

Using Quicken to Track Payroll Expenses
(Quicken Deluxe 2014)

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In the past, Quicken users who needed payroll software could use a program offered by Intuit, the maker of Quicken. Intuit dropped this software and now offers subscription services that work with QuickBooks. Quicken users can however track their payroll expenses with Quicken, but must subscribe to a service or otherwise make the calculations and keep up-to-date with the tax withholding tables. Quicken does not provide a platform for printing the Forms W-2 or 1099s. However, you can create a report to get the information needed to fill in the correct form.

We highly recommend contacting your accountant or tax preparer to fully understand obligations related to payroll as it is a complicated part of a business. Whether a small business and/or agricultural business, legal obligations of the employer include determining the status of a worker to as to whether they are independent contractors or employees. Additional regulations apply based on the business entity and size, number of employees and the amount of payroll paid during the year. It is the employer's responsibility to complete the required paperwork, meet deadlines for tax collections and payments, etc. The instructions that follow are generic and should not be considered complete as your situation may vary from the basics that we will cover. Discuss payroll issues with an accountant and/or tax preparer to determine the needs of your particular operation and applicable tax rules.

Tax Publications and Information Resources

The following IRS publications offer guidance in hiring workers as well as developing employee payrolls. These publications describe forms the employee must complete and include tax payment deadlines and tax tables for calculating withholding. This list is not all inclusive and should be reviewed with a tax accountant.

- Form I-9- "Employee Eligibility Verification"
- Form W-2 "Employee wage and tax reporting form"
- Form W-4 – "Employee's Withholding Allowance Certificate"
- Form 943 – "Employer's Annual Federal Tax Return for Agricultural Employees"
- Form 1099 – "Wages to non-employees"
- Publication 15 – (Circular E) "Employers Tax Guide"
- Publication 15a – "Employer's Supplemental Tax Guide"
- Publication 15b – "Employer's Tax Guide to Fringe Benefits"
- Publication 225- "Farmer's Tax Guide"
- Publication 51- (Circular A) – "Agricultural Employer's Tax Guide"
- Publication 509 – "Tax Calendar"

Be sure to stay current by contacting a tax specialist or the Internal Revenue Service website. The most current publications are available at the IRS website: <http://www.irs.gov/>

Determine the Employee Status

The status of a worker needs to be determined to furnish the correct forms and determine how to pay and withhold taxes. Determinations are made based on type of work, how hired, number of employees employed by the business, job(s) performed, and relationship (spouse or dependent) to the employer. Immigrant labor brings in another layer of regulation and responsibility.

Payroll Responsibilities

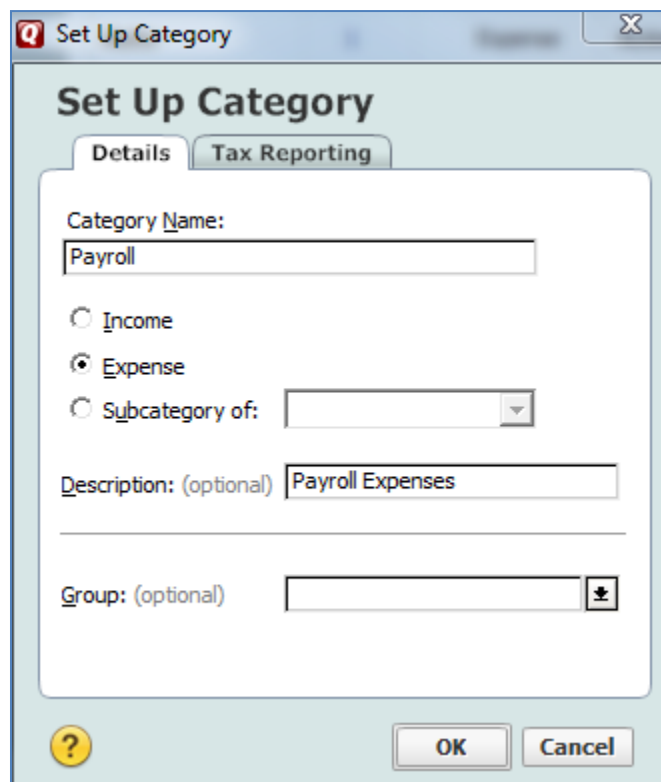
As an employer, you are responsible for requesting the appropriate identification and paperwork to establish an employee. If you choose to do the payroll activities, responsibilities include recording work hours, calculating the gross pay, determining and calculating the required tax withholdings and place them in a holding account. You are also responsible for timely payment of taxes to the IRS and state taxation department. In some situations, workers' compensation insurance may be required. If you offer employee benefits, special handling is required. We will not cover these situations in this publication.

Develop a paper form or spreadsheet to make the appropriate payroll calculations using the appropriate tax tables. Quicken tracks the expenses and records the payments of payroll and payroll taxes. Use the following instructions to record the payroll payments, withholdings, and expenses.

Add Payroll Categories and Subcategories

With your Quicken file open, add the categories and subcategories needed. We use a main *Payroll* category to group the associated expenses and then add subcategories to identify the particular expenses.

Go to **Tools, Category List** to open the category list window. Click on **Add Category**. Enter information as shown below.



The screenshot shows the 'Set Up Category' dialog box with the following fields and options:

- Category Name:** Payroll
- Income
- Expense
- Subcategory of: [Dropdown menu]
- Description: (optional):** Payroll Expenses
- Group: (optional):** [Dropdown menu]

Buttons: ? (Help), OK, Cancel

Next, select the **Tax Reporting** tab. Check **Tax related category** and choose **Extended line item list, Schedule F: Labor hired** as shown below.

