

Payroll Handbook for Small Communities

January 2014



State of Alaska
Sean Parnell, Governor

**Department of Commerce, Community,
and Economic Development**
Susan Bell, Commissioner

Commissioner
Division of Community and Regional Affairs
Scott Ruby, Director

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PREFACE

This updated *Payroll Handbook* includes tax forms and regulation changes effective January 2014 as well as forms from prior years used as examples. The *Payroll Handbook* has three chapters. Chapter 1 covers some of the basic information on labor laws that all employees should be familiar with. Chapter 2 reviews what records are needed to do payroll. Each record is briefly described and samples are shown. Chapter 3 has a step-by-step process to complete payroll records. The chapter also has examples of how these records are filled out.

By reviewing this handbook, you will become more familiar with:

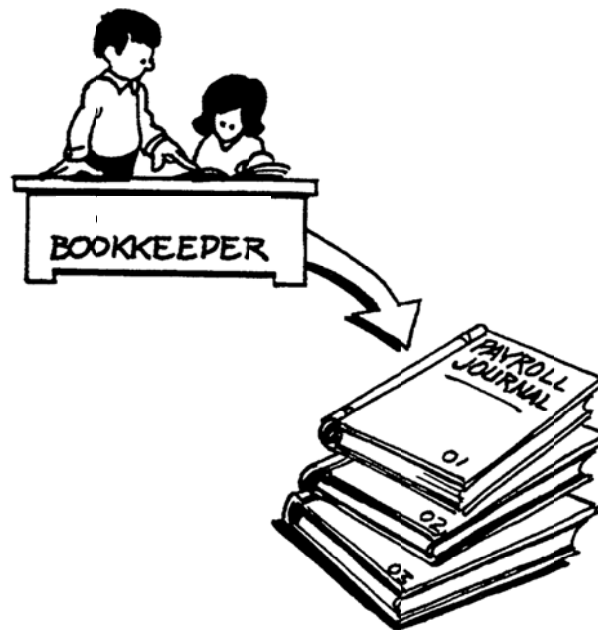
- Why you need payroll records;
- How to set up personnel records for tax purposes;
- Labor laws affecting wage rates and payroll record requirements;
- How to figure federal and state payroll taxes;
- How to create and maintain payroll records; and
- How to pay the payroll taxes.



INTRODUCTION

As a bookkeeper for a small community, you probably prepare paychecks and payroll taxes, keep payroll and personnel records, and disburse payroll taxes to the federal and state governments. **This handbook will help you prepare payroll and meet federal and state payroll tax requirements.** If you are new on the job or have had trouble handling the community's payroll, this handbook will be useful. Even if you have been successfully doing your job for a long time, the information in this handbook may be new.

For further assistance on payroll record keeping and paying taxes, contact a local government specialist from the Division of Community and Regional Affairs (DCRA) in the Department of Commerce, Community, and Economic Development (DCCED).



WHERE CAN I GET HELP?

Department of Commerce, Community, and Economic Development (DCCED)

Division of Community and Regional Affairs (DCRA) Regional Offices



Kotzebue

PO Box 350
Kotzebue, AK 99752
Phone: 907-442-3696
Fax: 907-442-2402

Fairbanks

211 Cushman Street
Fairbanks, AK 99701
Phone: 907-451-2749
Fax: 907-451-2742

Nome

PO Box 1769
Nome, AK 99762
Phone: 907-443-5459
Fax: 907-443-3596

Anchorage Central Office

550 W 7th Ave, Ste. 1770
Anchorage, AK 99501
Toll Free: 877-769-4614
Phone: 907-269-4556
Fax: 907-269-4563

Bethel

PO Box 348
Bethel, AK 99559
Phone: 907-543-3475
Fax: 907-543-4152

Dillingham

PO Box 790
Dillingham, AK 99576
Phone: 907-842-5135
Fax: 907-842-5140

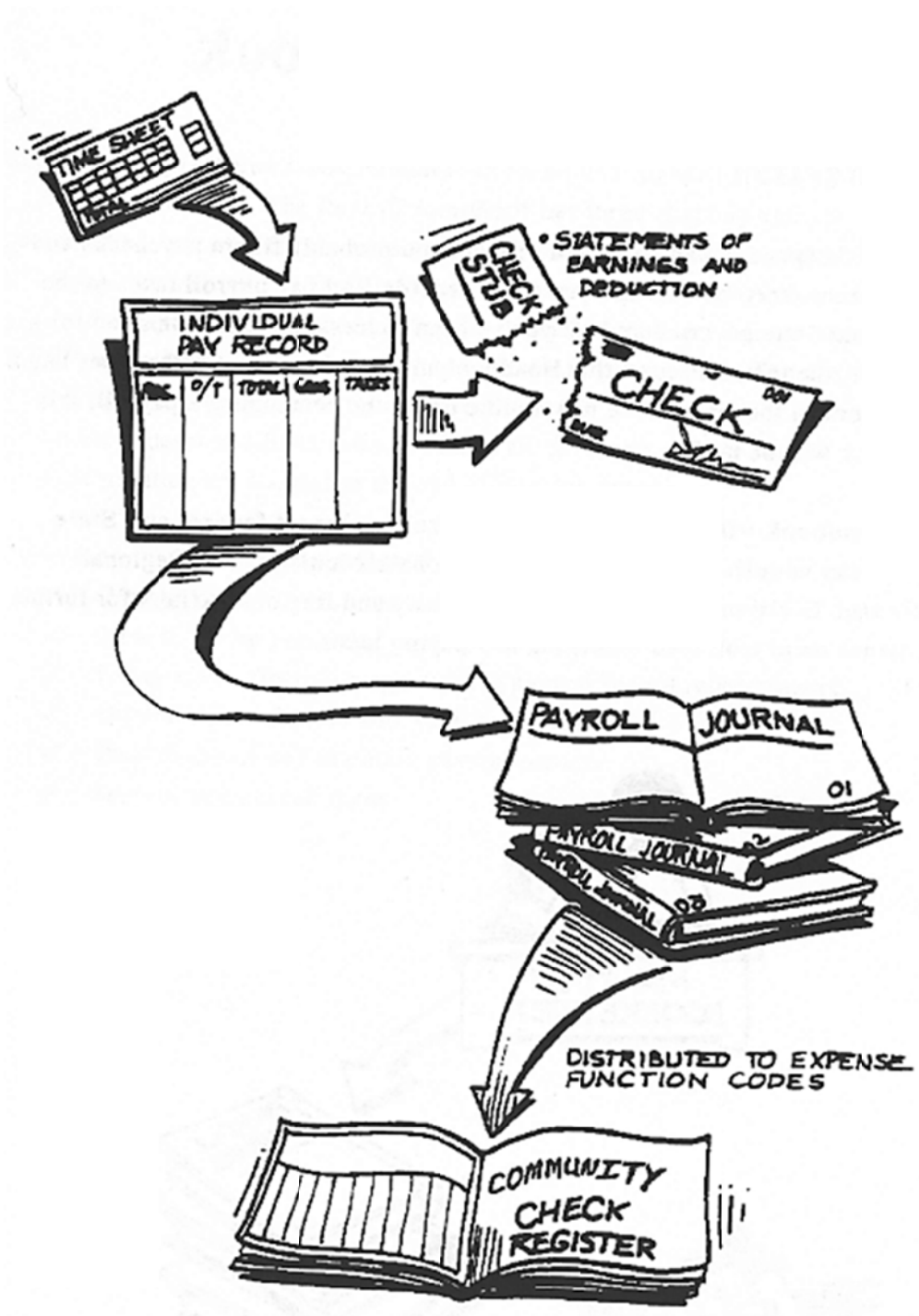
Juneau

PO Box 110809
Juneau, AK 99811
Phone: 907-465-4733
Fax: 907-465-3767

BOOKKEEPER'S CHECKLIST FOR PAYROLL PREPARATION

This checklist may be helpful when preparing a payroll. Refer to specified pages in this handbook for more information.

- Every employer must have a federal Employer Identification Number (EIN). Find out if your employer has one. If not, apply for an EIN.
- Every employer must also have an Alaska Employer Identification Number (AEIN). Find out if your employer has one. If not, apply for an Alaska EIN.
- Review the organization's policies and procedures to determine pay rates for job classes. Also, review policies on overtime payments. If the organization does not have an established pay rate for jobs on the payroll or an overtime policy, the city or village council needs to set one up. For help, contact the nearest office of the Division of Community and Regional Affairs (DCRA).
- Review current federal and state tax laws and regulations to determine tax rates, withholding requirements, payment procedures, and reporting requirements. Make sure you have the most current copies of all forms and Internal Revenue Service (IRS) Circular E.
- Make sure all employees have a current W-4 and I-9 form on file. Every new employee must complete a W-4 before beginning work.
- Review the organization's payroll record keeping system to make sure the following records are kept:
 - Current pay rates for all employees
 - Time sheets or time cards to record hours worked
 - Leave slips to record leave used
 - Pay records for each employee, summarized by quarter
 - Payroll journal combining all information from individual pay records
 - A copy of the statement of earnings and deductions given to each employee
 - Copies of tax payments, quarterly tax returns, and correspondence with the IRS and the Alaska Department of Labor and Workforce Development
- Make sure the community and contractors have workers' compensation insurance and premiums are paid.
- Examine the checking account before completing payroll to make sure money is available to cover the paychecks, the withholding, and the employer costs, if required with FICA, ESA, and FUTA (Federal Insurance Contributions Act, Employment Security Act, and the Federal Unemployment Tax Act).
- Even if the organization does not have money to pay the taxes, complete and submit the tax reports to the IRS. If these reports are not submitted, your organization will receive penalties from the IRS. Do not pay wages without paying the taxes that are owed!
- Complete the payroll and pay the taxes to the IRS.



Payroll Record Keeping

CHAPTER 1: THE BASICS

Accurately preparing payroll is important

Correctly paying wages and taxes is critical to every employer, including municipal and tribal governments. Bookkeepers must carefully follow federal and state payroll tax requirements. Otherwise, the community may lose property to the federal government for back taxes owed and workers may lose Social Security and unemployment benefits. By keeping accurate payroll records and paying the taxes owed, your community can avoid fines or even criminal prosecution.

Differences between Hourly Wages, Salaries, and Contract Workers

This handbook assumes you are figuring payroll for hourly wage employees. Other classes of employees are treated differently when calculating payroll. For example, salaried employees are not usually paid overtime, and a person working under contract does not usually have federal withholding and Social Security taxes withheld.

Workers are paid either an hourly wage, a salary, or are under a contract. Because most people working for small communities earn hourly wages, this handbook focuses on payroll for workers earning hourly wages. Before we go further, let's look at some of the differences between salaries, and contractors.

Hourly Wages or Salary?

Although the terms "wage" and "salary" are often considered to mean the same thing, the two concepts are different. Hourly wages are payments to an employee based on an hourly rate multiplied by the number of hours worked. Salary, on the other hand, is a payment to the employee usually based on working a standard number of hours per pay period (agreed by both parties). The important difference between these two classes of employees is that if a salaried employee works longer than 40 hours a week, he or she may not be entitled to overtime.

Pay for salaried employees is easier to calculate because, typically, the gross amount earned is the same for every pay period. Whether the employee is salaried or earning an hourly wage, the payroll deductions are calculated in the same way.

Employee or Contractor ?



Let's look at the difference between (salaried or hourly wage) and contractors. It is important to know the difference because you do not withhold taxes or pay benefits, such as unemployment insurance, for independent contractors.

Briefly, a person is considered an employee if you have the right to control and direct the details of the work to be performed. A person is considered an independent contractor if you have the right to control or direct only the result of the work, but not the details of how the work will be performed. Also, holding a business license does not constitute a payee as a contractor, nor does the issuance of a contract.

There are some other differences when it may not be clear whether a person is working as an employer or as a contractor. (For information see *IRS Publication 15-A: Employer's Supplemental Tax Guide* or the *IRS Publication 963: Federal-State Reference Guide*.)

The IRS requires you to complete Form W-9: “*Request for Taxpayer Identification Number and Certification*” from any individual or organization who performs services for you as an independent contractor. The completed form must be kept on file in the office – do not send it to the IRS. (See the example on the following page.)

Form **W-9**
(Rev. August 2013)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

**Give Form to the
requester. Do not
send to the IRS.**

Print or type See Specific Instructions on page 2.	Name (as shown on your income tax return)	
	Business name/disregarded entity name, if different from above	
	Check appropriate box for federal tax classification: <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____ <input type="checkbox"/> Other (see instructions) ▶ _____	Exemptions (see instructions): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____
	Address number, street, and apt. or suite no.)	Requester's name and address (optional)
	City, state, and ZIP code	
List account number(s) here (optional)		

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number										

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Employer identification number										

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below), and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign Here	Signature of U.S. person ▶	Date ▶
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General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. The IRS has created a page on www.irs.gov/w9 for information about Form W-9, at www.irs.gov/w9. Information about any future developments affecting Form W-9 (such as legislation enacted after we release it) will be posted on that page.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, payments made to you in settlement of payment card and third party network transactions, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the

withholding tax on foreign partners' share of effectively connected income, and

4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct.

Note. If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.

Consider the following differences when it may not be clear whether a person is an employee or a contractor.

EMPLOYEE

1. Paid by the hour, week, or month
2. Travel expenses are reimbursed
3. Is told when, where, and how to do the work
4. Works at your office or wherever you choose
5. Tools and materials supplied by the employer
6. Doesn't generally risk his or her own money in the overall business
7. Works only for you
8. Employer must pay workers compensation insurance

OR**CONTRACTOR**

1. Paid by the job or by terms of contractual agreement
2. Negotiates business and travel costs as part of the total contract
3. Is only told what is to be done and the deadline for completing the project.
4. Works wherever the individual or company doing the work believes that it can be done most efficiently
5. Generally uses his or her own tools and materials when doing the work.
6. Profit or loss is a direct result of how and when work is done
7. Works for whomever is willing to pay the fee; might work for more than one community at the same time
8. Contractor must pay workers compensation insurance



Form 945: Annual Return of Withheld Federal Income Tax

In addition to filing Form 1099-MISC, use Form 945 to report annual income tax withheld from nonpayroll payments. Nonpayroll payments include the following:

- Gambling winnings; and
- Backup withholding from contractors who fail to provide a Social Security Number or Federal Employer Identification Number (EIN).

The annual deadline for filing Form 945 is January 31. For instance, the 945 forms for 2013 must be filed by January 31, 2014.

IRS Form 945 is shown here.

If any employee of the city, tribe or any council does not provide his or her Social Security Number, the individual becomes subject to backup withholding at a 28% rate on payments required to be reported in boxes 1, 2, 3, 4, 5, 6, 7, 8 and 10 on this form. For more information, obtain the most recent instructions on forms 1099, 1098, 5498, and W-2G.

Form 945 Annual Return of Withheld Federal Income Tax
 Department of the Treasury Internal Revenue Service
 OMB No. 1545-1430
2013

For withholding reported on Forms 1099 and W-2G.
 For more information on income tax withholding, see Pub. 15 (Circ. E) and Pub. 15-A.
 Information about Form 945 and its separate instructions is at www.irs.gov/form945.

Name (as distinguished from trade name) _____ Employer identification number (EIN) _____
 Trade name, if any _____
 Address (number and street) _____
 City or town, state or province, country, and ZIP or foreign postal code _____

If address is different from prior return, check here.

A If you do not have to file returns in the future, check here and enter date final payments made. _____

1	Federal income tax withheld from pensions, annuities, IRAs, gambling winnings, etc.	1		
2	Backup withholding	2		
3	Total taxes. If \$2,500 or more, this must equal line 7M below or Form 945-A, line M	3		
4	Total deposits for 2013, including overpayment applied from a prior year and overpayment applied from Form 945-X	4		
5	Balance due. If line 3 is more than line 4, enter the difference and see the separate instructions	5		
6	Overpayment. If line 4 is more than line 3, enter the difference <input type="checkbox"/> \$ _____			

Check one: Apply to next return. Send a refund.

