

## HOW TO SET UP A PERCENTAGE OF NET PAY DEDUCTION

Question

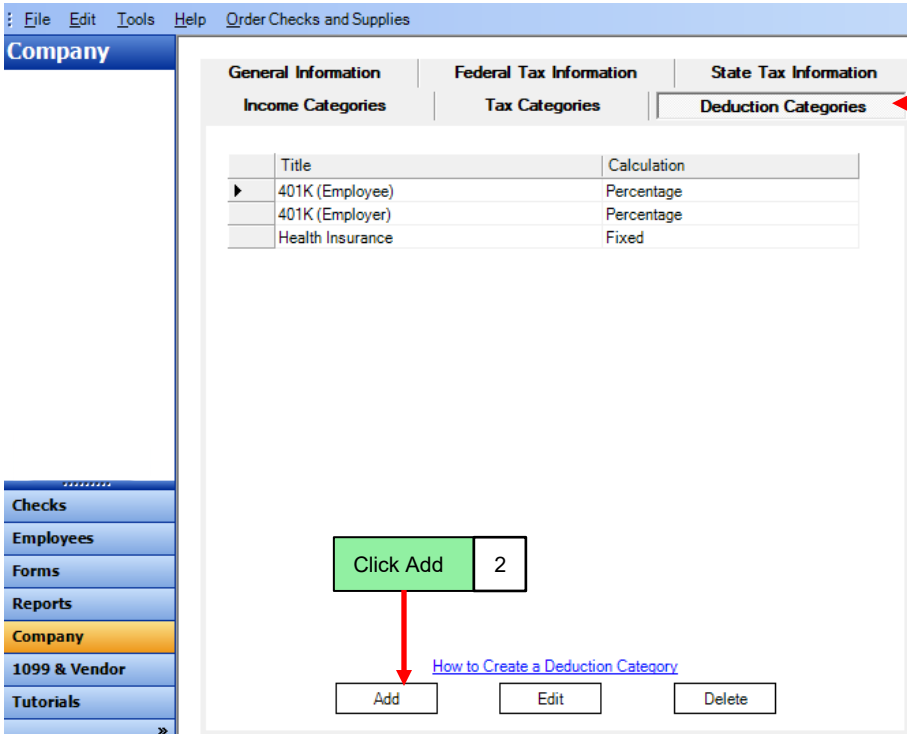
### PLEASE REFER TO THE STEPS BELOW:

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 **Deduction Categories**
2. Click **Add**



The screenshot shows the software interface with a menu on the left and a main content area. The 'Company' menu is expanded, and 'Deduction Categories' is selected. A red arrow points from a green callout box 'Click Deduction Categories 1' to the 'Deduction Categories' tab. Below the table, another red arrow points from a green callout box 'Click Add 2' to the 'Add' button. A link 'How to Create a Deduction Category' is also visible.

General Information	Federal Tax Information	State Tax Information
Income Categories	Tax Categories	Deduction Categories
Title	Calculation	
▶ 401K (Employee)	Percentage	
401K (Employer)	Percentage	
Health Insurance	Fixed	

