

HOW TO SET UP AND MANAGE EMPLOYEE REIMBURSEMENTS

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.

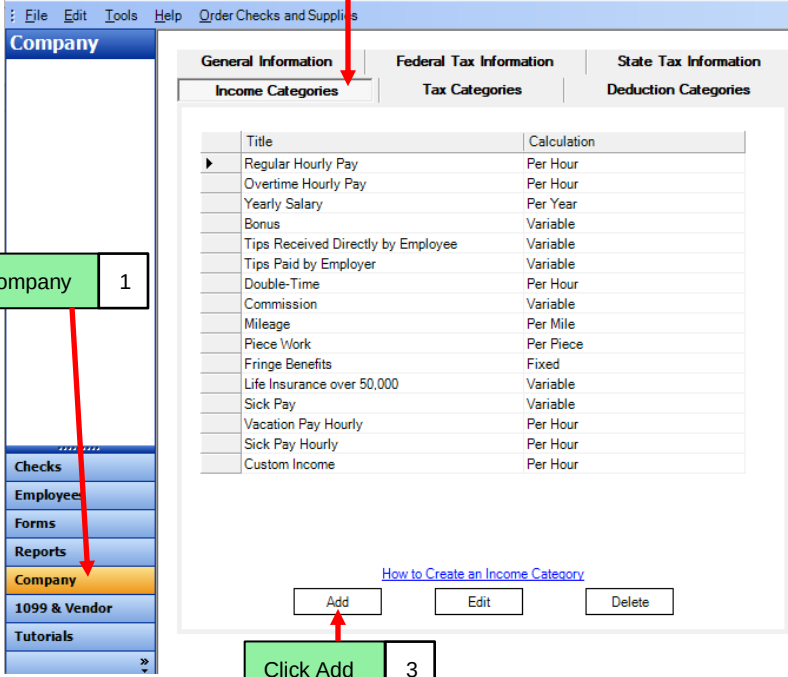
We recommend reimbursements are made outside the Payroll Mate software. If you are going to make reimbursements on an employee's paycheck, we recommend setting up the reimbursement category and running a sample check (that can be deleted) to confirm the figures are being reported as expected on Form 941 and W2.

To create a custom income category:

Make sure you have the correct company open.