- All filers: If line 3 is less than \$2,500, do not complete line 7 or Form 945-A.
- Semiweekly schedule depositors: Complete Form 945-A and check here
- Monthly schedule depositors: Complete line 7, entries A through M, and check here

7 Monthly Summary of Federal Tax Liability. (Do not complete if you were a semiweekly schedule depositor.)

	Tax liability for month		Tax liability for month		Tax liability for month
A January		F June		K November	
B February		G July		L December	
C March		H August		M Total liability for year (add lines A through L)	
D April		I September			
E May		J October			

Third-Party Designee: Do you want to allow another person to discuss this return with the IRS (see the instructions)? Yes. Complete the following. No.

Designee's name Phone no. Personal identification number (PIN)

Sign Here
 Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature Print Your Name and Title Date

Paid Preparer Use Only
 Print/Type preparer's name Preparer's signature Date Check if self-employed PTIN
 Firm's name Firm's EIN
 Firm's address Phone no.

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 145843 Form 945 (2013)

For more information, refer to the latest *Publication 505: Tax Withholding and Estimated Tax* or *Publication 15: Circular E, Employer's Tax Guide*.

W-2: Wage and Tax Statement for Council Stipends

All stipends paid to council members for attending council meetings are reported on a W-2. City and tribal council members have different reporting requirements.

Stipends to city council members are treated as regular wages. FICA and federal income taxes are withheld and reported on the annual W-2 Wage and Tax statement.

22222		a Employee's social security number		OMB No. 1545-0008			
b Employer identification number (EIN)			1 Wages, tips, other compensation		2 Federal income tax withheld		
c Employer's name, address, and ZIP code			3 Social security wages		4 Social security tax withheld		
			5 Medicare wages and tips		6 Medicare tax withheld		
			7 Social security tips		8 Allocated tips		
d Control number			9		10 Dependent care benefits		
e Employee's first name and initial		Last name	Suff.	11 Nonqualified plans		12a	
f Employee's address and ZIP code				13 Statutory employee Retirement plan Third-party sick pay		12b	
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12c
				14 Other		12d	
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages tips, etc.	19 Local income tax	20 Locality name	

Form **W-2** Wage and Tax Statement
 Copy 1—For State, City, or Local Tax Department

2014

Department of the Treasury—Internal Revenue Service

Tribal council member stipends fall under Revenue Ruling 59-354 (Rev. Rul. 59-354). In box 14 of the W-2, *Rev. Rul. 59-354* should be cited. This ruling holds that tribal stipends are includible in the council member's gross income, but they do not constitute wages for FICA and federal income tax withholding. If the council member is also an employee of the tribe, you can combine the employee wages with the council wages and in box 14 cite the ruling and the amount of council wages. Or you can have separate W-2s for the employee wages and another for the council wages. (See example on page 73)

Laws To Know

Federal and state laws govern:

- How employees are paid;
- Deductions you must withhold from paychecks;
- What payroll records must be kept; and
- The length of time records must be kept.

The text below presents summaries of federal and state laws helpful to know before preparing payroll. Review the appendix for more information on the laws described in this section. Also, get a copy of *Establishing a Business In Alaska* to learn more about your legal requirements as an employer. To order a copy, contact the DCCED Division of Investments, 550 W. 7th Avenue, Suite 1770, Anchorage, AK 99501. You can also call toll free at 1-800-478-5626. In addition, the publication is available on CD or online at

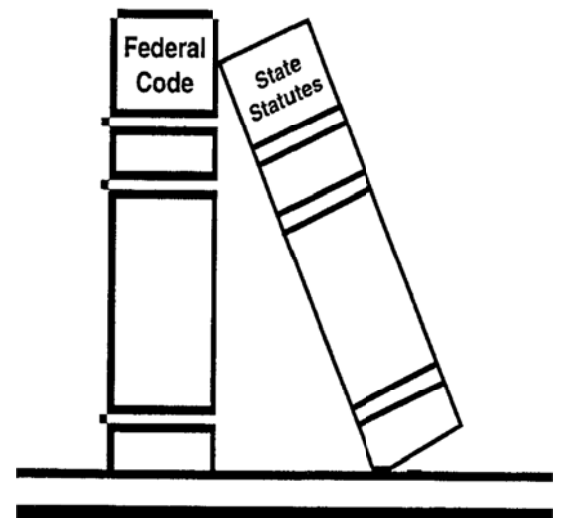
<http://commerce.alaska.gov/ded/fin/pdf/EstablishingABusiness.pdf>

Federal Laws

Fair Labor Standards Act (FLSA)

Also known as the Wage and Hour Law;

- Sets federal minimum wage (\$7.25 per hour, effective July 24, 2009);
- Establishes normal work week (40 hours);
- Requires wage rate of one and a half times the normal wage rate for overtime;
- Requires employers to keep records of every employee; and
- Requires payroll records be kept at least three years.



Federal Laws

Federal Insurance Contributions Act (FICA)

Better known as Social Security and Medicare;

- Requires that employees and employers pay an equal amount to a federally operated trust fund;
- Requires an employer to withhold from employee's wages the employee's portion of taxes;
- Provides payments to workers participating in the system;
- Provides benefits to families of deceased workers;
- Requires an employer to keep records of every employee;
- Requires an employer to make payroll tax deposits either semiweekly or monthly; however, payroll tax deposits can be made each time payroll checks are issued; and
- Requires an employer to file quarterly tax reports (Form 941).

Federal Unemployment Tax Act (FUTA)

Note: Cities and boroughs are exempt from this Act.

Federally recognized tribes are exempt if the tribe is current in filing and paying their state unemployment taxes (ESC) with the Alaska Department of Labor and Workforce Development.

- Requires the employer to pay an unemployment benefit tax;
- Provides payments to unemployed workers;
- Requires the employer to keep separate employee records;
- Requires employee records be kept four years;
- Requires an employer to make quarterly tax payments; and
- Requires an employer to file an annual report.

Privacy Act and Paper Reduction Act

- Uses Electronic Federal Tax Payment System (EFPTS);
- Requires an internet connection for online payments;
- Requires the EIN of the Employer;
- Requires a bank account and routing number;
- Provides a quick and easy payment method; and
- Accommodates telephone transactions.

Federal Laws

Davis-Bacon Act

Note: Davis-Bacon does not apply to municipalities using their own workers and acting as general contractors.

- Requires contractors to pay "prevailing wages" for labor used to construct, alter, or repair public buildings financed with federal money.

Occupational Safety and Health Act (OSHA)

- Requires a workplace be free from hazards;
- Requires records of accidents and injuries be kept; and
- Allows OSHA inspection of the workplace. If violations are discovered, fines may be imposed on the employer.



Civil Rights Act of 1964

- Prohibits discrimination in hiring, firing, or promoting based on race, color, religion, sex, or national origin; and
- Requires records retention of all personnel actions: hires, promotions, discharges, pay increases, etc. To defend personnel actions, employers should keep careful records on employees.

Immigration Reform and Control Act (IRCA)

- Requires proof of employee's legal right to work in the United States before hiring.
- Requires Form 1-9 be completed for every person hired after May 31, 1987. The form is kept on file by the employer for at least three years, or until one year after the employee leaves your employment (whichever is longer); and
- Requires employers present 1-9 forms for inspection to an officer of the Immigration and Naturalization Service or the State of Alaska Department of Labor and Workforce Development (DOLWD) upon request.



State Laws

Alaska Wage and Hour Act: Alaska Statute 23.10

Note: Cities and boroughs are required to follow only some provisions of this law.

- Establishes state minimum wage at \$7.75 per hour, as of January 1, 2010;
- Establishes a standard work week of 40 hours; and
- Requires that work in excess of 40 hours per week or 8 hours per day be paid at a wage rate one and a half times the regular wage rate for FLSA-eligible employees.

Employment Security Act (ESA): Alaska Statute 23.20

- Establishes the State Unemployment Insurance Program;
- Requires employers file a "Liability Determination" with DOLWD;
- Requires accurate payroll records be maintained;
- Requires payroll records be kept for five years;
- Requires quarterly tax reports be filed; and
- Requires quarterly payment of taxes. However, payments can be made each time payroll checks are issued. This tax is often referred to as the Employment Security Contribution (ESC). It may also be called State Unemployment Insurance (SUI), or State Unemployment Tax (SUTA).

“Little” Davis-Bacon Act: Alaska Statute 36.05

- Requires a contractor or subcontractor working on public construction projects to pay not less than the "current prevailing rate," as determined by the DOLWD. Municipalities using their own labor are exempt from this requirement.

Workers' Compensation: Alaska Statute 23.30

- Requires an employer, including contractors, to get workers' health and disability insurance. Insurance must pay for full medical treatment for an "on-the-job" injury or illness and must pay 80% of the employee's net spendable weekly wage (up to certain limits) for a worker's absence due to injury or illness. For more information see: <http://www.labor.state.ak.us/wc/wc-brochure.pdf>

Federal Agency Contacts

If you have questions on topics below, please contact the listed agency.

- **U.S. Department of Labor, ESA Wage and Hour Division**

Contact: Fair Labor Standards Act or Davis-Bacon Act

1111 3rd Ave., Suite 755

Seattle, WA 98101-3212

1-866-487-9243

<http://www.dol.gov/whd/index.htm>

- **Internal Revenue Service for Cities, Tribes and Non-Profits**

Cities:

Federal, State, and Local Government (FSLG)

Pacific Coast Region

Customer Account Services – Pacific Coast

1-877-829-5500

<http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments>

Tribal Government:

Indian Tribal Governments (ITG)

1-877-829-5500

<http://www.irs.gov/govt/tribes/index.html>

Charities and Non-Profits

1-877-829-5500

<http://www.irs.gov/charities/index.html>

- **IRS Forms and Publications to Order or Download**

Contact: Internal Revenue Service

1-800-829-4933

<http://www.irs.gov/formspubs/index.html?portlet=3>

- **U.S. Department of the Treasury**
Contact: Electronic Federal Tax Payment System
1-800-555-4477
www.eftps.gov

- **Social Security Administration**
Contact: Social Security
Room A11
222 W. 8th Ave.
Anchorage, AK 99513
1-800-772-1213
www.socialsecurity.gov

- **Immigration Reform and Control Act**
Contact: U.S. Citizenship and Immigration Services
620 East 10th Ave., Suite 101
Anchorage, AK 99501-3799
<http://www.uscis.gov/portal/site/uscis>

INFOPASS: <http://infopass.uscis.gov/>
Forms or general information:
1-800-375-5283
<http://www.uscis.gov/forms>

State Agency Contacts

- **Employment Security Act (ESA)**

Contact: Department of Labor and Workforce Development
Division of Employment Security
P.O. Box 115509
Juneau, AK 99811-5509
Phone: 1-907-465-2712
<http://www.labor.state.ak.us/esd>

- **Fair Labor Standards Act (FLSA)**

Contact: Department of Labor and Workforce Development
Wage and Hour Administration
3301 Eagle St. Suite 301
Anchorage, AK 99503-4149
Phone: 1-907-269-4900
<http://labor.state.ak.us/lss/whhome.htm>

- **Occupational Safety and Health Act (OSHA)**

Contact: Department of Labor and Workforce Development
Division of Labor Standards and Safety
Occupational Safety and Health Section
Juneau: 1-907-465-4855
Anchorage: 1-907-269-4955
<http://labor.state.ak.us/lss/oshhome.htm>

- **Workers' Compensation**

Contact: Department of Labor and Workforce Development
Division of Workers' Compensation
P.O. Box 115512
Juneau, AK 99811
1-907-465-2790
<http://labor.state.ak.us/wc/exit.html>

- **Social Security (FICA)**

Contact: Department of Administration
Division of Retirement and Benefits
Social Security Administrator
P.O. Box 110203
Juneau, AK 99811-0203
1-907-465-5707

Chapter 1 Review

Federal and State Labor Laws

1. **FLSA stands for**
 - a. Fair Labor Standards Act
 - b. Future Labor Statistics Act
 - c. Federal Library Standards Account
 - d. Federal Labor Systems Assistance

2. **At year end, an employer must use IRS Form 1099-MISC if the employer paid more than \$600 in the calendar year to any of the following:** (Circle all that apply)
 - a. An independent contractor
 - b. Stipends to a council member to attend meetings
 - c. Regular employees after running out of W-2 forms

3. **True or False:** An independent contractor is subject to backup withholding if he or she does not provide a valid Social Security Number or Employer Identification Number.

4. **True or False:** Store all pay records, including time cards, for one year.

5. **True or False:** FICA is better known as Social Security and Medicare Tax.

6. **True or False:** FICA is paid only by the employee through withholdings from paychecks.

7. **True or False:** Employees generally set their own hours, use their own tools and directly risk profit or loss based on how and when their work is done.

8. **True or False:** Reporting and depositing FICA taxes is the responsibility of the employer.

9. **True or False:** The federal Davis-Bacon Act only applies to contracts for the construction, alteration, or repair of public buildings financed with federal money.

- 10. FUTA stands for:**
 - a. Future Uplifting Tax Appraisal
 - b. Federal Unemployment Tax Act
 - c. Federal Unemployment Training Act
 - d. Former Underworld Tax Assessors

- 11. True or False:** FUTA taxes are paid by municipalities to cover unemployment benefits for terminated workers.

- 12. True or False:** Some parts of the Alaska Wage and Hour Act do not apply to municipalities.

- 13. The “Request for Taxpayer Identification Number and Certification” is IRS form**
 - a. W-2
 - b. W-4
 - c. I-9
 - d. W-9

- 14. ESA stands for:**
 - a. Employment Security Act
 - b. Employee Security Association
 - c. Employment Social Administration
 - d. Evaluation of Social Actions

- 15. The ESA requires payroll records be kept for at least:**
 - a. One year
 - b. Three years
 - c. Five years
 - d. Seven years

Chapter 1 Review

Federal State and Labor Laws: Answer Sheet

1. [a.] Fair Labor Standards Act
2. [a.] An independent contractor
3. [True.]
4. [False.] FLSA requires three years retention of pay records. ESA requires five years. Extra records, such as time cards, must be kept four years.
5. [True.]
6. [False.] Employer and employee pay a contribution to the Social Security and Medicare Tax.
7. [False.] Contractors do those things.
8. [True.]
9. [True.]
10. [b.] Federal Unemployment Tax Act.
11. [False.] Municipalities are exempt from FUTA.
12. [True.]
13. [d.] W-9
14. [a.] Employment Security Act.
15. [c.] Five years

CHAPTER 2: PAYROLL AND PERSONNEL RECORDS

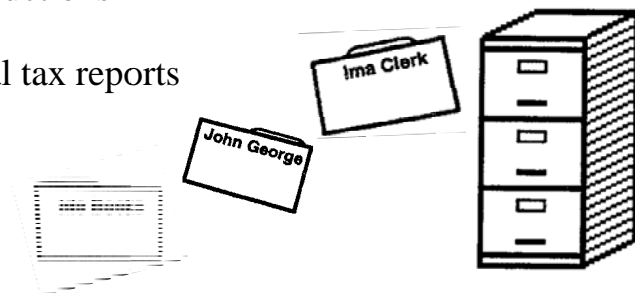
Keeping good payroll records will help you:

- Comply with federal and state tax laws
- Make sure workers are paid correctly
- Keep track of labor costs for community projects
- Help forecast labor costs

Records Needed to Prepare Payroll

A good payroll accounting system keeps basic information on each employee. These files include:

- **Personnel Files**
 - W-4 forms
 - I-9 forms
 - Pay rate history records
- **Payroll Documents**
 - Time cards or time sheets
 - Individual pay records
 - Payroll journal
 - Statement of earnings and deductions
 - Tax deposit records
 - Copies of quarterly and annual tax reports
 - Annual and sick leave records



Personnel Files

Keep a separate personnel file for each employee that includes:

- Job application;
- Resume (if required);
- Hiring notice;
- Completed I-9 form (see Immigration Reform and Control Act for additional information);
- Form W-4: Employee's Withholding Allowance Certificate;
- Employee ratings/evaluations;
- Work history of the employee (promotions, job changes, duties, work hours)
- Pay rate history and current rate;
- Payroll documents; and
- Annual wage and tax statements (IRS Form W-2).

