

Changes to Payroll in QBO – As of May 2022

Chapter 12

Step 1 – Set Up a New Company File

Some of you will get your new company file directly from your instructors. Others may need to create a new company file using the 30-day free trial process covered in the *Chapter 12: Activating a Free 30-day trial of QBO* PDF included in the **Tips and Updates** folder of Student Ancillaries. Ancillaries are accessible through myBusinessCourse or at <https://cambridgepub.com/book/qbo2021#ancillaries>.

Once you've signed in to the new file, use the following table to help you with the company setup. Remember, QBO changes fairly often! The wording or the order of the setup questions might differ slightly. Some of these questions won't appear. Others might be added. Use your best judgment. If you don't know how to answer a question, reach out to your instructor.

Screen Heading	Answers
What's your business name?	Enter a name that is distinct from your homework company name. For example, you could use your homework company file name followed by the word 'Payroll'.
How do you manage your business finances today?	Spreadsheets or pen & paper
How long has your company been in business?	Under a year
What's your industry?	Enter <i>Professional services</i> in the field. Select All other professional, scientific, and technical services from the displayed options.
What kind of business is this?	Corporation or C Corp
How does your business make money?	Select We provide services and We sell products
What's your main role at the company?	Select the option that includes the word Accountant
Who works at this business?	Select Employees (Select 2-5 if asked for the number.)
Want to add QuickBooks Online Payroll Premium? NOTE: This question would only appear if you obtained your new file directly from your instructor.	Toggle Yes, I'd like to try Payroll Premium free for 30 days
What apps do you already use?	Click I don't use any apps
Link your accounts	Click Skip for now
What is everything you want to set up? Or What do you want to do in QuickBooks?	Select all options other than those related to accepting online payments, tracking mileage, and purchasing insurance.

Once you finish answering the questions, click [Let's go](#). You should now be on the Dashboard. Complete Step 1 using the instructions on pages 12-11 through 12-15.

Step 2 – Activate Payroll

Follow the instructions in the textbook.

Step 3 – Add Employees

There are still eight sections to be completed for each employee.

The new screen for Section 1 **may** look like this:

1 Personal info

First name* M.I. Last name*

Shaniya Montero

Email

We'll email an invite for this employee to view their pay stubs and W-2 with QuickBooks Workforce. [Learn about Workforce](#)

NEW Ask this employee to enter their personal, tax (2020 W-4), and banking info with QuickBooks Workforce.

i This is recommended. Letting your employee enter their personal info improves accuracy.

Invite this employee to track and record their hours with QuickBooks Time. [Learn more](#)

If so, make sure neither of the boxes is checked.

Sections 2, 3, and 4 have not changed.

Click **Add deductions** in Section 5 (Figure 12.26).

Deductions & contributions

Any deductions or contributions for Shaniya?

Deductions/contributions

Deductions may include health insurance, retirement plans, loan repayments, and so on. [Learn More](#)

+ Add deduction/contribution

Garnishments

A garnishment is a court order to withhold wages from an employee and send the money to an agency or creditor. [Learn More](#)

+ Add garnishment

Click **+ Add deduction/contribution**.

A sidebar will appear. The sidebar replaces Figure 12.27. Complete as shown below

Add deduction /contribution ✕

Deduction/contribution type

Type ⓘ

Description (appears on paycheck)

Employee deduction

Calculated as Percent per pay check

Annual maximum

Company contribution ⓘ

Calculated as Percent per pay check

Annual maximum

Complete as shown.

Deduction/contribution type:
 Retirement plans

Type: 401(k)

Description: Employee First (401k)

Employee deduction: Percent of gross pay, 3%

Company contribution: Percent of gross pay, 3%

Click **Save**.

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

Click **+ Enter W-4 form** in Section 6 (Figure 12.28). A screen showing personal and tax information will appear.

Complete the Personal Information section at the top as follows:

What are Shaniya's withholdings?

