

HOW TO SET UP AN EMPLOYEE THAT IS EXEMPT FROM TAXES

Question

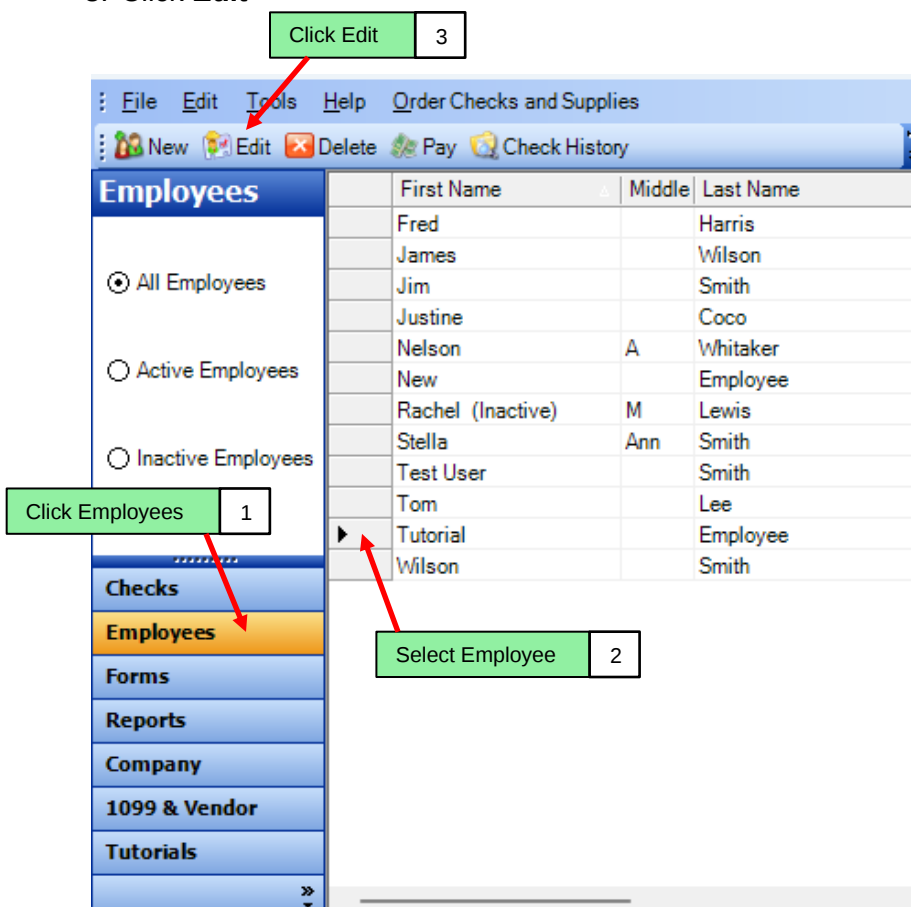
PLEASE REFER TO THE STEPS BELOW:

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 have the correct company open inside Payroll Mate

