

HOW TO ADD A DEDUCTION

Question

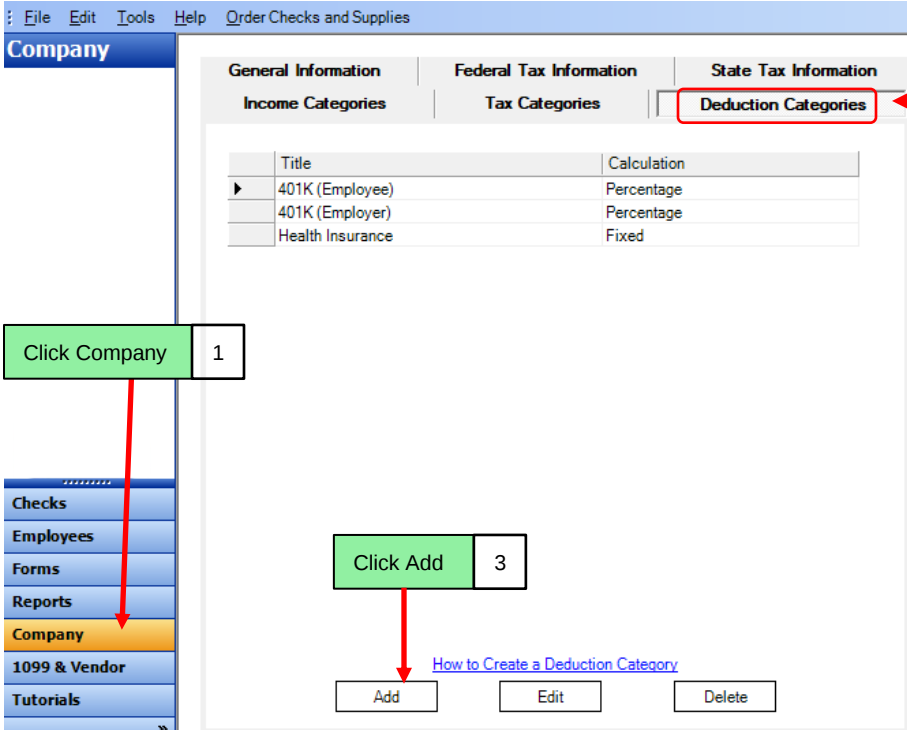
PLEASE REFER TO THE STEPS BELOW:

Answer

This tutorial is for information purposes only. It is your responsibility to make sure the payroll setup is correct. We do not make recommendations for setting up payroll items. Consult your accountant or tax advisor if you are unsure how a certain payroll item or your payroll in general should be set up.

Make sure you are in the correct company.

1. Click **Company**
2. Click **Deduction Categories**
3. Click **Add**



The screenshot shows the Payroll Mate software interface. On the left is a navigation menu with options: Checks, Employees, Forms, Reports, Company (highlighted in orange), 1099 & Vendor, and Tutorials. The main window has a menu bar (File, Edit, Tools, Help, Order Checks and Supplies) and a tabbed interface with three tabs: General Information, Federal Tax Information, and State Tax Information. Under the Federal Tax Information tab, there are three sub-tabs: Income Categories, Tax Categories, and Deduction Categories (highlighted with a red box). A table is visible under the Deduction Categories tab with the following data:

