

2016
EDITION

Payroll Accounting



Payroll Accounting Using



with  CENGAGENOW_{v2}

BIEG • TOLAND

2016
FEDERAL PAYROLL TAXES CALENDAR

The calendar below and on the last page of the text shows the due dates for various returns, reports, and statements that employers must file, as well as the due dates for monthly and quarterly deposits. The due dates for **semiweekly depositors** and those affected by the **\$100,000 one-day rule** are presented in Chapter 3.

JANUARY

11. **Form 4070.** Employees receiving cash tips in December of \$20 or more must report them to their employer. (See Chapter 3.)
15. **Form 1040-ES.** Final payment of 2015's estimated tax due by self-employed persons required to file declarations, unless Form 1040 is filed no later than February 1. Farmers and fishermen file declarations and pay estimated tax or file final returns for 2015 by March 1 instead of making estimated payments.
Electronic transfer of FICA taxes and withheld federal income taxes for December due. (See Chapter 3.)

FEBRUARY

1. **Form W-2.** Employer must furnish employees with copies of the Wage and Tax Statement, showing wages paid, federal income taxes withheld, and FICA taxes withheld during 2015. Employees terminated during 2016 may request that Form W-2 be furnished to them within 30 days of their last payment of wages or the date of their request, whichever is later.
Form 940. Annual return and deposit or remittance of any undeposited tax due for 2015 under Federal Unemployment Tax Act. If tax deposits paid employer's tax liability in full, return may be delayed until February 10. (See Chapter 5.)
Form 941. Quarterly return and remittance or deposit of undeposited FICA taxes and withheld income taxes for 4th calendar quarter of 2015. If timely deposits of tax have been made that pay employer's tax liability in full, return may be filed on or before February 10. (See Chapter 3.)
Form 943. Annual return for agricultural employees, showing income taxes withheld as a result of voluntary withholding agreement and required FICA information for covered employees. (See Chapter 3.) Individuals (other than farmers or fishermen) may file final return for 2015 instead of filing estimate on January 15.
Form 944. Annual return of FICA and withheld income taxes for employers who owe \$1,000 or less in employment taxes per year.
Form 945. Used to report income tax withheld during 2015 for nonpayroll items such as backup withholding and withholding on pensions, annuities, IRAs, gambling winnings, and payments of Indian gaming profits to tribal members. If timely deposits have been made, employers have until February 10 to file the return.
Form 1099. All businesses give recipients an annual information statement for certain payments made in 2015 such as compensation to nonemployees, dividends, interest, prizes and awards, rents, royalties, etc.
10. **Form 940.** Annual return due, provided timely deposits for 2015 satisfied employer's tax liability in full.
Form 941. Quarterly return showing withheld income taxes and FICA taxes for 4th calendar quarter of 2015 due, provided timely deposits for that quarter satisfied employer's full tax liability. (See Chapter 3.)
Form 4070. Employees receiving cash tips in January of \$20 or more must report them to their employer.
15. Electronic transfer of FICA taxes and withheld federal income taxes for January due.
Form W-4. This is the expiration date for Form W-4 on which employees claim exemption from federal income tax withholding because they anticipate no federal income tax liability.
29. **Form W-3,** along with SSA copy of Form W-2 for each employee. (See Chapter 4.)
Forms 1099 and 1096. Annual information returns due to report compensation of \$600 or more paid to nonemployees, dividends in excess of \$10, and compensation from which federal income taxes were not withheld and which was not reported on Form W-2. (See Chapter 4.) Last day for farmers and fishermen to file tax return for 2015 instead of filing estimate on January 15.

MARCH

10. **Form 4070.** Employees receiving cash tips in February of \$20 or more must report them to their employer.
15. Electronic transfer of FICA taxes and withheld federal income taxes for February due.
31. Electronic filing deadline for copy A of W-2 forms and all copies of W-2G issued.

APRIL

11. **Form 4070.** Employees receiving cash tips in March of \$20 or more must report them to their employer.
15. **Form 1040.** Final return and payment of individual's income tax due.
Electronic transfer of FICA taxes and withheld federal income taxes for March due.
Form 1040-ES. Declaration and payment of 1st quarter estimated tax for 2016 by individuals other than farmers and fishermen.

(Continued on inside back cover)

2016 EDITION

Payroll Accounting



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Australia • Brazil • Mexico • Singapore • United Kingdom • United States

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AS WE GO TO PRESS...

Chapter 2

Affordable Care Act

Forms 1094-C (Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns) and 1095-C (Employer-Provided Health Insurance Offer and Coverage) are required to be filed in early 2016. A separate Form 1065-C is filed with each employee along with a copy for the IRS. Form 1094-C is a single transmittal form for all of the returns filed for a given calendar year. Substitute forms can be used that include all of the information required to be reported on Forms 1094-C and 1095-C.

White Collar Employee Exemption Increase

The Department of Labor has proposed increasing the minimum salary for employees meeting white collar exemption to \$50,440 annually or \$970 a week.

