

Payroll Tax Credit or Refund

Occasionally, the employer (extension council) may receive a notice from a government entity stating that a credit or refund is due to the employer. This credit or refund may result from an overpayment from a prior pay period or tax year. The tax in question will continue to be posted as an employer tax expense.

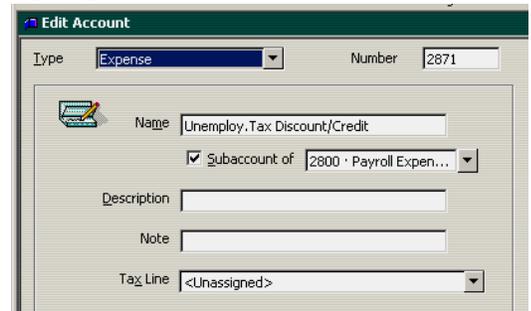
- + Create a contra-expense account to track payroll tax credits or refunds.
- + Create the payroll liability check with the full amount of tax due.
- + Apply the tax credit in the payroll liability check transaction and recalculate the amount of tax due.
- + Refund check is posted either to a payroll liability account or a payroll expense account, depending whether a negative payroll liability balance exists.

Note: Do not use the payroll liability Adjustment screen to apply the tax credit or refund.

For assistance or to review the necessary adjustment, contact your Regional Trainer or QuickBooks Administrator.

Create a contra-expense account to track payroll tax credits.

- + Open the **Chart of Accounts**. Lists, Chart of Accounts.
- + Click the **Accounts** button at bottom left of window. Click **New**.
- + Create a new **Expense account** as a **sub-account** under the appropriate employer payroll expense account. For example, create 2871-Unemploy.Tax Credit/Refund under as a sub-account under 2870-Mo. Unemployment Compensation.



Apply the same concept to any Employer Federal or State Tax Expense.

Apply the Payroll Tax Credit

Create the payroll liability check with the full amount of tax due.

- + Create the next employee payroll check. Do not adjust tax liability in the payroll check.
- + In the **Pay Payroll Liability** screen, specify a date range for your payroll liabilities.
- + Select the payroll tax liability to pay, with the full amount of tax due.
- + At the top of the window, click "**Review liability check to enter expenses/penalties,**" and click **Create** button.
 (if the liability check is not the check you want to apply the credit, click Next or Previous at the top of the window until the window displays the appropriate check.)

Apply the tax credit in the payroll liability check transaction.

- + In the Liability Check window, click the **Expenses** Tab.
- + In the Account field, select the **contra-expense account** created to track the payroll tax refund or credit.
- + Enter the amount of the refund or credit as a **negative number**.
- + Select a class code for the expense. (A class code will not be applied to the liability).
- + Click the **Recalculate** button to recompute the amount of the check. Be certain that the total check amount decreased.
- + **Save** the check. Review appropriate payroll **reports** in the **Expand view** to see net effect of credit.



Post Payroll Refund Check

Council receives a refund check for overpayment of taxes from either the Federal or State taxing agency.

For the pay period in question, if **there is no negative payroll liability balance**, then ..

In the deposit screen, use an income account (for example 1300-Miscellaneous income) and the **appropriate class code**.

For the pay period in question, if **there is a negative payroll liability balance**, then ..

In the deposit screen, use the appropriate payroll liability account (for example, 9095-MO.Unemployment Tax, or another liability account). **No class code** is used. (because this is a liability account) This will offset or reduce the negative payroll liability balance.