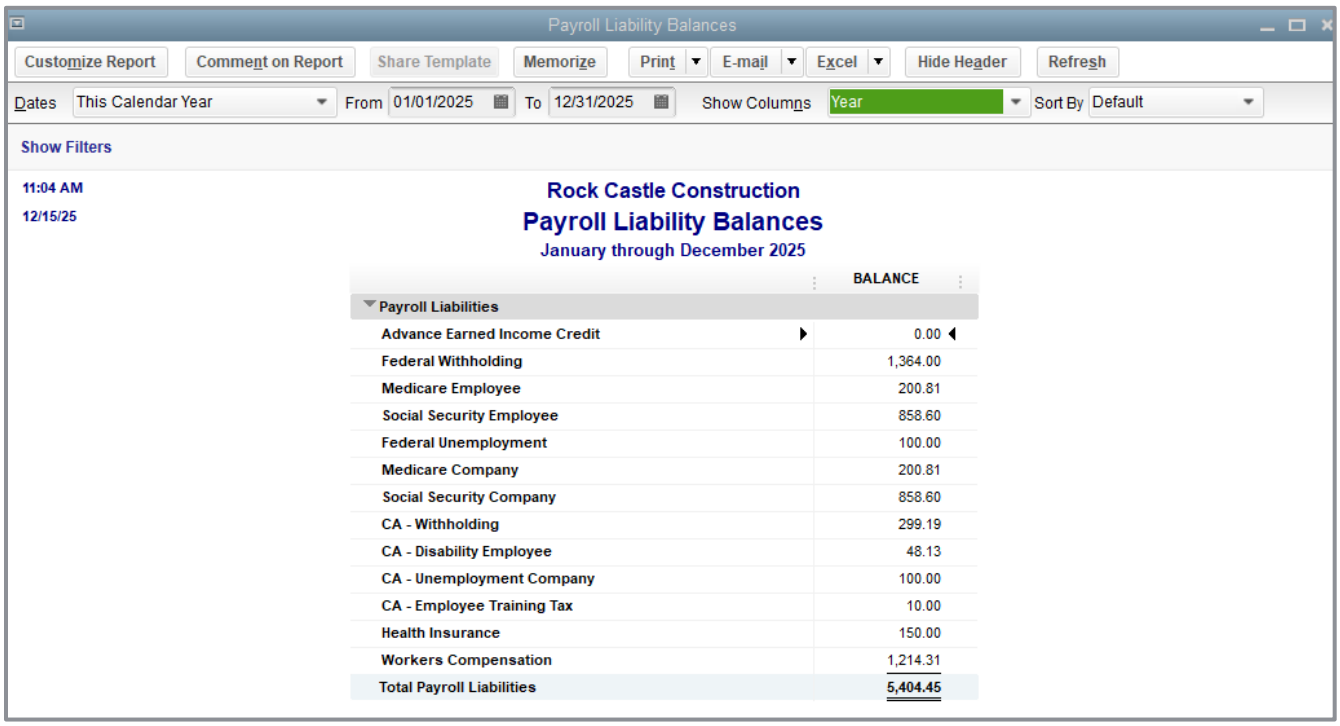
NOTES

Pay Payroll Taxes

If you're about to pay taxes or other liabilities, the Payroll Liabilities Balances report shows how much to pay. Suppose you are ready to make a tax payment and you want to see how much you owe.

Step-by-Step: Create a Payroll Liabilities Report

1. From the Reports menu, choose **Employees & Payroll → Payroll Liability Balances**.
2. Select **This Calendar Year** in the Dates cell.
3. Click the drop-down menu in the **Show Columns** section at the top of report, then select **Year** (as opposed to **Month**, which was the default displayed when this report first appeared) to change the report display.



