Using Quicken to Track Payroll Expenses
(Quicken Deluxe 2015)

Damona Doye, Extension Economist, JC Hobbs, Extension Tax Specialist, and Lori Shipman, Extension Associate
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Intuit no longer offers a payroll add-on for Quicken; instead, they encourage use of QuickBooks, the popular software targeted to small businesses, and its payroll subscription services. However, Quicken users can however track payroll expenses with Quicken, but must subscribe to a tax preparer service or personally make the necessary calculations and keep up-to-date with the tax withholding tables. Quicken does not provide a platform for printing W-2 forms 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 manage 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. Next, select the Tax Reporting tab. Check Tax related category and choose Extended line item list, Schedule F: Labor hired as shown below.

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. 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. Complete the Set up Category screen as follows:
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

OK

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: 01/01/2015
Liability Amount: 0.00

Next

Is there a loan on this liability?
●No

Next

Add another account

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

In the same manner, add the following liability accounts.

<table>
<thead>
<tr>
<th>Type</th>
<th>Name Account</th>
<th>Date to start tracking</th>
<th>Liability amount</th>
<th>Loan Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>Payroll-Medicare</td>
<td>01/01/15</td>
<td>0.00</td>
<td>No</td>
</tr>
<tr>
<td>Debt</td>
<td>Payroll-FedWithholding</td>
<td>01/01/15</td>
<td>0.00</td>
<td>No</td>
</tr>
<tr>
<td>Debt</td>
<td>Payroll-StateWithholding</td>
<td>01/01/15</td>
<td>0.00</td>
<td>No</td>
</tr>
<tr>
<td>Debt</td>
<td>Payroll-FedUnemployment(^1)</td>
<td>01/01/15</td>
<td>0.00</td>
<td>No</td>
</tr>
<tr>
<td>Debt</td>
<td>Payroll-State Unemployment</td>
<td>01/01/15</td>
<td>0.00</td>
<td>No</td>
</tr>
</tbody>
</table>

Once the accounts are all added, click Finish.

Enter Payroll Transactions

Simple payroll transactions for Howard Hiredman and Helen Helper who typically help with the cow/calf operation might be as follows. From the Farm Checking account register, enter:

1 Federal unemployment may not be required for agricultural workers in some situations. Some states may require payment of state unemployment or workers compensation.
Now click on the **Split** button and enter the information shown below. **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 Screen](image)

**OK** to close the **Split Transaction** screen.

**Enter** to record the transaction.

Repeat the process for Helen Helper:

<table>
<thead>
<tr>
<th>Date</th>
<th>Num</th>
<th>Payee</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/10/15</td>
<td>2130</td>
<td>Helen Helper</td>
<td>400.72</td>
</tr>
</tbody>
</table>
Click on **Split** transaction

![Split Transaction dialog box]

**OK**

**Save**

**Memorize Transaction**

Since payroll transactions are 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 regular 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: 01/30/15
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

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 appropriate payroll liability account listed under Property & Debt at left, for Example Payroll-FICA:
To view the other accounts, choose the account name at left for 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:** 04/11/15
- **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 which brings up the Display tab.

At the top, customize the Date range for the pay period: 01/01-4/11/15

- **Title:** April 11, 2015 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.
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 one-by-one and export it. Click on the Payees tab and complete the screen.
Export Data
Report to Excel compatible format

Save

Now, switch to the Excel 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.

Click on the Categories tab
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.  

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](image)

**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](image)

**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.