

Table of Contents

Preface

vii

CHAPTER 1

Processing a New Employee 1

The Employee Paystub	3
Summary of Tax Rates	4
The Fair Labor Standards Act	5
The Federal Minimum Wage	5
Calculating Overtime Wages	6
Child Labor Restrictions	7
Circular E and Form SS-4	8
Employer Identification Number	9
Hiring an Employee	14
The Personal Responsibility and Work Opportunity Reconciliation Act of 1996	14
Form SS-5	14
Form W-4	16
Additional Hiring Considerations	19
The Immigration Reform and Control Act of 1986	19
Form I-9	20
General Payroll Topics	27
Workers' Compensation Insurance	27
Payroll Certifications	27
Utilizing a Payroll Service	28
Employee Earnings Record	28
Self-Assessment	30
Practice Set A	32
Practice Set B	34
Continuing Payroll Problem	37
Critical Thinking	38

CHAPTER 2

Calculating Employee Pay 39

Pay Periods and Workweeks	41
Pay Period Options	41
Defining the Workweek	42
Wage Determination Issues	44
The Equal Pay Act of 1963 (EPA)	44
State Minimum Wages	45
Time Cards	45
Salaries and Wages	48
Calculating Overtime Pay	48
Converting to Hourly Rates	50
Weekly Wage Conversions	51
Annual Salary Conversions	52
Commissions, Bonuses, and Incentive Plans	55
Paying Commissions	55
Awarding Bonuses	56
Offering Incentive Plans	56
Alternative Pay Considerations	59
Self-Employment Income	59
Tipped Employees	59
Utilizing Piecework Systems	60
Payroll Register	63
Self-Assessment	68
Practice Set A	70
Practice Set B	75
Continuing Payroll Problem	80
Critical Thinking	81

CHAPTER 3**Federal and State
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 115**

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	124
Contributing to Retirement Plans	124
Cafeteria Plans	126
Dependent Care Benefits	126
Charitable Contributions, Union Dues, and Insurance Premiums	127
Completing the Payroll Register	128
Accounting for Payroll (Employee Portion)	132
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**Periodic and Year-End Payroll
Reporting 177**

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

CHAPTER 7**Comprehensive Projects—
Paper-Based Versions** 225

One-Month Project	226
Three-Month Project	229

CHAPTER 8**Comprehensive Projects—
QuickBooks Versions** 233

One-Month Project	234
Three-Month Project	237

APPENDIX A**2019 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

<i>Self-Assessment Answer Keys</i>	275
<i>Glossary</i>	279
<i>Index</i>	283