As bookkeeper you need access to the personnel files. ***However, access by other people is restricted because much of the information in the personnel files is confidential.*** The employee may authorize others to inspect his or her personnel file. This authorization should be in writing from the employee.

For payroll record keeping, the most important items in the personnel files for each employee are:

- Form W-4: Employee's Withholding Allowance Certificate
- Pay rate history records

Form W-4

Each employee is required to submit an IRS Form W-4 to the employer. The W-4 shows the number of withholding allowances claimed by an employee and is used to calculate the amount of federal income tax withheld from payroll checks.

The W-4 is filled out by each employee when he or she is hired and before the employee starts work. If the employee wants to change the number of withholding allowances claimed, a new W-4 must be submitted.

Employers are not required to get a new W-4 from employees each year, but should offer employees a chance to update their W-4. You can get W-4 forms and related publications for each new employee from the IRS.

If an employee does not provide a signed W-4 by the time you are ready to do their first payroll, then process the employee's pay with zero allowances.

Form W-4 (2014)

The exceptions do not apply to supplemental wages greater than \$1,000,000.

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations. Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you can claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 505 for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2014. See Pub. 505, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

Future developments. Information about any future developments affecting Form W-4 such as legislation enacted after we release it will be posted at www.irs.gov/wf.

Personal Allowances Worksheet (Keep for your records.)

A Enter "1" for yourself if no one else can claim you as a dependent **A** _____

B Enter "1" if: { • You are single and have only one job; or • You are married, have only one job, and your spouse does not work; or • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. } **B** _____

C Enter "1" for your spouse. But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) **C** _____

D Enter number of dependents (other than your spouse or yourself) you will claim on your tax return **D** _____

E Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above) **E** _____

F Enter "1" if you have at least \$2,000 of child or dependent care expenses for which you plan to claim a credit **F** _____

G Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information.
• If your total income will be less than \$65,000 (\$95,000 if married), enter "2" for each eligible child; then less "1" if you have three to six eligible children or less "2" if you have seven or more eligible children.
• If your total income will be between \$65,000 and \$84,000 (\$95,000 and \$119,000 if married), enter "1" for each eligible child **G** _____

H Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) ▶ **H** _____

For accuracy, complete all worksheets that apply. { • If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2. • If you are single and have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$50,000 (\$20,000 if married), see the **Two-Earners/Multiple Jobs Worksheet** on page 2 to avoid having too little tax withheld. • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.

Separate here and give Form W-4 to your employer. Keep the top part for your records.

Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.

OMB No. 1545-0074

2014

1 Your first name and middle initial	Last name	2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withheld at higher Single rate. <i>Note.</i> If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ <input type="checkbox"/>
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)		5 _____
6 Additional amount, if any, you want withheld from each paycheck		6 \$ _____
7 I claim exemption from withholding for 2014, and I certify that I meet both of the following conditions for exemption. • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶ 7 _____		
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.		
Employee's signature (This form is not valid unless you sign it.) ▶		Date ▶
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional) 10 Employer identification number (EIN)


For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 10220Q Form W-4 (2014)

Form I-9

The purpose of the Department of Homeland Security, U.S. Citizenship and Immigration Services Form I-9:

Employment Eligibility

Verification is to document that each new employee (both citizen and non-citizen) hired after November 6, 1986, and working in the United States must complete a Form I-9. All employees (citizens and non-citizens) hired after November 6, 1986, and working in the United States must complete a Form I-9. This information will be used by employers as a record of their basis for determining eligibility of an employee to work in the United States.



Employment Eligibility Verification
Department of Homeland Security
U.S. Citizenship and Immigration Services

USCIS
Form I-9
OMB No 1615-0047
Expires 03/31/2016

▶ START HERE. Read instructions carefully before completing this form. The instructions must be available during completion of this form.
ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) they will accept from an employee. The refusal to hire an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

Section 1. Employee Information and Attestation *(Employees must complete and sign Section 1 of Form I-9 no later than the first day of employment, but not before accepting a job offer.)*

Last Name (Family Name)		First Name (Given Name)		Middle Initial	Other Names Used (if any)	
Address (Street Number and Name)			Apt. Number	City or Town		State
Date of Birth (mm/dd/yyyy)	U.S. Social Security Number		E-mail Address		Telephone Number	

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following):

A citizen of the United States

A noncitizen national of the United States *(See instructions)*

A lawful permanent resident (Alien Registration Number/USCIS Number): _____

An alien authorized to work until (expiration date, if applicable, mm/dd/yyyy) _____. Some aliens may write "N/A" in this field. *(See instructions)*

For aliens authorized to work, provide your Alien Registration Number/USCIS Number OR Form I-94 Admission Number:

1. Alien Registration Number/USCIS Number: _____

OR

2. Form I-94 Admission Number: _____

If you obtained your admission number from CBP in connection with your arrival in the United States, include the following:

Foreign Passport Number: _____

Country of Issuance: _____

Some aliens may write "N/A" on the Foreign Passport Number and Country of Issuance fields. *(See instructions)*

3-D Barcode
Do Not Write in This Space

Signature of Employee:		Date (mm/dd/yyyy):
------------------------	--	--------------------

Preparer and/or Translator Certification *(To be completed and signed if Section 1 is prepared by a person other than the employee.)*

I attest, under penalty of perjury, that I have assisted in the completion of this form and that to the best of my knowledge the information is true and correct.

Signature of Preparer or Translator:		Date (mm/dd/yyyy):
Last Name (Family Name)		First Name (Given Name)
Address (Street Number and Name)		City or Town
		State
		Zip Code

STOP *Employer Completes Next Page* **STOP**

Form I-9 03/08/13 N

Page 7 of 9

New I-9 form as of 8/2013

Employers must retain the completed Form I-9. Form I-9 is accompanied by a complete list of acceptable documents which categorizes the types of documents necessary for establishing identity and employment authorization. See the next page for sample forms of I-9 and the list of acceptable documents.

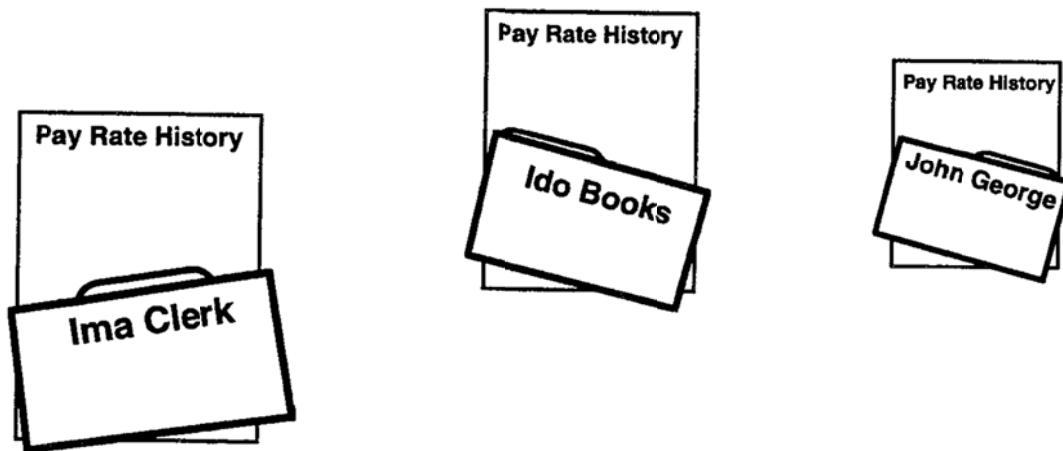
LISTS OF ACCEPTABLE DOCUMENTS
All documents must be UNEXPIRED

Employees may present one selection from List A
 or a combination of one selection from List B and one selection from List C.

LIST A Documents that Establish Both Identity and Employment Authorization	OR	LIST B Documents that Establish Identity	AND	LIST C Documents that Establish Employment Authorization
1. U.S. Passport or U.S. Passport Card		1. Driver's license or ID card issued by a State or outlying possession of the United States provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address		1. A Social Security Account Number card, unless the card includes one of the following restrictions: (1) NOT VALID FOR EMPLOYMENT (2) VALID FOR WORK ONLY WITH INS AUTHORIZATION (3) VALID FOR WORK ONLY WITH DHS AUTHORIZATION
2. Permanent Resident Card or Alien Registration Receipt Card (Form I-551)		2. ID card issued by federal, state or local government agencies or entities, provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address		2. Certification of Birth Abroad issued by the Department of State (Form FS-545)
3. Foreign passport that contains a temporary I-551 stamp or temporary I-551 printed notation on a machine-readable immigrant visa		3. School ID card with a photograph		3. Certification of Report of Birth issued by the Department of State (Form DS-1350)
4. Employment Authorization Document that contains a photograph (Form I-766)		4. Voter's registration card		4. Original or certified copy of birth certificate issued by a State, county, municipal authority, or territory of the United States bearing an official seal
5. For a nonimmigrant alien authorized to work for a specific employer because of his or her status: a. Foreign passport; and b. Form I-94 or Form I-94A that has the following: (1) The same name as the passport, and (2) An endorsement of the alien's nonimmigrant status as long as that period of endorsement has not yet expired and the proposed employment is not in conflict with any restrictions or limitations identified on the form.		5. U.S. Military card or draft record		5. Native American tribal document
		6. Military dependent's ID card		6. U.S. Citizen ID Card (Form I-197)
		7. U.S. Coast Guard Merchant Mariner Card		7. Identification Card for Use of Resident Citizen in the United States (Form I-179)
		8. Native American tribal document		8. Employment authorization document issued by the Department of Homeland Security
		9. Driver's license issued by a Canadian government authority		
		For persons under age 18 who are unable to present a document listed above:		
		10. School record or report card		
		11. Clinic, doctor, or hospital record		
		12. Day-care or nursery school record		
6. Passport from the Federated States of Micronesia (FSM) or the Republic of the Marshall Islands (RMI) with Form I-94 or Form I-94A indicating nonimmigrant admission under the Compact of Free Association Between the United States and the FSM or RMI				

Illustrations of many of these documents appear in Part 8 of the Handbook for Employers (M-274).

Refer to Section 2 of the instructions, titled "Employer or Authorized Representative Review and Verification," for more information about acceptable receipts.



Pay Rate History Records

The pay rate record shows how much the employee is paid per hour worked. This rate is used to calculate the employee's gross pay.

The pay rate history record shows the person's wage rate at the time of hiring. It also shows any changes in the wage rate because of promotion, demotion, cost-of-living adjustment (COLA), shift in job position, or other reason. The effective dates of all wage rate changes are also recorded.



Instructions for Completing a Pay Rate History Record

The pay rate history record should include the following information (numbered items in the list below correspond with the numbers on the illustration):

1. Employee's name as shown on the W-4 form
2. Employee's Social Security Number as shown on the W-4 form
3. Date the employee was hired
4. Employee's marital status for income tax purposes (M for married, S for single)
5. Number of allowances claimed for income tax purposes as shown on W-4
6. Employee classification as hourly or salaried
7. Date of pay rate change
8. Amount of new pay rate
9. Reason for entry in record, such as "new hire," "COLA" or "promotion."

PAY RATE HISTORY		
Employee Name _____ (1)		
Social Security Number _____ (2)		
Date of Hire _____ (3)		Income Tax Status _____ (4)
No. Exempts _____ (5)	Salaried _____ (6)	Hourly _____ (6)
Date	Rate	Explanation
(7)	(8)	(9)

Payroll Documents

Time Sheets

To calculate payroll, you need to know the hours worked by each employee. This information is recorded on a time sheet or card filled out by the employee and approved by the supervisor. Each day the employee fills in the hours worked and records any leave used. Each employee completes his or her own time sheet.

At the end of the pay period, the employee must sign and date the time sheet, and attach any leave forms to support authorized sick leave or annual leave (personal or vacation time) used. Time sheets and leave forms are signed by both the employee and supervisor. The supervisor must review time sheets and leave forms to make sure the information is correct, and then sign them. Unsigned time sheets or leave forms should be returned to the supervisor before you calculate any wages.

You should also review each time sheet for mistakes and tell the manager or supervisor if you detect any problems.

Instructions for Filling Out Time Cards or Time Sheets

Time cards or time sheets should have the following information. See corresponding number in parenthesis on the Time Sheet illustration.

1. Employee's full name (no nicknames) and date
2. Employee's Social Security number or Employee Number
3. Pay period dates
4. Spaces for each day in the time period
5. Spaces for the type of time recorded for each day (regular hours, overtime hours, annual leave, sick leave, holiday, and other)
6. Employee's signature
7. Supervisor's signature
8. Department or account the wages are charged to (assuming the city or village has employees working for different departments or accounts)



TIME SHEET - GENERAL

(1) Employee _____ Date _____

(2) Employee Social Security Number _____ - _____ - _____

(3) Pay Period: From ____ / ____ / ____ To ____ / ____ / ____

(4)

Date	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Total			
Regular Hours																																			
Overtime Hours																																			
Annual Leave																																			
Sick Leave																																			
Holiday (Regular Time)																																			
Holiday (Overtime)																																			
Other																																			
																	Total Hours																		

(5)

Employee Signature (6) _____

Supervisor (7) _____

Charge to: (8) _____

Don't throw away time sheets after doing the payroll. Time sheets must be saved. Federal and state regulations require time sheets be kept at least two years in case of wage disputes. Put them in the employee's file with a copy of the paycheck. If questions come up about how much money an employee earned, the time sheets will help prove the payroll checks were correct.

Leave Authorization

Some communities use leave authorization forms to record annual, sick, and other types of leave. Review your personnel policies to ensure leave is dealt with correctly by supervisors, employees, and yourself.

When leave authorization forms are used, the employee submits a request for leave to the supervisor. If the supervisor approves the leave request, the employee has an excused absence. After the employee returns from leave, the employee and supervisor sign the leave request form, confirming the amount of leave taken. The supervisor sends the leave slip to the bookkeeper. The bookkeeper adjusts the paycheck if the amount of pay for the pay period is affected. The leave slips are put in the employee's personnel file.

Leave slips are used by larger communities. Smaller communities may not need them. However, leave taken by an employee must be recorded on the time sheet even if leave slips aren't used.

Leave Authorization			
Name: _____	SSN: _____		
Dates of Leave Requested:			
From: _____	_____	_____	AM/PM
Month	Day	Hour	
End: _____	_____	_____	AM/PM
Month	Day	Hour	
Type of Leave Requested	<input type="checkbox"/> Annual	<input type="checkbox"/> Sick	<input type="checkbox"/> LWOP <input type="checkbox"/> Court
APPROVAL OF REQUEST: _____			
Supervisor			
Leave Taken			
Total Hours of Leave:	<input type="checkbox"/> Annual _____	<input type="checkbox"/> Sick _____	
	<input type="checkbox"/> LWOP _____	<input type="checkbox"/> Court _____	
Employee Signature: _____	Supervisor: _____		
Date: _____	Date: _____		
RETURN THIS FORM to Bookkeeper within 24 hours of completion of Leave.			

The payroll journal comes in different forms, depending on the supplier. You can also make a payroll journal using a columnar pad. In any case, the information shown on the example below should be included. The example payroll journal sheet organizes the employee wage and tax information by departments. Separating payroll information by department makes it easy to figure which costs should be charged to each department.

Information from the payroll journal is used to fill out quarterly tax reports. (This activity is explained in the next chapter.) This information must be retained for four years.

PAYROLL JOURNAL													
Journal No. _____		Payroll Period From: _____						To: _____					
DEPARTMENT / NAME	RATE OF PAY	Reg. Hrs	OT Hrs	EARNINGS			DEDUCTIONS				Net Pay	Chk. No.	Date of Payment
				Reg. Pay	OT Pay	Gross Pay	Fed W/H	FICA		ESC			
								Soc. Sec	Medicare				
ADMINISTRATION													
TOTAL ADMINISTRATION													
PUBLIC SAFETY													
TOTAL PUBLIC SAFETY													
PUBLIC WORKS													
TOTAL PUBLIC WORKS													
TOTAL ALL DEPARTMENTS													

Statement of Earnings and Deductions

The statement of earnings and deductions is given to the employee with his or her paycheck. It shows the employee's earnings and deductions for the pay period. Often, the statement is simply a payroll check stub. Paychecks can be ordered with check stubs that serve as statements of earnings and deductions. Use information from the pay record or payroll journal to fill out the statement of earnings and deductions. A computerized payroll program, such as QuickBooks, will calculate the earnings and deductions information for you and enter it on the pay stub. In a manual system, you will need to calculate the information and enter it on the pay stub yourself.

