Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chapter 13 Notes

**Section 13.1 – Journalizing Payroll**

**Recording Payroll Information**

* So far we have discussed how to record payroll information on the:
  + Payroll \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Record
* These two records provide all the payroll information needed to prepare payroll and payroll tax reports.

**How does payroll look in the journals and ledgers?**

* In the Ledgers
  + Separate ­­­­­­­­­­­­­­­­­­­­\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ are not kept for each employee.
  + Rather, accounts are kept to summarize:
    - ­­­­­­­­­­­­­­\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* In the Journals
  + *Two* journal entries are used to record payroll. The payment of:

1. \_\_\_\_\_\_\_\_\_\_\_\_\_
2. Employer payroll \_\_\_\_\_\_\_\_\_\_\_\_\_

**Other Reports**

* Various \_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_ payroll tax reports are required to report the payment of payroll taxes.
  + **\_\_\_\_\_\_\_\_\_** (Wage and Tax Statement): *tells employee total earnings and deductions for the year*
  + **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:** *employer reports the payroll taxes withheld from employee salaries and employer payroll taxes to the gov’t*
  + **\_\_\_\_\_\_\_\_\_** (Transmittal of Wage and Tax Statement): *employer reports earnings and payroll taxes of each employee during the previous year*
  + **Form 8109, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:** *employer sends to the government with the payment of payroll taxes*

**Journalizing the Payment of Payroll**

* The information for this journal entry comes from the column totals of the \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_.
* This entry is recorded in the \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* Transaction:
  + Debit \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for the \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ total.
  + Credit each individual \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for their \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ column totals, such as:
    - * Employee Income Tax Payable
      * Social Security Tax Payable
      * Medicare Tax Payable
      * Health Insurance Premiums Payable
      * U.S. Savings Bonds Payable
      * United Way Donations Payable
  + Credit \_\_\_\_\_\_\_\_\_\_\_ for the total for the \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_ column

Practice!

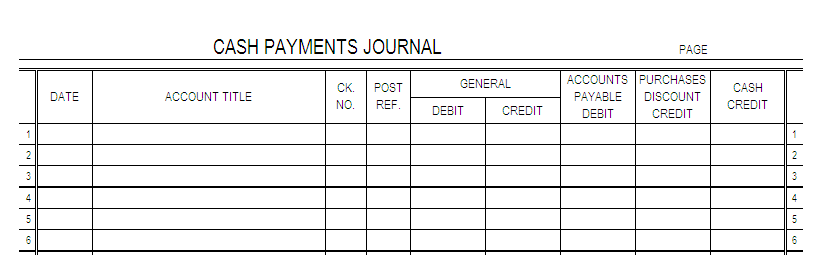
*Metro Company’s payroll register has the following column totals for the semimonthly pay period, July 1-15 of the current year:*

Total Earnings, $12,600

Federal Income Tax Withheld, $1,186

Social Security Tax Withheld, $781.20

Medicare Withheld, $182.70

*Journalize the payment on page 15 of the cash payments journal; the payroll was paid by Check No. 455.*

**Section 13.2 – Journalizing Employer Payroll Taxes**

**Employer Payroll Taxes**

* Most employers must pay four separate payroll taxes:

1. \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Tax
2. \_\_\_\_\_\_\_\_\_\_\_\_\_ Tax
3. \_\_\_\_\_\_\_\_\_\_\_\_\_ Unemployment Tax
4. \_\_\_\_\_\_\_\_\_\_\_\_\_ Unemployment Tax
   * Each of these taxes is based on a percentage of employee earnings.

**Employer Social Security and Medicare Taxes**

* These are the only employer payroll taxes paid by both the \_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_ .
* For example, if Hobby Shack withheld $354.11 in social security tax and $82.83 in Medicare tax from employee wages this last pay period, Hobby Shack would owe the same amount of social security and Medicare tax.
  + Where would we find these amounts?

**Unemployment Taxes**

* Federal laws require \_\_\_\_\_\_\_\_\_\_\_\_\_ to pay taxes for unemployment compensation.
  + These funds are used to pay workers \_\_\_\_\_\_\_\_\_\_\_\_\_ and partial \_\_\_\_\_\_\_\_\_\_\_\_\_ for limited periods of unemployment.
* The total earnings subject to unemployment tax are called unemployment \_\_\_\_\_\_\_\_\_\_\_\_\_ earnings.
  + Unemployment tax is applied to the first $\_\_\_\_\_\_\_ earned by each employee each year.
* There are two types of unemployment tax paid:
  + **Federal Unemployment Tax** –\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + **State Unemployment Tax** – \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Federal Unemployment Tax**

* \_\_\_\_% of the first $7,000 earned by each employee each year.

