

HOW TO SET UP A LOCAL INCOME TAX

Question

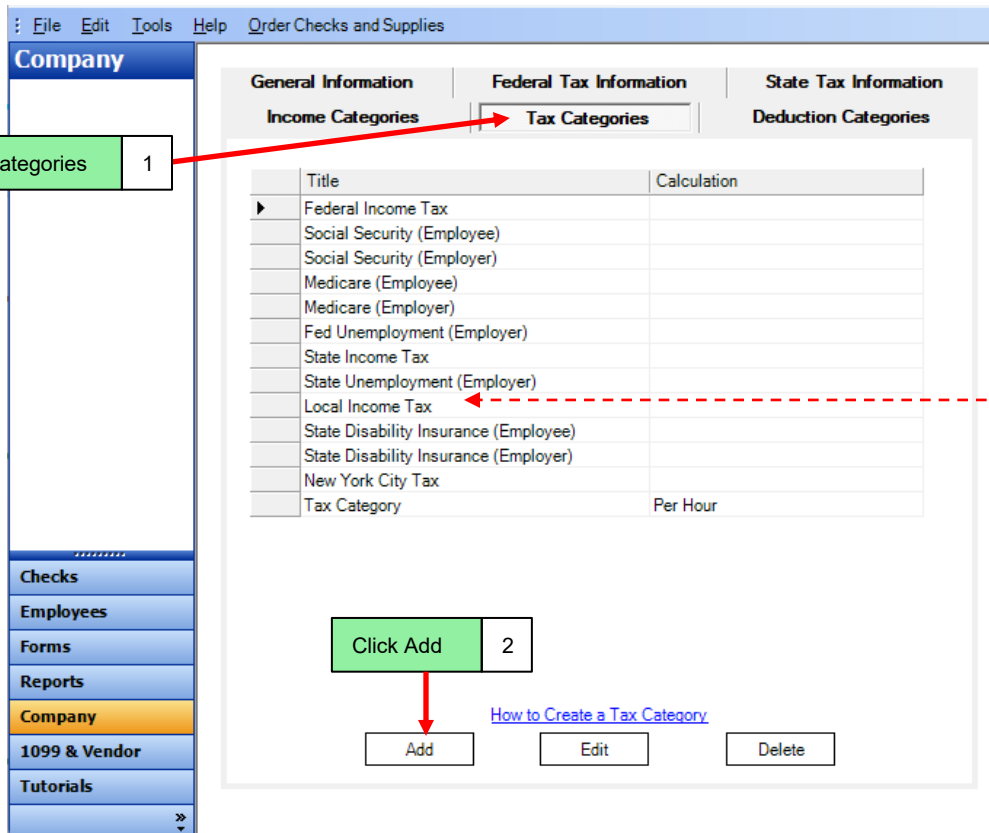
PLEASE REFER TO THE STEPS BELOW:

Answer

This tutorial is for information purposes only. It is your responsibility to make sure the payroll setup is correct. 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 **Tax Categories**
2. Click **Add**



The screenshot shows a software interface with a menu on the left and a main content area. The menu includes 'Company', 'Checks', 'Employees', 'Forms', 'Reports', 'Company' (highlighted), '1099 & Vendor', and 'Tutorials'. The main content area has three tabs: 'General Information', 'Federal Tax Information', and 'State Tax Information'. Under 'Federal Tax Information', there are three sub-sections: 'Income Categories', 'Tax Categories', and 'Deduction Categories'. A table is displayed under 'Tax Categories' with columns 'Title' and 'Calculation'. The table lists various tax categories, including 'Local Income Tax'. Below the table are 'Add', 'Edit', and 'Delete' buttons. A callout box 'Click Tax Categories' with the number '1' has a red arrow pointing to the 'Tax Categories' tab. Another callout box 'Click Add' with the number '2' has a red arrow pointing to the 'Add' button.


Title	Calculation
▶ 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)	
New York City Tax	
Tax Category	Per Hour

Note: There is a "place holder" listed for Local Income Tax. This built in tax category cannot be edited, a new tax category needs to be created for the correct

3. Carefully read the alert information
4. Click I understand

Carefully read the alert 3

Attention ✕



You are about to custom add a new tax 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 tax 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.

Click I understand 4

I understand

5. Enter the information for your custom local income tax category
6. Click OK

Enter information 5

Tax Details ✕

Title:

Abbreviation:

Calculation: Percentage

Quarterly Rates:

Wagebase: Leave Blank for No Wage Base

Max Amount per Check: Leave Blank if No Max

Paid by: Employee

W-2 Options

W-2 Box 12 Code:

W-2 Box 14 Abbreviation:

Use on Box 19 (Local income tax)

Inactive

OK Cancel Click OK 6

Enter the Title for your custom local income tax category.

Select the calculation method

Enter the Quarterly rates or Amount (will change dependent upon which calculation method is selected)

Enter Wagebase, if applicable.

Enter the Max Amount per Check, if applicable.