1. Click **Employees**
2. **Select employee** to edit
3. Click **Edit**



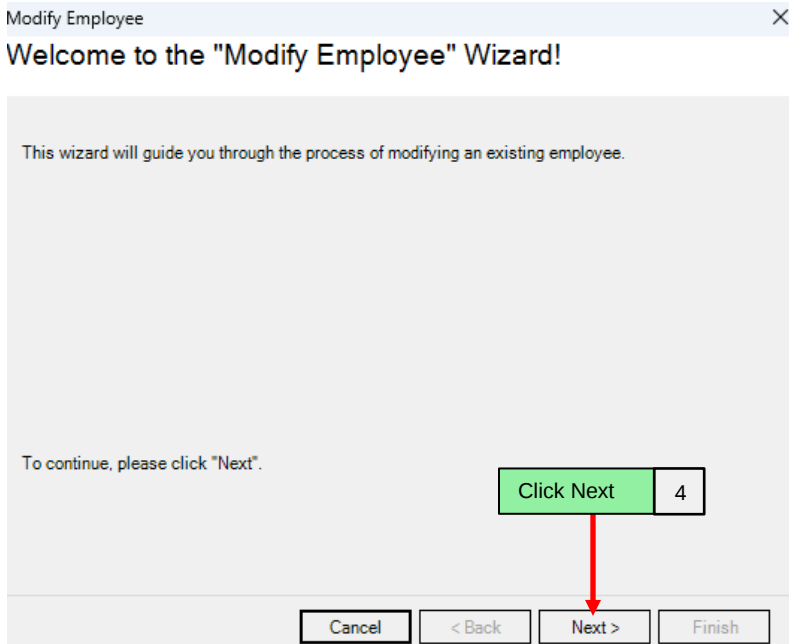
Click Edit 3

Click Employees 1

Select Employee 2

First Name	Middle	Last Name
Fred		Harris
James		Wilson
Jim		Smith
Justine		Coco
Nelson	A	Whitaker
New		Employee
Rachel (Inactive)	M	Lewis
Stella	Ann	Smith
Test User		Smith
Tom		Lee
Tutorial		Employee
Wilson		Smith

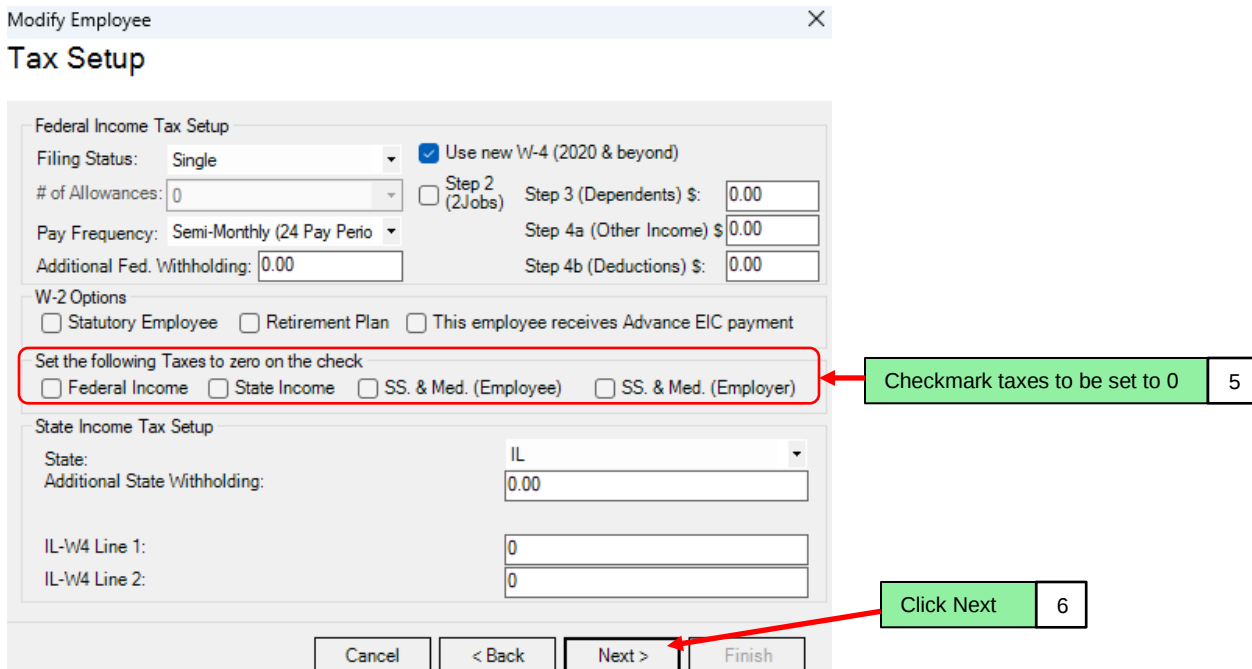
4. Welcome to the Modify Employee Wizard dialog will open, click **Next**