	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

4. Close the report.

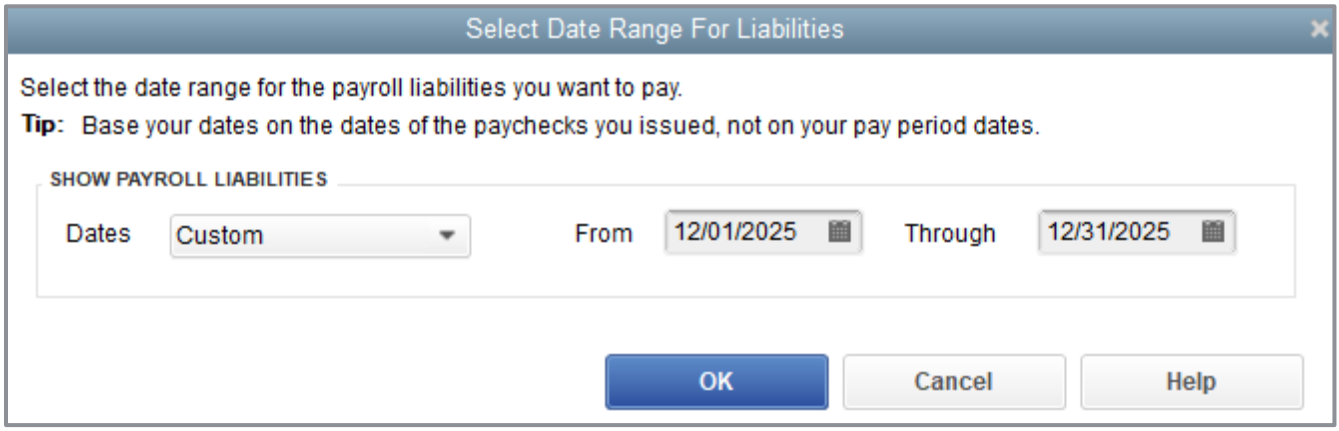
NOTES

Write a Check for Payroll Taxes

When it's time to deposit payroll taxes with your deposit institution, use the Liability Check window to fill out a special type of QuickBooks check for this purpose.