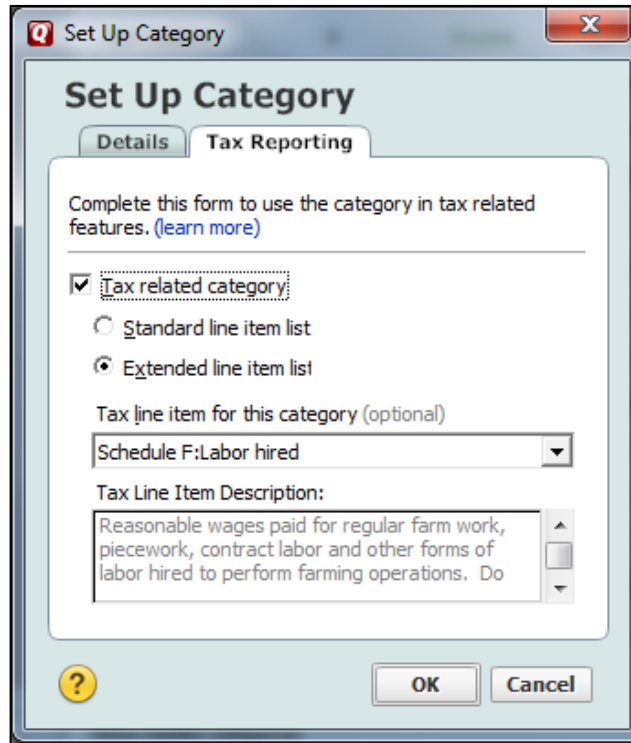
The screenshot shows the 'Set Up Category' dialog box with the 'Tax Reporting' tab selected. The 'Tax related category' checkbox is checked. The 'Extended line item list' radio button is selected. The 'Tax line item for this category (optional)' dropdown is set to 'Schedule F: Labor hired'. The 'Tax Line Item Description' text area contains the text: 'Reasonable wages paid for regular farm work, piecework, contract labor and other forms of labor hired to perform farming operations. Do'. The 'OK' and 'Cancel' buttons are visible at the bottom right.

OK

Now, add the appropriate items for gross pay and tax withholdings paid by the company. Click on **Add Category** in the *Category List* window. Complete the Set up Category screen as follows:

The screenshot shows the 'Set Up Category' dialog box with the 'Details' tab selected. The 'Category Name' text box contains 'Gross'. The 'Income' radio button is selected. The 'Subcategory of:' dropdown is set to 'Payroll'. The 'Description: (optional)' text box is empty. The 'Group: (optional)' dropdown is set to 'Personal Expenses'. The 'OK' and 'Cancel' buttons are visible at the bottom right.

Remember that Quicken considers anything that is not associated with Schedule C to be Personal Expenses. Next, select the Tax Reporting tab. **Check Tax related category** and choose **Extended line item list**. Select **Schedule F: Labor hired** from the drop down Tax Line item menu as shown below.



OK

Add the following for the FICA (Social Security) paid by the farm operation (this needs to be designated separate from the employee contribution for tax purposes):

Add Category

Category Name: **Comp FICA**
Description: **Company FICA Contribution**
Type: **● Subcategory of: Payroll**
Tax: **● Extended line item list**
Tax line item: **Schedule F: Taxes**
Group: **Farm Expense**

√ *Tax-related*

OK

In most cases, add the following *subcategory of Payroll* to record the necessary withholding taxes:

Add Category

Category Name: **Comp Medicare**
Description: **Company Medicare Contribution**
Type: **● Subcategory of: Payroll**

Tax: Extended line item list
 Tax line item: **Schedule F: Taxes**
 Group: **Farm Expense**
 Tax-related

Close the Category List window.

Adding the Tax Liability Accounts

We need to set up a liability account to act as a holding account for the tax withholdings (employer and employee) until paid. To add an account, go to:

Tools

Account List

Click on the **Add an Account** button at the bottom right.

Select **Other Liability**

Next

Name account/Nickname: **Payroll-FICA**

Next

Date to start tracking: **01/01/2014**

Liability Amount: **0.00**

Next

Is there a loan on this liability?

No

Next

Finish

The Payroll-FICA account appears in the Account List under *Liability*.

In the same manner, add the following liability accounts.

Type	Name Account	Date to start tracking	Liability amount	Loan Liability
Debt	Payroll-Medicare	01/01/14	0.00	No
Debt	Payroll-FedWithholding	01/01/14	0.00	No
Debt	Payroll-StateWithholding	01/01/14	0.00	No
Debt	Payroll-FedUnemployment ¹	01/01/14	0.00	No
Debt	Payroll-State Unemployment	01/01/14	0.00	No

¹ Federal unemployment may not be required for agricultural workers in some situations. Some states may require payment of state unemployment or workers compensation.

Enter Payroll Transactions

A simple payroll transaction for Howard Hiredman who typically helps with the cow/calf operation might be as follows. From the *Checking* account register, enter:

Date: 01/10/14
Num: 2129
Payee: Howard Hiredman
Payment: 840.85

Now click on the **Split** button and enter: **Pay close attention to the plus and minus signs.**

Note: An account (Payroll-FICA, for example) used as a category shows a transfer of cash from one account to another and appears in brackets. The liability account tracks either the employee withholding or both the employer and employee share. Employee tax withholding amounts are not expensed as the expense has been taken by the employer as gross pay and the employee amounts are subtracted from the employee gross pay.

Split Transaction

Enter multiple categories to itemize this transaction; use the Memo field to record more details.

	Category	Tag	Memo	Amount
1.	<input checked="" type="checkbox"/> Payroll:Gross			1,000 00
2.	<input checked="" type="checkbox"/> Payroll:Comp FICA			62 00
3.	[Payroll-FICA]			-124 00
4.	<input checked="" type="checkbox"/> Payroll:Comp Medicare			14 90
5.	[Payroll-Medicare]			-29 00
6.	[Payroll-FedWH]			-65 05
7.	[Payroll-StateWH]			-18 00
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
16.				

