Contents in Brief

Processing a New Employee	1
CHAPTER 2 Calculating Employee Pay	39
CHAPTER 3 Federal and State Income Tax Withholding	83
CHAPTER 4 FICA Taxes and Voluntary Deductions	115
CHAPTER 5 Federal and State Unemployment Taxes	145
CHAPTER 6 Periodic and Year-End Payroll Reporting	177
CHAPTER 7 Comprehensive Projects— Paper-Based Versions	225
CHAPTER 8 Comprehensive Projects—QuickBooks Versions	233
APPENDIX A 2016 Federal Tax Tables	241
APPENDIX B Annual Federal Payroll Tax Calendar	265
APPENDIX C State Tax Department Websites	269
APPENDIX D State Tax/Revenue Department Addresses	271

Table of Contents

Preface	vii	CHAPTER 2	
CHAPTER 1		Calculating Employee Pay	39
Processing a New Employee	1	Pay Periods and Workweeks	41
	0	Pay Period Options	41
The Employee Paystub	3	Defining the Workweek	42
Summary of Tax Rates	4	Wage Determination Issues	44
The Fair Labor Standards Act	5	The Equal Pay Act of 1963 (EPA)	44
The Federal Minimum Wage	5	State Minimum Wages	45
Calculating Overtime Wages	6	Time Cards	45
Child Labor Restrictions	7	Salaries and Wages	48
Circular E and Form SS-4	8	Calculating Overtime Pay	48
Employer Identification Number	9	Converting to Hourly Rates	50
Hiring an Employee	14	Weekly Wage Conversions	51
The Personal Responsibility and Work		Annual Salary Conversions	52
Opportunity Reconciliation Act of 1996	14	Commissions, Bonuses, and Incentive Plans	55
Form SS-5	14	Paying Commissions	55
Form W-4	16	Awarding Bonuses	56
Additional Hiring Considerations	19	Offering Incentive Plans	56
The Immigration Reform and Control Act		Alternative Pay Considerations	59
of 1986	19	Self-Employment Income	59
Form I-9	20	Tipped Employees	59
General Payroll Topics	27	Utilizing Piecework Systems	60
Workers' Compensation Insurance	27	Payroll Register	63
Payroll Certifications	27	Self-Assessment	68
Utilizing a Payroll Service	28	Practice Set A	70
Employee Earnings Record	28	Practice Set B	75
Self-Assessment	30	Continuing Payroll Problem	80
Practice Set A	32	Critical Thinking	81
Practice Set B	34	Circular inniming	01
Continuing Payroll Problem	37		
Critical Thinking	38		

Federal and State

177

Income Tax Withholding	83
Deductions from Employee Earnings	85
Mandatory Deductions	85
Voluntary Deductions	86
Distinguishing Between Gross Pay and Taxable Pay	86
Federal Income Tax Withholding	89
The Wage-Bracket Method	89
The Percentage Method	92
Other Federal Income Tax Withholding Considerations	95
Deceased and Terminated Employees	95
Changing the W-4 Form	95
State Income Tax Withholding	97
Local Income Tax Withholding	97
The Payroll Register	99
Self-Assessment	103
Practice Set A	105
Practice Set B	109
Continuing Payroll Problem	113
Critical Thinking	114
CHAPTER 4	

FICA Taxes and Voluntary Deductions

Social Security Tax	117
The Social Security Wage Base	117
Taxable Earnings for Social Security Tax	118
Calculating Social Security Tax	118
Medicare Tax	121
Additional Medicare Tax	121
Additional Withholding Tax Considerations	123
State Disability Insurance	123
Wage Garnishments	123
Contributing to Retirement Plans	124
Cafeteria Plans	125
Dependent Care Benefits	126
Charitable Contributions, Union Dues, and	
Insurance Premiums	126
Completing the Payroll Register	127
Accounting for Payroll (Employee Portion)	131
Self-Assessment	134
Practice Set A	136
Practice Set B	139
Continuing Payroll Problem	143
Critical Thinking	144

CHAPTER 5

Federal and State Unemployment Taxes 145 Federal Unemployment Tax (FUTA) 147 Credit Reduction States 147 Making FUTA Tax Payments 148 State Unemployment Tax (SUTA) 151 SUTA Experience Rating 151 Matching Social Security and Medicare Tax 153 Accounting for Payroll (Employer Portion) 155 Nonemployee Compensation 156 Independent Contractors 157 Form W-9 157 Form 1099-MISC 159 Form 1096 160 The Self-Employment Contributions Act (SECA) 164 Statutory Nonemployees 165 Self-Assessment 166 Practice Set A 168 Practice Set B 171 Continuing Payroll Problem 175 Critical Thinking 176

CHAPTER 6

115

Periodic and Year-End Payroll Reporting

nepor ting	1//
Accounting for Payroll (Periodic Entries)	179
Submitting Unemployment Tax Payments	180
Voluntary Withholding Payments	181
Form 941 (Employer's Quarterly Federal Tax Return)	182
The Electronic Federal Tax Payment System	183
Form 941 Rounding Considerations	190
Quarterly State Payroll Forms	190
Form 940 (Employer's Annual Federal	
Unemployment Tax Return)	194
Form W-2 (Wage and Tax Statement)	202
Form W-3 (Transmittal of Wage and Tax Statements)	208
Self-Assessment	212
Practice Set A	214
Practice Set B	217
Continuing Payroll Problem	221
Critical Thinking	223

Vi Table of Contents

CHAPTER 7

Comprehensive Projects— Paper-Based Versions	225
One-Month Project Three-Month Project	226 229
CHAPTER 8	
Comprehensive Projects— QuickBooks Versions	233
One-Month Project Three-Month Project	234 237
APPENDIX A	
2016 Federal Tax Tables	241
Annual Federal Payroll Tax Calendar	265
APPENDIX C State Tax Department Websites	269
APPENDIX D State Tax/Revenue Department Addresses	271
Self-Assessment Answer Keys Glossary Index	275 279 283