Check # _____ Date _____ 20____	Period Ending _____ 20____ Name _____	City of Pacific 00201 P.O. Box 423 Pacific, Alaska 99909 Phone (907-567-8901)																																																																								
To _____ For _____	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">80 HOURS</td> <td style="width: 10%;">REG PAY</td> <td style="width: 10%;">\$</td> <td style="width: 10%;">-</td> <td style="width: 10%;">\$</td> <td style="width: 10%;">-</td> </tr> <tr> <td>HOURS</td> <td>OVER - TIME</td> <td>\$</td> <td>-</td> <td>\$</td> <td>-</td> </tr> <tr> <td colspan="6" style="text-align: right;">TOTAL EARNINGS \$ -</td> </tr> <tr> <td colspan="6" style="text-align: center;">FICA</td> </tr> <tr> <td colspan="2">SOCIAL SECURITY</td> <td>\$</td> <td>-</td> <td colspan="2"></td> </tr> <tr> <td colspan="2">MEDICARE</td> <td>\$</td> <td>-</td> <td colspan="2"></td> </tr> <tr> <td colspan="2">U.S. INC TAX</td> <td>\$</td> <td>-</td> <td colspan="2"></td> </tr> <tr> <td colspan="2">STATE INC TAX</td> <td>\$</td> <td>-</td> <td colspan="2"></td> </tr> <tr> <td colspan="2">ESC</td> <td>\$</td> <td>-</td> <td colspan="2"></td> </tr> <tr> <td colspan="2">OTHER</td> <td>\$</td> <td>-</td> <td colspan="2"></td> </tr> <tr> <td colspan="6" style="text-align: right;">TOTAL DEDUCTIONS \$ -</td> </tr> <tr> <td colspan="6" style="text-align: right;">NET PAY \$ -</td> </tr> </table>	80 HOURS	REG PAY	\$	-	\$	-	HOURS	OVER - TIME	\$	-	\$	-	TOTAL EARNINGS \$ -						FICA						SOCIAL SECURITY		\$	-			MEDICARE		\$	-			U.S. INC TAX		\$	-			STATE INC TAX		\$	-			ESC		\$	-			OTHER		\$	-			TOTAL DEDUCTIONS \$ -						NET PAY \$ -						DATE _____ PAY TO THE ORDER OF _____ Dollars AUTHORIZED SIGNATURE _____ FOR _____
80 HOURS	REG PAY	\$	-	\$	-																																																																					
HOURS	OVER - TIME	\$	-	\$	-																																																																					
TOTAL EARNINGS \$ -																																																																										
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SOCIAL SECURITY		\$	-																																																																							
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The statement of earnings and deductions can also be a form separate from the check, as shown below.

Statement of earnings and deductions separate from the payroll check:

STATEMENT OF EARNINGS AND DEDUCTIONS			
Employee's Name _____		Check Number: #1017	
Social Security Number _____		Pay From _____ To _____	
EARNINGS			
Regular Pay	\$		Gross Pay \$ _____
Overtime Pay	\$		
DEDUCTIONS			
Federal Withholding Tax	\$		Total Deductions \$ _____ NET PAY \$ _____
FICA	Social Security	\$	
	Medicare Tax	\$	
ESC Tax	\$		
Other	\$		

City of Pacific P.O. Box 423 Pacific, Alaska 99909 Phone (907-567-8901)	#1017 DATE _____
PAY TO THE ORDER OF _____	<input style="width: 100px; height: 20px;" type="text"/>
_____ Dollars	
FOR _____	_____ AUTHORIZED SIGNATURE
00001 123456789	_____ AUTHORIZED SIGNATURE 123456789000

Chapter 2 Review

Payroll and Personnel Records

1. **True or False:** A personnel file should be set up for each new employee.
2. **Personnel files should contain at least:**
 - a. Employment application
 - b. Social Security Number
 - c. Hiring notice to employee
 - d. Result of reference checks
 - e. Copies of W-4 forms
 - f. Copy of employee's income tax return from last year
3. **True or False:** A W-4 identifies how many allowances the employee claims.
4. **True or False:** Employees must return a completed W-4 within one week of being hired.
5. **True or False:** Personnel files are confidential and shouldn't be available to anyone unless the employee has given written permission.
6. **True or False:** Personnel files should include a pay rate history record.
7. **True or False:** Time sheets show the hours worked by an employee and should be kept for a few months in case a dispute over a paycheck comes up.
8. **True or False:** Time sheets are signed by the bookkeeper only.
9. **True or False:** Pay records show earnings and deductions of an employee for each payroll.
10. **True or False:** Pay records are files that can be thrown away after two years.
11. **True or False:** Pay records are used to record payroll information in the payroll journal for all employees.
12. **True or False:** Use the payroll journal to fill out quarterly tax reports.

Chapter 2 Review

Payroll and Personnel Records: Answer Sheet

1. [True]
2. Personnel files should include at least:
 - a. Employment application
 - b. Social Security Number
 - c. Hiring notice to employee
 - d. Result of reference checks
 - e. Copies of W-4 forms
3. [True]
4. [False] W-4 must be completed before beginning work.
5. [False] Personnel files are confidential. Only authorized individuals should have access, and employee permission isn't needed for those authorized individuals.
6. [True]
7. [False] Keep time sheets a minimum of two years.
8. [False] Time sheets must be signed by both the employee and the supervisor.
9. [True]
10. [False]
11. [True]
12. [True]



CHAPTER 3: PAYROLL CALCULATIONS AND REPORTING

You need to be accurate when calculating payroll because:

- You want to pay employee, the IRS, and the state the correct amounts.
- Most employees don't know the withholding rules well enough to catch mistakes.
- Correcting mistakes in withholding deductions after payroll checks have been written is time consuming and difficult.

How to Calculate Payroll and Pay Taxes

Step 1. Get Federal and State Employer Identification Numbers

Every employer must have a Federal Employer Identification Number (EIN) from the IRS. If your organization has been an employer in the past, it probably already has an EIN. **Do not apply for more than one EIN. It is not necessary to get a separate EIN for a grant project!** An example of a completed application for a federal EIN is provided on the next page (Form SS-4).

If it is necessary to get an EIN and you indicate on the Form SS-4 application that you will have employees, you will be pre-enrolled in the Electronic Federal Tax Payment System (EFTPS). When you make employment tax payments to the federal government, you must use EFTPS. As of January 1, 2011, paper tax deposit coupons can no longer be used. You will receive information in your EIN Package about Express Enrollment. You will also receive an additional mailing containing your EFTPS personal identification number (PIN) and instructions for activating your PIN so that you can begin to use EFTPS.

Form SS-4 (Rev. January 2010) Department of the Treasury Internal Revenue Service	Application for Employer Identification Number (For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, indian tribal entities, certain individuals, and others.) ▶ See separate instructions for each line. ▶ Keep a copy for your records.	OMB No. 1545-0003 EIN _____
Type or print clearly.	1 Legal name of entity (or individual) for whom the EIN is being requested _____	
	2 Trade name of business (if different from name on line 1) _____	3 Executor, administrator, trustee, "care of" name _____
	4a Mailing address (room, apt., suite no. and street, or P.O. box) _____	5a Street address (if different) (Do not enter a P.O. box.) _____
	4b City, state, and ZIP code (if foreign, see instructions) _____	5b City, state, and ZIP code (if foreign, see instructions) _____
	6 County and state where principal business is located _____	
	7a Name of responsible party _____	7b SSN, ITIN, or EIN _____
	8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? <input type="checkbox"/> Yes <input type="checkbox"/> No	8b If 8a is "Yes," enter the number of LLC members _____ ▶
	8c If 8a is "Yes," was the LLC organized in the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No	
	9a Type of entity (check only one box). Caution. If 8a is "Yes," see the instructions for the correct box to check.	
	<input type="checkbox"/> Sole proprietor (SSN) _____ <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation (enter form number to be filed) ▶ _____ <input type="checkbox"/> Personal service corporation <input type="checkbox"/> Church or church-controlled organization <input type="checkbox"/> Other nonprofit organization (specify) ▶ _____ <input type="checkbox"/> Other (specify) ▶ _____	
<input type="checkbox"/> Estate (SSN of decedent) _____ <input type="checkbox"/> Plan administrator (TIN) _____ <input type="checkbox"/> Trust (TIN of grantor) _____ <input type="checkbox"/> National Guard <input type="checkbox"/> State/local government <input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government/military <input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal governments/enterprises Group Exemption Number (GEN) if any ▶ _____		
9b If a corporation, name the state or foreign country (if applicable) where incorporated	State _____ Foreign country _____	
10 Reason for applying (check only one box)		
<input type="checkbox"/> Started new business (specify type) ▶ _____ <input type="checkbox"/> Hired employees (Check the box and see line 13.) <input type="checkbox"/> Compliance with IRS withholding regulations <input type="checkbox"/> Other (specify) ▶ _____		
<input type="checkbox"/> Banking purpose (specify purpose) ▶ _____ <input type="checkbox"/> Changed type of organization (specify new type) ▶ _____ <input type="checkbox"/> Purchased going business <input type="checkbox"/> Created a trust (specify type) ▶ _____ <input type="checkbox"/> Created a pension plan (specify type) ▶ _____		
11 Date business started or acquired (month, day, year). See instructions. _____	12 Closing month of accounting year _____	
13 Highest number of employees expected in the next 12 months (enter -0- if none). If no employees expected, skip line 14.	14 If you expect your employment tax liability to be \$1,000 or less in a full calendar year and want to file Form 944 annually instead of Forms 941 quarterly, check here. (Your employment tax liability generally will be \$1,000 or less if you expect to pay \$4,000 or less in total wages.) If you do not check this box, you must file Form 941 for every quarter. <input type="checkbox"/>	
Agricultural Household Other		
15 First date wages or annuities were paid (month, day, year). Note. If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year) ▶		
16 Check one box that best describes the principal activity of your business.		
<input type="checkbox"/> Construction <input type="checkbox"/> Rental & leasing <input type="checkbox"/> Transportation & warehousing <input type="checkbox"/> Health care & social assistance <input type="checkbox"/> Wholesale-agent/broker <input type="checkbox"/> Real estate <input type="checkbox"/> Manufacturing <input type="checkbox"/> Finance & insurance <input type="checkbox"/> Accommodation & food service <input type="checkbox"/> Wholesale-other <input type="checkbox"/> Retail <input type="checkbox"/> Other (specify) _____		
17 Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.		
18 Has the applicant entity shown on line 1 ever applied for and received an EIN? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," write previous EIN here ▶		
Third Party Designee	Complete this section only if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.	
	Designee's name _____	Designee's telephone number (include area code) () _____
	Address and ZIP code _____	Designee's fax number (include area code) () _____
Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.		Applicant's telephone number (include area code) () _____
Name and title (type or print clearly) ▶ _____		Applicant's fax number (include area code) () _____
Signature ▶ _____	Date ▶ _____	

You must also register with the Department of Labor and Workforce Development (AKDOL), Employment Security Division to obtain a state employer tax account number. Contact the nearest Field Tax Office and ask for an Alaska Employer Registration Form. (See below.) You can also obtain this form online at: <http://www.labor.state.ak.us/estax/forms/AER.pdf>.

Alaska Employer Registration Form				Form TREG (Rev 7/12)			
Alaska Department of Labor and Workforce Development Employment Security Tax PO Box 115509, Juneau, AK 99811-5509		<input type="checkbox"/> New <input type="checkbox"/> Update		Account Number	Bus. Type	NAICS	Predecessor
Field Auditor	Cont. Code	Rt-Hld a Mailings	Rate Code	Rate Year	Rate Link Type	Rate	Receive Date
COMPLETE BOTH SIDES OF FORM				THE ABOVE AREA IS FOR STATE USE ONLY			
1) Type of Business: <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership: General <input type="checkbox"/> Limited <input type="checkbox"/> Date Partnership Formed _____ <input type="checkbox"/> Nonprofit Organization <input type="checkbox"/> Federally Recognized Tribe <input type="checkbox"/> Other _____ Desired Method of Payment: <input type="checkbox"/> Taxable <input type="checkbox"/> Reimbursable <input type="checkbox"/> Corporation: Date Incorporated _____ State Incorporated _____ State Corporation Number _____ <input type="checkbox"/> Limited Liability Company (LLC): Number of Managers (or members if no manager) _____ Date Formed _____ State _____				2) Federal Identification Number _____ 3) Were you ever assigned an Account Number by this Agency? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, list number: _____ 4) Do you wish to cover excluded employees? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, see Page 4			
5) What is the date your business first paid wages in Alaska, or the anticipated date you will pay wages? Month _____ Day _____ Year _____ (Your account will be opened this date)				6) Do you anticipate using Contract Labor to perform the activities stated in Item 13? <input type="checkbox"/> Yes <input type="checkbox"/> No			
7) Legal Business Name: _____				8) Doing Business As (DBA) Name: _____			
9) Mailing Address _____ City _____ State _____ Zip _____			10) Business Phone: _____				
11) Physical Worksite Address in Alaska (list additional worksites on Page 4)						12) Fax Number _____	
Your rate will be determined by completion of Items 13 & 14. See Page 2 for complete instructions.		13) Describe (IN DETAIL) the major product sold or service you provide in Alaska				14) % of Gross Alaska income derived from Item 13: _____	15) Number of employees in Alaska: _____
Complete this section if you have changed your business or have acquired an Alaska business operation.							
16) Date changed or acquired: _____ Month _____ Day _____ Year _____				17) Date wages first paid under new ownership: _____ Month _____ Day _____ Year _____			
18) Type of Change: <input type="checkbox"/> Change in Entity (Sole Proprietorship to partnership Partnership to Corporation, etc) <input type="checkbox"/> Change in Partner <input type="checkbox"/> Change in Corporation Stock Transfer <input type="checkbox"/> Corporate Charter Change <input type="checkbox"/> Corporate Officer Change <input type="checkbox"/> Other (Explain) _____							
19) Was business acquired through: <input type="checkbox"/> Purchase <input type="checkbox"/> Lease <input type="checkbox"/> Foreclosure <input type="checkbox"/> Repossession <input type="checkbox"/> Other (Describe in detail on separate paper)				20) What percentage of the Alaska Operating Assets were acquired? _____			
21) Prior Owner(s) Name(s), FEIN, and Business (DBA) Name: _____				22) Prior Account Number: _____		23) Number of Employees Acquired: _____	
Information and signature of business principals i.e. a sole proprietor, each partner, all corporate officers, directors, LLC manager(s) and LLC member(s)							
CERTIFICATION: With my signature, I certify that information provided on this form is correct and true							
Printed Name & Social Security Number		Signature		Residence Address & Telephone Number		Title and Effective Date	% Owned
Name: _____ SSN: _____		_____		Residence Address _____ City _____ State _____ Zip Code _____ Residence Telephone: _____		Title _____ Effective Date _____	_____
Name: _____ SSN: _____		_____		Residence Address _____ City _____ State _____ Zip Code _____ Residence Telephone: _____		Title _____ Effective Date _____	_____
Name: _____ SSN: _____		_____		Residence Address _____ City _____ State _____ Zip Code _____ Residence Telephone: _____		Title _____ Effective Date _____	_____
Name: _____ SSN: _____		_____		Residence Address _____ City _____ State _____ Zip Code _____ Residence Telephone: _____		Title _____ Effective Date _____	_____
Business Contact Person:		Phone Number:		E-mail:			

Complete the Employer Registration Form, make a copy for filing, and mail the original to the address shown on the top of the form.