Split Total: 840.85
Remainder: 0.00
Transaction Total: 840.85

Buttons: Add Lines, Clear All, Allocate, Adjust, Next, Edit, OK, Cancel

OK to close the Split Transaction screen.

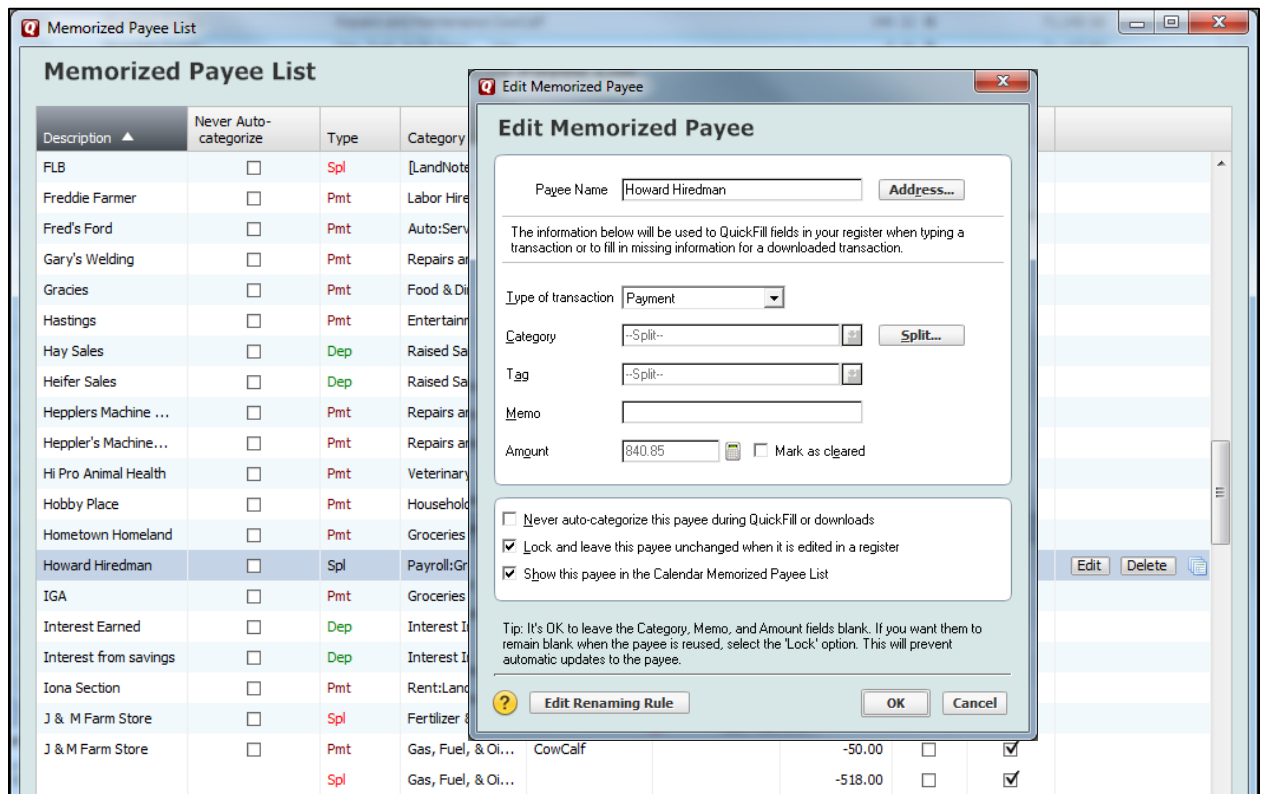
Enter to record the transaction.

Memorize Transaction

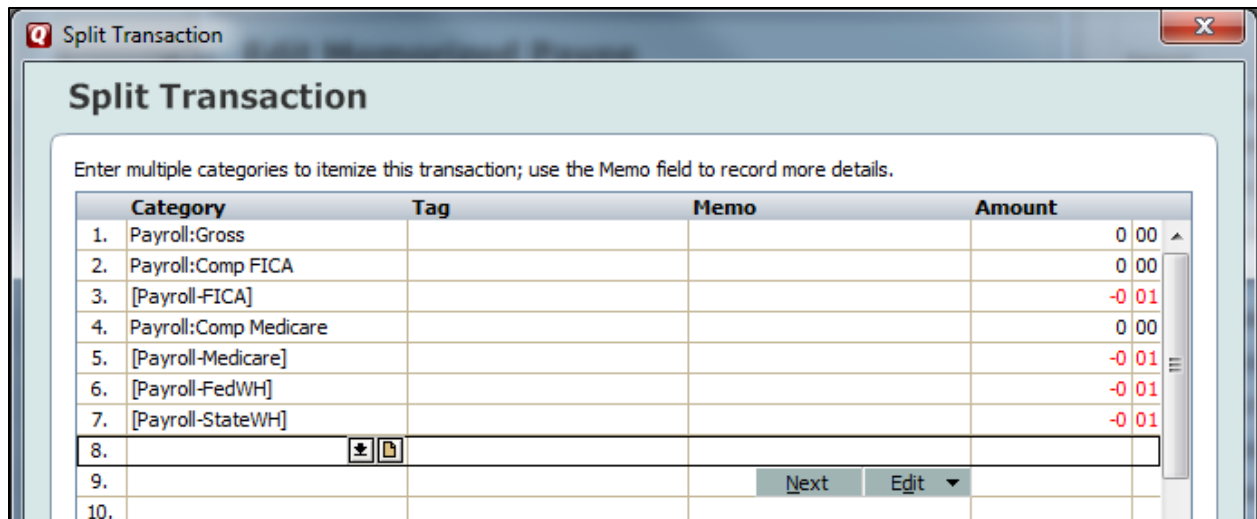
Since this is a transaction likely to be used more than once, you may want to memorize the transaction without specific amounts so that it will be easy to record similar information in the future. Since Howard is our only employee we will keep him as payee. Select the Howard Hiredman transaction. From the main menu line, choose **Edit, Transaction, Memorize Payee, Memorize split payees as percentages? No**

OK.

