Computerized Accounting with QuickBooks® Online (6e)

By Gayle Williams & Jennifer Johnson
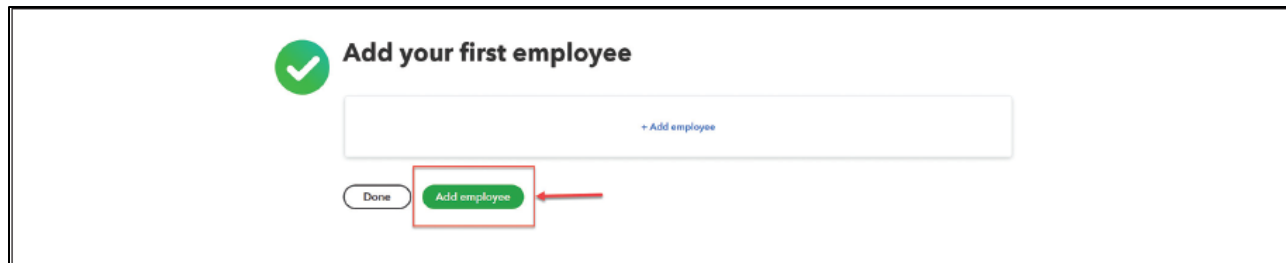
Ch12 Step 3 – New Process for Adding Employee

After your textbook was printed, Intuit changed the process for adding employees in QBO. The information required is the same, but the screens and the order of entry have changed

Steps 1 and 2 in Chapter 12 have not changed. This is the new Step 3:

You will be adding two employees: Shaniya Montero and Abe Martin.

Once you click **Add employee** (Figure 12.17), you'll see the following:

Enter the name of your first employee (Shaniya Montero) and turn off the **Employee self-setup** option.

BEHIND THE SCENES Employee self-setup is a tool allowing employees to enter personal, tax, and banking information directly into QBO. We will not be using that tool.

The **Profile** tab in Shaniya's **Add a new employee** screen will open.

You will be entering information in each of the six sections. Click **Edit** to complete the **Personal info** section.

Enter Shaniya's birth date, contact information, and social security number in the appropriate fields (as shown above) and click **Save** to return to the **Add a new employee** screen.

Click **Edit** in the **Tax Withholding** section.

Click **2020 or later**.

> **BEHIND THE SCENES** IRS Form W-4 changed significantly in 2020. Federal withholding amounts are no longer determined by the number of allowances claimed by employees. Instead, the withholding amounts are determined by filing status and answers to questions about additional income, etc.

Shaniya's federal and state tax filing statuses are entered next. The information entered in the **What are Shaniya's withholdings?** screen is taken from the employee-completed W-4 form and, if applicable, the employee-completed state withholding form. Shaniya provided the following information:

- Federal filing status: **Single or Married Filing Separately**
  - Shaniya has no dependents and does not want any additional monies withheld.
- California filing status: **Single or Married (with two or more incomes)**, 1 allowance, no additional monies withheld

Only the fields highlighted in the screenshot above need to be completed.

Click **Save** to return to the **Add a new employee** screen.

Click **Start** in the **Payment method** section.

Select **Paper check** in the dropdown menu.

> **BEHIND THE SCENES** QBO can be set up to handle direct deposit of employee checks. This would require the company to be connect a bank account to its QBO file.

Click **Save** to return to the **Add a new employee** screen.

Click **Start** in the **Employment details** section.

Enter the first day of the current month as the **Hire date**. (The current month is the month you're completing the homework.) If you see an **Update tax withholding for Shaniya** message, click X to close the box. You don't need to update withholdings.

> **BEHIND THE SCENES** QBO uses the hire date in determining whether a paycheck should be created for an employee during a particular payroll period.

Because Shaniya is the first employee, you'll need to create a company **pay schedule** first.

Select **+ Add pay schedule** in the **Pay schedule** dropdown menu.

Select **Twice a Month** in the **Pay frequency** dropdown menu.

Toggle **Custom schedule** to on.

Select **15th** as the **First payday** of the month and **End of month** as the **Second payday** of the month. The **End dates** of the first and second pay periods are the **15th** and **End of month**, respectively.