The AKDOL will assign an account number after it reviews your application. The account number links the employer with payments of State Unemployment Insurance tax (SUI), also known as Employment Security Contribution (ESC).

When AKDOL assigns an account number, it will send Employment Security tax forms and

instructions. Keep this paperwork handy; you'll need it to make tax deposits and file your reports. Only apply for an account number once. Before applying, make sure your community hasn't already been assigned a number.

Employer information is available on the Internet at www.labor.state.ak.us/estax You can also e-mail questions to esd_tax@labor.state.ak.us

State of Alaska Department of Labor and Workforce Development Employment Security Tax Offices		
Anchorage Employment Security Tax 3301 Eagle St., Room 103 P.O. Box 241767 Anchorage, AK 99524-1767 (907) 269-4850 (907) 269-4845 (Fax)	Wasilla Employment Security Tax 877 Commercial Drive Wasilla, AK 99654-6937 (907) 373-2682 (907) 373-2683 (Fax)	Kenai Employment Security Tax 11312 Kenai Spur Hwy., Suite 2 Kenai, AK 99611-9106 (907) 283-4478 (907) 283-5152 (Fax)
Juneau Employment Security Tax 1111 W. 8th St., Room 203 P.O. Box 25509 Juneau, AK 99802-5509 (907) 465-2787 (907) 465-2374 (Fax)	Fairbanks Employment Security Tax 675 7th Avenue, Station L Fairbanks, AK 99701-4596 (907) 451-2876 (907) 451-2883 (Fax)	Nome Employment Security Tax 197 Front Street, Room 319 P.O. Box 1589 Nome, AK 99762-1589 (907) 443-3037 (907) 443-3038 (Fax)

Step 3. Calculate Payroll

Collect time sheets for each employee. Make sure the time sheets are signed by both the employee and the supervisor and that leave authorization forms (if needed) are attached and signed. Add the hours worked for each employee. Put this information on each employee's pay record.

Time Sheet - City of Anywhere

Employee John W. George Department / Program Streets and Roads
 Employee Social Security Number 366-12-1194
 Pay Period: From 3/16/XX To 3/31/XX

Date	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Total
Regular Hours	8	X	X	8	8	S	8	8	X	X	H	8	8	8	8		80.00
Overtime Hours																	0.00
Annual Leave																	0.00
Sick Leave							8										8.00
Holiday (Regular Time)												8					8.00
Holiday (Overtime)																	0.00
Other																	0.00
Total Hours																96.00	

Employee Signature John W. George Date 3/31/XX
 Supervisor Dale Williams Date 3/31/XX
 Charge to: Streets and Roads

Leave Authorization

Name: John W. George SSN: 123-45-6789
 Dates of Leave Requested: Start: 3 | 22 | 8:00 AM End: 3 | 22 | 5:00 PM
 Month Day Hour Month Day Hour
 Type Of Leave Requested Annual Sick LWOP Other: _____
 Approval Of Request _____ Supervisor _____
 Leave Taken
 Total Hours of Leave Annual _____ Hours Sick 8 Hours
 LWOP _____ Hours Other: _____ Hours
 Employee Signature: John W. George Date: 3/23/20XX
 Supervisor: Dale Williams Date: 3/23/20XX
RETURN THIS FORM TO BOOKKEEPER WITHIN 24 HOURS OF COMPLETION OF LEAVE

PAY RECORD

NAME: John W. George Soc. Sec. No.: 123-456-7890 Address: P.O Box 45, Pacific, Alaska 99909
 Income Tax Status: Married No. of Allowances: 4 Rate of Pay: \$8.50 Per Hour

PERIOD ENDING	Reg. Hrs	O.T. Hrs	REGULAR PAY	O.T. PAY	GROSS PAY	FED. W/H TAX	FICA		ESC TAX	VOLENTARY DEDUCTIONS	NET PAY	CHK. No.	COMULATIVE PAY
							SS	MEDICARE					
1/15/13	80.00	8.00	\$ 680.00	\$ 102.00	\$ 782.00		\$ 48.48	\$ 11.34	\$ 4.85	\$ -	\$ 717.33	110	\$ 717.33
1/31/13	80.00	10.00	\$ 680.00	\$ 127.50	\$ 807.50		\$ 50.07	\$ 11.71	\$ 5.01	\$ -	\$ 740.72	125	\$ 1,458.05
2/15/13	80.00	3.00	\$ 680.00	\$ 38.25	\$ 718.25		\$ 44.53	\$ 10.41	\$ 4.45	\$ -	\$ 658.85	140	\$ 2,116.90
2/29/13	80.00	4.00	\$ 680.00	\$ 51.00	\$ 731.00		\$ 45.32	\$ 10.60	\$ 4.53	\$ -	\$ 670.55	148	\$ 2,787.45
3/15/13	80.00	8.00	\$ 680.00	\$ 102.00	\$ 782.00		\$ 48.48	\$ 11.34	\$ 4.85	\$ -	\$ 717.33	174	\$ 3,504.77
3/31/13	80.00	4.00	\$ 680.00	\$ 51.00	\$ 731.00		\$ 45.32	\$ 10.60	\$ 4.53	\$ -	\$ 670.55	201	\$ 4,175.32
4/15/13	80.00	8.00	\$ 680.00	\$ 102.00	\$ 782.00		\$ 48.48	\$ 11.34	\$ 4.85	\$ -	\$ 717.33	210	\$ 4,892.65
4/30/13	80.00	4.00	\$ 680.00	\$ 51.00	\$ 731.00		\$ 45.32	\$ 10.60	\$ 4.53	\$ -	\$ 670.55	240	\$ 5,563.20
5/15/13	80.00	6.00	\$ 680.00	\$ 76.50	\$ 756.50		\$ 46.90	\$ 10.97	\$ 4.69	\$ -	\$ 693.94	305	\$ 6,257.13
5/31/13	80.00	4.00	\$ 680.00	\$ 51.00	\$ 731.00		\$ 45.32	\$ 10.60	\$ 4.53	\$ -	\$ 670.55	320	\$ 6,927.68
Quarter Total					\$ 4,551.75		\$ 282.21	\$ 66.00	\$ 28.22		\$ 4,175.32		\$ 14,759.82
Y-T-D Totals					\$ 7,552.25		\$ 468.24	\$ 109.51	\$ 46.82		\$ 6,927.68		\$ 38,400.47

Calculation of Gross Pay
(80 hrs x \$8.50) + (4 hrs x 12.75) = \$731.00

On the pay record enter whether hours worked are regular or overtime hours. Remember, in most cases, for hourly employees any time exceeding forty hours per week or eight hours per day is overtime and paid at one and a half times the normal rate of pay. You will need this information to calculate gross pay.

Gross pay is different from net or “take home” pay. Before writing the employee's paycheck, you must withhold the amount each employee owes the federal and state governments for taxes, Social Security, Medicare and unemployment insurance, as well as any other deductions (employee benefit programs, child support payments, employee advances).

Gross pay is the amount of pay earned by an employee before any deductions. It is calculated by multiplying the number of hours (hours worked, hours of paid leave, etc.) by the rate of pay (regular rate, and overtime rate if applicable).

Net pay is the amount paid to an employee after all deductions. It is the amount the employee would “take home”.

Calculate Federal Income Tax Withholding

Once you've calculated the employee's gross pay, you can determine how much to deduct for federal income tax by using the IRS Publication 15: *Circular E, Employer's Tax Guide. Circular E*. The tax tables show how much federal taxes to withhold based on gross wages earned and deductions claimed on an employee's W-4. Contact the IRS if you don't have the current *Circular E, Employer's Tax Guide*, or get a current guide online at <http://www.irs.gov/> for *Pub 15*.

It's easy to determine federal income tax withholdings for each employee using the correct table in *Circular E*.





Department of the Treasury
Internal Revenue Service

Publication 15

Cat. No. 10000W

(Circular E), Employer's Tax Guide

For use in **2014**



Get forms and other information
faster and easier by
Internet at IRS.gov

Dec 18, 2013

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Future Developments

For the latest information about developments related to Publication 15 (Circular E), such as legislation enacted after it was published, go to www.irs.gov/pub15.

What's New

Social security and Medicare tax for 2014. The social security tax rate is 6.2% each for the employee and employer, unchanged from 2013. The social security wage base limit is \$117,000.

The Medicare tax rate is 1.45% each for the employee and employer, unchanged from 2013. There is no wage base limit for Medicare tax.

Calculate Social Security (FICA) Tax

As the bookkeeper for a city or borough, you must determine whether your municipality belongs to the Social Security system. If your community is unincorporated, it is in the Social Security system. If you are a tribe or tribally owned entity, you participate in the Social Security system and all employee wages are subject to both Social Security tax and Medicare tax.

Important Notice to Municipalities

Municipalities participate in the Social Security system or another approved retirement plan. A municipality not in an approved retirement plan should be in the Social Security system and pay the full FICA tax.

Whether or not a community participates in the Social Security system, the portion of FICA payments supporting Hospital Insurance (Medicare) must be withheld for any employee hired after March 31, 1986. This requirement is especially important for municipalities! Many municipalities are not aware of the FICA withholding requirement. If you participate in the Social Security system and pay the full FICA tax, the Medicare portion is already covered.

Determine whether an employee's wages are affected by any of the following:

- Full FICA taxes (Social Security and Medicare)
- Medicare portion only
- None of the FICA taxes (certain types of employees hired before March 31, 1986, and if the municipality was in another retirement plan as of July 1, 1991)

Next, calculate the FICA withholding by multiplying the gross wage by the current Social Security tax rate and the Medicare tax rate. Together these amounts represent the total FICA tax due. You must calculate and report Social Security and Medicare taxes separately.

In 1994, the wage base limit for Medicare was eliminated; thereafter, all wages are subject to Medicare tax. Social Security, however, has a wage base limit. Refer to *Circular E* for current yearly information.

Example: How to Calculate FICA (Social Security and Medicare)

Gross wages earned this pay period equal \$680.

If the employer is in the Social Security system, calculate how much Social Security taxes are withheld from the employee's wages by multiplying the wages by the current Social Security tax rate. Once an employee's wages exceed the wage limit, do not withhold any more Social Security tax. Refer to IRS Publication 15: (*Circular E*) *Employer's Tax Guide* at the beginning of every year to determine the changes in yearly wage limits or tax rates.

Calculation of Social Security tax to withhold from the employee

$$\$680 \times 6.2\% = \$42.16$$

$$\$680 \times .062 = \$42.16$$

Calculation of Social Security from the employer

$$\$680 \times 6.2\% = \$42.16$$

$$\text{or } \$680 \times .062 = \$42.16$$

Next, calculate the Medicare tax portion of FICA. The current Medicare tax rate is 1.45% of gross wages.

Calculation of Medicare tax to withhold from the employee

$$\$680 \times 1.45\% = \$9.86$$

$$\text{or } \$680 \times .0145 = \$9.86$$

ALL wages are subject to Medicare tax. There is no wage limit.

If the employer is not in the Social Security system but the employee was hired **after** March 31, 1986, withhold **only** the Medicare portion of the tax. Add the Social Security tax and Medicare tax. This sum equals the total employee FICA withholding.

Employers In, Out, and Opting Out of Social Security

Employers Participating in Social Security

Political subdivision employers who chose to provide retirement benefits to their employees signed Section 218 Agreements with the Social Security Administration so that their employees could use Social Security as a retirement benefit. Most of these Section 218 Agreements were signed in the 1960s and 1970s.

- Prior to April 1, 1983 employers could amend their 218 agreements and opt out of Social Security and Medicare.
- After July 1, 1991, this option was no longer available to employees who are not enrolled into a Section 218 Agreement and not enrolled in Social Security or qualified plan. The employers must report all employees to Social Security and Medicare. In qualified plans the employees cannot be enrolled in Social Security; but must participate in Medicare.

An employer with a Section 218 Agreement cannot opt out of Social Security reporting.

Employers Not Participating in Social Security

Many political subdivision employers chose to drop their 218 Agreements when the Public Employees' Retirement System (PERS) was established in 1961. They opted out of their Social Security agreements by enacting amendments.

- Cities and boroughs are not required to participate in the Social Security portion of FICA if they were in an approved retirement program prior to July 1, 1991 and do not have an active Section 218 Agreement.
- Whether participating in Social Security or not, all employees hired after March 31, 1986, and their employers must pay the Medicare tax portion of FICA.

Certain Employers May Opt Out of Social Security

Employers who are not in a retirement system (qualified plan) and were forced into Social Security in 1991 can now choose to join a qualified plan such as PERS, and drop Social Security reporting for employees eligible to participate in the qualified retirement plan.

- Only full-time and part-time employees are eligible.
- Employees who are temporary, substitutes, or nonpermanent are **not** eligible. These employees must have Social Security withheld and reported for them.
- Whether participating in Social Security or not, all employees hired after March 31, 1986, and their employers must pay the Medicare tax portion of FICA.

Employers **cannot** opt out of Social Security if they were already in a retirement system prior to July 1, 1991, and were participating in Social Security. These employers have already established their relationship with the Social Security Administration and cannot change these presumed or written agreements.

For more information, contact the Division of Retirement and Benefits in Juneau at 907-465-5707 or 907-465-4469.

Or learn more at the Division of Retirements and Benefits website:
<http://doa.alaska.gov/dr/>.



Calculate Employment Security Withholding Tax

Alaska Unemployment Insurance (UI) program, also commonly referred to as the Employment Security (ES) tax program pays benefits to eligible unemployment workers. A person pays into this program while working, and may later receive some unemployment benefits when not working. To calculate the amount of (ES) tax to withhold from an employee's paycheck, multiply the gross wages by the employee ES tax rate. ES withholding tax is withheld only for a set maximum amount of wages. Any wages earned above this limit aren't taxed. For 2012, the employee ES tax rate is .62%; the taxable wage base is \$35,800.

Calculation of ES tax to withhold from employee

$$\$680 \times .0062$$

$$62\% = 4.216 = \$4.21$$

$$\$680 \times .0062 = 4.216 = \$4.21$$

To avoid any shortage in taxes for the employer, 4.216 is rounded down to 4.20.

Contact the nearest Field Tax Office in the Alaska DOL, Division of Employment Security, for information on current ES tax rates and the taxable wage base. Field Tax Offices are found in the beginning of this chapter or online on the Employment Security Tax FAQs page at:
<http://www.labor.state.ak.us/estax/faq/w1.htm>

For most small communities, federal income, Social Security, Medicare, and ES taxes are the only withholdings from employee paychecks. However, additional deductions may be required if your community participates in retirement, health insurance, or other benefit programs.

Assuming there are no other deductions, complete the pay record for each employee based on the previous directions.

Step 4. Make Out the Paychecks

Payroll checks usually have two stubs: one remains in the checkbook and one is given to the employee with the paycheck. These stubs are the statements of earnings and deductions. The stubs show information taken from the pay record, including: hours worked, rate of pay, gross pay, amount of each deduction, and amount of net pay.

Fill out the stubs, and then complete the paycheck.

