

HOW TO HANDLE PAYROLL FOR MULTIPLE STATES

Question

PLEASE REFER TO THE STEPS BELOW:

Answer

First consult your tax adviser to ensure you are meeting all state obligations. Once you have been advised please review the tutorial listed below.

Payroll Mate supports multi-state payroll **as long as the same employee works in the same state for the whole entire year.**

Please also consider the following:

1. If one of your employees moves to another state during the year then before you change their setup inside Payroll Mate you need to print their W2 form, generate / save the "State Taxes" report for this employee (year to date) and print the Payroll Journal detail for this employee (year to date). This information will help you with any state reporting requirements and with generating the W2 form for this employee at the end of the year.
2. State income tax withholding is setup at the employee level, so it does not require any special handling. Please remember that there is no state income tax withholding for the states of Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.

Modify Employee X

Tax Setup

Federal Income Tax Setup

Filing Status: Head of Household ☒ Use new W-4 (2020 & beyond)

of Allowances: 0 ☐ Step 2 (2 Jobs) Step 3 (Dependents) \$: 0.00

Pay Frequency: Weekly (52 Pay Periods) Step 4a (Other Income) \$: 0.00

Additional Fed. Withholding: 20.00 Step 4b (Deductions) \$: 0.00

W-2 Options

☐ Statutory Employee ☐ Retirement Plan ☐ This employee receives Advance EIC payment

Set the following Taxes to zero on the check

☐ Federal Income ☐ State Income ☐ SS. & Med. (Employee) ☐ SS. & Med. (Employer)

State Income Tax Setup

State: IL

Additional State Withholding: 0.00

IL-W4 Line 1: 0

IL-W4 Line 2: 0

Buttons: Cancel < Back Next > Finish

In the employee setup you specify the state for income tax withholding

- For State unemployment tax (SUTA), since the software comes with only one built-in tax, you will need to **create a custom SUTA tax** for each additional state (other than the home state) and apply to the employees from that state. You will also need to **UN-check the built-in “State Unemployment (Employer)” tax** from the employee setup for the employees in the additional state(s).

Please see this tutorial on how to create a custom tax:

<http://www.payrolltutorials.com/2014/06/30/create-tax-category/>

The screenshot shows the 'Modify Employee' window with the 'Taxes' tab selected. The window title is 'Modify Employee' with a close button (X) in the top right corner. Below the title bar, the word 'Taxes' is displayed in a large font, and a link 'How to Create a Tax Category' is visible in the top right. The main area contains a list of taxes with checkboxes:

- ☒ Federal Income Tax
- ☒ Social Security (Employee)
- ☒ Social Security (Employer)
- ☒ Medicare (Employee)
- ☒ Medicare (Employer)
- ☒ Fed Unemployment (Employer)
- ☒ State Income Tax
- ☐ State Unemployment (Employer)
- ☒ Local Income Tax
- ☒ State Disability Insurance (Employee)
- ☒ State Disability Insurance (Employer)
- ☒ California SUTA

Two green callout boxes with red arrows provide instructions:

- One box points to 'State Unemployment (Employer)' with the text: 'Un-check the built-in State Unemployment (Employer) tax'.
- Another box points to 'California SUTA' with the text: 'Check the custom SUTA tax created for the additional remote state (Example: California SUTA)'. Below this box, the text '[Percentage]' is displayed.

At the bottom of the window, there are four buttons: 'Cancel', '< Back', 'Next >', and 'Finish'.

- If you have SDI (state disability insurance) for any of the additional states (other than the home state) then you also need to create a custom tax as in the case of SUTA. Please see tutorial below on how to create a custom tax:

<http://www.payrolltutorials.com/2014/06/30/create-tax-category/>

5. To create reports for a specific state you need to select the employees in that state ONLY.

Report Options

Begin Pay Date

End Pay Date [Advanced Date Selection...](#)

Employees who received Payroll Checks in the specified period:

☐	Smith, Wilson
☒	Whitaker, Nelson

[Select All](#)

[Select None](#)

[Select by Department](#)

☒ Combine amounts for incomes of different calculation types under "Hours/Qty." column

[OK](#) [Cancel](#)

6. If the additional state(s) (other than the home state) have personal income tax withholding then you also need to **override the W2 forms** at the end of the year to have the correct state tax id and state name in the state boxes. This step does NOT apply if the additional state is one of the states that do not have individual income tax (Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming).