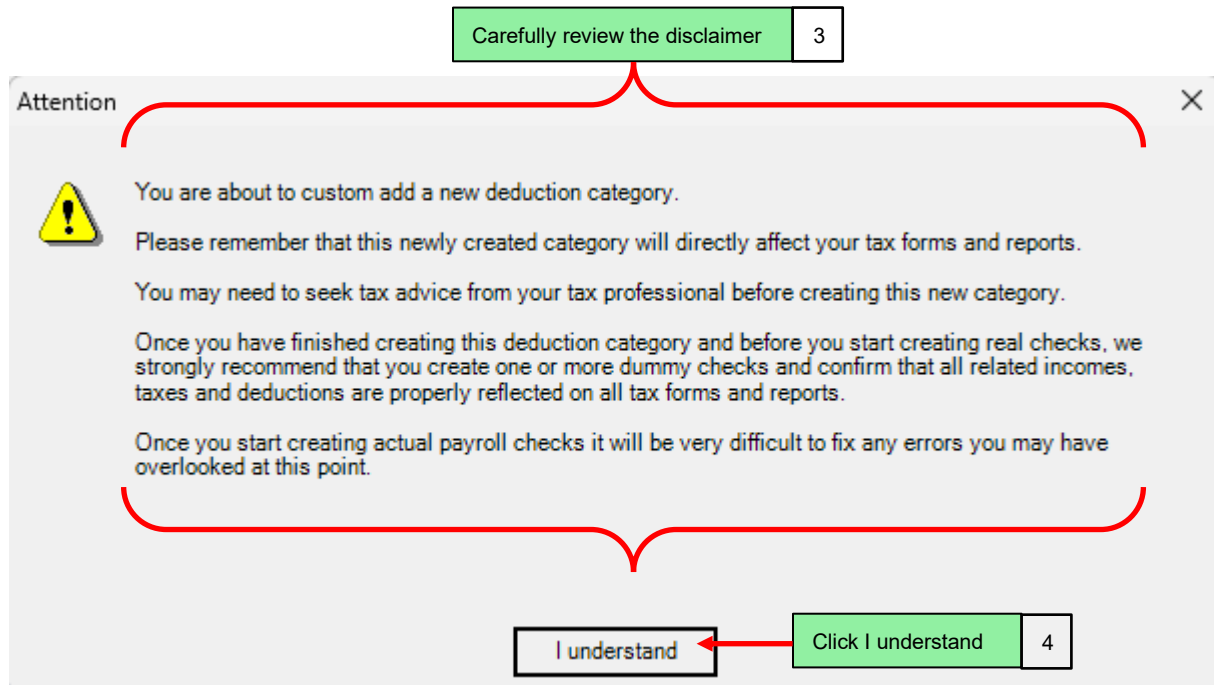
Click Add 2

[How to Create a Deduction Category](#)