<p>Check # _____ Date <u>June 1, 20 12</u></p> <p>To <u>John W. George</u> Name <u>John W. George</u></p> <p>For <u>PPP 5/31/12</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">REG PAY \$ 880.00</td> <td style="width: 50%;">REG HOURS 8 HOURS</td> </tr> <tr> <td>OVER TIME \$ 53.00</td> <td>OVER TIME \$ 12.75</td> </tr> <tr> <td>TOTAL EARNINGS \$ 733.00</td> <td></td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">SOCIAL SECURITY \$ 30.70</td> <td style="width: 50%;">SOCIAL SECURITY \$ 30.70</td> </tr> <tr> <td>MEDICARE \$ 10.60</td> <td>MEDICARE \$ 10.60</td> </tr> <tr> <td>U.S. INC TAX \$ -</td> <td>WITHHOLDING U.S. INCOME TAX \$ -</td> </tr> <tr> <td>STATE INC TAX \$ -</td> <td>WITHHOLDING STATE INCOME TAX \$ -</td> </tr> <tr> <td>ESC \$ 4.82</td> <td>ESC \$ 4.82</td> </tr> <tr> <td>Other \$ -</td> <td>OTHER \$ -</td> </tr> <tr> <td>TOTAL DEDUCTIONS \$ 46.13</td> <td>TOTAL DEDUCTIONS \$ 46.13</td> </tr> <tr> <td>NET PAY \$ 686.87</td> <td>NET PAY \$ 686.87</td> </tr> </table> <p style="font-size: small;">EMPLOYER - DETACH AND RETAIN</p>	REG PAY \$ 880.00	REG HOURS 8 HOURS	OVER TIME \$ 53.00	OVER TIME \$ 12.75	TOTAL EARNINGS \$ 733.00		SOCIAL SECURITY \$ 30.70	SOCIAL SECURITY \$ 30.70	MEDICARE \$ 10.60	MEDICARE \$ 10.60	U.S. INC TAX \$ -	WITHHOLDING U.S. INCOME TAX \$ -	STATE INC TAX \$ -	WITHHOLDING STATE INCOME TAX \$ -	ESC \$ 4.82	ESC \$ 4.82	Other \$ -	OTHER \$ -	TOTAL DEDUCTIONS \$ 46.13	TOTAL DEDUCTIONS \$ 46.13	NET PAY \$ 686.87	NET PAY \$ 686.87	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"> <p>City of Pacific 00202</p> <p>P.O. Box 423</p> <p>Pacific, Alaska 99909</p> <p>Phone (907-567-8901)</p> </td> <td style="width: 40%;"> <p>DATE <u>6/1/20XX</u></p> </td> </tr> <tr> <td colspan="2"> <p>PAY TO THE ORDER OF <u>John W. George</u> \$ <u>684.87</u></p> <p><u>Six Hundred Eighty Four dollars and 87/100</u> Dollars</p> <p style="text-align: right;"><i>Dale Williams</i></p> <p style="text-align: right;"><i>Sarah John</i></p> </td> </tr> <tr> <td colspan="2"> <p>FOR <u>Pay period ending May 31, 20XX</u></p> <p>⑈ 00001 ⑈ 123456789 ⑈ 123456789000 ⑈</p> </td> </tr> </table>	<p>City of Pacific 00202</p> <p>P.O. Box 423</p> <p>Pacific, Alaska 99909</p> <p>Phone (907-567-8901)</p>	<p>DATE <u>6/1/20XX</u></p>	<p>PAY TO THE ORDER OF <u>John W. George</u> \$ <u>684.87</u></p> <p><u>Six Hundred Eighty Four dollars and 87/100</u> Dollars</p> <p style="text-align: right;"><i>Dale Williams</i></p> <p style="text-align: right;"><i>Sarah John</i></p>		<p>FOR <u>Pay period ending May 31, 20XX</u></p> <p>⑈ 00001 ⑈ 123456789 ⑈ 123456789000 ⑈</p>	
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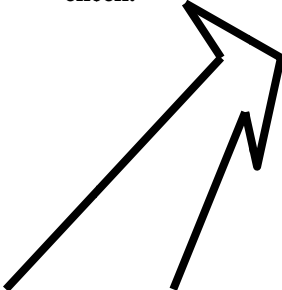
If you make an error, write “VOID” across the check and on the stub. Tear out the voided check and file it with other voided checks in case an auditor wants to see it.

<p>Check # _____ Date <u>June 1, 20 12</u></p> <p>To <u>John W. George</u> Name <u>John W. George</u></p> <p>For <u>PPP 5/31/12</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">REG PAY \$ 880.00</td> <td style="width: 50%;">REG HOURS 8 HOURS</td> </tr> <tr> <td>OVER TIME \$ 53.00</td> <td>OVER TIME \$ 12.75</td> </tr> <tr> <td>TOTAL EARNINGS \$ 733.00</td> <td></td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">SOCIAL SECURITY \$ 30.70</td> <td style="width: 50%;">SOCIAL SECURITY \$ 30.70</td> </tr> <tr> <td>MEDICARE \$ 10.60</td> <td>MEDICARE \$ 10.60</td> </tr> <tr> <td>U.S. INC TAX \$ -</td> <td>WITHHOLDING U.S. INCOME TAX \$ -</td> </tr> <tr> <td>STATE INC TAX \$ -</td> <td>WITHHOLDING STATE INCOME TAX \$ -</td> </tr> <tr> <td>ESC \$ 4.82</td> <td>ESC \$ 4.82</td> </tr> <tr> <td>Other \$ -</td> <td>OTHER \$ -</td> </tr> <tr> <td>TOTAL DEDUCTIONS \$ 46.13</td> <td>TOTAL DEDUCTIONS \$ 46.13</td> </tr> <tr> <td>NET PAY \$ 686.87</td> <td>NET PAY \$ 686.87</td> </tr> </table> <p style="font-size: small;">EMPLOYER - DETACH AND RETAIN</p>	REG PAY \$ 880.00	REG HOURS 8 HOURS	OVER TIME \$ 53.00	OVER TIME \$ 12.75	TOTAL EARNINGS \$ 733.00		SOCIAL SECURITY \$ 30.70	SOCIAL SECURITY \$ 30.70	MEDICARE \$ 10.60	MEDICARE \$ 10.60	U.S. INC TAX \$ -	WITHHOLDING U.S. INCOME TAX \$ -	STATE INC TAX \$ -	WITHHOLDING STATE INCOME TAX \$ -	ESC \$ 4.82	ESC \$ 4.82	Other \$ -	OTHER \$ -	TOTAL DEDUCTIONS \$ 46.13	TOTAL DEDUCTIONS \$ 46.13	NET PAY \$ 686.87	NET PAY \$ 686.87	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"> <p>City of Pacific 00202</p> <p>P.O. Box 423</p> <p>Pacific, Alaska 99909</p> <p>Phone (907-567-8901)</p> </td> <td style="width: 40%;"> <p>DATE <u>6/1/20XX</u></p> </td> </tr> <tr> <td colspan="2"> <p>PAY TO THE ORDER OF <u>John W. George</u> \$ <u>684.87</u></p> <p><u>Six Hundred Eighty Four dollars and 87/100</u> Dollars</p> <p style="text-align: right;"><i>Dale Williams</i></p> <p style="text-align: right;"><i>Sarah John</i></p> </td> </tr> <tr> <td colspan="2"> <p>FOR <u>Pay period ending May 31, 20XX</u></p> <p>⑈ 00001 ⑈ 123456789 ⑈ 123456789000 ⑈</p> </td> </tr> </table>	<p>City of Pacific 00202</p> <p>P.O. Box 423</p> <p>Pacific, Alaska 99909</p> <p>Phone (907-567-8901)</p>	<p>DATE <u>6/1/20XX</u></p>	<p>PAY TO THE ORDER OF <u>John W. George</u> \$ <u>684.87</u></p> <p><u>Six Hundred Eighty Four dollars and 87/100</u> Dollars</p> <p style="text-align: right;"><i>Dale Williams</i></p> <p style="text-align: right;"><i>Sarah John</i></p>		<p>FOR <u>Pay period ending May 31, 20XX</u></p> <p>⑈ 00001 ⑈ 123456789 ⑈ 123456789000 ⑈</p>	
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The check stub stays with city's checkbook as a record of the check.

Check # _____		Date June 1, 20 12		Period Ending May 31, 20 12					
To John W. George		Name John W. George							
For PPE 5/31/12									
	REG PAY	\$	680.00	80 HOURS	REG PAY	\$	8.50	\$	680.00
	OVER - TIME	\$	51.00	4 HOURS	OVER - TIME	\$	12.75	\$	51.00
	TOTAL EARNINGS	\$	731.00	TOTAL EARNINGS		\$	731.00		
Balance Forward				FICA					
	SOCIAL SECURITY	\$	30.70	SOCIAL SECURITY		\$	30.70		
	MEDICARE	\$	10.60	MEDICARE		\$	10.60		
	U.S. INC TAX	\$	-	WITHHOLDING U.S. INCOME TAX		\$	-		
	STATE INC TAX	\$	-	WITHHOLDING STATE INCOME TAX		\$	-		
	ESC	\$	4.82	ESC		\$	4.82		
	Other	\$	-	OTHER		\$	-		
	TOTAL DEDUCTIONS	\$	46.13	TOTAL DEDUCTIONS		\$	46.13		
	THIS CHECK			TOTAL DEDUCTIONS		\$	46.13		
	NET PAY	\$	684.87	NET PAY		\$	684.87		
BALANCE				NET PAY		\$	684.87		
EMPLOYER - DETACH AND RETAIN				EMPLOYEE - DETACH AND RETAIN					

Record of earnings and deductions goes with



Check # _____		Date June 1, 20 12		Period Ending May 31, 20 12					
To John W. George		Name John W. George							
For PPE 5/31/12									
	REG PAY	\$	680.00	80 HOURS	REG PAY	\$	8.50	\$	680.00
	OVER - TIME	\$	51.00	4 HOURS	OVER - TIME	\$	12.75	\$	51.00
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	MEDICARE	\$	10.60	MEDICARE		\$	10.60		
	U.S. INC TAX	\$	-	WITHHOLDING U.S. INCOME TAX		\$	-		
	STATE INC TAX	\$	-	WITHHOLDING STATE INCOME TAX		\$	-		
	ESC	\$	4.82	ESC		\$	4.82		
	Other	\$	-	OTHER		\$	-		
	TOTAL DEDUCTIONS	\$	46.13	TOTAL DEDUCTIONS		\$	46.13		
	THIS CHECK			TOTAL DEDUCTIONS		\$	46.13		
	NET PAY	\$	684.87	NET PAY		\$	684.87		
BALANCE				NET PAY		\$	684.87		
EMPLOYER - DETACH AND RETAIN				EMPLOYEE - DETACH AND RETAIN					

City of Pacific		00202	
P.O. Box 423		DATE 6/1/20XX	
Pacific, Alaska 99909			
Phone (907-567-8901			
PAY TO THE ORDER OF John W. George		\$ 684.87	
Six Hundred Eighty Four dollars and 87/100		Dollars	
FOR Pay period ending May 31, 20XX		<i>Dale Williams</i>	
		<i>Sarah John</i>	
⑈ 00001 ⑈ 123456789 ⑈		⑈ 123456789000 ⑈	

As you write each payroll check, remember to adjust the balance remaining in your checking account. Make sure you have enough money in the account to cover your payroll and taxes. "Bounced checks" create bad feelings and result in added expense for bank charges and time spent correcting the mistakes. The bank may eventually refuse your business if bounced checks happen regularly.

Step 5. Complete Payroll Records

After you've made out the paychecks, your job isn't complete. Payroll records must be filled out and the taxes withheld must be paid along with the employer's share of taxes (Social Security, Medicare, ES, and possibly FUTA).

First, transfer the information from each employee's payroll record to the payroll journal. Here is a step-by-step example of how to transfer information from the payroll records to the payroll journal.

Filling Out a Payroll Journal

1. Record the beginning and ending dates of the payroll period in the spaces marked "Payroll Period from _____ to _____." The last date should agree with the "period ending" date on the pay record.
2. Put the employee's name from the pay record under the proper department in the "name" column. For example, John George is under Public Works.
3. Record the employee's pay rate from the pay record.
4. Record the payroll information (hours, pay, deductions, and net pay) from the pay record.
5. Record the check number from the pay record to the payroll journal.
6. Add the payroll information (hours, pay, deductions, and net pay) for all the employees within each department to obtain the department totals.
7. Finally, add the taxes for the employees of all departments. This sum is a total of all employee taxes withheld. It is used to figure total taxes owed.

PAYROLL JOURNAL													
Journal No. <u>2</u>		Payroll Period From: <u>3/15/20XX</u>					To: <u>3/31/20XX</u>						
DEPARTMENT / NAME	RATE OF PAY	Reg. Hrs	CT Hrs	EARNINGS			DEDUCTIONS				Net Pay	Chk. No.	Date of Payment
				Reg. Pay	OT Pay	Gross Pay	Fed W/H	FICA		ESC			
								Soc Sec	Medicare				
ADMINISTRATION													
IDO BOOKS	\$ 10.00	48	0	\$ 480.00	\$ -	\$ 480.00	\$ 9.00	\$ 29.76	\$ 6.96	\$ 29.76	\$ 404.52	198	4/15/20XX
IMA CLERK	\$ 8.00	80	20	\$ 640.00	\$ 240.00	\$ 880.00	\$ 68.00	\$ 54.56	\$ 12.76	\$ 54.56	\$ 690.12	199	4/15/20XX
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
TOTAL ADMINISTRATION		128	20	\$ 1,120.00	\$ 240.00	\$ 1,360.00	\$ 77.00	\$ 84.32	\$ 19.72	\$ 84.32	\$ 1,094.64		
PUBLIC SAFETY													
JUDY KIRK	\$ 8.50	96	0	\$ 816.00	\$ -	\$ 816.00	\$ 29.00	\$ 50.59	\$ 11.83	\$ 50.59	\$ 673.98	200	4/15/20XX
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
TOTAL PUBLIC SAFETY		96	0	\$ 816.00	\$ -	\$ 816.00	\$ 29.00	\$ 50.59	\$ 11.83	\$ 50.59	\$ 673.98		
PUBLIC WORKS													
JOHN GEORGE	\$ 8.50	80	4	\$ 680.00	\$ 51.00	\$ 731.00	\$ -	\$ 45.32	\$ 10.60	\$ 45.32	\$ 629.76	201	4/15/20XX
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
TOTAL PUBLIC WORKS		80	4	\$ 680.00	\$ 51.00	\$ 731.00	\$ 0	\$ 45.32	\$ 10.595	\$ 45.32	\$ 629.76		
TOTAL ALL DEPARTMENTS				\$ 2,616.00	\$ 291.00	\$ 2,907.00	\$ 106.00	\$ 180.23	\$ 42.15	\$ 180.23	\$ 2,398.38		



After all the information has been recorded in the payroll journal, the journal should be "closed." Below are instructions on how to close the journal.

Closing a Payroll Journal

- Total the amounts for each department if you haven't done so already.
This sum shows how many hours were worked, how much pay was earned by the employees, how much was withheld, and how much was actually paid.
- Add the totals of the regular and overtime earnings columns for all departments.
This sum must equal the total of the gross pay column. This step is a test to make sure you have calculated gross pay correctly.
- Subtract the totals of the deductions columns from the total of the gross pay column for all departments.
The result must equal the total of the net pay column. This test verifies that you have calculated net pay correctly.

PAYROLL JOURNAL													
Journal No. <u>2</u>		Payroll Period From: <u>3/16/20XX</u>						To: <u>3/31/20XX</u>					
DEPARTMENT / NAME	RATE OF PAY	Reg. Hrs	OT Hrs	EARNINGS			DEDUCTIONS			Net Pay	Chk. No.	Date of Payment	
				Reg. Pay	OT Pay	Gross Pay	Fed W/H	FICA					ESC
								Soc. Sec	Medicare				
ADMINISTRATION													
IDO BOOKS	\$ 10.00	48	0	\$ 480.00	\$ -	\$ 480.00	\$ 9.00	\$ 29.76	\$ 6.96	\$ 29.76	\$ 404.52	198	4/15/20XX
IMA CLERK	\$ 8.00	80	20	\$ 640.00	\$ 240.00	\$ 880.00	\$ 68.00	\$ 54.56	\$ 12.76	\$ 54.56	\$ 690.12	199	4/15/20XX
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
TOTAL ADMINISTRATION		128	20	\$ 1,120.00	\$ 240.00	\$ 1,360.00	\$ 77.00	\$ 84.32	\$ 19.72	\$ 84.32	\$ 1,094.64		
PUBLIC SAFETY													
JUDY KIRK	\$ 8.50	96	0	\$ 816.00	\$ -	\$ 816.00	\$ 29.00	\$ 50.59	\$ 11.83	\$ 50.59	\$ 673.98	200	4/15/20XX
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
TOTAL PUBLIC SAFETY		96	0	\$ 816.00	\$ -	\$ 816.00	\$ 29.00	\$ 50.59	\$ 11.83	\$ 50.59	\$ 673.98		
PUBLIC WORKS													
JOHN GEORGE	\$ 8.50	80	4	\$ 680.00	\$ 51.00	\$ 731.00	\$ -	\$ 45.32	\$ 10.60	\$ 45.32	\$ 629.76	201	4/15/20XX
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
TOTAL PUBLIC WORKS		80	4	\$ 680.00	\$ 51.00	\$ 731.00	\$ 0	\$ 45.322	\$ 10.5995	\$ 45.322	\$ 629.76		
TOTAL ALL DEPARTMENTS				\$ 2,616.00	\$ 291.00	\$ 2,907.00	\$ 106.00	\$ 180.23	\$ 42.15	\$ 180.23	\$ 2,398.38		

$2616 + 291 = \underline{2907.00}$

$106.00 + 122.09 + 42.15 + 165.35 = \underline{493.74}$

$2907.00 - 493.74 = \underline{2413.76}$

Step 6. Pay the Payroll Taxes: Make Deposits

The last step is to pay the taxes you owe and the employees' withheld taxes to the federal and state governments. The payroll journal is your basic source of information when figuring and paying federal and state taxes. Using the payroll journal, you can determine:

- ✎ The date the employee was paid, which determines the quarter in which the taxes are paid and reported to the federal and state governments;
- ✎ The amount of taxes withheld from employees' wages and paid to the IRS and the state;
- ✎ The date the employee was paid, which determines the quarter in which the taxes are paid and reported to the federal and state governments;
- ✎ The employer's contribution for Social Security, Medicare, and ES tax; and
- ✎ The municipal department(s) charged for payroll taxes.

