

Employee	Weekly Rate	Hourly Rate
Ford, Catherine L.	\$480.00	\$12.00
Russell, Virginia A.	375.00	9.38

November 30

No. 17 Prepare an employee's earnings record for *Paul Winston Young*, the president's nephew, who began work today. Young is single and claims one withholding allowance. He is training as a field sales representative in the city where the home office is located. His beginning salary is \$1,750 per month. Address, 7936 Holmes Drive, Philadelphia, PA 19107-6107. Telephone, 555-2096. Social Security No. 000-00-6057. Young is eligible for group insurance coverage of \$32,000.

Department: Sales
 Weekly rate: \$403.85
 Hourly rate: \$10.10



**START OF SHORT VERSION OF PAYROLL PROJECT
 (CONTINUATION OF PAYROLL PROJECT)**

December 3

No. 18 Deposit with the state of Pennsylvania the amount of state income taxes withheld from the November 20 payroll and complete the information worksheet.

December 4

No. 19 Prepare the payroll for the first pay period of December from Time Clerk's Report Nos. 46 and 47, and record the paychecks issued all employees. Record this payroll at the top of the third payroll register sheet.

Note: Thursday, November 26, is a paid holiday for all workers.

Also, record the employer's payroll taxes.

Time Clerk's Report No. 46 For the Week Ending November 21, 20--									
Employee	Time Record							Time Worked	Time Lost
	S	M	T	W	T	F	S		
Bonno, A. V. ...		8	8	8	8	8		40 hrs.	...
Ford, C. L.		8	8	8	8	8		40 hrs.	...
Russell, V. A. ...		8	8	8	8	8		40 hrs.	...
Ryan, N. A.		8	8	8	4	8		36 hrs.	4 hrs.*
Student.		8	8	8	4	8		36 hrs.	...
Woods, B. A.	8	8	8	8		32 hrs.	...

*Time lost on account of personal business; deduct 4 hours' pay.

Time Clerk's Report No. 47 For the Week Ending November 28, 20--									
Employee	Time Record							Time Worked	Time Lost
	S	M	T	W	T	F	S		
Bonno, A. V.	8*	8	8	8	PAID HOLIDAY	8		48 hrs.	...
Ford, C. L.		8	8	8	PAID HOLIDAY	8		40 hrs.	...
Russell, V. A.		8	8	8	PAID HOLIDAY	8		40 hrs.	...
Ryan, N. A.		9	10	8	PAID HOLIDAY	8		43 hrs.	...
Student.		8	8	8	PAID HOLIDAY	4		36 hrs.	...
Woods, B. A.		8	8	8	PAID HOLIDAY	8		40 hrs.	...

*Double time.

- 20 Anthony V. Bonno reports the birth of a son and completes an amended Form W-4, showing his total withholding allowances to be five. Change his earnings record accordingly, *effective with the December 18 pay*.
- 21 Both Anthony Bonno and Norman Ryan have been notified that their union dues will increase to \$9 per pay, starting with the last pay period of the year. *Reflect these increases in the December 18 pay* and show the changes on their earnings records.

December 9

- 22 Pay the treasurer of the union the amount of union dues withheld during the month of November.

December 11

- 23 The Payroll Department was informed that Virginia A. Russell died in an automobile accident on her way home from work Thursday, December 10.

December 14

- 24 ① Make a separate entry (on one line) in the payroll register to record the issuance of a check payable to the *Estate of Virginia A. Russell*. This check covers Russell's work for the weeks ending December 5 and 12 (\$675.16) plus her accrued vacation pay (\$750.00). Do not show the vacation hours in the Time Record columns on the payroll register, but include them in the Total Earnings column.

Russell's final biweekly pay for time worked and the vacation pay are subject to FICA, FUTA, and SUTA (employer and employee) taxes. Since Russell's cumulative earnings have surpassed the taxable earnings figures established by FUTA and SUTA, there will not be any unemployment tax on the *employer*. The deduction for group insurance premiums is \$8.70.

② Make a notation of Russell's death in the payroll register and on her earnings record.

③ Prepare journal entries to transfer the net pay and to record Russell's final pay and the employer's payroll taxes. Post to the ledger accounts.

④ Include the final gross pay (\$1,425.16) in Boxes 3 and 5, but not in Boxes 1, 16, and 18. Use the blank Form W-2 on page 7-59.

In addition, the last wage payment and vacation pay must be reported on Form 1099-MISC. A Form 1096 must also be completed. These forms will be completed in February before their due date. (See Transaction Nos. 41 and 42 on page 7-66.)

December 15

- 25 Electronically deposit the amount of FICA taxes and federal income taxes for the November payrolls and complete the Federal Deposit Information Worksheet.

- 26 Deposit with the city of Philadelphia the amount of city income taxes withheld from the November payrolls.

December 18

- 27 Deposit with the state of Pennsylvania the amount of state income taxes withheld from the December 4 payroll and complete the information worksheet.