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

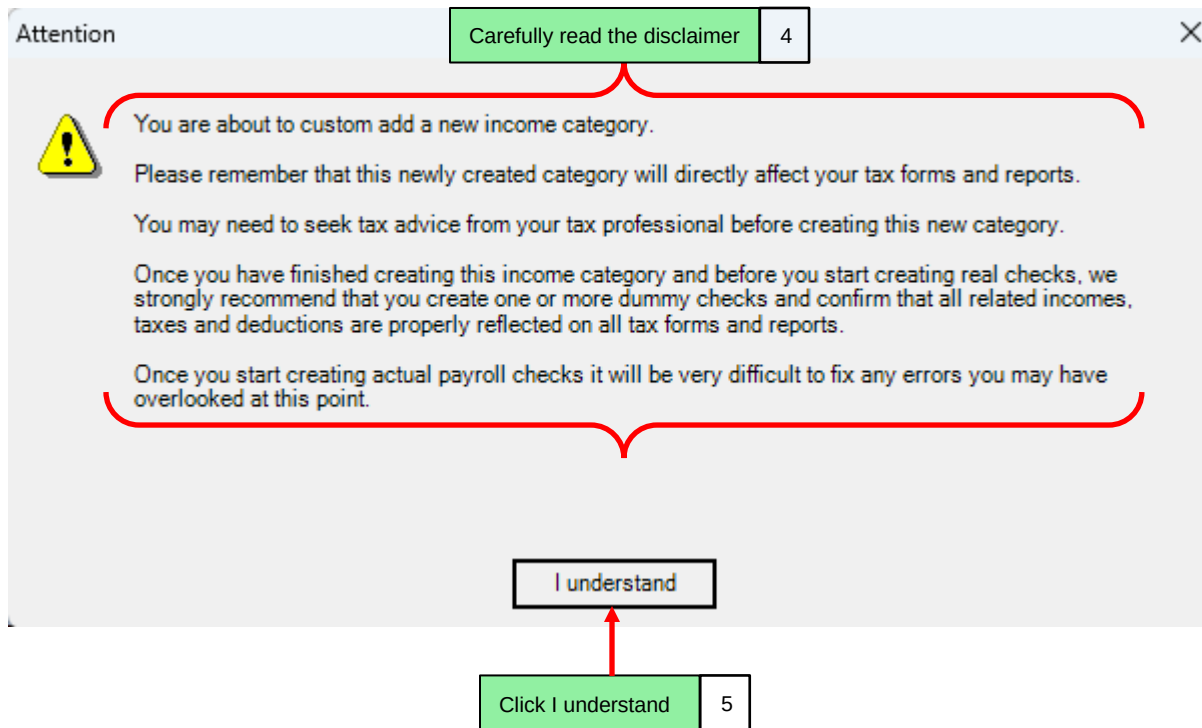
Click Income Categories 2



The screenshot shows the Payroll Mate software interface. On the left is a vertical menu with options: Checks, Employees, Forms, Reports, Company (highlighted in orange), 1099 & Vendor, and Tutorials. A red arrow points from the 'Company' menu item to a green box labeled 'Click Company 1'. The main window has a tabbed interface with 'General Information', 'Federal Tax Information', and 'State Tax Information'. Under 'General Information', there are three sub-tabs: 'Income Categories', 'Tax Categories', and 'Deduction Categories'. A red arrow points from the 'Income Categories' sub-tab to a green box labeled 'Click Income Categories 2'. The 'Income Categories' sub-tab displays a table with two columns: 'Title' and 'Calculation'. The table lists various income categories like Regular Hourly Pay, Overtime Hourly Pay, Yearly Salary, Bonus, Tips Received Directly by Employee, Tips Paid by Employer, Double-Time, Commission, Mileage, Piece Work, Fringe Benefits, Life Insurance over 50,000, Sick Pay, Vacation Pay Hourly, Sick Pay Hourly, and Custom Income. At the bottom of the table are three buttons: 'Add', 'Edit', and 'Delete'. A red arrow points from the 'Add' button to a green box labeled 'Click Add 3'. Above the 'Add' button is a link that says 'How to Create an Income Category'.

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
Custom Income	Per Hour

4. **Carefully read the disclaimer** to make sure you understand it.
5. Once you have carefully read and understand the disclaimer, click **I understand**



6. **Enter Title** you want
7. **Select Type** from the dropdown menu
8. **Edit Taxes and Deductions** as needed
9. Click **OK**

NOTE: This tutorial assumes the reimbursement is NOT included on the 941/W2/W3 as taxable income. Reimbursements are included in the net pay and are exempt from Federal Income tax, Social Security, Medicare, and Federal Unemployment. You will need to uncheck the applicable taxes and deductions when creating the income.

State tax laws vary. Please consult your tax advisor to determine if any state taxes are affected by this payroll item and update your setup accordingly.

Income Details
✕

Title:

Abbreviation:

Type: Per Year ▼

W-2 Box 12 Code:

W-2 Box 14 Abbreviation:

☐ Reported tips (include in "Social security tips" on form W-2)

☐ Omit from Net Pay

☐ Inactive

Enter Title 6

Select Type 7

Taxes Applied:

- ☒ Federal Income Tax
- ☒ Social Security (Employee)
- ☒ Social Security (Employer)
- ☒ Medicare (Employee)
- ☒ Medicare (Employer)
- ☒ Fed Unemployment (Employee)
- ☒ State Income Tax
- ☒ State Unemployment (Employee)

Deductions Applied:

- ☒ 401K (Employee)
- ☒ 401K (Employer)
- ☐ Health Insurance
- ☐ Child Support
- ☐ Test Deduction
- ☐ Supplemental Life Ins

Edit Taxes and Deductions 8

Carefully review NOTE in red:

You will need to uncheck the applicable taxes and deductions when creating the income.

Click OK 9

OK Cancel

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The reimbursement income category is now in the list of Income Categories.

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
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 \$0,000	Variable
Sick Pay	Variable
Vacation Pay Hourly	Per Hour
Sick Pay Hourly	Per Hour
Custom Income	Per Hour
Employee Reimbursement	Variable