Add Edit Delete

3. **Carefully review the disclaimer**

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

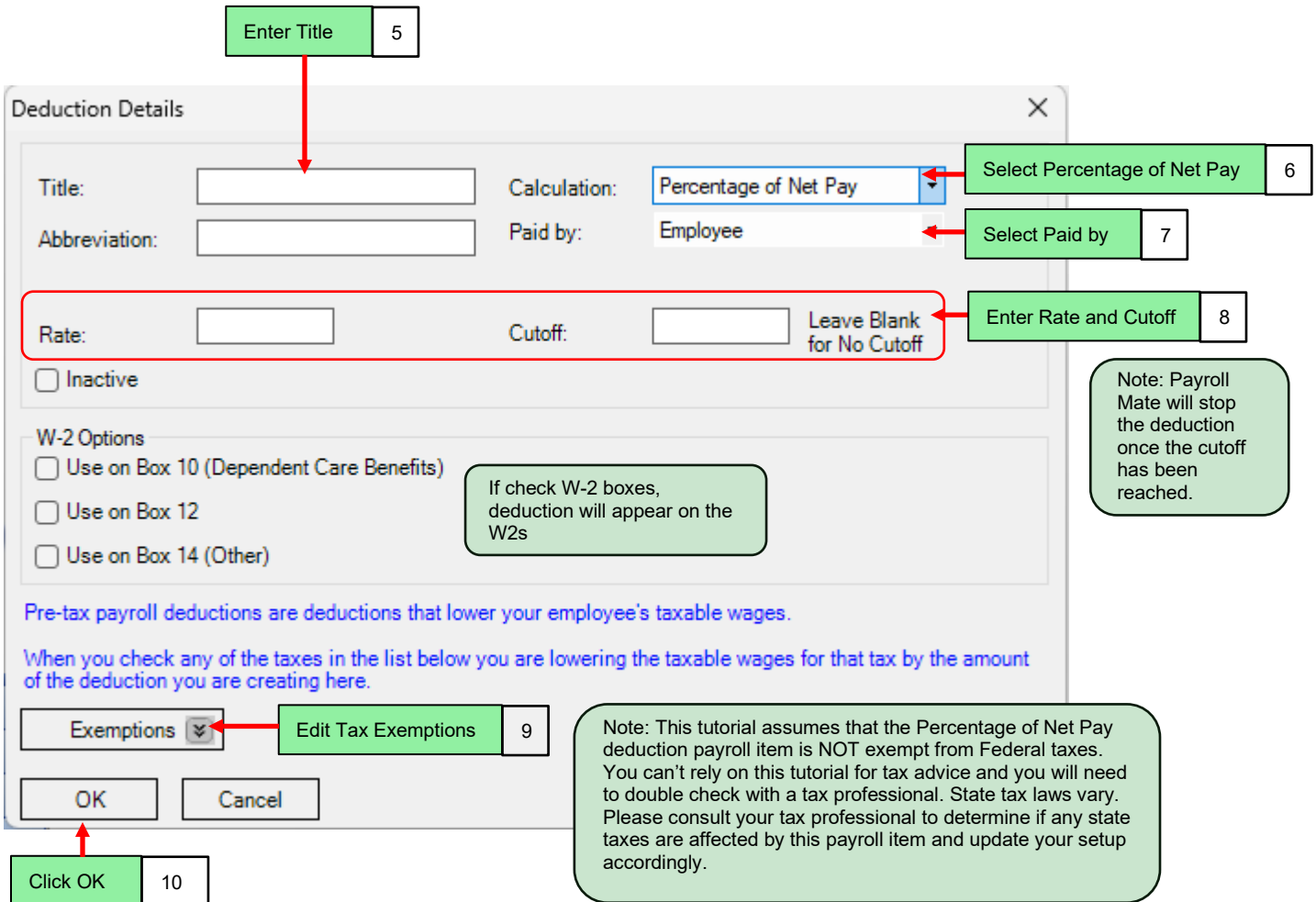


The image shows a screenshot of a software warning dialog box titled "Attention" with a close button (X) in the top right corner. The dialog contains a yellow warning icon and the following text:

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 is an "I understand" button. A red bracket above the dialog points to a green callout box labeled "Carefully review the disclaimer" with the number "3". Another red bracket below the dialog points to the "I understand" button, with a red arrow pointing from a green callout box labeled "Click I understand" with the number "4".

5. Enter the Title you want for the deduction
6. Select Percentage of Net Pay as the type of Calculation from the drop down
7. Select whether the deduction is paid by Employee or Employer
8. Enter Rate (field cannot be blank) and Cutoff (as applicable)
9. Edit Tax Exemptions as needed
10. Click OK



The screenshot shows the 'Deduction Details' dialog box with the following fields and callouts:

- 5:** Callout 'Enter Title' points to the 'Title' text input field.
- 6:** Callout 'Select Percentage of Net Pay' points to the 'Calculation' dropdown menu, which is set to 'Percentage of Net Pay'.
- 7:** Callout 'Select Paid by' points to the 'Paid by' dropdown menu, which is set to 'Employee'.
- 8:** Callout 'Enter Rate and Cutoff' points to the 'Rate' and 'Cutoff' text input fields. A red box highlights these two fields. A note next to the 'Cutoff' field says 'Leave Blank for No Cutoff'.
- 9:** Callout 'Edit Tax Exemptions' points to the 'Exemptions' dropdown menu.
- 10:** Callout 'Click OK' points to the 'OK' button.

Additional elements in the dialog box include:

- An 'Abbreviation' text input field.
- An 'Inactive' checkbox.
- 'W-2 Options' section with checkboxes for 'Use on Box 10 (Dependent Care Benefits)', 'Use on Box 12', and 'Use on Box 14 (Other)'. A note states: 'If check W-2 boxes, deduction will appear on the W2s'.
- Text explaining that pre-tax payroll deductions lower taxable wages.
- Text stating that checking any of the taxes in the list below lowers the taxable wages for that tax by the amount of the deduction.
- 'OK' and 'Cancel' buttons.