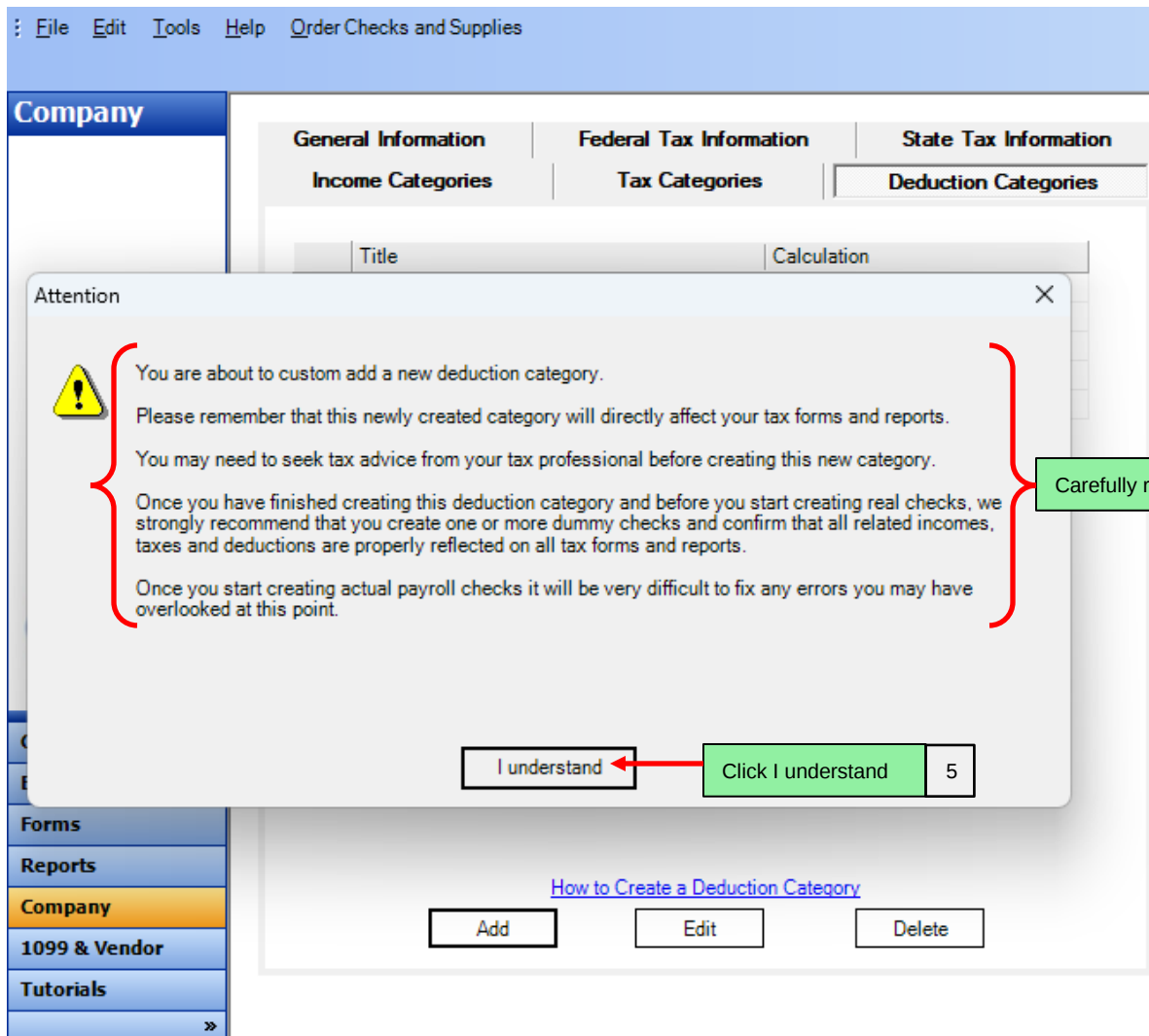
Title	Calculation
401K (Employee)	Percentage
401K (Employer)	Percentage
Health Insurance	Fixed

At the bottom of the main window, there are three buttons: Add, Edit, and Delete. A link labeled "How to Create a Deduction Category" is positioned above the Add button.

Three numbered callouts with arrows indicate the steps:

- Click Company 1**: Points to the "Company" option in the left navigation menu.
- Click Deduction Categories 2**: Points to the "Deduction Categories" sub-tab under the Federal Tax Information tab.
- Click Add 3**: Points to the "Add" button at the bottom of the main window.

4. **Carefully review the disclaimer**
5. Once you have carefully read and understand the disclaimer, click **I understand**



The screenshot shows the Payroll Mate software interface. A dialog box titled "Attention" is displayed in the center. The dialog box contains a yellow warning icon and the following text:

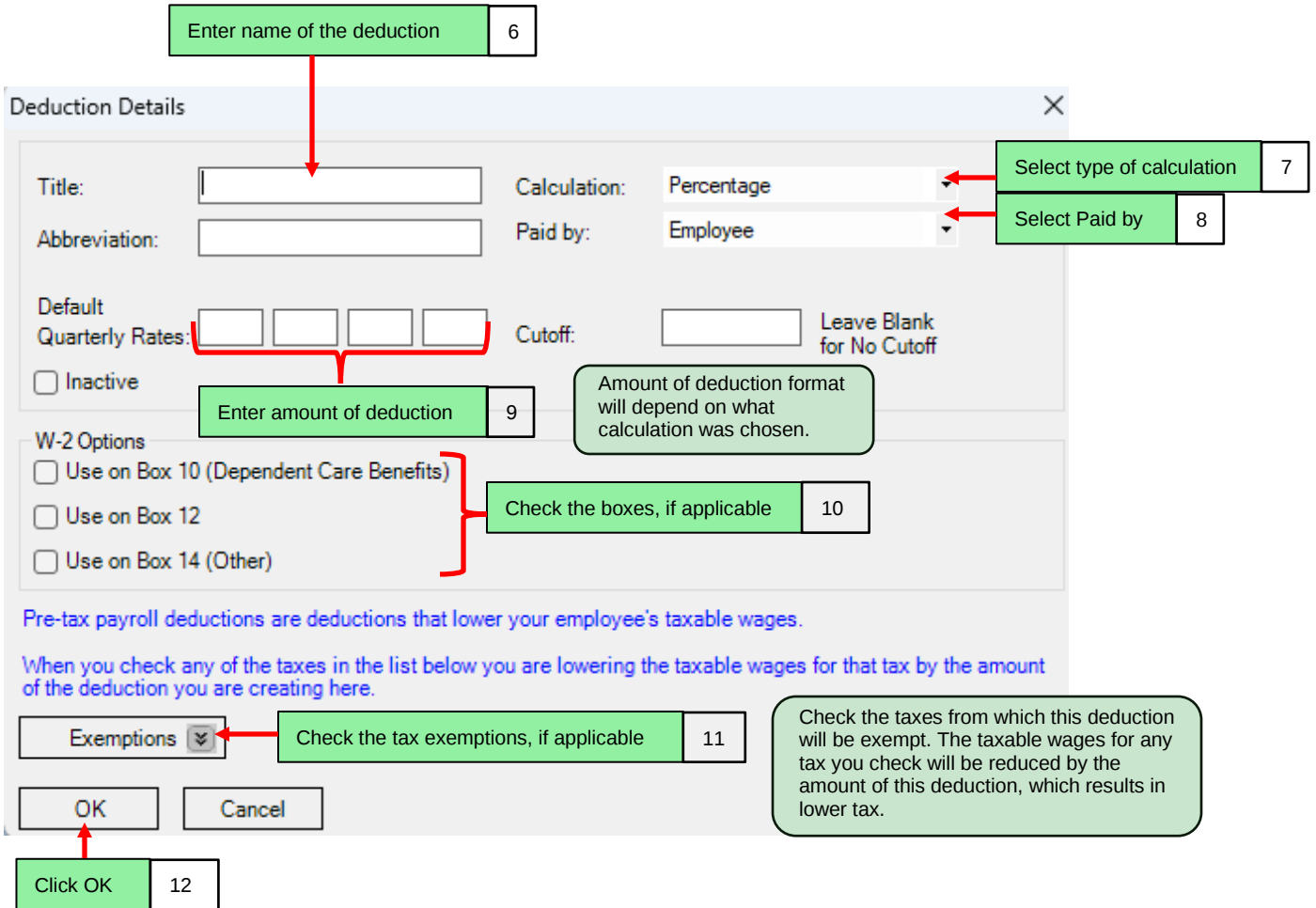
You are about to custom add a new deduction category.
Please remember that this newly created category will directly affect your tax forms and reports.
You may need to seek tax advice from your tax professional before creating this new category.
Once you have finished creating this deduction category and before you start creating real checks, we strongly recommend that you create one or more dummy checks and confirm that all related incomes, taxes and deductions are properly reflected on all tax forms and reports.
Once you start creating actual payroll checks it will be very difficult to fix any errors you may have overlooked at this point.

At the bottom of the dialog box, there is a button labeled "I understand". A red arrow points from a green box labeled "Click I understand" to this button. The green box also contains the number "5".

In the background, the software interface shows a menu bar with "File", "Edit", "Tools", "Help", and "Order Checks and Supplies". Below the menu bar is a "Company" tab. Under the "Company" tab, there are three sub-tabs: "General Information", "Federal Tax Information", and "State Tax Information". The "Deduction Categories" sub-tab is selected. Below the sub-tabs is a table with columns "Title" and "Calculation".