Enter "Twice a Month" as the **Pay schedule name** and check the **Use this pay schedule for employees you add after this one** box.

> **BEHIND THE SCENES** Companies might pay groups of employees on different schedules (e.g., weekly for hourly employees, semi-monthly for salaried employ-ees). Multiple pay schedules can be created in a QBO company file.

Click **Save** to return to the **Employment details** screen.

Leave the company address as the **Work location**.

Click **Save** to return to the **Add a new employee** screen.

Click **Start** in the **Pay Types** section.
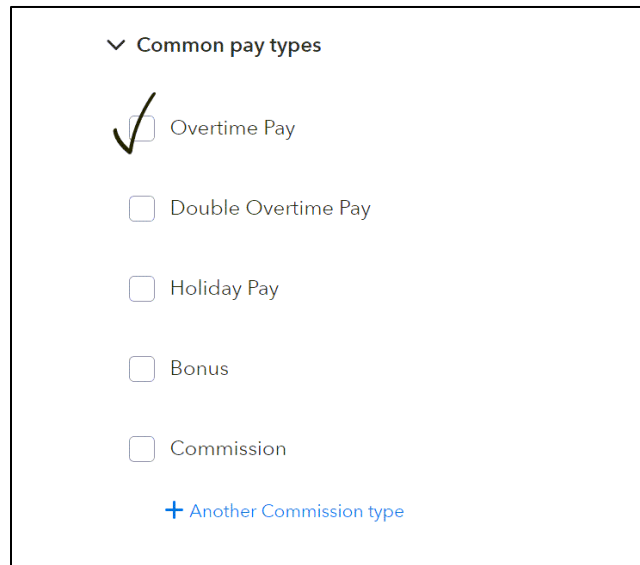
Shaniya is paid $30 per hour, so select **Hourly** in the **Pay type** dropdown menu and enter "30" in the **Rate per hour** box.

> **BEHIND THE SCENES** If an hourly employee normally works a set schedule (same hours and days per week), defaults can be entered in the employee record. Default hours will automatically be included in payroll processing. The hours can be changed before paychecks are created.
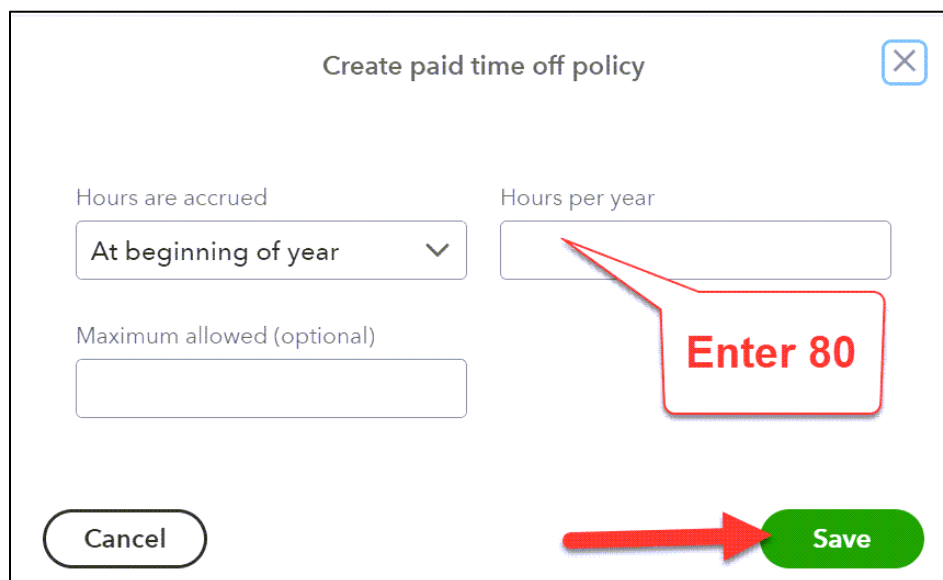
Open the **Common pay types** section.

Check the **Overtime Pay** box. (QBO will automatically calculate overtime pay using 1.5 times the hourly rate.) If you're prompted to identify the First day of the work week, select Monday.

Open the **Time off pay policies** section.