**State Unemployment Tax**

* \_\_\_\_% of the first $7,000 earned by each employee each year.
* Regulated by the \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ , so even though laws vary by state, they vary only slightly. There are certain standards that must be followed.

**Journalizing Employer Payroll Taxes**

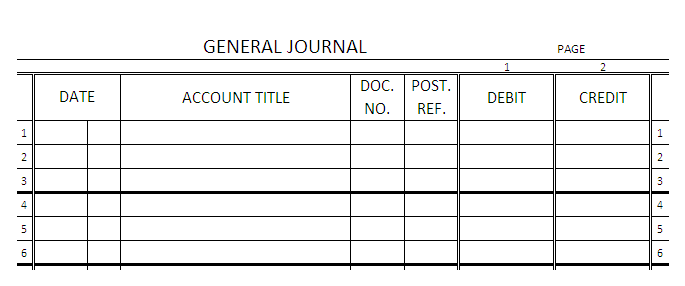
* The entry is recorded in the General Journal
  + Debit:
    - Payroll Taxes Expense (for the \_\_\_\_\_\_\_\_\_\_\_\_ of the taxes \_\_\_\_\_\_\_\_\_\_\_\_\_)
  + Credit:
    - Social Security Tax Payable
    - Medicare Tax Payable
    - Unemployment Tax Payable-Federal
    - Unemployment Tax Payable-State

Practice!

*Payroll information taken from employee earnings records is given below.*

1. Complete the table by:
   * + - Calculating the amount of earnings subject to unemployment taxes. Unemployment taxes are owed on the first $7,000 of earnings for each employee.
       - Calculating the amount of employer payroll taxes owed for the May 1-15 pay period and then again for the May 16-31 pay period. Use the appropriate payroll tax rates.
2. Journalize the employer’s payroll taxes for the May 1-15 pay period on May 15 of the current year. Use general journal page 10 and Memorandum No. 46.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Employee Name** | **Accumulated Earnings, April 30** | **Total Earnings, May 1-15 Pay Period** | **Unemployment Taxable Earnings** | **Accumulated Earnings, May 15** | **Total Earnings, May 16-31 Pay Period** | **Unemployment Taxable Earnings** |
| Tammy Beltran | $5,100.00 | $650.00 |  |  | $700.00 |  |
| Irma Cintron | $7,350.00 | $900.00 |  |  | $850.00 |  |
| George Davis | $6,500.00 | $750.00 |  |  | $600.00 |  |
| **Total:** | |  |  |  |  |  |
| **Social Security Tax Payable, 6.2%** | | |  |  | |  |
| **Medicare Tax Payable, 1.45%** | | |  |  |
| **Unemployment Tax Payable – Federal, 0.8%** | | |  |  |
| **Unemployment Tax Payable – State, 5.4%** | | |  |  |
| **Total Payroll Taxes** | | |  |  |



**Section 13.3 – Reporting Withholding and Payroll Taxes**

**Employer Annual Report to Employees of Taxes Withheld**

* **Form \_\_\_\_\_\_\_, Wage and Tax Statement**—*annual report of an employee’s total earnings and taxes withheld (\_\_\_\_\_\_\_\_\_\_\_\_ tax, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ tax, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ tax) during the year.*
  + Amounts are found on each employee’s \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
  + Employers are required to provide employees with this form by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the next year (or within \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ if an employee ends employment before December 31).
  + \_\_\_\_\_\_\_\_\_\_\_ copies of this form are prepared.
    - Copies B and \_\_\_\_\_ are given to the employee.
      * *Copy B*—employee attaches to a personal federal \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
      * *Copy \_\_\_\_—*employee keeps for a personal record.
    - *Copy \_\_\_\_—*employer sends to the Social Security Administration.
    - *Copy D*—employer keeps for the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ records.
  + Businesses in states with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ must prepare additional copies of this form. The employee attaches the additional copy to the personal income tax return.

**Preparing Employer’s Quarterly Federal Tax Return**

* Each employer must file a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ federal \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ showing the federal income tax, social security tax, and Medicare tax due to the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* This form is called **Form \_\_\_\_\_\_\_\_, Employer’s \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** and is submitted every three months before the \_\_\_\_\_\_\_\_\_\_ day of the month following the end of a calendar \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* The steps to complete the form are found on page 380.