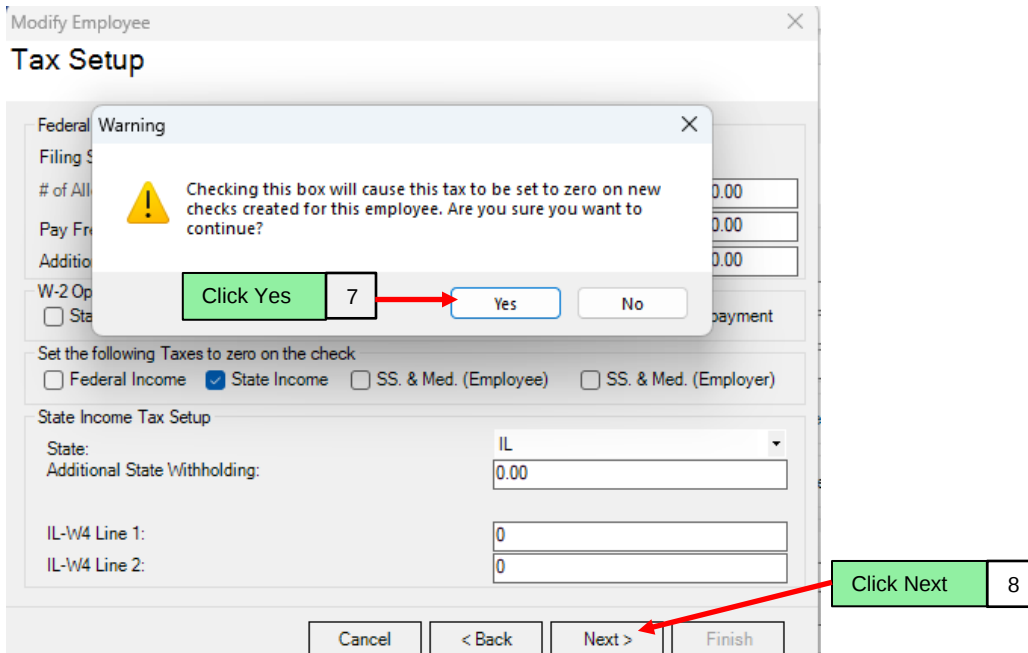
Continue to select Next, until you reach the **Tax Setup**

5. **Checkmark the taxes** for which the employee is claiming an exemption from withholding

6. Click **Next**



7. Click **Yes**
8. Click **Next**



9. Warning will appear. **Read warning carefully**
10. **Click in the box** next to: "I have checked with the IRS or a tax professional and I would like to proceed. I understand this change might cause issues." That will place a large X in the box.
11. Click **Proceed**



12. You will return to the Tax Setup, click **Next**

Modify Employee ×

Tax Setup

Federal Income Tax Setup

Filing Status: Single ☒ Use new W-4 (2020 & beyond)

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

Pay Frequency: Semi-Monthly (24 Pay Perio Step 4a (Other Income) \$: 0.00

Additional Fed. Withholding: 0.00 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

Cancel < Back Next > Finish

Click Next 12

Continue to click next until you reach **Taxes**

13. **DO NOT** uncheck what is already checked on the Taxes page

14. Click **Next**

Modify Employee ×

Taxes

[How to Create a Tax Category](#)

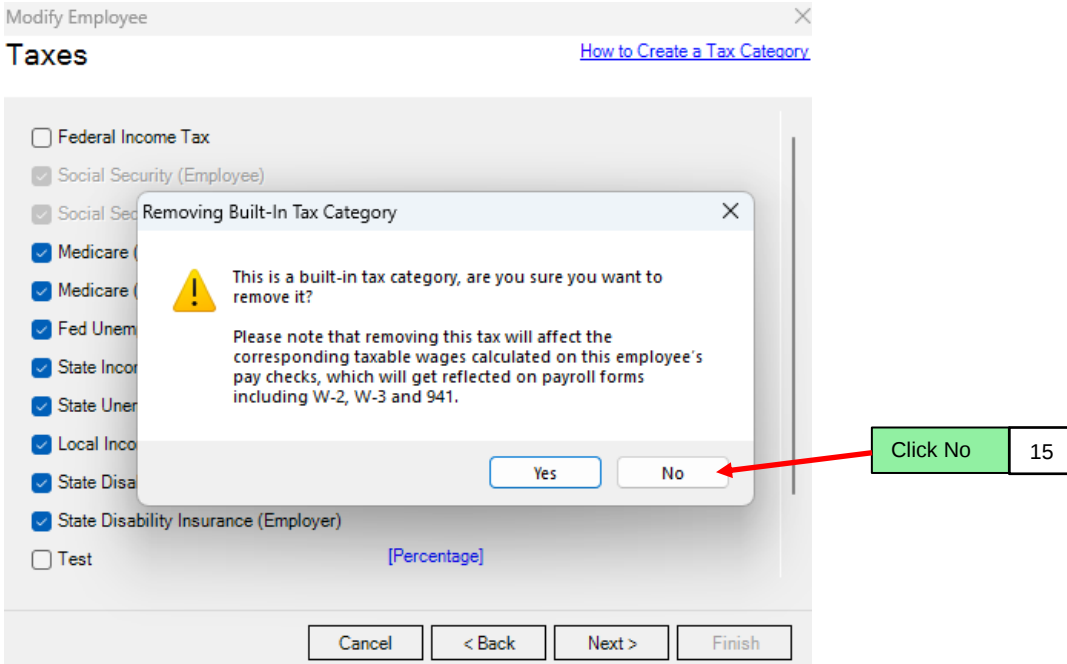
- ☒ Federal Income Tax
- ☒ Social Security (Employee)
- ☒ Social Security (Employer)
- ☒ Medicare (Employee)
- ☒ Medicare (Employer)
- ☒ Fed Unemployment (Employer)
- ☒ State Income Tax
- ☒ State Unemployment (Employer)
- ☒ Local Income Tax
- ☒ State Disability Insurance (Employee)
- ☒ State Disability Insurance (Employer)
- ☐ Test [Percentage]