W-2 Page

Click Override Calculations 1

Employee [Use this drop-down list to move between different employees]
Smith, Wilson [SSN: 111-11-1111]

Click Here to Continue to the W-3 form

W2

Preview Print Override Calculations

1 Wages, tips, other compensation 3542.31	2 Federal income tax withheld 426.10	14 Other SDI 0.00
3 Social security wages 3807.70	4 Social security tax withheld 236.08	
5 Medicare wages and tips 3807.70	6 Medicare tax withheld 55.21	15 State IL
7 Social security tips 0.00	8 Allocated tips 0.00	Employer's state ID number xxxxxxxx
Box 9 is no longer in use	10 Dependent care benefits 0.00	16 State wages, tips, etc. 3542.31
11 Nonqualified plans 0.00	See instructions for box 12	17 State income tax 180.35
13 Statutory Retirement Third-party employee plan sick pay	Code Amount	18 Local wages, tips, etc. 3807.70
☐ ☐ ☒	12 a D 265.39	19 Local income tax 200.00
	12 b	20 Locality name
	12 c	
	12 d	

Cancel < Back Next > Close

Upon clicking Override Calculations, a Warning message dialog box will appear.

Read the Warning very carefully, check the box to acknowledge that you are making changes at your own risk and understand that you might be required to submit corrected tax forms in the future.

Warning

After clicking this button you will be able to override the values for the boxes shown on this screen.

The form you generate from inside Payroll Mate will reflect your changes, but these changes will not be saved in the program.

Please also note that these changes will not be reflected on other tax forms such as form 941.

All numbers generated by this form are compiled from checks you have created during the year. Changes made to this form will cause discrepancies with other forms you may have generated or will generate using Payroll Mate.

☒ By checking this box you acknowledge that you are making changes at your own risk and understand that you might be required to submit corrected tax forms in the future.

OK Cancel

Check the box 2

Click OK 3

W-2 Page

Employee [Use this drop-down list to move between different employees]
Smith, Wilson [SSN: 111-11-1111] [Click Here to Continue to the W-3 form](#)

W2

Preview Print Enable Calculations Again

1 Wages, tips, other compensation 3542.31	2 Federal income tax withheld 426.10	14 Other SDI 0.00
3 Social security wages 3807.70	4 Social security tax withheld 236.08	
5 Medicare wages and tips 3807.70	6 Medicare tax withheld 55.21	15 State IL
7 Social security tips 0.00	8 Allocated tips 0.00	Employer's state ID number SID123456
Box 9 is no longer in use	10 Dependent care benefits 0.00	16 State wages, tips, etc. 3542.31
11 Nonqualified plans 0.00	See instructions for box 12	17 State income tax 180.35
13 Statutory employee Retirement Third-party sick pay ☐ ☐ ☒	Code Amount 12 a D 265.39 12 b 12 c 12 d	18 Local wages, tips, etc. 3807.70 19 Local income tax 200.00 20 Locality name

Enter the correct State 4

Enter the correct State ID # 5

Click Next 6

Cancel < Back Next > Close

Upon clicking Next, the W-3 Page will appear. Make the next selection you need from this page.

W-3 Page

Preview Form W-3

If you click the Preview button and you still can't see the preview window, please look at the bottom of your screen, you should see a second icon for the form (next to the Payroll Mate icon). You can maximize it to show the form preview window.

Print Form W-3

Create W-2/W-3 Electronic File (EFW2)

[How to E-File W-2 Forms with the SSA Using Payroll Mate](#)

Cancel

< Back

Next >

Close