At the bottom of the interface, there is a link "How to Create a Deduction Category" and three buttons: "Add", "Edit", and "Delete".

6. **Enter the name of the deduction** Examples; child support and housing allowance
7. **Select type of Calculation** from the drop down
8. **Select** whether the deduction is **paid by Employee or Employer**
9. **Enter in amount of deduction**, depending on what calculation was chosen
10. **Check the boxes, if applicable** (the deduction would appear on the W2s if you check the boxes)
11. **Check the tax exemptions** from which this deduction will be exempt, if applicable
12. Click **OK**



The screenshot shows the "Deduction Details" form with the following elements and callouts:

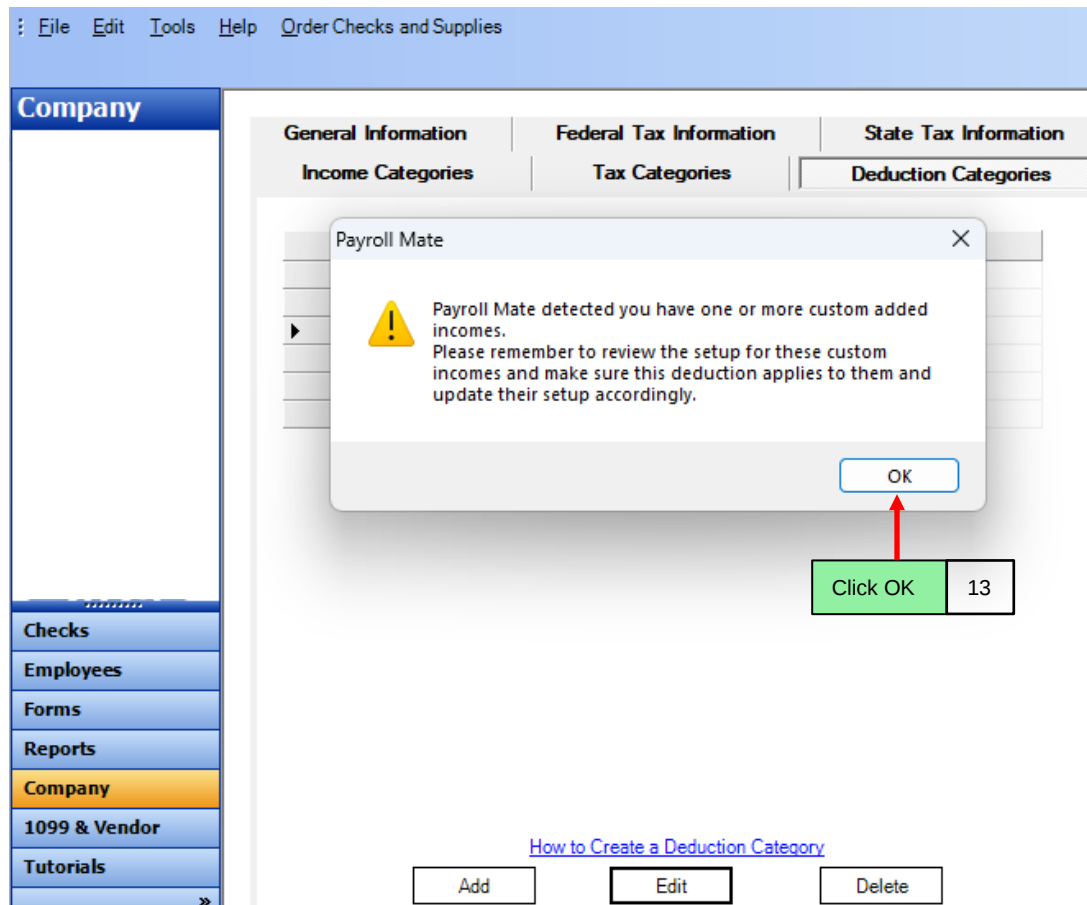
- Callout 6:** "Enter name of the deduction" points to the "Title:" text box.
- Callout 7:** "Select type of calculation" points to the "Calculation:" dropdown menu, which is currently set to "Percentage".
- Callout 8:** "Select Paid by" points to the "Paid by:" dropdown menu, which is currently set to "Employee".
- Callout 9:** "Enter amount of deduction" points to the "Default Quarterly Rates:" input fields.
- Callout 10:** "Check the boxes, if applicable" points to the "W-2 Options" section, which includes:
 - ☐ Use on Box 10 (Dependent Care Benefits)
 - ☐ Use on Box 12
 - ☐ Use on Box 14 (Other)
- Callout 11:** "Check the tax exemptions, if applicable" points to the "Exemptions" dropdown menu.
- Callout 12:** "Click OK" points to the "OK" button.