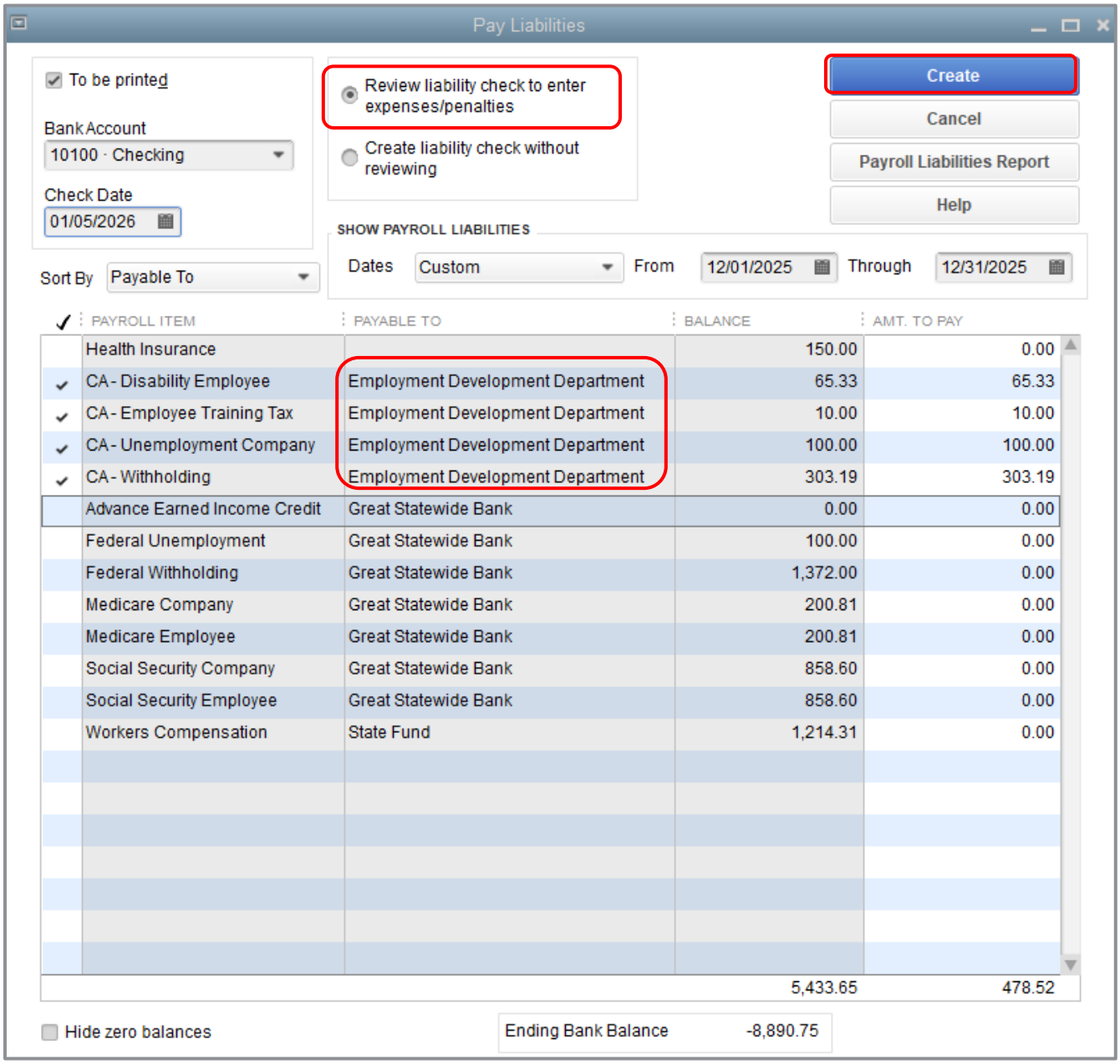
Step-by-Step: Pay Payroll Liabilities

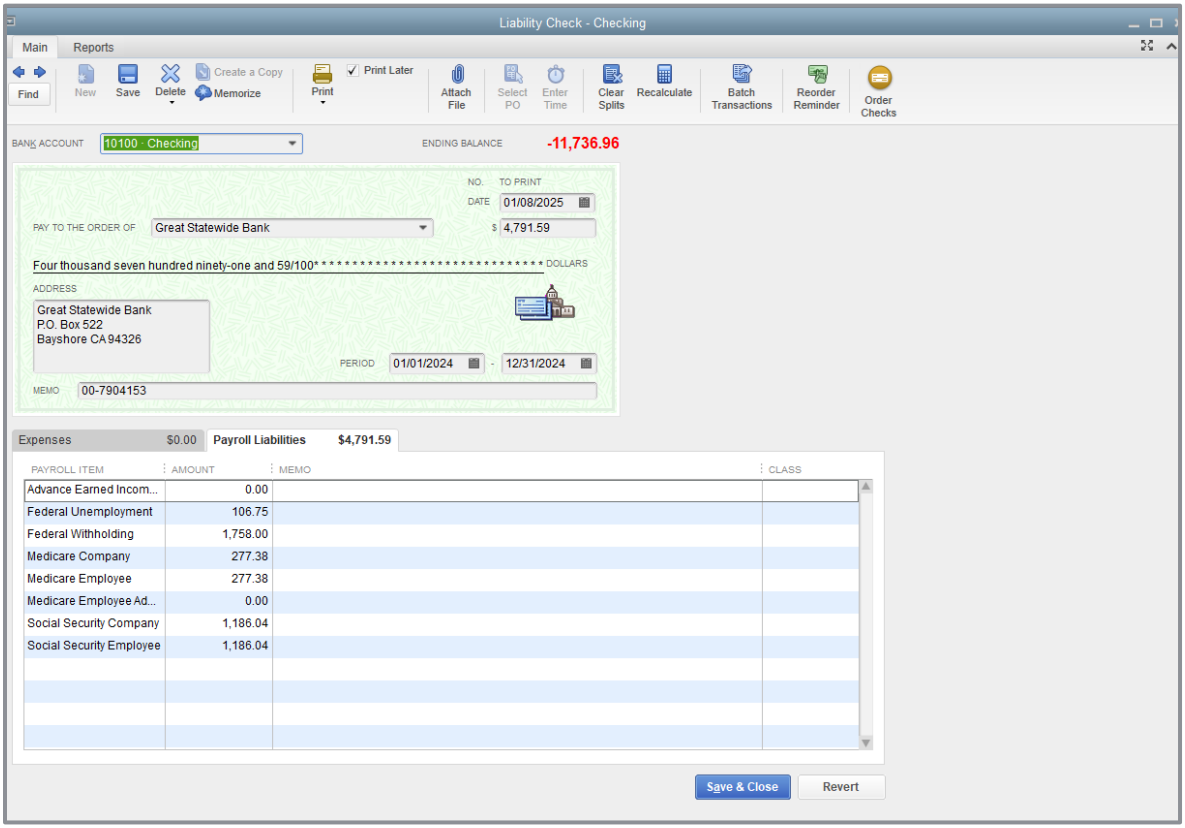
1. From the Employees drop-down menu, choose **Payroll Taxes and Liabilities → Create Custom Liability Payments**.
2. In the From and Through fields, enter the date range for which you are paying the liabilities.