Chapter 3

FICA–OASDI Taxable Wage Base

In this edition of the textbook, we have used the 2015 wage base of \$118,500 and current projections have the projected 2016 wage base to remain at \$118,500.

Penalties

Penalties for incorrect information returns now range from \$50 a return if corrected within 30 days of filing to \$500 per return for intentional errors. These fines also apply to health care information returns.

Chapter 4

IRAs

Some states want firms without retirement plans to offer payroll deduction IRAs to employees who do not opt out. Illinois's program is to take effect in 2017 and requires employers in business for at least two years and with 25 or more employees to offer automatic IRAs. The IRAs would be funded with payroll deductions of 3 percent of salary with an employee's option to change the pay in percentage. No employer matching is required.

Chapter 7

Effective July 1, 2015, until June 30, 2016, the Philadelphia Wage Tax is 3.9102 percent (resident) and 3.4828 percent (non-resident).



PREFACE

PAYROLL ACCOUNTING AND TODAY'S BUSINESS ENVIRONMENT

Today's payroll accountant is a major player on a company's management team. Management's need for timely and accurate payroll cost data as a part of the total planning step has moved payroll from a disbursement and recording function to an integral part of the management process.

With constant changes in the legal environment, technology advancements in the administration of payroll functions and with tax withholding responsibilities, the payroll accounting occupation has become proactive. During this time when the need for accurate information is so critical, *Payroll Accounting* has established a record of being the most thorough book on the market for over 20 years. Each edition has been updated with the most current data available.

The 2016 edition of *Payroll Accounting* continues to provide the most user-friendly payroll accounting coverage, in addition to significant resources that will aid instructors and students alike in their mastery of payroll accounting.

CengageNOWv2

Payroll Accounting 2016 is fully integrated with CengageNOWv2, a powerful course management and online homework tool that provides robust instructor control and customization to optimize the student learning experience and meet desired outcomes.

CengageNOWv2 Includes

- Integrated eBook
- End-of-chapter homework with static and algorithmic versions
- New Continuing Problems in CLGL
- Adaptive Study Plan and multimedia study tools
- Test bank
- Course management tools and flexible assignment options
- Reporting and gradebook options
- Blueprint Problems
- Animated Activities for Chapters 1 through 4
- Robust feedback



"To students, it's quick feedback, and they can improve the grades by working on the questions multiple times; to instructors, it's less grading time, and easy to evaluate students' performance."

-Jack Wu,
Chemeketa Community College

NEW! Continuing Problems in CLGL

- Problems allow students to apply the techniques learned in each chapter continuously building as they move from chapter to chapter.
- Students gain experience in computing wages and salaries and preparing a payroll register.
- Students become familiar with CLGL prior to the Payroll Project in Appendix A.

Unique to Payroll Accounting

- Detailed Check My Work and Post-Submission feedback with explanations and tips for completing the problem



"I love CengageNOW and so do most of my students because of the immediate and helpful feedback."

-Penny Hahn,
Henderson Community College

Feedback ▼

▼ **Check My Work**

Identify which accounts are affected in each transaction. Keep in mind that every transaction involves at least two accounts. Determine whether the account increases or decreases and record each increase or decrease following the rules of debit and credit. Use the Posting Reference column to enter the corresponding account number from the general ledger account. Remember total debits should equal total credits in your entries.

[Learning Objective 1](#)
[Learning Objective 2](#)
[Learning Objective 3](#)

▼ **Post Submission Feedback**

(a) $\$750 / 1 - 0.25$ (supplemental federal rate) $- 0.062$ (OASDI) $- 0.0145$ (HI) $- 0.05$ (Utah tax)

(b) $\$750 / (1 - 0.3765) = \$750 / 0.6235 = \$1,202.89$

(c)

Gross bonus amount	\$1,202.88*
Federal income tax withheld	(300.72)
OASDI tax withheld	(74.58)
HI tax withheld	(17.44)
Utah income tax withheld	<u>(60.14)</u>
Take-home bonus check	<u>\$750.00</u>

*Need to subtract \$0.01 in order to arrive at net of \$750.00 (due to rounding).



"Animated Activities help present the topics in another way to students who may learn differently than reading or practicing problems. They are fun and students do not mind watching them."

-Cammy Wayne,
William Rainey Harper College



- **Animated Activities** are video assignments, for Chapters 1 through 4, that visually guide students through selected core topics using a realistic company example. The illustrative videos explain how payroll concepts relate to the everyday activities of a business.



- **Blueprint Problems** within CengageNOWv2 are designed to help students understand difficult topics in payroll accounting by breaking down the topic into smaller parts. Each part builds on each other through a systematic problem solving process. These problems address key chapter learning objectives and are algorithmic for versatile assignment options.



"Blueprint Problems allow students to reinforce the concept presented by me and the textbook. They are also presented in a different learning style to help engage all students."

-Nancy Cowett,
Northern Maine Community College