▼ Personal info

First name M.I. Last name

Address

City or town State ZIP code

Social Security number

[What if they only have an ITIN?](#)

Personal Information:

First Name: Shaniya

Last Name: Montero

Address:
 2500 Los Rios Drive
 Sacramento, CA 95822

SSN: 222-79-5678

Complete the Tax information sections as follows:

▼ **Federal withholding**
You can find the information for this section on Shaniya's W-4 form. [Need a blank W-4 form?](#)

Filing status (Step 1c)
Single or Married Filing Separately ▼

Select yes if Shaniya has marked this box on their W-4. (Step 2c)
 Yes

Claimed dependents' deduction (Step 3)
\$0

Other adjustments
Other income (Step 4a) Deductions (Step 4b) Extra withholding (Step 4c)
\$0 \$0 \$0

▼ **State withholding**
CA state taxes
Filing status Withholding allowances Additional amount to withhold
Single Or Married (with two or more incomes) ▼ 1 \$0

▼ **Tax exemptions**
These are not common. Certain government criteria must be met to take these exemptions.
Not sure? Contact a tax expert or the applicable tax agency. [Learn more](#)

FUTA
 Social Security and Medicare
 CA SUI and ETT
 CA SDI

Cancel Save

Federal Withholding:

Filing Status:

Single or Married Filing Separately

Claimed Dependents: \$0

All other adjustment fields: All \$0

State Withholding:

CA state Taxes

Filing status:

Single or Married (with two more incomes)

Withholding allowances: 1

Additional amounts to withhold: \$0

Tax Exemptions:

Do not select any.

There are no changes in Sections 7 and 8.

Follow the same instructions when setting up the second employee (Abe Martin) and click **Done** (Figure 12.33).

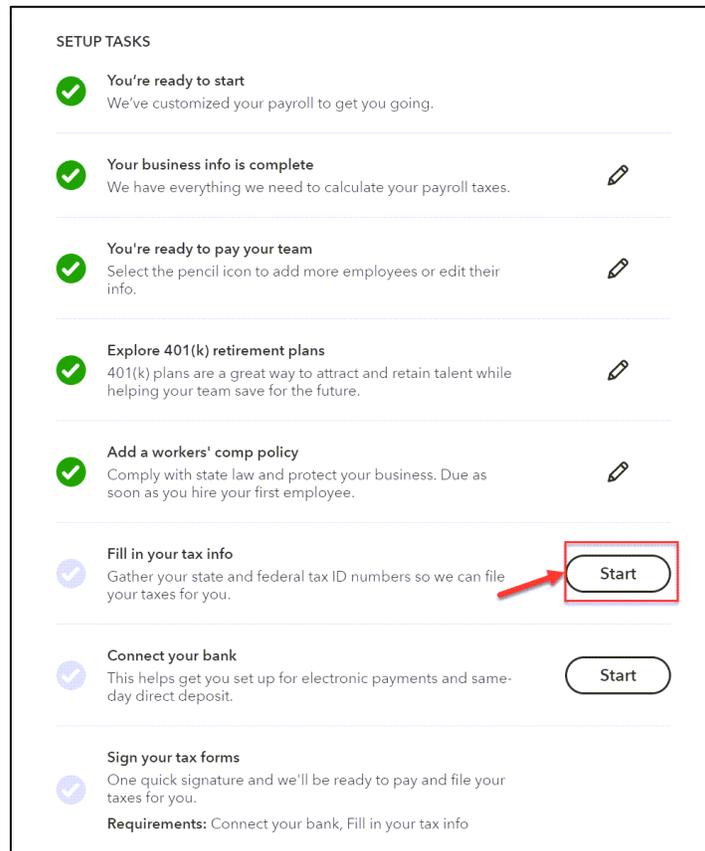
Click **Continue setup**.

Answer **Yes, I'm covered** when asked about workers' comp. (Figure 12.35)

You should now be on the **Overview** tab of the Payroll Center. You will be finishing the payroll setup in Step 4.

Step 4 – Finish the Payroll Setup

If you're not on the Overview tab already, click **Payroll** on the navigation bar and open the **Overview** tab.