- 28 Glo-Brite has been notified by the insurance company that there will be no premium charge for the month of December on the policy for Virginia Russell. Prepare the entry for the check made payable to the estate of Virginia A. Russell, for the amount that was withheld for insurance from her December 14 pay.

- 29 Prepare an employee's earnings record for Richard Lloyd Zimmerman, who was employed today as time clerk to take the place left vacant by the death of Virginia A. Russell last week. His beginning salary is \$1,430 per month.

PAY Points

This final pay is not subject to withholding for FIT, SIT, or CIT purposes.

PAY Points

Prepare a Wage and Tax Statement, Form W-2, which will be given to the executor of the estate along with the final paycheck.

Address, 900 South Clark Street, Philadelphia, PA 19195-6247. Telephone, 555-2104. Social Security No. 000-00-1502. Zimmerman is married and claims one withholding allowance. Zimmerman is eligible for group insurance coverage of \$26,000, although no deduction for group insurance premiums will be made until the last payday in January.

Department: Office
 Weekly rate: \$330.00
 Hourly rate: \$8.25

No. 30 Prepare the payroll for the latter pay of December from Time Clerk's Report Nos. 48 and 49 and record the paychecks issued all employees. Also, record the employer's payroll taxes.

Effective with this pay, O'Neill completed a new Form W-4, changing his total withholding allowances to four. Previously, he had claimed fewer allowances than he had been using on his tax return. Change his earnings record accordingly.

In this pay, the president of the company, Joseph O'Neill, is paid his annual bonus. This does not affect O'Neill's insurance coverage, which is based on regular pay. This year, his bonus is \$60,000. For withholding purposes, the bonus is considered a supplemental payment and is added to his gross pay, and the aggregate amount is taxed. For this pay, O'Neill has increased his SIMPLE deduction to \$4,000. To determine the federal income tax, use the Table of Allowance Values along with Tax Table A (pages T-2 to T-4). In calculating the tax, do not round the aggregate to the nearest earnings dollar. In this pay, O'Neill has reached the OASDI ceiling. To calculate O'Neill's OASDI tax, multiply the OASDI ceiling of \$113,700 by 6.2 percent and then subtract the year-to-date OASDI taxes withheld.

Note: After posting the information for this last pay to the employees' earnings records, calculate and enter the quarterly and yearly totals on each earnings record.

PAY Points

Remember to deduct the premiums on the group insurance for each employee.

Time Clerk's Report No. 48 For the Week Ending December 5, 20--								
Employee	Time Record						Time Worked	Time Lost
	S	M	T	W	T	F		
Bonno, A. V. . . .	4	8	8	8	8	8	44 hrs.	...
Ford, C. L.		8	8	8	8	8	40 hrs.	...
Russell, V. A. . . .		8	8	8	8	8	40 hrs.	...
Ryan, N. A.		8	9	9	9	9	44 hrs.	...
Student		8	8	7	8	4	35 hrs.	1 hr.*
Woods, B. A. . . .		8	8	8	8	8	40 hrs.	...
Young, P. W. . . .		8	8	8	8	8	40 hrs.	...

*Time lost because of tardiness; deduct 1 hour's pay.

Time Clerk's Report No. 49 For the Week Ending December 12, 20--									
Employee	Time Record							Time Worked	Time Lost
	S	M	T	W	T	F	S		
Bonno, A. V. . . .	8	8	8	8	8	8	48 hrs.	...	
Ford, C. L.		4	8	8	8	8	36 hrs.	4 hrs.*	
Russell, V. A. . . .		8	8	8	8	D	32 hrs.	8 hrs.	
Ryan, N. A.		10	8	8	9	8	43 hrs.	...	
Student		4	8	8	8	4	32 hrs.	4 hrs.**	
Woods, B. A. . . .		8	8	8	8	8	40 hrs.	...	
Young, P. W. . . .		8	8	8	8	8	40 hrs.	...	

*Time spent in training session; no deduction in pay.
 **Time lost in dentist appointment; no deduction in pay.

Payroll Ac
 Note:
 the last q
 trate diff
 payrolls a
 the ledger
 Janua
 No. 31 I
 Janua
 No. 32
 Janua
 No. 33
 No. 34
 Febru
 No. 35
 WA
 EMP
 REDI
 EMP
 RED
 BOR
 BEN
 CO/
 CRE
 No. 3
 1 http

Note: This completes the project insofar as recording the payroll transactions for the last quarter is concerned. The following additional transactions are given to illustrate different types of transactions arising in connection with the accounting for payrolls and payroll taxes. Record these transactions in the journal, but do not post to the ledger.

January 6

No. 31 Deposit with the state of Pennsylvania the amount of state income taxes withheld from the December 18 payroll and complete the information worksheet.

January 8

No. 32 Pay the treasurer of the union the amount of union dues withheld during the month of December.