Next, go to **Tools, Memorized Payee List**. Find the **Howard Hiredman** transaction then click on **Edit**.



Click on **Split**. We will enter placeholder numbers, either a zero or a negative 0.01 for those items that are entered with a negative sign. We may remove the **Tag** since Howard helps with other parts of the farm operation and it may vary from paycheck to paycheck.



Click **Adjust**

OK

Review the Payee List. The transaction is shown as locked so it comes up in this format the next time you start to type Howard's name.

Click on the **X** in the upper right corner to close the Memorized Transaction list.

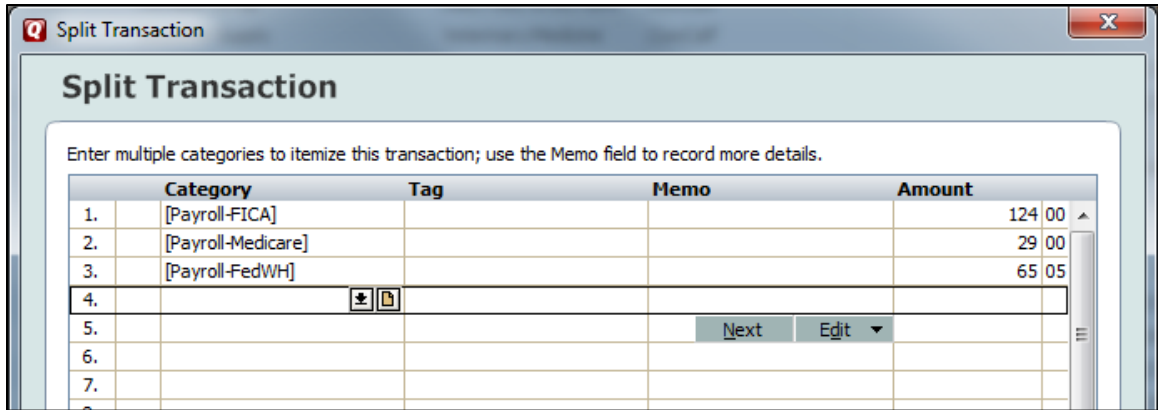
Pay the Tax

The payroll taxes are generally due monthly or quarterly. A tax consultant or the IRS publications can provide the due dates. If no other payroll transactions were incurred during the month, the payment entry in our example would be as follows.

From the *Checking* account:

Date: **01/30/14**
Num: **2140** (check number or EFT, Electronic Funds Transfer as appropriate)
Payee: **IRS**
Payment: **218.05**
Memo: **1st Monthly Federal tax payments**

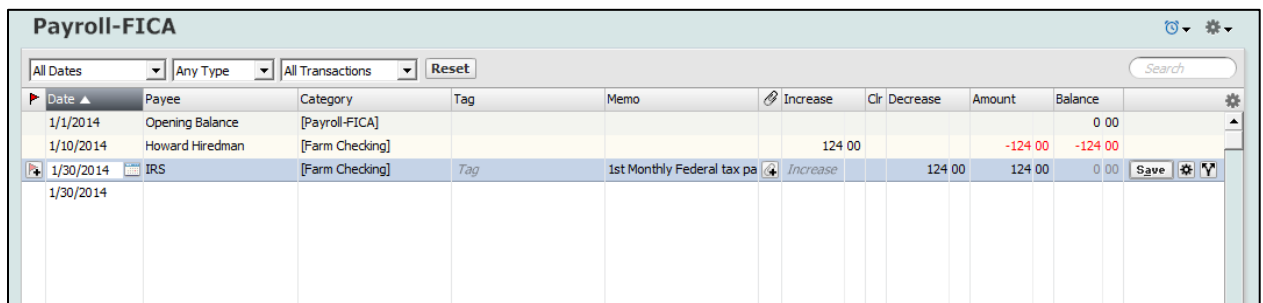
Click on **Split**



OK

Save

When these payments are recorded, they reduce the balance of the checking account and the corresponding liability account. You can view this by selecting the recorded transaction and opening the Split screen by clicking on the ✓ then click on **Edit, Go to Transfer**.



To view the other accounts go back to the **Checking** account and follow the instructions given above selecting another payroll liability entry.

The state withholding is due quarterly so the payment will be made by April 15. (We are assuming no other payroll has been made during the quarter).

From the *Checking* account:

Date: **04/11/14**
Num: **2160** (or Electronic Funds Transfer)
Payee: **State Taxation Commission**
Payment: **18.00**
Category: **[Payroll-StateWH]**
Memo: **1st Quarterly State Tax Payment**

Save

Print Reports

You may want to review a variety of reports. For each payroll, you may want a printed report to file and you may wish to export the report into a spreadsheet to track each employee's records for the year. At the end of the year, you will want to create a report to get the information you need for W-2s. Some examples follow.

To create a detailed payroll report that includes all of the split transactions, select **Reports** from the main menu. We have two employees for this example payroll.

Banking

Transaction

Click on the **Customize** button.

