

Calculating Payroll Taxes

Last Modified on 01/18/2022 2:48 pm CST

To calculate payroll taxes the following information is needed:

1. Go to *Accounting / Setup / Preferences / Payroll* to find the deductions that are tax sheltered and from which payroll taxes they are sheltered.

Pay				Voluntary Deductions								
	Headings	<G/L Acct>	Delete	Headings	FICA	Fed	St	Loc	FUTA	SUTA	<G/L Acct>	Delete
1	Salary	6040000-...	<input type="checkbox"/>	1	Health Ins	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2250000-...	<input type="checkbox"/>
2	Hourly	6040000-...	<input type="checkbox"/>	2	Dental	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2250000-...	<input type="checkbox"/>
3	Overtime	6040000-...	<input type="checkbox"/>	3	401(k)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2260000-...	<input type="checkbox"/>
4	Vacation	6040000-...	<input type="checkbox"/>	4	Garnishment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2270000-...	<input type="checkbox"/>
5	Sick	6040000-...	<input type="checkbox"/>	5	Co. Paid Be...	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6000000-...	<input type="checkbox"/>
6	Holiday	6040000-...	<input type="checkbox"/>	6	Life Insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6000000-...	<input type="checkbox"/>
7	Bonus	6040000-...	<input type="checkbox"/>	7	401(k) Co...	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6000000-...	<input type="checkbox"/>

2. Check the marital status claimed for the employee on the *Profile* tab at *File / Open / Employee*. Note the *# of Pay Periods* on the *Pay* tab.

Edit An Employee - CarpTr Tricia Carpenter

Profile | Pay | Deductions | Totals | Acti...

Employee ID: CarpTr
 First Name: Tricia
 Address 1: 196 Eagle Street
 Address 2:
 City: Mount Vernon
 Phone#: 618-352-5535
 Hire Date: 04/18/2019
 Birth Date:
 Marital Status:
 Single
 Married

Edit An Employee - CarpTr Tricia Carpenter

Profile | Pay | Deductions | Totals | Activity | GL

Pay Periods/Yr: 24
 PayType:
 Salaried
 Hourly

3. Find the amount of any deductions that are tax sheltered on the *Deduction* tab for the employee at *File / Open / Employee*.

	Deductions	Percent	<G/L Acct>	Limit
Dental	5.46	<input type="checkbox"/>	2250000-00	0.00
401(k)	2.00	<input checked="" type="checkbox"/>	2260000-00	0.00
Garnishment	25.00	<input type="checkbox"/>	2270000-00	0.00
	0.00	<input type="checkbox"/>		0.00
	0.00	<input type="checkbox"/>		0.00
	0.00	<input type="checkbox"/>		0.00
	0.00	<input type="checkbox"/>		0.00
	0.00	<input type="checkbox"/>		0.00
	0.00	<input type="checkbox"/>		0.00
	0.00	<input type="checkbox"/>		0.00
	0.00	<input type="checkbox"/>		0.00
	0.00	<input type="checkbox"/>		0.00
	0.00	<input type="checkbox"/>		0.00
	0.00	<input type="checkbox"/>		0.00

Deductions	
# of Federal	1
# of State/Local	1
Extra Fed. W/H	0.00
Extra State W/H	0.00
Extra Local W/H	0.00
<State Tax ID>	IL
<Local Tax ID>	
<Other ID 1>	
<Other ID 2>	
<input type="checkbox"/> FICA Exempt	
<input type="checkbox"/> Medicare Exempt	
<input type="checkbox"/> EIC Credit	
<input type="checkbox"/> FUTA/SUTA Exempt	

The basic formula for the calculation is the same for the Federal, State and Local taxes. Use the appropriate tax table for the tax you are calculating. Payroll Tax tables are found at *Setup / Payroll Tax Tables*.

The first step in calculating taxes is to find the “taxable wage.” This can be found by taking the gross dollar amount of the check minus applicable pre-tax (tax sheltered) deductions. ($Gross\ Wage - pre-tax\ deductions = Taxable\ Wage$)

Because all of the tax tables are setup in Agvance using annual numbers, you must find the “annual taxable wage.” Multiply the taxable wage by the number of pay periods/yr. ($Taxable\ wage \times \#\ of\ pay\ periods\ per\ yr = annual\ taxable\ wage$)

The next step is to calculate the “yearly income after allowances.” This is calculated by taking the yearly income minus standard allowance and dependent allowances times number of dependents (if applicable). ($Annual\ taxable\ wage - standard\ allowance\ OR\ annual\ taxable\ wage - (dependent\ allowance \times \#\ of\ dependents)\ OR\ annual\ taxable\ wage - standard\ allowance - (dependent\ allowance \times \#\ of\ dependents) = yearly\ income\ after\ allowances.$)

Now you are ready to find the “yearly tax.” In the applicable payroll tax table grid, find correct line item range. The yearly income after allowances must fall between the “Over” and “Not Over” dollar amounts. Using the rate from the % column, multiply the percentage by the yearly income after allowances minus the “Over” dollar amount. ($Yearly\ Income\ after\ Allowances - "Over"\ dollar\ amount \times \% = yearly\ tax.$)

At this point you are ready to finish the calculation and find the “tax for this check.” To do this divide the yearly tax by the # of pay periods and add applicable extra withholding. ($Yearly\ tax / \#\ of\ pay\ periods + applicable\ extra\ W/H = "tax\ for\ this\ check."$)

For this example we will calculate the state tax using the Minnesota/Married State Tax table.

