

Accounting I
Chapter 13
Payroll Accounting, Taxes, and Reports

Assign Students to Read Ch. 13 and complete the terms p. 366
(Students may hand-write them on handout or do on word processor)

Discuss Section 13-1: Recording a Payroll

Information to record a payroll comes from the payroll register totals and from employee earnings records.

Journalize Payroll

D-Salary Expense (total earnings)
C-Employee Income Tax Payable
C-Social Security Tax Payable
C-Medicare Tax Payable
C-Health Insurance Premiums Payable
C-U. S. Savings Bonds Payable
C-United Way Donations Payable
C-Cash (net pay total)

Practice: complete 13-1 WT/OYO p. 372

Apply: complete Application 13-1 p. 391

Discuss Section 13-2: Recording Employer Payroll Taxes

Amounts withheld from employees pay are liabilities to the business until paid.

Employers must also pay several taxes based on the payroll of the business

1. Social Security Tax
2. Medicare Tax
3. Federal unemployment tax
4. State Unemployment tax

Social Security & Medicare taxes are paid by both employee and employer-each pay half.

Social security tax base currently set at \$87,000

No tax base on Medicare tax

Unemployment Taxes—pays for worker's benefits for limited periods of unemployment and to administer the program.

Tax paid on *unemployment taxable earnings*

--first \$7000 earned by each employee each calendar year.

Federal Unemployment Tax—a federal tax used to pay state and federal administrative expenses of the unemployment program

--rate is .8% (.008) times unemployment taxable earnings.

State Unemployment Tax—a state tax used to pay benefits to unemployed workers

--rate is 5.4% (.054) times unemployment taxable earnings.

Journalize Employer Payroll Taxes

D-Payroll Tax Expense (for total of all employer payroll taxes)

C-Social Security Tax Payable

C-Medicare Tax Payable

C-Unemployment Tax Payable-Federal

C-Unemployment Tax Payable-State

Practice: complete 13-2 WT/OYO p. 377

Apply: complete Application 13-2 p. 391-392

Discuss Section 13-3: Reporting Withholding and Payroll Taxes

Employers must furnish employees with an annual report of earnings and withholdings (Form W-2) by January 31 of the following year.

Prepare Four Copies

- A. Goes to IRS
- B. Goes to Employee-files with tax return
- C. Goes to Employee—keeps for personal records
- D. Business keeps for their records

Employer is required to file a federal return quarterly (by last day of month following end of quarter) reporting payroll taxes withheld from employees paycheck (Form 941)

Form W-3-transmittal of wage and tax statement sent to Social Security Administration by February 28 of following year.

Practice: complete 13-3 WT/OYO p. 382

Apply: complete Application 13-3 p. 392

Discuss Section 13-4: Paying Withholding and Payroll Taxes

Monthly depositor must pay payroll taxes by 15th of following month.

Send with Form 8109 (may pay electronically)

Paid Cash for liability for employee income tax, social security tax, and medicare tax

D-Employee Income Tax Payable

D-Social Security Tax Payable

D-Medicare Tax Payable

C-Cash (for total)

Federal/State Unemployment Insurance is paid by end of the month following the quarter

Each is recorded as a separate entry

D-Unemployment Tax Payable-Federal

C-Cash

D-Unemployment Tax Payable-State

C-Cash

Tax laws change frequently. It is important to stay up-to-date.

Practice: complete 13-4 WT/OYO p. 389

Apply: complete Application 13-4 p. 392-393

Formative Assessment: Assign Mastery Problem 13-5 p. 393

Prepare for Summative Assessment: Complete Study Guide

Study—Complete Practice Test to Review for Exam

Summative Assessment--Ch. 13 Quiz--Concept & Application