Customize April 11, 2014 Payroll Report

Date range: Custom dates From: 1/1/2014 To: 4/11/2014

Display Accounts Categories Payees Tags Securities Advanced

Report Layout

Title: April 11, 2014 Payroll Report

Headings

Subtotal by: Payee

Sort by: Account/Date

Organization: Income & Expense

Show

Cents (no rounding)

Totals only

Show splits

Exclude Savings Goals

Show Columns

Column

Date

Account

Num

Description

Memo

Category

Tag

Tax Item

Clr

Reset Columns

OK Cancel

These are the items changed to get the screen above:

Customize the Date range for the pay period: **01/01/14-4/11/14**

Give the report a Title: **April 11, 2014 Payroll Report**

Subtotal by: **Payee**

Sort by: **Account/Date**

Organization: **Income & Expenses**

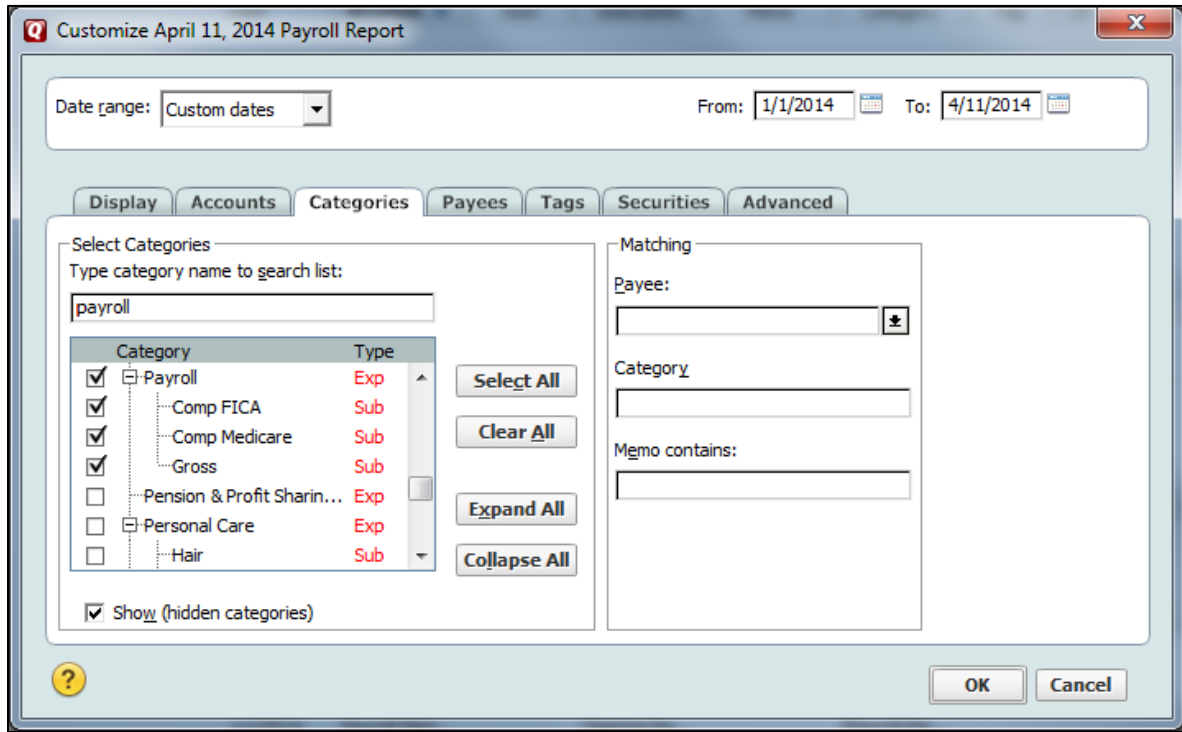
Show: **✓Cents**

✓Show splits

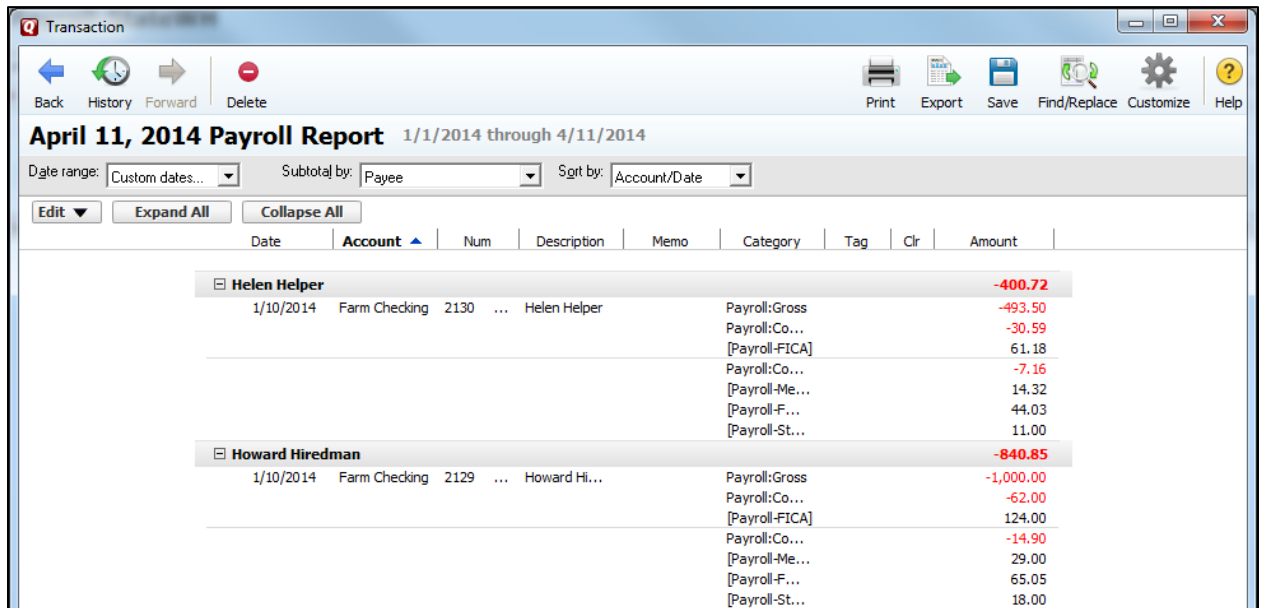
Now, select the **Categories** tab.