DO NOT uncheck tax on this page 13

Click Next 14

Cancel < Back Next > Finish

15. If you do uncheck a tax, you will get a warning message that removing this tax will affect the taxable wages which will reflect on the W2, W3 and 941 forms.
Click **No**



Modify Employee

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

- ☐ Federal Income Tax
- ☒ Social Security (Employee)
- ☒ Social Security (Employer)
- ☒ Medicare (Employee)
- ☒ Medicare (Employer)
- ☒ Federal Unemployment Tax
- ☒ State Income Tax
- ☒ State Unemployment Tax
- ☒ Local Income Tax
- ☒ State Disability Insurance (Employee)
- ☒ State Disability Insurance (Employer)
- ☐ Test [Percentage]

Removing Built-In Tax Category

! This is a built-in tax category, are you sure you want to remove it?

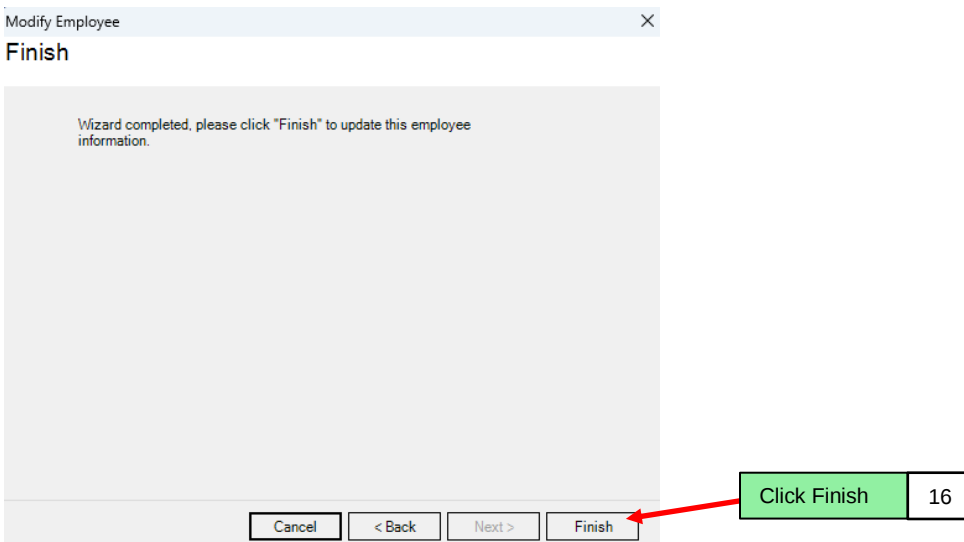
Please note that removing this tax will affect the corresponding taxable wages calculated on this employee's pay checks, which will get reflected on payroll forms including W-2, W-3 and 941.

Yes No

Cancel < Back Next > Finish

Click No 15

16. Click **Finish**



Modify Employee

Finish

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

Cancel < Back Next > Finish

Click Finish 16