Two explanatory notes are present:

- Note: Payroll Mate will stop the deduction once the cutoff has been reached.
- Note: This tutorial assumes that the Percentage of Net Pay deduction payroll item is NOT exempt from Federal taxes. You can't rely on this tutorial for tax advice and you will need to double check with a tax professional. State tax laws vary. Please consult your tax professional to determine if any state taxes are affected by this payroll item and update your setup accordingly.



Note: 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.

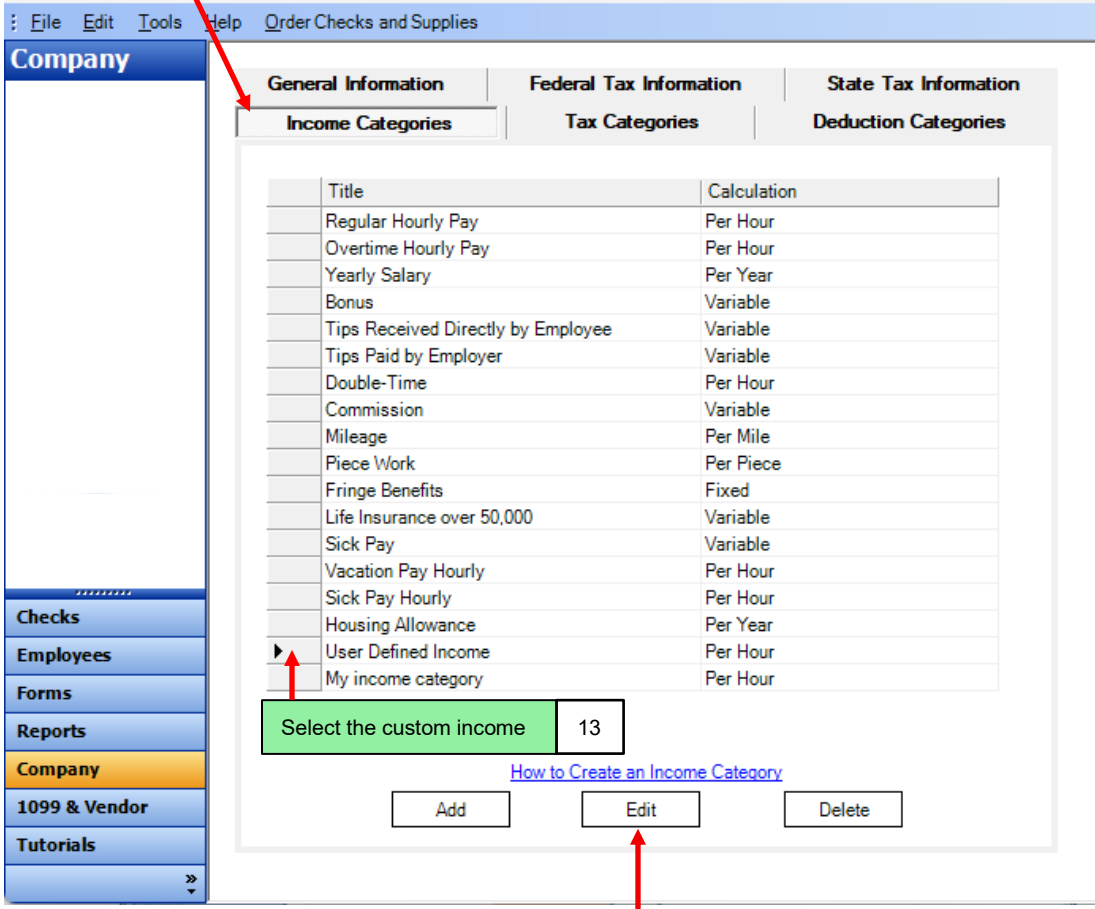
### 11. Click **OK**

Click OK	11
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Note: If you need to update custom income categories to apply the Percentage of Net Pay deduction, refer to [steps 9-13](#). If this does not apply to you, please proceed to [step 14](#).