Click on the **Clear All** button.

Enter **Payroll** in the *Type category name to search list*. Now select the **Payroll** categories and also the **Payroll liability accounts** at the bottom of the list.

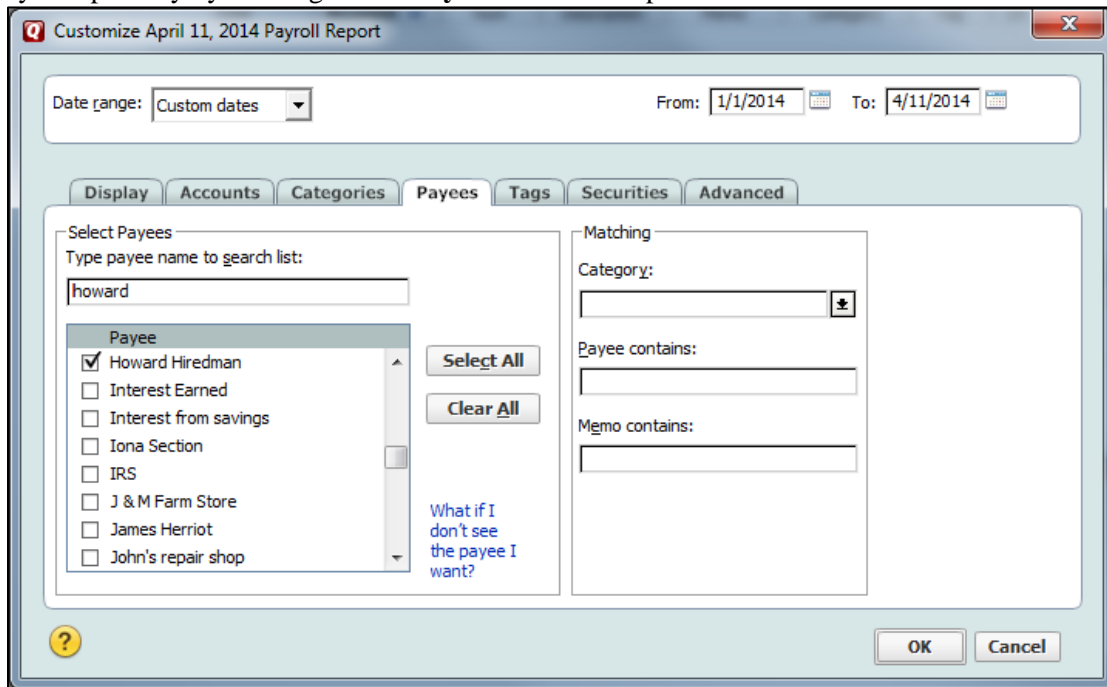


OK



To print a copy for your records, click on the **Print** icon.

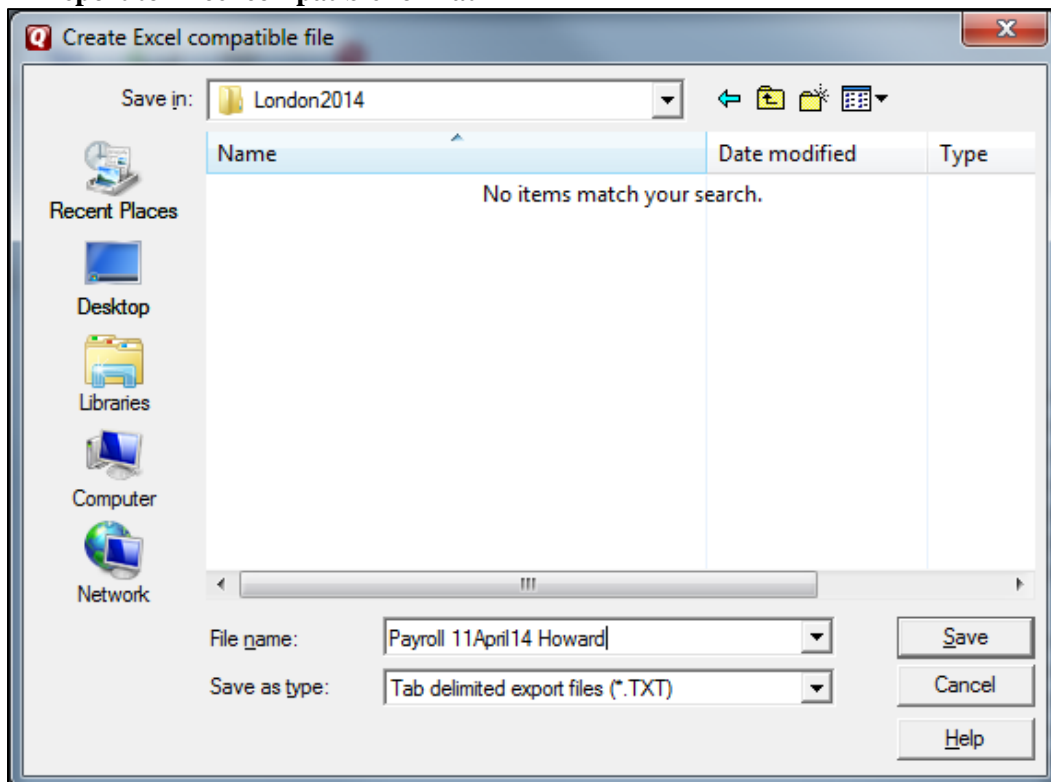
To export information for each individual employee to a spreadsheet, customize the report for each employee separately by clicking on the **Payees** tab and complete the screen.