***Employer Annual Reporting of Payroll Taxes***

* **Form \_\_\_\_\_\_\_\_, Transmittal of \_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** is sent to the Social Security Administration by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of each year.
  + This form reports the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ year’s earnings and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ withheld for all employees.
  + Attached to this form is Copy A of each employee Form \_\_\_\_\_\_\_\_\_.
* At the end of a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ year, employers must also report to the federal and state governments a summary of all \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ paid to employees during the \_\_\_\_\_ months.

**Section 13.4 – Paying Withholding and Payroll Taxes**

**Paying the Liability for Employee and Employer Payroll Taxes**

* Employers must pay to the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ governments payroll taxes withheld from employee earnings and employer payroll taxes
* **Deposit**—\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + Two amounts determine how often the deposit is made:
    1. Amount of payroll taxes collected during the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_deposit period
    2. Amount of payroll taxes owed during the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (the 12-month period that ends on June 30th of the prior year).

**Form 8109, Federal Deposit Coupon**

* New employers must make \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ deposits for the first calendar year of business. After a lookback period is established, the business must evaluate whether a change in its deposit period is required.
* **Form 8109, Federal Deposit Coupon**—\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
  + See page 384: Fill in the Type of Tax (Form 941) and the Tax Period (which quarter).
* Deposits can be made through EFTPS (\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_) if desired, but must be made through EFTPS if a business had deposits of more than $200,000 in the last calendar year.

**Journalizing Payment of Liability for Employee Income Tax, Social Security Tax, and Medicare Tax**

* Payment must be submitted by the \_\_\_\_\_th of the month following the payroll payment.
* This transaction is recorded in the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Journal.
  + Debit each tax \_\_\_\_\_\_\_\_\_\_\_\_\_\_ account:
    - Employee Income Tax \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - Social Security Tax \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
      * Remember, this tax is paid by both the employer *and* the employee.
    - Medicare Tax \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
      * Remember, this tax is paid by both the employer *and* the employee.
  + Credit the \_\_\_\_\_\_\_\_\_\_\_\_\_ account for the \_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the tax liabilities.

**Journalizing Payment of Liability for Federal Unemployment Tax**

* Payment must be submitted by the \_\_\_\_\_of the month following each \_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* Journalized in the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Journal.
  + Debit: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_- \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + Credit: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Journalizing Payment of Liability for Federal Unemployment Tax**

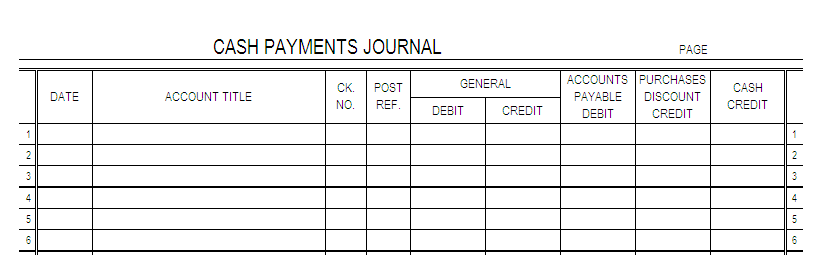
* Payment must be submitted by the \_\_\_\_\_of the month following each \_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* Journalized in the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Journal*.*
  + Debit: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_- \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + Credit: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Practice!

*The following payroll data is for Digital Supplies for the monthly pay period ended March 31 of the current year.*

|  |  |  |  |
| --- | --- | --- | --- |
| **Date Paid** | **Federal Income Tax Withheld** | **Employee Social Security Tax Withheld** | **Employee Medicare Tax Withheld** |
| Mar. 31 | $1,386.00 | $1,322.05 | $309.25 |

*Credit balances on March 31 for the unemployment tax accounts for the first quarter are as follows: Unemployment Tax Payable – Federal, $511.75; Unemployment Tax Payable – State, $3,454.34. Digital Supplies pays both unemployment taxes each quarter.*

1. Prepare a journal entry for the payment of the withheld taxes. Digital Supplies is a monthly schedule depositor. Journalize Check No. 383 on cash payments journal page 14 using the date taxes are due to the federal government.
2. **Prepare journal entries for payment of the federal and state unemployment taxes liability. Assume both checks were prepared on the due date for the federal tax deposit. Check Nos. 401 and 402.