Setup State Tax Tables MN/M

Table ID: MN/M
 Description: Minnesota/Married
 State Tax ID:
 <G/L Withholding>: 2240000-00

Unemployment
 Tax ID:
 Tax Rate: 0
 Tax Limit: 0
 <G/L Account>: 2240000-00

Standard Allowance
 Single: 0
 Married: 0

Federal Tax Credit Maximum: 0
 Round Tax to Nearest \$:
 Low Income Exemption Limit: 0

Allowance per Dependent
 1st: 2650
 2nd: 2650
 3rd_up: 2650

Tax Credit per Dependent
 1st: 0
 2nd: 0
 3rd_up: 0

	Over	Not Over	\$ Amount	%	of Excess Over
1	0.00	4250.00	0.00	0.000	0.00
2	4250.00	28390.00	0.00	0.000	4250.00
3	28390.00	100170.00	1448.00	8.000	28390.00
4	100170.00	999999.00	7191.00	8.500	100170.00
5	0.00	0.00	0.00	0.000	0.00

Save Cancel

Hourly Payroll

<Employee> CarpTr Carpenter, Tricia R Import Check # 51897

Pay Deductions Taxes

	Earning Cat	Hours	Rate	Total
1	Salary	80.00	12.00	960.00
2	Hourly			
3	Overtime		0.00	0.00
4	Vacation			
5	Sick			
6	Holiday			
7	Bonus			
8				
9				

Apply Totals 80.00 960.00

Period Start Date: 09/05/2021
 Period End Date: 09/18/2021
 Check Date: 09/23/2021

Pay: 960.00
 Taxes: 145.54
 Deduction: 26.70
 Net \$: 787.76

Comments:
 Cancel Save

Hourly Payroll

<Employee> Check #

Pay **Deductions** Taxes

Deductions		
Dental	7.50	0.00
401(k)	19.20	0.00
Garnishment	0.00	0.00
	0.00	0.00
	0.00	0.00
	0.00	0.00
Total Deductions	26.70	

Period Start Date

Period End Date

Check Date

Pay

Taxes

Deduction

Net \$

Comments

Employee Tricia Carpenter has a gross wage of \$960.00 for this paycheck. We are using the information from the screen shots above for this example. The calculation for the state tax for this check is as follows:

\$ 960.00 (gross wage)
 - 7.50 (insurance deduction as it is exempt from state tax)
 - 19.20 (401k deduction as it is exempt from state tax)

 \$ 933.30 (taxable wage)

\$ 933.30 (taxable wage)
 x 26 (# of pay periods)

 \$24,265.80 (yearly income)
 - 5,300.00 (allowance per dependent x # of state deductions or \$2,650 x 2)

 \$18,965.80 (taxable wage after allowances)

\$18,965.80 (taxable wage after allowances)
 - 4,250.00 ("Over" amount from Minnesota/Married state tax table)
 x 6% ("%" from Minnesota/Married state tax table)
 + 0.00 (" \$ Amount" column from Minnesota/Married state tax table)

 \$ 882.95 (yearly state tax)

\$882.95 (yearly state tax) / 26 (# of pay periods) = \$33.96 (state tax for this check)

Hourly Payroll

<Employee> Check #

Pay Deductions Taxes

Taxes

Fed	38.71	Med	13.81
FICA	59.06	EIC	0.00
State	33.96	Misc	0.00
Local	0.00	Misc	0.00

Total Taxes

Period Start Date

Period End Date

Check Date

Pay

Taxes

Deduction

Net \$

Comments

Note: According to the laws of your state, your employee may be subject to other tax credits etc. If any other options at the *State Tax Table* screen apply to your state please call SSI for further instruction.

Setup Federal Tax Tables Married

Withholding Allowance

<G/L Withholding Account>

	Over	Not Over	\$ Amount	%	of Excess Over
1	0.00	8000.00	0.00	0.00	0.00
2	8000.00	22900.00	0.00	10.00	8000.00
3	22900.00	68040.00	1905.00	12.00	22900.00
4	68040.00	126900.00	8907.00	22.00	68040.00
5	126900.00	195450.00	28179.00	24.00	126900.00
6	195450.00	343550.00	64179.00	32.00	195450.00
7	343550.00	999999.00	91379.00	35.00	343550.00
8	0.00	0.00	0.00	0.00	0.00
9	0.00	0.00	0.00	0.00	0.00

Federal taxes can be calculated using the same basic formula as state taxes. Note that on federal there is only one withholding allowance per dependent.

If you are unsure if the Federal or State payroll tax tables you have set up in Agvance are correct, please contact SSI.