OK

Export Data

Report to Excel compatible format



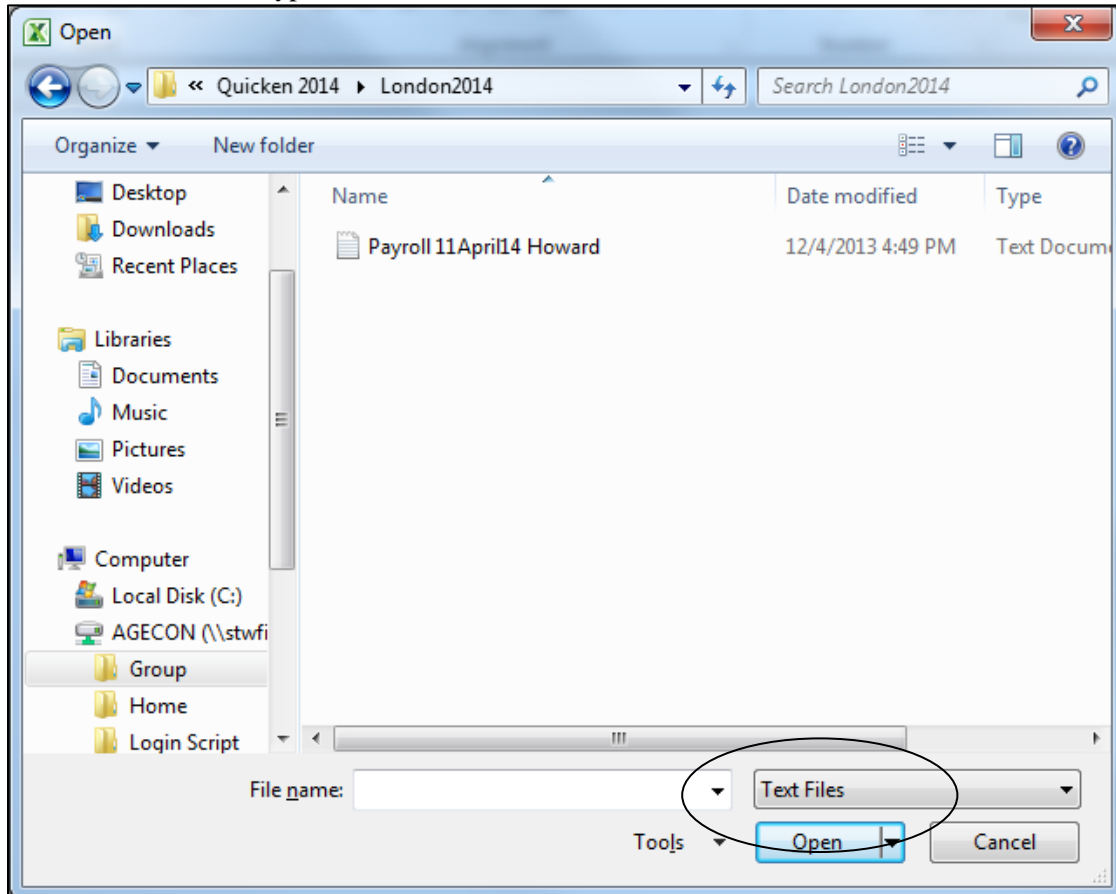
Open

Now, switch to the spreadsheet program:

File

Open

Files of Type: **Text Files**



Highlight the file name and click on Open

Click on **√Delimited**, **Next**, **√Tab**, **Finish**

The data is divided by columns and can be manipulated as desired. Save the spreadsheet in the spreadsheet file format.

W-2 Report

Quicken doesn't have a built in W-2 Report, so you will either need to print a report as shown below and/or use the spreadsheet you have created to get the totals needed to fill in a W-2.

Reports

Banking

Banking Summary

Click on the **Customize** icon. Fill out the **Dates**, **Title**, **Row**, and **Column** fields as shown below.

Customize Banking Summary

Date range: Custom dates From: 1/1/2014 To: 12/31/2014

Display Accounts Categories Payees Tags Category Groups Advanced

Report Layout

Title: 2014 W-2 Report

Headings

Row: Payee

Column: Category

Organization: Income & Expense

Show

Cents (no rounding)

Amount as %

Exclude Savings Goals

OK Cancel

Click on the **Categories** tab

Customize Banking Summary

Date range: Custom dates From: 1/1/2014 To: 12/31/2014

Display Accounts Categories Payees Tags Category Groups Advanced

Select Categories

Type category name to search list:

payroll

Category	Type
<input type="checkbox"/> Payroll-FedUnemploy...	Liab
<input checked="" type="checkbox"/> Payroll-FedWH	Liab
<input type="checkbox"/> Payroll-FICA	Liab
<input type="checkbox"/> Payroll-Medicare	Liab
<input type="checkbox"/> Payroll-State Unempl...	Liab
<input checked="" type="checkbox"/> Payroll-StateWH	Liab
<input type="checkbox"/> PkupNote	Liab

Select All

Clear All

Expand All

Collapse All

Show (hidden categories)

Matching

Payee:

Category:

Memo contains:

OK Cancel

Select the **Payroll Expenses** and the **Federal and State Withholding liability accounts**.

OK

The report is income and expense, so the numbers for the payroll expenses appear as a negative. To complete the W-2, the numbers are positive. The company expenses for FICA and Medicare are the same amounts as the employee paid in, so they can be used for the appropriate boxes on the W-2. The liability account numbers are positive and stay positive for recording.

Payee	EXPENSES Medicare	EXPENSES Gross	EXPENSES Payroll TOTAL	TRANSFERS Payroll-FedWH	TRANSFERS Payroll-StateWH	TRANSFERS Payroll-FedWH	TRANSFERS Payroll-StateWH	OVERALL TOTAL
Helen Helper	-7.16	-493.50	-531.25	44.03	11.00	0.00	0.00	-476.22
Howard Hiredman	-14.90	-1,000.00	-1,076.90	65.05	18.00	0.00	0.00	-993.85
IRS	0.00	0.00	0.00	0.00	0.00	-65.05	0.00	-65.05
State Taxation Commission	0.00	0.00	0.00	0.00	0.00	0.00	-18.00	-18.00
OVERALL TOTAL	22.06	-1,493.50	-1,608.15	109.08	29.00	-65.05	-18.00	-1,553.12

Note: You can QuickZoom (place the magnifying glass cursor over an entry and double click to bring up the transaction(s) in the register that are part(s) of the total shown.