Additional text on the form includes:

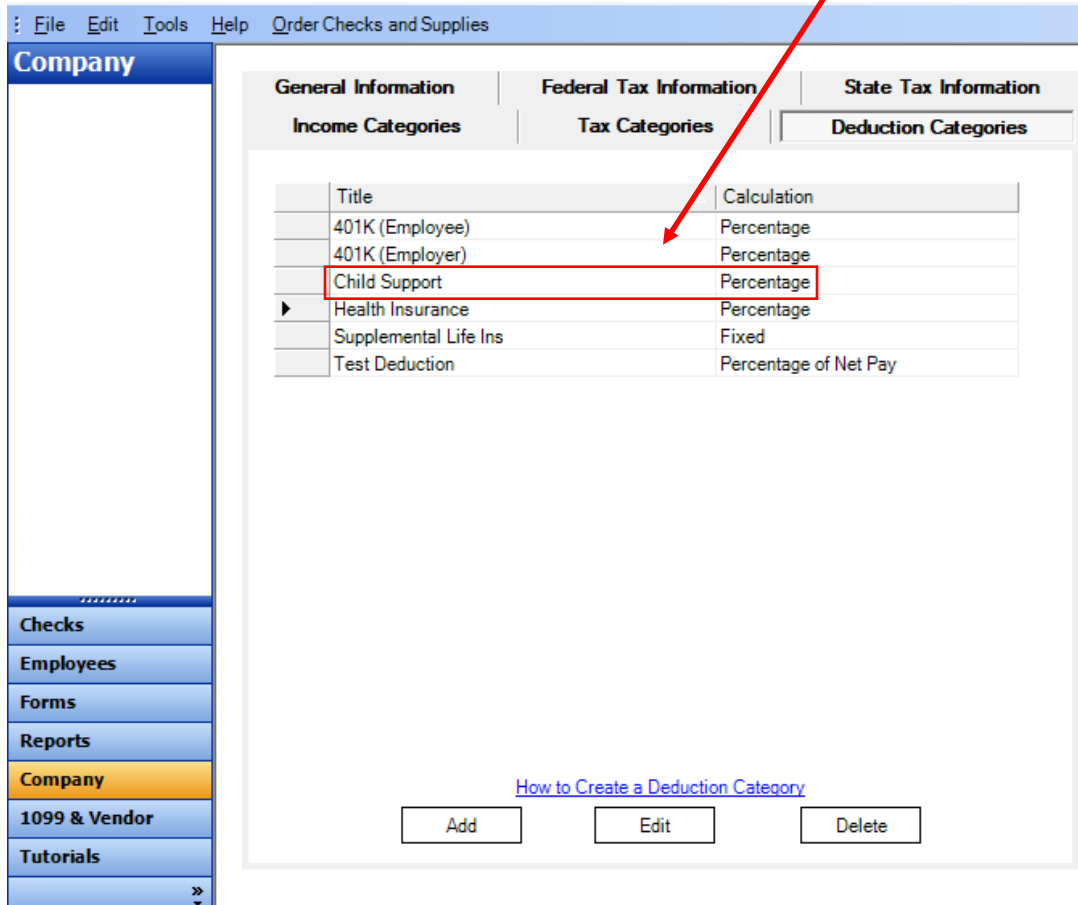
- "Cutoff: [] Leave Blank for No Cutoff"
- "Amount of deduction format will depend on what calculation was chosen."
- "Pre-tax payroll deductions are deductions that lower your employee's taxable wages."
- "When you check any of the taxes in the list below you are lowering the taxable wages for that tax by the amount of the deduction you are creating here."
- "Check the taxes from which this deduction will be exempt. The taxable wages for any tax you check will be reduced by the amount of this deduction, which results in lower tax."

You will only receive this message if you have one or more custom added incomes. If so, you will want to review the setup for the custom income(s). If the deduction you are creating applies to them, you will want to update their setup accordingly.