12. Click **Income Categories**
13. **Select the custom income** that needs to be updated
14. Click **Edit**

Click Income Categories | 12



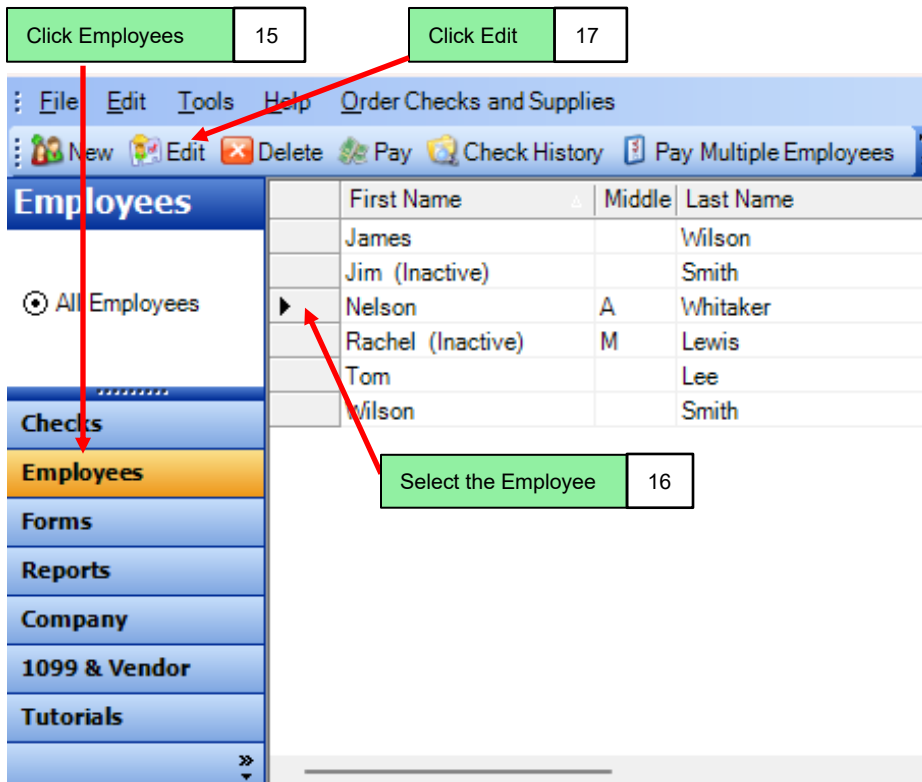
Select the custom income | 13

Click Edit | 14

	Title	Calculation
	Regular Hourly Pay	Per Hour
	Overtime Hourly Pay	Per Hour
	Yearly Salary	Per Year
	Bonus	Variable
	Tips Received Directly by Employee	Variable
	Tips Paid by Employer	Variable
	Double-Time	Per Hour
	Commission	Variable
	Mileage	Per Mile
	Piece Work	Per Piece
	Fringe Benefits	Fixed
	Life Insurance over 50,000	Variable
	Sick Pay	Variable
	Vacation Pay Hourly	Per Hour
	Sick Pay Hourly	Per Hour
	Housing Allowance	Per Year
	User Defined Income	Per Hour
	My income category	Per Hour