January 15

No. 33 Electronically deposit the amount of FICA taxes and federal income taxes for the December payrolls, and complete the Federal Deposit Information Worksheet.

No. 34 Deposit with the city of Philadelphia the amount of city income taxes withheld from the December payrolls.

February 1

No. 35 Prepare *Form 941, Employer's Quarterly Federal Tax Return*, with respect to wages paid during the last calendar quarter. Pages 7-54 and 7-55 contain a blank Form 941. The information needed in preparing the return should be obtained from the ledger accounts, payroll registers, employees' earnings records, and Federal Tax Deposit forms.

Form 941 and all forms that follow are to be signed by the president of the company, *Joseph T. O'Neill*.

On the JOB

January						
Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

LO5

Prepare various quarter-end and year-end payroll tax forms.

WASHINGTON UPDATE

EMPLOYERS IN "CREDIT REDUCTION" STATES MUST CALCULATE A CREDIT REDUCTION AS AN ADJUSTMENT TO THEIR FUTA TAX ON THEIR FORM 940 EMPLOYER'S ANNUAL FEDERAL UNEMPLOYMENT (FUTA) TAX RETURN. CREDIT REDUCTION STATES ARE STATES THAT DID NOT REPAY THE MONEY THEY BORROWED FROM THE FEDERAL GOVERNMENT TO PAY UNEMPLOYMENT BENEFITS. EMPLOYERS IN THESE STATES MUST USE SCHEDULE A (FORM 940) TO COMPUTE THE CREDIT REDUCTION.¹ IN 2013 PENNSYLVANIA WAS NOT A CREDIT REDUCTION STATE.

No. 36 ⓐ Complete *Form 940, Employer's Federal Unemployment (FUTA) Tax Return*, using the blank forms reproduced on pages 7-56 through 7-57. Also, complete the Federal Deposit Information Worksheet, using the blank form reproduced on page 7-49.

a. Total wages for the first three quarters was \$142,224.57. FUTA taxable wages for the first three quarters was \$65,490.00.

<http://www.irs.gov/businesses/small/article/0,,id=250782,00.html>

b. FUTA tax liability by quarter:

1st quarter—	\$204.53
2nd quarter—	\$105.25
3rd quarter—	\$83.16

The first FUTA deposit is now due, since the liability surpassed \$500.

c. Journalize the entry to record the electronic deposit for the FUTA tax liability.

No. 37 ① Prepare *Form UC-2, Employer's Report for Unemployment Compensation—Fourth Quarter*, using the blank form reproduced on page 7-58. In Pennsylvania, a credit week is any calendar week during the quarter in which the employee earned at least \$50 (without regard to when paid). The maximum number of credit weeks in a quarter is 13. The telephone number of the company is (215) 555-9559. All other information needed in preparing the form can be obtained from the ledger accounts, the payroll registers, and the employees' earnings records.

② Journalize the entry to record the payment of the taxes for the fourth quarter.

No. 38 Complete *Form W-2, Wage and Tax Statement*, for each current employee, using the blank statements reproduced on pages 7-60 to 7-64. Use each employee's earnings record to obtain the information needed to complete the forms. The two plant workers (Bonno and Ryan) have had \$121.00 in union dues withheld during the year.

No. 39 Complete *Form W-3, Transmittal of Wage and Tax Statements*, using the blank form reproduced on page 7-65. Use the information on all Forms W-2 to complete this form.

No. 40 Complete Pennsylvania *Form REV-1667, W-2 Transmittal*, using the blank form reproduced on page 7-65. Use the information on Forms W-2 to complete this report. The wages paid and the Pennsylvania tax withheld for the first three quarters are:

1st	\$34,088.75	\$1,046.52
2nd	\$45,535.62	\$1,397.94
3rd	\$62,600.20	\$1,921.83

No. 41 Complete *Form 1099-MISC, Miscellaneous Income*, for the payment to *the estate of Virginia A. Russell*. The full amount of the December 14 payment must be reported in Box 3. Page 7-66 contains a blank form.

Note: These wages are to be reported as other income in Box 3 so that the IRS will not seek self-employment tax on such amounts.

No. 42 Complete *Form 1096, Annual Summary and Transmittal of U.S. Information Returns*, using the blank form on page 7-66. Use the information on Form 1099-MISC to complete this form.

No. 43 Pennsylvania's Quarterly Reconciliation of Income Tax Withheld is filed electronically. The information worksheet to be completed is on page 7-52. The telephone number of the company is (215) 555-9559.

No. 44 Prepare the Annual Reconciliation of Employer Wage Tax for Philadelphia, using the blank form on page 7-53. For lines 1, 3, and 4, use gross wages and salaries per general ledger less exempt wages paid to Russell (\$1,425.16) on December 14. (This amount should agree with Form W-3 Box 18, local wages.) Tax paid during the first three quarters was \$5,586.57. For reporting purposes, there were 10 Philadelphia residents for whom wage tax was remitted for the pay period ending March 12, 20--.