In the **Paid time off** dropdown menu, select **Add new paid time off policy**. A sidebar (panel) will open on the right.

Companies typically accrue paid time off each pay period or at the beginning of the year. For Shaniya, select **At beginning of year** in the **Hours are accrued** dropdown menu and enter "80" in the **Hours per year** box. You can ignore any **Description** field.

> **BEHIND THE SCENES** Instead of a paid-time off (PTO) policy, some companies may separate sick and vacation pay. Under any of those policies, companies may elect to accrue hours at the beginning of the year, per pay period, per hour worked, or on the employee's anniversary date (date of hire). Companies may have different leave policies for different employees. QBO will track available leave time based on the pay policy identified in the employee's record.

Click **Save** to close the sidebar.

After verifying that "80" shows in the **Current balance** box (for paid time off), click **Save** to return to the **Add a new employee** screen.

Click **Start** in the **Deductions & contributions** section.

The only deductions (other than payroll taxes) in your payroll company will be a 401(k) plan administered by "Employee First" (the provider). Both the employee and the company contribute 3% of gross pay per pay period to the plan.

Click **+ Add deduction/contributions**. A sidebar (panel) will open on the right. The fields will appear as you complete the form.

Use the screenshot above as a guide when completing the sidebar.

> **BEHIND THE SCENES** 401(k) plans can be solely funded by employees, solely funded by employers, or jointly funded. Contributions may be calculated as a per-centage of wages or as a fixed amount per pay period. Employer contribution amounts are often capped by the company at a certain annual amount. The maximum annual contribution amount for employees is set by law. In 2022, the maximum was set at $20,500 ($27,000 for employees over age 50). If you're doing your work in 2023, the 2023 maximum will be displayed.

Click **Save**.

Click **Done** to exit the **Deductions & Contributions** screen.

All sections for Shaniya are now completed.

Click **Done**.
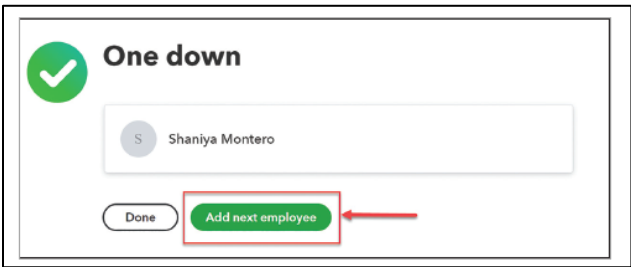
Click **Add next employee**. If you don't see the above message, you should be on the Employees Center screen. Click **Add an employee**.

You will now go through the same sections for Abe Martin. This time, however, you will be able to use certain options (like **pay schedules**) that you created in the setup for Shaniya.

Use the following information to complete the sections:

Personal info	The second employee's name is Abe Martin.
	You will not be using the Employee self-setup feature for Abe.
	Abe's birthdate is 07/23/1991.
	His address is 4560 Del Rio Rd, Sacramento, CA 95822.
	His social security number is 222-79-8765.
Tax withholding	His federal filing status is **Single or Married Filing Separately**.
	Abe has no dependents.
	His California filing status is **Single or Married (with two or more incomes)**.
	California allowances are: 1
	No additional monies are to be withheld for federal or state income taxes.
Payment method	Abe will be paid with a paper check.
Employment details	Abe was hired on the first day of the current month. (The month in which you're doing your homework.)
	He's on the same Twice a month **pay schedule** as Shaniya.
Pay types	Abe is paid a salary of $55,000 per year. You can leave the default hours/days. He is not eligible for overtime.

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	He is eligible for 80 hours of paid time off per year (accrued at the beginning of the year). Verify that 80 shows in the **Current balance** field.
Deductions and contributions	Abe has one deduction: Employee First (401k). His 3% contribution is matched by a 3% employer contribution.