13. Click **OK**



The deduction you created will appear in deduction categories (example: Child Support)



File Edit Tools Help Order Checks and Supplies

Company

General Information Federal Tax Information State Tax Information

Income Categories Tax Categories Deduction Categories

Title	Calculation
401K (Employee)	Percentage
401K (Employer)	Percentage
Child Support	Percentage
Health Insurance	Percentage
Supplemental Life Ins	Fixed
Test Deduction	Percentage of Net Pay

[How to Create a Deduction Category](#)

Add Edit Delete

You will now apply the deduction to the employee(s)

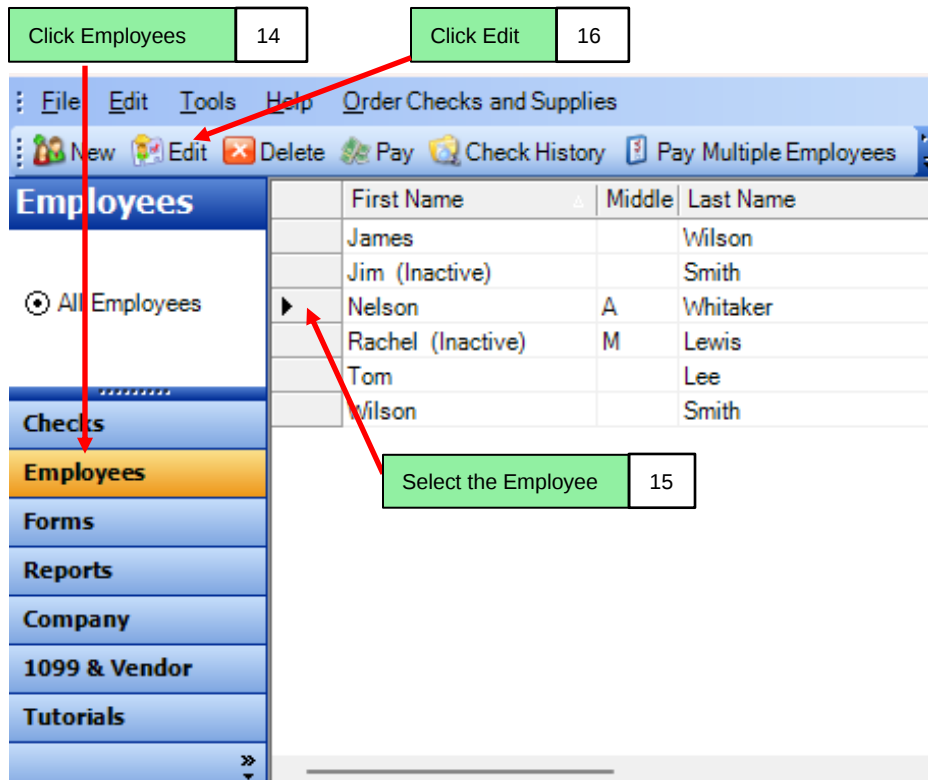
14. Click **Employees**
15. **Select the Employee** to apply the deduction
16. Click **Edit**