Select Paid by: Employee or Employer

Place a checkmark in one of the W-2 Options, if applicable

7. The **new tax created** is now added to the list of taxes available in the company

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
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)	
New York City Tax	
Tax Category	Per Hour
▶ Custom Local Income Tax	Percentage

New tax created 7

[How to Create a Tax Category](#)

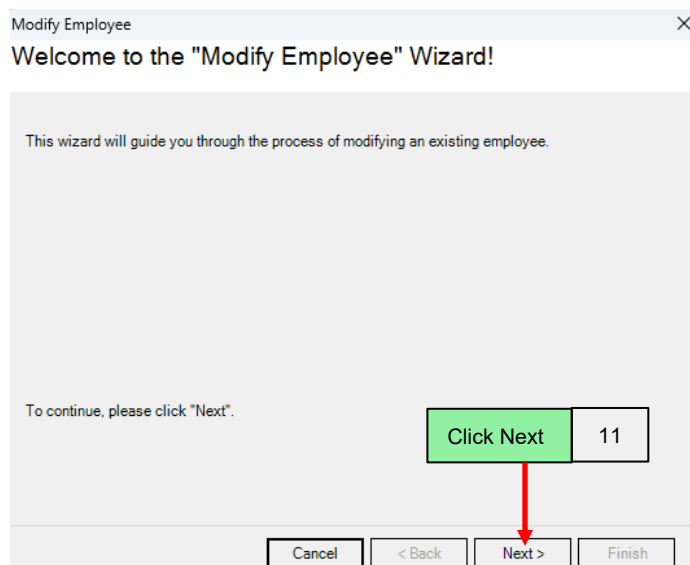
Add Edit Delete

Now you will need to apply the tax to your applicable employees

8. Click **Employees**
9. **Select an employee** from the list of employee's names
10. Click **Edit**

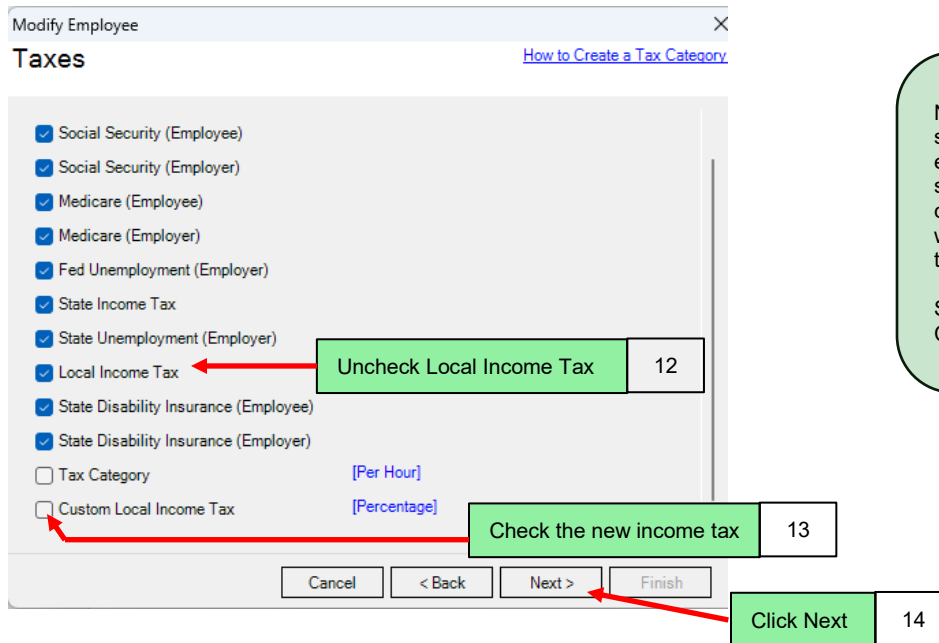


11. Welcome to the New Employee Wizard dialog will open, click **Next**



Continue to click **Next**, until you reach the **Taxes** screen

12. **Uncheck** the built in **Local Income Tax** category
13. **Check** the box of **the new income tax** that was created
14. Click **Next**



Modify Employee

Taxes [How to Create a Tax Category](#)

- 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)
- Tax Category [Per Hour]
- Custom Local Income Tax [Percentage]

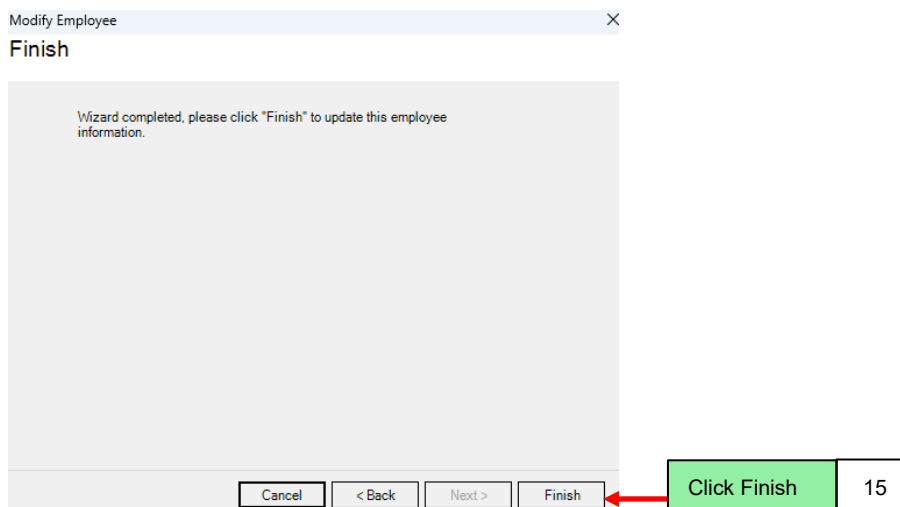
Cancel < Back Next > Finish

Note: If the new tax does not show in the list for this employee and the employee is set up with a custom income category, the custom income will need to be edited to add this new tax.

See How to Edit an Income Category tutorial.

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

15. Click **Finish**



Modify Employee

Finish

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

Cancel < Back Next > Finish

Repeat steps 9-15 for each applicable employee