Print or **Export Data** to keep a copy.

You can save the report format by clicking on the **Save** icon.

Save Report

Report name: W-2 Annual Report Form

Description:

Save in: My Saved Reports

Save report history

My Saved Reports contents:

Updated Transactions
Transaction

OK Cancel

OK

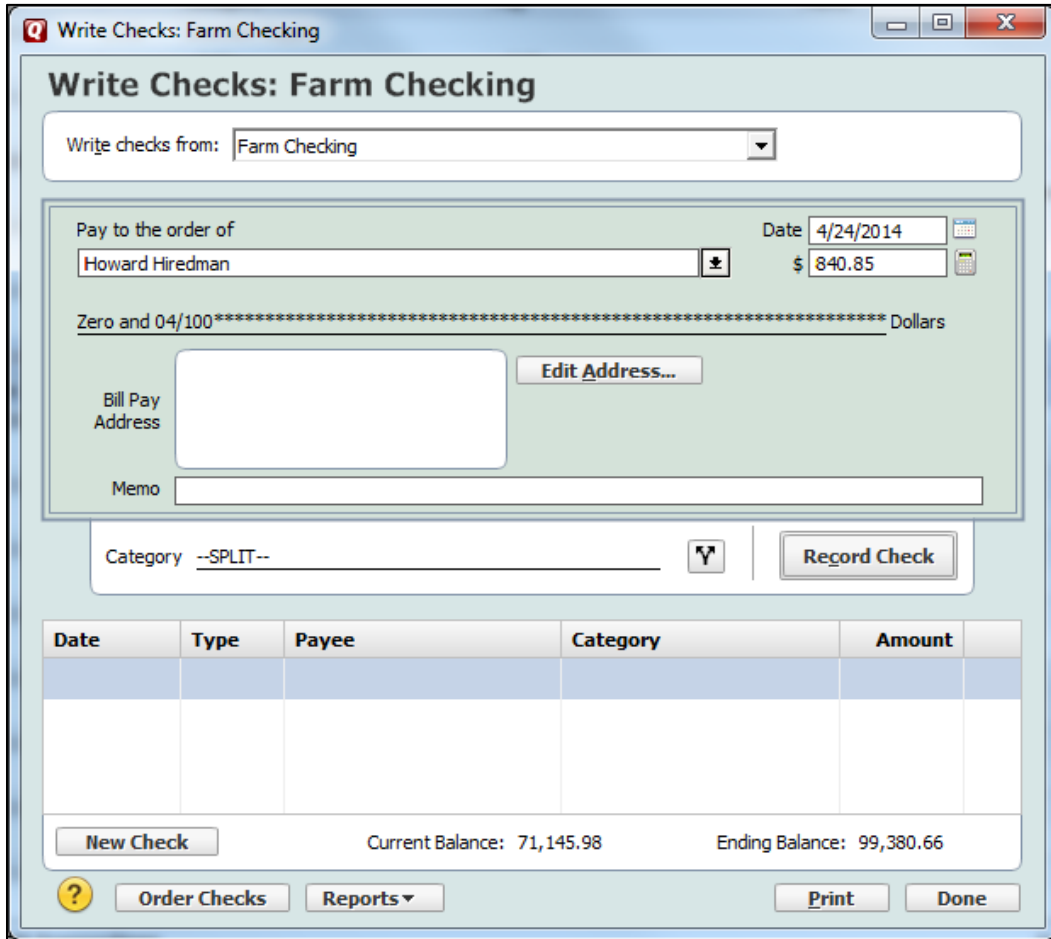
Forms 941 and 943

Forms 941 and 943 are to report wages paid taxes for Social Security, Medicare and Federal Withholding. Form 941 is filed Quarterly and Form 943 annually. Any under payment or overpayment may be corrected using the Forms 941-X or 943-X. See the instructions for these forms to determine your filing status.

Write a Payroll Check Using Quicken

The **Write a Check** feature of Quicken allows you to create the check and, if desired, a check stub to give to employees. From the *Farm Checking* account register click on **Tools, Write and Print Checks**. Fill in the check as you would if you were writing a check by hand. Click on the **Split** box to enter the needed amounts.

Note: Only the first 16 lines of the split category will appear on a voucher check and you may only want the employee items to appear on those lines.



Click **Record Check**

Click on **Print**

If you wish to print the *Split*, choose a voucher check to print.

Select Checks to Print: Farm Checking

Select Checks to Print: Farm Checking

You have not selected any checks to print.

Checks to print

First check number: 2171

Print: All checks
 Checks dated through: 4/30/2014
 Selected checks [Choose...](#)

Check style

Check style: Voucher checks

Voucher business checks have an attached voucher for recording memos or payment details.
[Order voucher checks...](#)

Checks on first page: Three Two One

Advanced options

Print your logo

Additional copies: 0 (For multi-part Voucher Checks only.)

? OK Print First Check Cancel

OK

Forms 1099-MISC

Persons who work for you and are not employees, but rather are independent contractors should be given a Form 1099-MISC for amounts of \$600 or more for the year. Veterinarians, hoof trimmers, sprayers, etc could potentially warrant a Form 1099-MISC. You can track payments made to such individuals or companies by typing 1099 in the memo field. Then you can create a customized cash flow report which filters transactions with *Matching*: 1099 in the memo field, subtotaling by payee, and custom dates for the year. See the main tutorial for more complete instructions.