Click **Done** when all sections are completed for Abe.
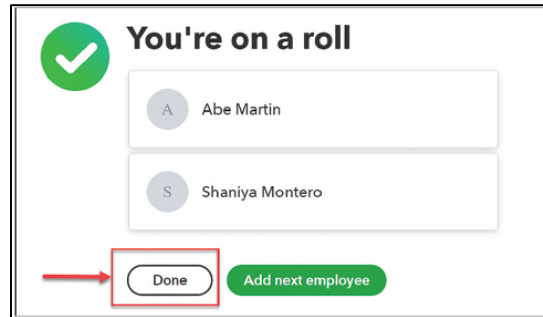
Click **Done**. If you don't see the above message, click **Payroll** on the navigation bar and open the **Overview** tab. You will not see the next message. Click **Start** next to **Add a workers' comp policy**. You should see the screenshot at the top of the next page of this PDF (Page 12).
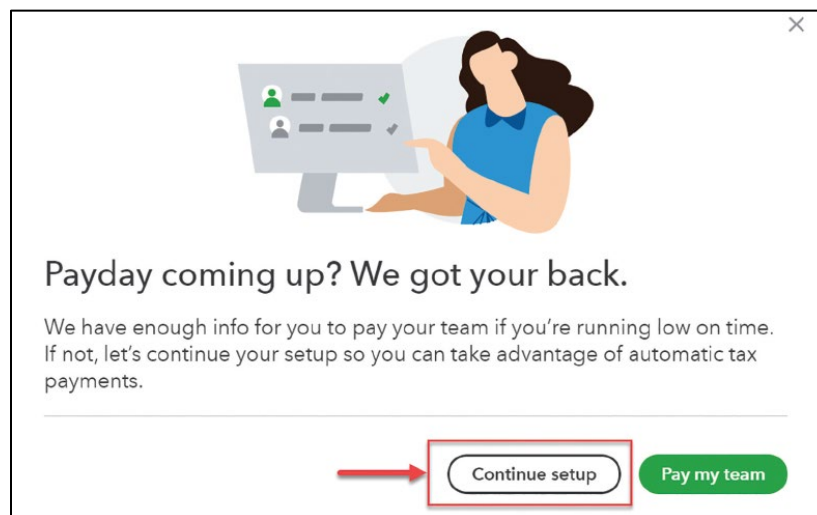
Click **Continue setup**.
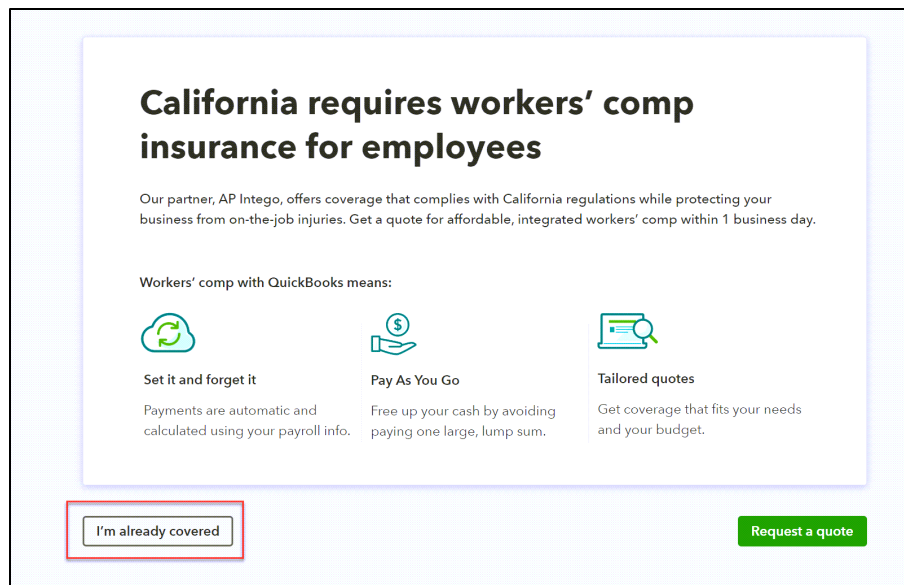
Click **I'm already covered** on the workers' compensation information screen.

> BEHIND THE SCENES California requires most employers to either have a Workers' Compensation insurance policy or be self-insured to cover cash benefits and/or the cost of medical care for employees who are injured or become ill as a direct result of the work they perform.

Click **Next**.

You should now be on the **Overview** tab of the Payroll Center.

You can continue with the instructions in the textbook for Step 4, starting on page 12-25.