Federal Income Tax and EFTPS (Social Security and Medicare)

Federal income, Social Security, and Medicare taxes are paid to the federal government with the same check. Social Security and Medicare require equal payments from the employee and employer. To determine how much your community owes the federal government for withheld income tax, Social Security, and Medicare tax:

- Total federal taxes withheld from employee wages
- Employee Social Security tax (Social security wages paid x 6.2%)
- Employer Social Security tax (Social security wages paid x 6.2%)
- Employee Medicare tax (Gross wages paid x 1.45%)
- Employer Medicare tax (Gross wages paid x 1.45%)

This sum is the amount you must pay the federal government. The IRS requires you to deposit the payments by using the Electronic Federal Tax Payment System (EFTPS). Make sure to check IRS Publication 15: Circular E at the beginning of each year to see if Social Security and Medicare rates and wage limits have changed). For information on how to use EFTPS, please use the information on the next page.

Electronic Federal Tax Payment System (EFTPS)

The EFTPS is a service from the U.S. Department of Treasury. This service is free and is a convenient way to make federal tax payments online or by telephone 24 hours a day, 7 days a week. Businesses can schedule payment through EFTPS up to 120 days in advance, once the payroll tax liability has been determined.

You will need to enroll, if your entity has not already done so, at www.eftps.gov. Here is a list of information that you will need to register on the EFTPS:

- Tax Payer Number : Employer Identification Number (EIN)
- Banking Information (Account Number and Routing Number)
- Name and Address as they appear on IRS tax documents

How to Enroll:

1. Go to www.eftps.gov
2. Click on the 'ENROLLMENT' tab
3. Follow all instructions and enter information where appropriate
4. Select either a Business, Individual, or Federal Agency
5. Submit
6. You will get a temporary password and a PIN will be sent to you via postal mail within seven business days.

You can also contact the EFTPS Customer Support for:

- Business: 1-800-555-4477
- Individual: 1-800-316-6541
- Federal Agencies: 1-877-333-8292

There are other options such as: en Español, TDD, Batch providers, Financial Institution Employees, and a non-toll-free Number at the CONTACT US or at <https://www.eftps.gov/eftps/direct/ContactUs.page>

To make sure federal income and Social Security taxes are correct, use the *Federal Payroll Tax Liability Worksheet*.

Federal Payroll Tax Liability Worksheet
Complete each time you issue payroll checks.

for Pay Period Ending (PPE) _____

Enter the total Social Security portion withheld from employees from your payroll journal: (4.2%)	\$ _____	Line 1
Enter the total Social Security portion withheld from employers from your payroll journal: (6.2%)	\$ _____	Line 2
Enter the total Medicare Tax portion withheld from employees from your payroll journal:	\$ _____	Line 3
Computation of Federal Tax Liability:		
A. Total Social Security Tax: (Line 1 + Line 2)	\$ _____	Line 4
B. Total Medicare Tax: Double the amount on Line 2 above.	\$ _____	Line 5
C. Enter the total federal income tax withheld from employees: (Use the total federal withholding taxes from your payroll journal for the pay period.)	\$ _____	Line 6
Total Federal payroll tax liability for this payroll: (Line 4 + Line 5 + Line 6 = Line 7)	\$ _____	Line 7

EFTPS Receipt Date: _____ Date EFPTS Paid: _____

Note: When you make a deposit, be sure to write your EIN on the check (not the stub) and the payroll period involved

This takes care of your federal tax liability for this Pay Period. Send the check to your Federal Reserve bank via Electronic Funds Transfer (EFT).

Prepared by: _____ Date: _____

Approved by: _____ Date: _____

Federal Payroll Tax Liability Worksheet

Complete each time you issue payroll checks.

for Pay Period Ending (PPE) May 31, 20XX

Enter the total Social Security portion of FICA withheld from employees from your payroll journal: (6.2%)	\$ <u>180.23</u>	Line 1
Enter the total Social Security portion of FICA matching from employers from your payroll journal: (6.2%)	\$ <u>180.23</u>	Line 2
Enter the total Medicare Tax portion of FICA withheld from employees from your payroll journal:	\$ <u>42.15</u>	Line 3
 Computation of Federal Tax Liability:		
A. Total Social Security Tax: (Line 1 + Line 2)	\$ <u>360.47</u>	Line 4
B. Total Medicare Tax: Double the amount on Line 3 above.	\$ <u>84.30</u>	Line 5
C. Enter the total federal income tax withheld from employees: <i>(Use the total federal withholding taxes from your payroll journal for the pay period.)</i>	\$ <u>106.00</u>	Line 6
Total Federal payroll tax liability for this payroll: (Line 4 + Line 5 + Line 6 = Line 7)	\$ <u>550.77</u>	Line 7

EFTPS Receipt Date: 3/1/XXDate EFPTS Paid: 3/1/XX

Note: When you make a deposit, be sure to write your EIN on the check (not the stub) and the payroll period involved

This takes care of your federal tax liability for this Pay Period. Send the check to your Federal Reserve bank via Electronic Funds Transfer (EFT).

Prepared by: Ido Books, BookkeeperDate: 3/1/XXApproved by: James R. Williams, MayorDate: 3/1/XX

After you have determined what is owed for federal income tax and FICA, pay what you owe. Your payment schedule depends on the amount of undeposited payroll taxes due. The federal government requires an employer to deposit funds to a qualified bank once the taxes exceed a certain amount. Failure to do so results in fines and penalties. Determining when payroll taxes must be deposited can be complicated.

DCCED recommends that you pay the payroll taxes each time you issue the paychecks.

Payroll Tax Deposit Schedules

Two deposit schedules – monthly or semiweekly – are used for determining when you deposit federal employment and withholding taxes (other than FUTA taxes). The IRS will notify you each November whether you are a monthly or semiweekly depositor for the coming calendar year. The rules apply to Social Security and Medicare taxes and federal income tax withheld on wages, tips, and sick pay. Your deposit schedule for a calendar year is determined from the total taxes you reported on Form 941 in a four-quarter, look-back period: July 1 through June 30. If you reported \$50,000 or less of employment taxes for the look-back period, you are a monthly depositor; if you reported more than \$50,000, you are a semiweekly depositor.

- Under the monthly rule, employment and other taxes withheld on payments made during a calendar month must be deposited by the 15th day of the following month.
- Under the semiweekly rule, employment and other taxes withheld on payments made on Wednesday, Thursday, and/or Friday must be deposited by the following Wednesday.

Amounts accumulated on payments made on Saturday, Sunday, Monday, and/or Tuesday must be deposited by the following Friday.

Payroll Day	Deposit by Day
Wednesday, Thursday, or Friday	Following Wednesday
Saturday, Sunday, Monday, Tuesday	Following Friday

If you are a new employer during the first calendar year of your business, your tax liability for each quarter in the look-back period is considered to be zero.

Therefore, you are a monthly depositor for the first year of business. Refer to *Circular E* for more information.

In this example, the City of Pacific chose to pay its federal payroll taxes with six checks during the quarter instead of one check at the end of the quarter. The six checks were as follows:

Pay Period	Wages	Fed. Payroll Tax	Check Mailed
01/01 – 01/15	2,868.00	555.82	2/1
01/16 – 01/31	3,327.00	650.04	2/16
02/01 – 02/15	2,936.00	552.24	3/1
02/16 – 02/28	2,732.00	506.99	3/16
03/1 – 03/15	2,936.00	552.24	4/1
03/16 – 03/31	2,856.00	542.96	4/16
Totals	\$17,655.00	\$3,360.29	

Employer's Quarterly Federal Tax Return (Form 941)

Regardless of when deposits are made, an Employer's Quarterly Federal Tax Return, Form 941, is filled out at the end of every three months. Use Form 941 to report deposits made for federal income tax withheld and FICA taxes. If you deposited the taxes owed semimonthly, weekly, or after each pay period, Form 941 shows the amount of the total federal tax deposits made that quarter. This total is the sum of all the deposits you made after each payroll.

- ✓ **DCCED recommends that you pay your taxes at the end of each pay period to avoid running short of cash.**
- ✓ **Paying taxes when you write payroll checks prevents you from making late tax deposits.**
- ✓ **If taxes are not paid on time, the IRS will levy interest and penalties.**

The purpose of the Employer's Quarterly Federal Tax Return, Form 941, is to show the IRS how taxes were calculated. See example on the next page.

Form **941 for 2013: Employer's QUARTERLY Federal Tax Return**
(Rev. January 2013) Department of the Treasury - Internal Revenue Service

950113
OMB No. 1545-0029

Employer identification number (EIN) -

Name (not your trade name)

Trade name (if any)

Address

Number Street Suite or room number

City State ZIP code

Report for this Quarter of 2013
(Check one.)

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Instructions and prior year forms are available at www.irs.gov/form941.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including: *Mar. 12* (Quarter 1), *June 12* (Quarter 2), *Sept. 12* (Quarter 3), or *Dec. 12* (Quarter 4) **1**

2 Wages, tips, and other compensation **2**

3 Income tax withheld from wages, tips, and other compensation **3**

4 If no wages, tips, and other compensation are subject to social security or Medicare tax Check and go to line 6.

	Column 1		Column 2
5a Taxable social security wages	<input type="text"/>	× .124 =	<input type="text"/>
5b Taxable social security tips	<input type="text"/>	× .124 =	<input type="text"/>
5c Taxable Medicare wages & tips	<input type="text"/>	× .029 =	<input type="text"/>
5d Taxable wages & tips subject to Additional Medicare Tax withholding	<input type="text"/>	× .009 =	<input type="text"/>

5e Add Column 2 from lines 5a, 5b, 5c, and 5d **5e**

5f Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions) **5f**

6 Total taxes before adjustments (add lines 3, 5e, and 5f) **6**

7 Current quarter's adjustment for fractions of cents **7**

8 Current quarter's adjustment for sick pay **8**

9 Current quarter's adjustments for tips and group-term life insurance **9**

10 Total taxes after adjustments. Combine lines 6 through 9 **10**

11 Total deposits for this quarter, including overpayment applied from a prior quarter and overpayment applied from Form 941-X or Form 944-X filed in the current quarter **11**

12a COBRA premium assistance payments (see instructions) **12a**

12b Number of individuals provided COBRA premium assistance

13 Add lines 11 and 12a **13**

14 Balance due. If line 10 is more than line 13, enter the difference and see instructions **14**

15 Overpayment. If line 13 is more than line 10, enter the difference Check one: Apply to next return. Send a refund.

▶ You MUST complete both pages of Form 941 and SIGN it.

Next ▶▶

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher.

Cat. No. 17001Z

Form **941** (Rev. 1-2013)

Federal Unemployment Tax Act (FUTA)

Remember, cities and boroughs don't pay FUTA tax. Tribal Councils don't pay FUTA tax if they are current with ESC. This discussion is for unincorporated, non-tribal communities.

Some employers (see above) pay both a federal (FUTA) and state (ESC, SUI, or SUTA) unemployment tax. FUTA is a tax that supports unemployment benefits to workers. **It's paid by the employer only.** Before July 1, 2011, the tax rate was 6.2%. As of July 1, 2011 the FUTA tax rate will be decreased to 6.0%. The tax applies to the first \$7,000 you pay each employee for the year. This \$7,000 is the federal wage base. If you made timely payments of the state unemployment tax, you are given a credit of up to 5.4% on FUTA, and the federal rate is 0.8% of the gross wages after that credit.

To determine the amount of FUTA taxes:

1. Examine the pay record of each employee.
2. Look at the year-to-date gross amount earned at the beginning of each quarter for the employee. If this amount is greater than the wage limit (\$7,000), you don't need to pay FUTA taxes for the quarter on this employee.
3. If the year-to-date gross wages earned at the beginning of the quarter are less than the wage limit, but the amount at the end of the quarter is more than the limit, tax is paid only on the difference between the wage limit (\$7,000) and the total earnings for the tax year at the beginning of the quarter.
4. Multiply the amount of FUTA taxable earnings for the quarter by the tax rate and record the amount. The total FUTA tax for all employees is the amount owed by the employer to the IRS.

Form 8109, Federal Tax Deposit Coupon, is used to deposit FUTA taxes. When preparing the form, black out the 940 circle in the "type of tax" portion of the coupon to deposit FUTA taxes. FUTA deposits are made at the end of a quarter when the total FUTA tax liability is \$100 or more. Send FUTA deposits to a bank qualified to receive the payments, using Form 8109 or 8109-B. FUTA reports are made once a year. If you have paid all of your state ESC taxes for the year, you may use Form 940-EZ. If you haven't paid all of your state ESC taxes, you must use Form 940.

Employment Security Contributions (ESC)

Like FUTA, ESC is unemployment insurance. However, ESC supports state unemployment benefits.

Note: The employee pay record and the payroll journal **don't** have columns for FUTA. FUTA is paid **only** by employers. Don't withhold any money from employees for FUTA taxes.

All employers must pay ESC

Employers must report ESC taxes quarterly. ESC payments are made at least quarterly but may be paid more frequently. ESC payments include the ESC tax withheld from the employee's paychecks plus an employer's contribution. The rate for all Alaska employees is set each year.

The rate paid by an employer depends on the "experience rate," which is based on the "quarterly decline quotient" and takes the employer's quarterly payroll history into account. Check your **Contribution Rate Notice**. The Alaska DOLWD sends this notice each December to employers and notifies the employer of the rate the employer must pay. In the example shown on the experience rate used is .0494 (or 4.94%). **Your experience rate may be different.**

As with FUTA and FICA, a limit applies to the amount of an employee's earnings taxed under ESC. The 2012 gross wage limit is \$37,400. To check current limits contact the Alaska DOLWD Employment Security Division or see their web site at <http://www.labor.state.ak.us/estax/faq/w1.htm>

Once gross wages exceed the limit, no more payments for ESC are required of the employee or employer. However, the employer is still required to file a report each quarter.

Contact the nearest Field Tax Office for information on exempt employees and casual labor.

Use the State Payroll Tax Liability Worksheet on the next page to make sure that your calculations are correct. For more information, you may refer to the Alaska Unemployment Insurance Tax Handbook online at <http://www.labor.state.ak.us/estax/forms/taxbook.pdf>

State ESC Tax Liability Worksheet

Payroll Period: _____ Payroll Journal No.: _____

Gross Wages of Employees: _____

A. Total Employees ESC

(Gross Wages times 0.66%)

(_____ x 0.066) \$ _____

B. Total Employees ESC

(Gross Wages times Experience Rate Percent)

(_____ x _____) \$ _____

Total ESC Liability

(A + B)

\$ _____

In the example below, the experience rate is 4.94%. **Your experience rate may be different.**

State ESC Tax Liability Worksheet

Payroll Period: 5/31/XX Payroll Journal No.: 2

Gross Wages of Employees: \$2,856.00

C. Total Employees ESC

(Gross Wages times 0.66%)

(\$3000.50 x 0.066) \$ 198.03

D. Total Employees ESC

(Gross Wages times Experience Rate Percent)

(\$3000.50 x 0.0494) \$ 148.23

Total ESC Liability

(A + B)

\$ 346.23

NOTE: In the example below, the experience rate used is 4.94%. Your experience rate may be different. Check your **Rate Contribution Notice**. This notice is sent yearly to employers from the Alaska DOL.