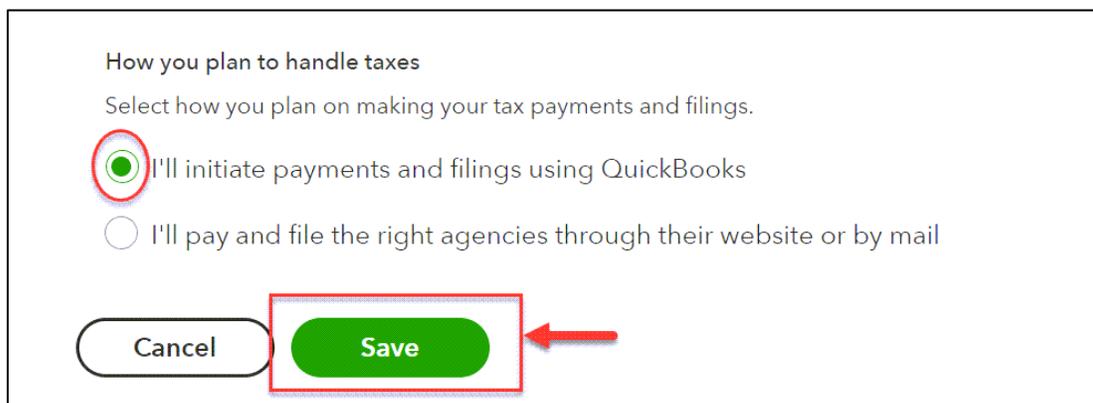


SETUP TASKS

- You're ready to start**
We've customized your payroll to get you going.
- Your business info is complete**
We have everything we need to calculate your payroll taxes. 
- You're ready to pay your team**
Select the pencil icon to add more employees or edit their info. 
- Explore 401(k) retirement plans**
401(k) plans are a great way to attract and retain talent while helping your team save for the future. 
- Add a workers' comp policy**
Comply with state law and protect your business. Due as soon as you hire your first employee. 
- Fill in your tax info**
Gather your state and federal tax ID numbers so we can file your taxes for you. 
- Connect your bank**
This helps get you set up for electronic payments and same-day direct deposit. 
- Sign your tax forms**
One quick signature and we'll be ready to pay and file your taxes for you.
Requirements: Connect your bank, Fill in your tax info

Click **Start** next to **Fill in your tax info**.

Follow the instructions on pages 12-29 to 12-36. There is one new question. When you click **Save** after turning off the automation in QBO payroll processing (Page 31 - Figure 12.46), you will be asked how you plan to make tax payments and filings:

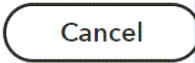


How you plan to handle taxes

Select how you plan on making your tax payments and filings.

I'll initiate payments and filings using QuickBooks

I'll pay and file the right agencies through their website or by mail

Toggle **I'll initiate payments and filings using QuickBooks**.

Step 5 – Process Payroll

No changes

Step 6 – Remit payroll taxes

No changes.

Step 7 – Access Payroll Reports

No changes.

Here is some additional information about editing and deleting paychecks:

Editing and deleting paychecks

Paychecks can be edited as long as taxes have not been remitted for the payroll period. Open the Paycheck list tab in the employee record to edit a **paycheck**.

Shaniya Montero
Edit employee

Employee details | **Paycheck list**

Select the paychecks you'd like to print, edit, void, or delete.

Date Range: This quarter (Jan-Mar) Run Report

<input type="checkbox"/>	PAY DATE	NAME	TOTAL PAY	NET PAY	PAY METHOD	CHECK NUMBER	STATUS
<input type="checkbox"/>		Montero, Shaniya			Check		-
<input type="checkbox"/>		Montero, Shaniya			Check		-

Click the amount in the **NET PAY** column.

Paycheck ? ×

PAY TO: **Shaniya Montero** NET PAY: \$1,234.56

Employee address: 2500 Los Rios Drive, Sacramento, CA 95822

Pay period: Pay date: Check number:

Paid from: Checking Paid by: Check

- ▶ Pay
- ▶ Employee taxes
- ▶ Deductions
- ▶ Employer taxes
- ▶ Company contributions

Memo:

Cancel | Print | **Edit** | Delete | Void | OK

Click **Edit** on the black bar at the bottom of the screen. (You can also void or delete paychecks from this menu bar.)

Certain fields cannot be edited. These include compensation rate fields (other than hourly overtime rates) and federal and state-mandated tax fields. Hours, federal and state income tax fields, and 401(k) contribution fields can be edited.

Click **OK** to save the changed transaction.

If payroll taxes withheld on the paycheck have been remitted, **paychecks** cannot be edited. **Paychecks** can, however, be deleted by clicking **Delete** on the black bar at the bottom of the **paycheck** form.

HINT: If you've made an error on your assignment for this chapter, deleting the **paycheck** allows you to start over. (Tax rates, account distributions, etc., can all be edited, and payroll could then be re-processed.)