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

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

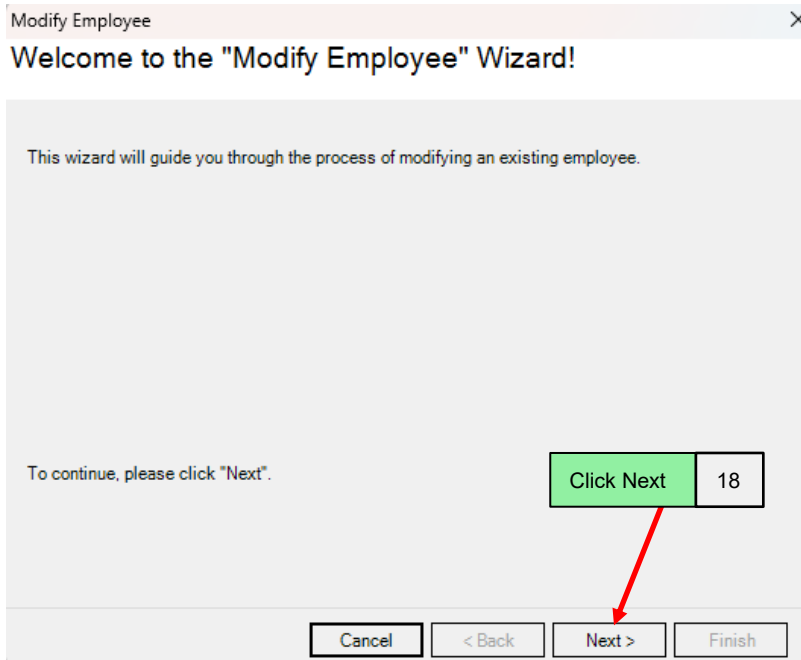


The screenshot shows the Payroll Mate software interface. At the top, there are two callout boxes: "Click Employees" with a green box and the number 15, and "Click Edit" with a green box and the number 17. Below these is a menu bar with options: File, Edit, Tools, Help, Order Checks and Supplies. A toolbar contains icons for New, Edit, Delete, Pay, Check History, and Pay Multiple Employees. On the left is a navigation menu with options: All Employees, Checks, Employees (highlighted in orange), Forms, Reports, Company, 1099 & Vendor, and Tutorials. A red arrow points from the "Click Employees" callout to the "Employees" menu item. The main area displays a table of employees:

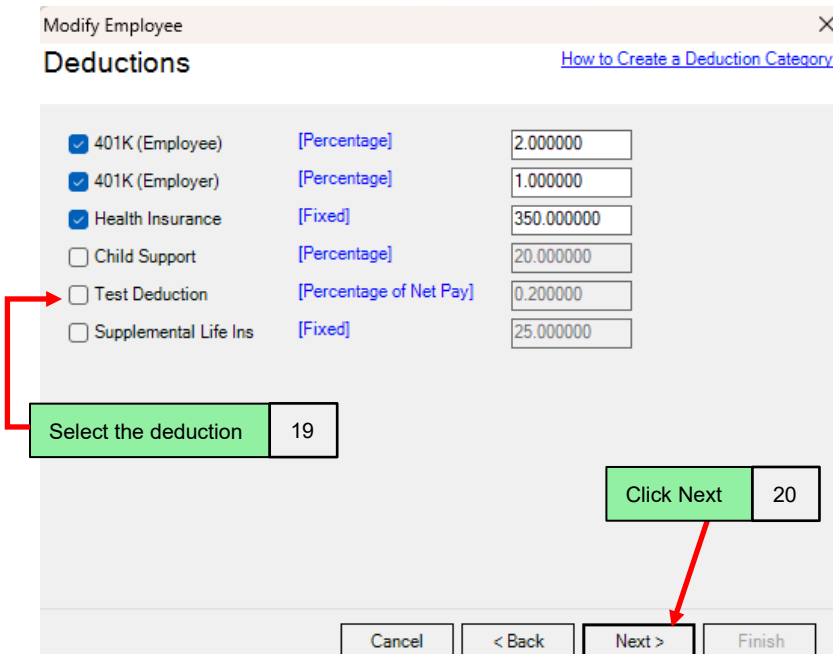
First Name	Middle	Last Name
James		Wilson
Jim (Inactive)		Smith
Nelson	A	Whitaker
Rachel (Inactive)	M	Lewis
Tom		Lee
Wilson		Smith

A red arrow points from the "Click Edit" callout to the "Edit" icon in the toolbar. Another red arrow points from a callout box "Select the Employee" with a green box and the number 16 to the row containing "Nelson".

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



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



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

## 21. Click **Finish**