Click Employees

14

Click Edit

16

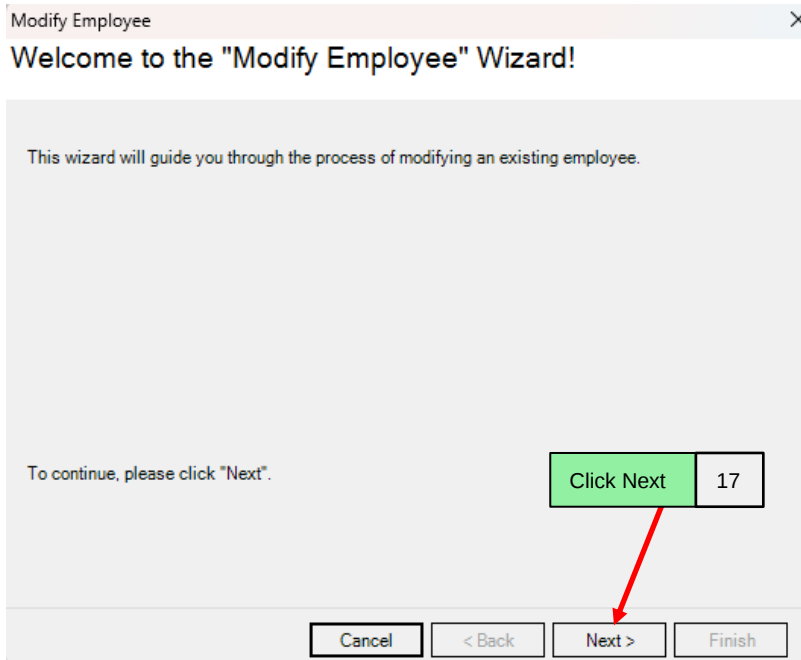


The screenshot shows the Payroll Mate application window. On the left is a vertical navigation menu with options: All Employees, Checks, Employees (highlighted in orange), Forms, Reports, Company, 1099 & Vendor, and Tutorials. The main area displays a table of employees with columns: First Name, Middle, and Last Name. The table contains the following data:

First Name	Middle	Last Name
James		Wilson
Jim (Inactive)		Smith
Nelson	A	Whitaker
Rachel (Inactive)	M	Lewis
Tom		Lee
Wilson		Smith

At the top of the window is a toolbar with buttons: New, Edit, Delete, Pay, Check History, and Pay Multiple Employees. A red arrow points from the 'Edit' button to a callout box labeled 'Click Edit' with the number 16. Another red arrow points from the 'Employees' menu item to a callout box labeled 'Click Employees' with the number 14. A third red arrow points from the 'Nelson' row in the table to a callout box labeled 'Select the Employee' with the number 15.

17. Welcome to the Modify Employee Wizard will appear, click **Next** until you reach the Deductions screen.



Modify Employee

Welcome to the "Modify Employee" Wizard!

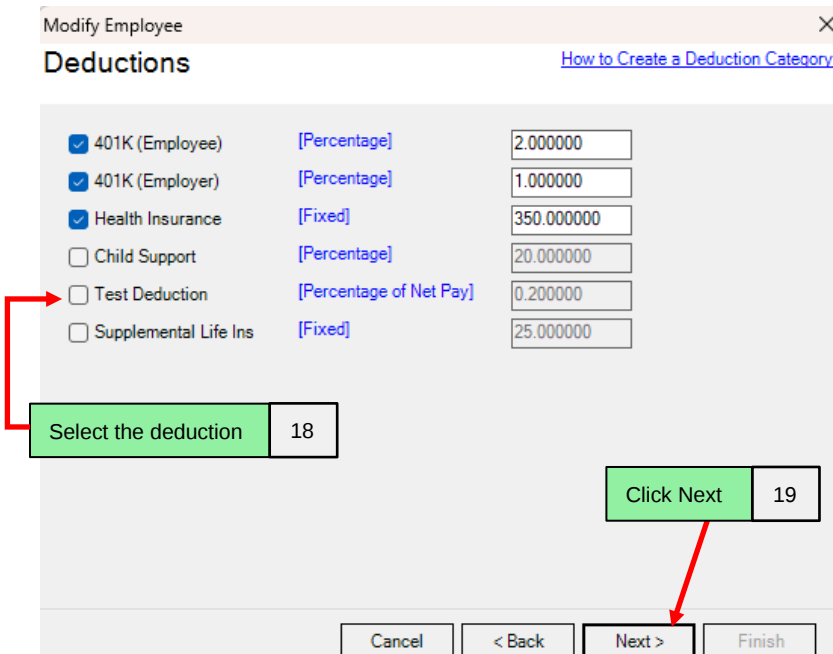
This wizard will guide you through the process of modifying an existing employee.

To continue, please click "Next".

Click Next 17

Cancel < Back Next > Finish

18. **Select the deduction** for that employee. (Test Deduction is example)
19. Click **Next**



Modify Employee

Deductions [How to Create a Deduction Category](#)

☒ 401K (Employee)	[Percentage]	2.000000
☒ 401K (Employer)	[Percentage]	1.000000
☒ Health Insurance	[Fixed]	350.000000
☐ Child Support	[Percentage]	20.000000
☐ Test Deduction	[Percentage of Net Pay]	0.200000
☐ Supplemental Life Ins	[Fixed]	25.000000

Select the deduction 18

Click Next 19

Cancel < Back Next > Finish

Continue to click Next until you reach the **Finish** screen

20. Click **Finish**

Modify Employee ×

Finish

Wizard completed, please click "Finish" to update this employee information.

Click Finish

20

Cancel

< Back

Next >

Finish