**ESC Payment for Pay Period
1/1/XX through 1/15/XX**

City of Pacific
P.O. Box 423
Pacifica, AK 99909

June 1, 20XX

Department of Labor
Fairbanks Field Tax Office
675 Seventh Ave. Station L
Fairbanks, AK 99701-2876

RE: Employer Account No. 0008914465

Dear: DOL

Enclosed is the City of Pacific' ESC tax payment for Pay Period Ending 05/31/XX.

Please credit out account for \$204.04 (check # 091). Thank You.

Sincerely,

Ido Books

Ido Books
Bookkeeper,
City of Pacific

Enclosure

City of Pacific P.O. Box 423 Pacifica, Alaska 99909 Phone (907) 567-8901	ACCOUNT# 0008914465	00091 DATE <u>January 15, 20XX</u>
		\$ 204.04
PAY TO THE ORDER OF <u>Dept. of Labor Div of Employment Security</u>		
<u>On Hundred Twenty Three Dollars and 04/100</u> Dollars		
		<i>James R. Williams</i>
FOR <u>ESC Taxes for PPE1/15/XX</u>		<i>Sarah John</i>
* 00001 * 123456789 * 123456789000 *		

End of the Quarter: Complete the Employer's Quarterly Report and include a check of \$155.37 for the final pay period (3/16/14 through 3/31/14).

The quarterly ESC report and payment would be mailed to the Juneau office on April 15, 2010. See the next page.

Example of the Employer's Quarterly Report for 6/30/2012 – 07/30/2012.
Rates and figures will be different on you report.

Alaska Quarterly Contribution Report

THE 2012 TAXABLE WAGE BASE FOR EACH EMPLOYEE IS \$ 35,800.

Quarter Ending: **6/30/12** Due Date: **7/30/12** Employer Account No: **0008914465**

<p>FEIN: 92-0100623</p> <hr style="border-top: 1px dashed black;"/> <p style="text-align: center; font-weight: bold;">AGENCY USE ONLY</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="4" style="text-align: center; font-size: small;">1. For each month, report the number of workers who worked during or received pay for the payroll period, which includes the 12th of the month.</td> </tr> <tr> <td style="text-align: center; font-size: x-small;">1st Month</td> <td style="text-align: center; font-size: x-small;">2nd Month</td> <td colspan="2" style="text-align: center; font-size: x-small;">3rd Month</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">4</td> <td colspan="2" style="text-align: center;">4</td> </tr> <tr> <td colspan="2" style="font-size: small;">2. Total Reportable wages paid this quarter. (See instructions, page 2)</td> <td colspan="2" style="text-align: right;">\$ 17,655.00</td> </tr> <tr> <td colspan="2" style="font-size: small;">3. Less excess wages over the taxable wage base.</td> <td colspan="2" style="text-align: right;">(\$)</td> </tr> <tr> <td colspan="2" style="font-size: small;">4. Taxable wages paid this quarter.</td> <td colspan="2" style="text-align: right;">\$ 17,655.00</td> </tr> <tr> <td colspan="2" style="font-size: small;">5. Employer's Contribution</td> <td style="font-size: x-small;">Employer's Rate %</td> <td style="text-align: right;">\$ 872.16</td> </tr> <tr> <td colspan="2" style="font-size: small;">6. Employee's Contribution</td> <td style="font-size: x-small;">Employee's Rate .66 %</td> <td style="text-align: right;">\$ 116.56</td> </tr> <tr> <td colspan="2" style="font-size: small;">7. Total Contributions Due</td> <td style="font-size: x-small;">Total Rate 5.6 %</td> <td style="text-align: right;">\$ 995.75</td> </tr> <tr> <td colspan="2" style="font-size: small;">8. Amount Remitted</td> <td colspan="2" style="text-align: right;">\$ 123.59</td> </tr> <tr> <td colspan="2" style="font-size: small;">9. Wages Reported to other states? See instructions explaining this on page 2.</td> <td colspan="2" style="text-align: right;"><input type="checkbox"/> Yes</td> </tr> </table>	1. For each month, report the number of workers who worked during or received pay for the payroll period, which includes the 12 th of the month.				1 st Month	2 nd Month	3 rd Month		4	4	4		2. Total Reportable wages paid this quarter. (See instructions, page 2)		\$ 17,655.00		3. Less excess wages over the taxable wage base.		(\$)		4. Taxable wages paid this quarter.		\$ 17,655.00		5. Employer's Contribution		Employer's Rate %	\$ 872.16	6. Employee's Contribution		Employee's Rate .66 %	\$ 116.56	7. Total Contributions Due		Total Rate 5.6 %	\$ 995.75	8. Amount Remitted		\$ 123.59		9. Wages Reported to other states? See instructions explaining this on page 2.		<input type="checkbox"/> Yes	
1. For each month, report the number of workers who worked during or received pay for the payroll period, which includes the 12 th of the month.																																													
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8. Amount Remitted		\$ 123.59																																											
9. Wages Reported to other states? See instructions explaining this on page 2.		<input type="checkbox"/> Yes																																											

A report must be filed even if no wages are paid for the quarter.

You may now file your quarterly contribution report on-line. Please visit our web site located at www.labor.state.ak.us/estax or call 1-888-448-3527. To amend your quarterly report, please submit a "Correction of Wage Item", Form TADJ also available on-line.

Notice to Employers: Wage information and other confidential UC information may be requested and utilized for other authorized governmental purposes, including, but not limited to, verification of an individual's eligibility for other government programs.

*See Area Map for Geographic Location Codes

10. Employee's Social Security Number	11. Employee's Name - Type or Print (Do not list employees more than once.) Last First MI	12. Reportable wages paid this quarter. (No negative wages)	13. Full Occupational Title or Code	14. Geographic Code *
S 574-99-9010	Books, Ido O.	\$4,480.00	43-3031	91
T 574-99-9900	Clerk, Ima G.	\$4,080.00	43-071	91
A 429-31-5566	Kirk, Judy S.	\$4,574.5	31-011	91
N 365-12-1194	George, John W.	\$4,547.5	51-8031	91
O				
P				
L				
S				
E				
T				
U				
C				
B				
H				
E				
S				
C				
K				
P				
S				
L				
E				
H				
A				
E				
S				
R				
E				

Make checks payable to the Alaska Department of Labor and Workforce Development. If you have any questions, call toll free 1-888-448-3527.	15. Total Number of Pages	16. Total Reportable Wages - All Pages (Same Total as in Block 2 above.) \$17,655
--	---------------------------	---

I hereby certify that the information on this report is true and correct.

Signed: Ido Books Title: Bookkeeper Date: 6/1/15

Printed Name: Ido Books Contact Telephone Number: (907)567-7801

*** Remember ***
Quarterly Reports are due each year on:

- April 30
- July 31
- October 31
- January 31

City of Pacific P.O Box 423 Pacific, Alaska 99909 Phone (907) 567-8901	ACCOUNT# 0008914465	00105
		DATE <u>June 1, 20XX</u>
		\$ 123.59
PAY TO THE ORDER OF	<u>Dept. of Labor Div of Employment Security</u>	
	<u>On Hundred Twenty Three Dollars and 59/100</u> Dollars	
	<u>James R. Williams</u>	
FOR	<u>Sarah John</u>	
	ESC Taxes for PPE 5/31/XX	
⑈ 00001 ⑈ ⑆ 123456789 ⑆		123456789000 ⑈

Year-End Reports

By January 31, you must give or send each employee a wage and tax statement, called a W-2 form. By February 28, you must send originals of all the W-2s under the cover of a W-3 to the Social Security Administration. Each December, the W-2s and W-3s for the current year are available from the IRS, at 800-829-3676 or online: <http://www.ssa.gov/employer/pub.htm>.

All employers must report the following information to the employee and the Social Security Administration using the W-2:

- ✓ The gross salary;
- ✓ Total deductions for FICA (Social Security and Medicare), and
- ✓ Federal taxes withheld.

Information for completing the W-2 comes from each employee's pay record.

22222		a Employee's social security number 123-45-5789		OMB No. 1545-0008	
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation 55000.00		2 Federal income tax withheld 7812.00	
c Employer's name, address, and ZIP code Nowhere Tribe 123 Main Street Nowhere, Alaska 99999-9123		3 Social security wages 50000.00		4 Social security tax withheld 3100.00	
		5 Medicare wages and tips 50000.00		6 Medicare tax withheld 725.00	
		7 Social security tips		8 Allocated tips	
d Control number		9		10 Dependent care benefits	
e Employee's first name and initial Last name Suff. Sara A. Lee 321 North Lane Nowhere, Alaska 99999-9321		11 Nonqualified plans		i2a	
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		i2b	
		14 Other Rev Rul 59-354		i2c	
f Employee's address and ZIP code				i2d	
15 State Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement
 Copy 1 — For State, City, or Local Tax Department

2014

Department of the Treasury — Internal Revenue Service

Payments from Retirement Plans to Retired Employees

Pension, annuity, or retirement payments made to former employees by the employer are reported on Form W-2P. These payments do not have to be reported by small communities participating in Social Security as their only retirement program.

Form W-3

Form W-3 transmits W-2 forms to the Social Security Administration. Send form W-3 and the W-2 forms on or before February 28 to:

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001

You need to be sure your figures are correct before filing the fourth quarter 941 (Quarterly Federal Tax Return) and sending the W-2s and W-3 to the Social Security Administration. When the Social Security Administration receives the W-2s and W-3, it will compare the figures on the 941s, W-2s, and W-3 for the year. Use the following form to reconcile the returns.

Reconciling Forms 941, W-2, and W-3					
	941 Line #	941 All 4 Qtrs.	W-2 and W-3 Box #	W-2 Total all forms	W-3
Wages	Line 2		Box 1		
Fed Inc Tax	Line 3		Box 2		
SS Wages	Line 6a		Box 3		
SS Tips	Line 6c		Box 7		
SS Tax	Line 6b & 6d				
	Line 6b & 6d Divided by 2		Box 4		
Med Wages	Line 7		Box 5		
Med Tax	Line 7b				
	Line 7b Divided by 2		Box 6		

This is an example of a W-3 form for the year 2014. Be sure to use the correct year's W-3 form.

DO NOT STAPLE

33333		a Control number		For Official Use Only ▶ OMB No. 1545-0008			
b Kind of Payer (Check one)	<input type="checkbox"/> 941	<input type="checkbox"/> Military	<input type="checkbox"/> 943	<input type="checkbox"/> 944	<input type="checkbox"/> None apply	<input type="checkbox"/> 501c non-govt.	Third-party sick pay (Check if applicable)
	<input type="checkbox"/> CT-1	<input type="checkbox"/> Hshld. emp.	<input type="checkbox"/> Medicare govt. emp.		<input type="checkbox"/> State/local non-501c	<input type="checkbox"/> State/local 501c	
c Total number of Forms W-2		d Establishment number		1 Wages, tips, other compensation		2 Federal income tax withheld	
e Employer identification number (EIN)				3 Social security wages		4 Social security tax withheld	
f Employer's name				5 Medicare wages and tips		6 Medicare tax withheld	
g Employer's address and ZIP code				7 Social security tips		8 Allocated tips	
				9		10 Dependent care benefits	
				11 Nonqualified plans		12a Deferred compensation	
h Other EIN used this year				13 For third-party sick pay use only		12b	
15 State	Employer's state ID number			14 Income tax withheld by payer of third-party sick pay			
16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.		19 Local income tax	
Employer's contact person				Employer's telephone number		For Official Use Only	
Employer's fax number				Employer's email address			

Under penalties of perjury, I declare that I have examined this return and accompanying documents and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶ Title ▶ Date ▶

Form **W-3 Transmittal of Wage and Tax Statements** **2014** Department of the Treasury Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration (SSA). Photocopies are not acceptable. Do not send Form W-3 if you filed electronically with the SSA. Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Reminder
Separate instructions. See the 2014 General Instructions for Forms W-2 and W-3 for information on completing this form. Do not file Form W-3 for Form(s) W-2 that were submitted electronically to the SSA.

Purpose of Form
 A Form W-3 Transmittal is completed only when paper Copy A of Form(s) W-2, Wage and Tax Statement, is being filed. Do not file Form W-3 alone. All paper forms **must** comply with IRS standards and be machine readable. Photocopies are **not** acceptable. Use a Form W-3 even if only one paper Form W-2 is being filed. Make sure both the Form W-3 and Form(s) W-2 show the correct tax year and Employer Identification Number (EIN). Make a copy of this form and keep it with Copy D (For Employer) of Form(s) W-2 for your records. The IRS recommends retaining copies of these forms for four years.

E-Filing
 The SSA strongly suggests employers report Form W-3 and Forms W-2 Copy A electronically instead of on paper. The SSA provides two free e-filing options on its Business Services Online (BSO) website:

- **W-2 Online.** Use fill-in forms to create, save, print, and submit up to 50 Forms W-2 at a time to the SSA.
- **File Upload.** Upload wage files to the SSA you have created using payroll or tax software that formats the files according to the SSA's *Specifications for Filing Forms W-2 Electronically (EFW2)*.

W-2 Online fill-in forms or file uploads will be on time if submitted by March 31, 2015. For more information, go to www.socialsecurity.gov/employer and select "First Time Filers" or "Returning Filers" under "BEFORE YOU FILE."

When To File
 Mail Form W-3 with Copy A of Form(s) W-2 by March 2, 2015.

Where To File Paper Forms
 Send this entire page with the entire Copy A page of Form(s) W-2 to:
**Social Security Administration
 Data Operations Center
 Wilkes-Barre, PA 18769-0001**

Note. If you use "Certified Mail" to file, change the ZIP code to "18769-0002." If you use an IRS-approved private delivery service, add "ATTN: W-2 Process, 1150 E. Mountain Dr." to the address and change the ZIP code to "18702-7997." See Publication 15 (Circular E), Employer's Tax Guide, for a list of IRS-approved private delivery services.

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 10159Y

Chapter 3 Review

Payroll Calculations and Reporting

- 1. True or False:** Municipalities in Alaska must pay hourly workers at least the federal minimum wage.
- 2. True or False:** Non-municipal employers in Alaska must pay hourly workers at least the Alaska minimum wage.
- 3. True or False:** An hourly worker who works over eight hours a day is entitled to 1½ times the usual wage rate of pay. (Hint: Check FLSA)
- 4. True or False:** Non-municipal employers and employees pay both Social Security and Medicare taxes under FICA.
- 5. True or False:** Employers must report ESC taxes monthly.
- 6. The following taxes, at a minimum, must be calculated for hourly employees of:**
(Check all that apply)

Municipalities

- ESC
- FICA
- FUTA
- Federal Income Tax
- Medicare

Other employers

- ESC
- FICA
- FUTA
- Federal Income Tax
- Medicare

Chapter 3 Review

Payroll Calculations and Reporting: Answers

1. [*True*]
2. [*True*]
3. [*True*] In most cases
4. [*True*]
5. [*False*] Quarterly reports are required
6. The following taxes, at a minimum, must be calculated for hourly employees of: (Check all that apply)

Municipalities

- ESC/EST
- FICA Other than the Medicare portion, FICA is an option if the municipality is in a retirement program.
- FUTA Municipalities are exempt from FUTA. Tribes are exempt **if they are current** with ESC payments.
- Federal Income Tax
- Medicare If employee is hired after March 31, 1986.

Other employers

- ESC
- FICA
- FUTA (unless Tribal government and current with ESC)
- Federal Income Tax
- Medicare