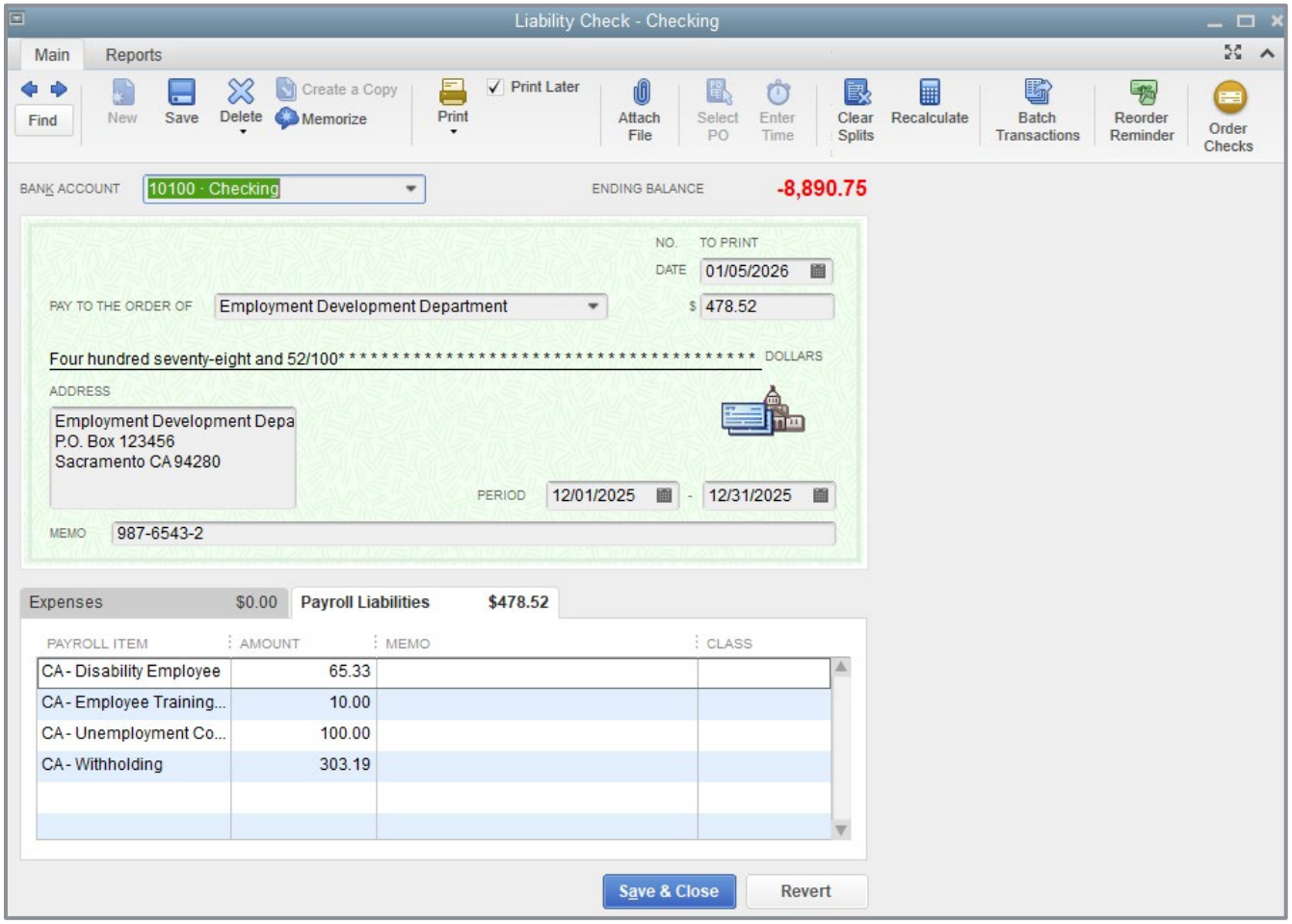


3. Click **OK**.
4. Complete the information in the Pay Liabilities window to mirror the payment you making:
   - Ensure the proper Bank Account is selected
   - Enter the proper Check Date
   - Place **checkmarks** next to the liabilities you wish to pay; normally, you'd select all liabilities that are for one Payable To name

5. Make sure **Review liability check to enter expenses/penalties** is selected, then click **Create**.




Liability Check - Checking
Main
Reports
Find
New
Save
Delete
Create a Copy
Memorize
Print
Print Later
Attach File
Select PO
Enter Time
Clear Splits
Recalculate
Batch Transactions
Reorder Reminder
Order Checks
BANK ACCOUNT
10100 · Checking
ENDING BALANCE
-11,736.96
NO.
TO PRINT
DATE
01/08/2025
PAY TO THE ORDER OF
Great Statewide Bank
$ 4,791.59
Four thousand seven hundred ninety-one and 59/100* DOLLARS
ADDRESS
Great Statewide Bank
P.O. Box 522
Bayshore CA 94326
PERIOD
01/01/2024
12/31/2024
MEMO
00-7904153
Expenses $0.00
Payroll Liabilities $4,791.59
PAYROLL ITEM
AMOUNT
MEMO
CLASS
Advance Earned Incom... 0.00
Federal Unemployment 106.75
Federal Withholding 1,758.00
Medicare Company 277.38
Medicare Employee 277.38
Medicare Employee Ad... 0.00
Social Security Company 1,186.04
Social Security Employee 1,186.04
Save & Close
Revert



QuickBooks will create one liability check per institution.

6. Click **Save & Close** to record the check.

NOTES

Payroll with QuickBooks – Review Questions

1. What is required for QuickBooks to calculate payroll in a real company file?

_____

2. Which two accounts are typically linked to payroll items?

   a. _____

   b. _____

3. Which of the following are QuickBooks payroll item types?

   a. Wage

   b. Addition

   c. Deduction

   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, pay period 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

Use Rock Castle Construction (sample product-based company) to do these activities:

1. Add a salaried employee to the Employee Center. Enter the employee's personal information, 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. 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.

Answers to Review Questions

1. What is required for QuickBooks to calculate payroll in a real company file?

   A subscription to a QuickBooks payroll service

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. Wage

   b. Addition

   c. Deduction

   d. ✓ *All of the above*

4. What report would you run to determine how much you owe in payroll taxes?
   Payroll Liabilities Balances

5. What QuickBooks feature would you use to make setting up payroll easier when a number of employees have the same hourly wage, pay period 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 do not need payroll schedules to run payroll. You can run payroll without them by running Unscheduled Payroll or paying an employee a termination check.*

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