[How to Create an Income Category](#)
Add Edit Delete

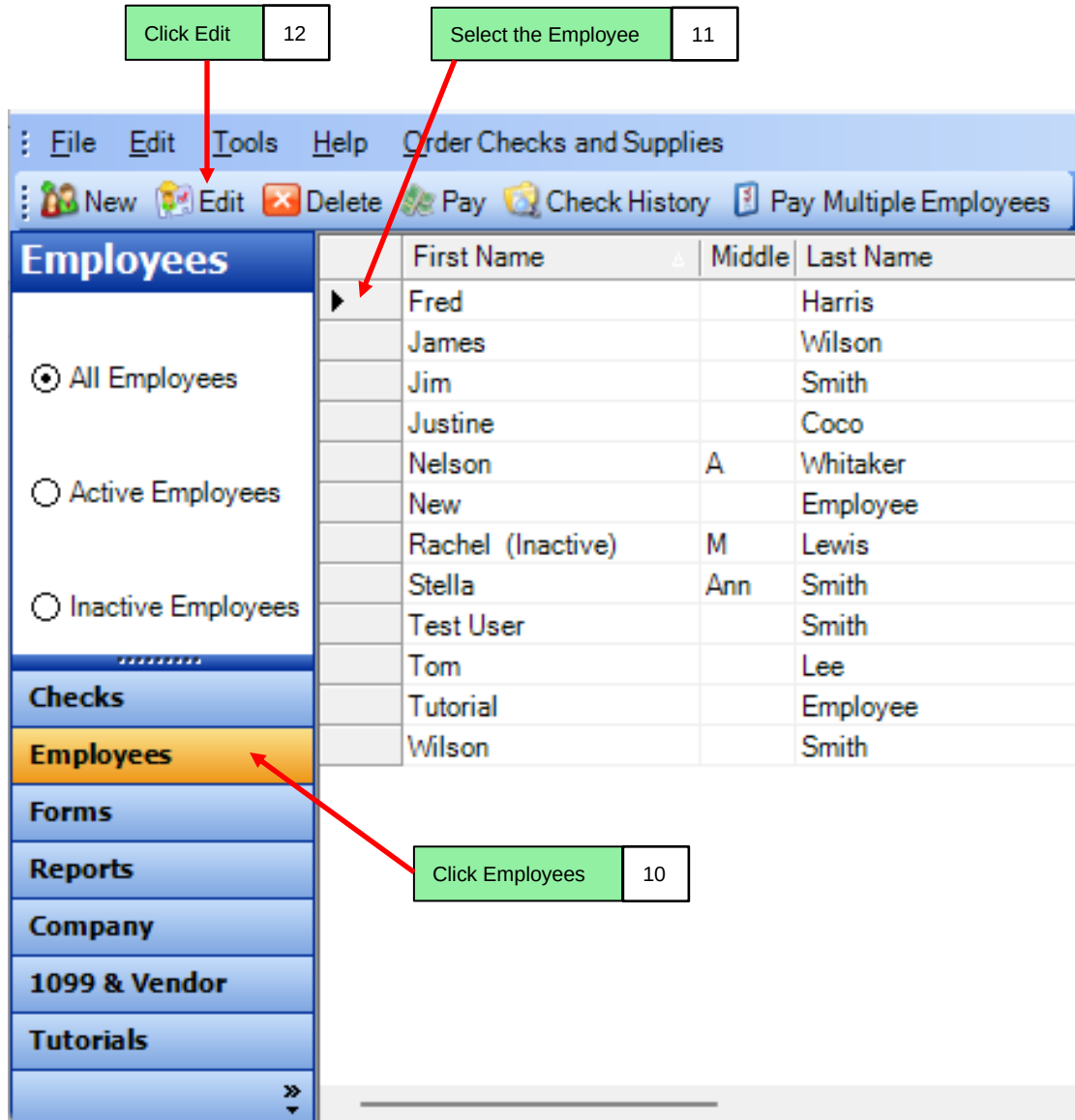
Checks
Employees
Forms
Reports
Company
1099 & Vendor
Tutorials

After creating the custom tax category, you may now apply it to your employee(s).

10. Click **Employees**

11. **Select the Employee** you need to add the newly created custom tax category to.

12. Click **Edit**



The screenshot shows the Payroll Mate application window. The menu bar includes File, Edit, Tools, Help, and Order Checks and Supplies. The toolbar contains icons for New, Edit, Delete, Pay, Check History, and Pay Multiple Employees. On the left is a navigation pane with categories: Employees (selected), Checks, Forms, Reports, Company, 1099 & Vendor, and Tutorials. Under the Employees category, there are radio buttons for All Employees, Active Employees, and Inactive Employees. The main area displays a table of employees with columns for First Name, Middle, and Last Name. A callout box labeled 'Click Edit' with the number 12 points to the Edit button in the toolbar. Another callout box labeled 'Select the Employee' with the number 11 points to the first row of the employee table (Fred Harris). A third callout box labeled 'Click Employees' with the number 10 points to the Employees menu item in the navigation pane.

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

13. The Welcome to the Modify Employee Wizard will appear, click **Next**

Modify Employee X

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 13

Cancel < Back **Next >** Finish

Continue to click next until you reach the **Incomes** screen

14. **Select the Income Category** you just created (Example: Employee Reimbursement)

15. Click **Next**

Modify Employee X

Incomes [How to Create an Income Category](#)

☐ Piece Work	[Per Piece]	0.00
☐ Fringe Benefits	[Fixed]	0.00
☐ Vacation Pay Hourly	[Per Hour]	0.00
☐ Sick Pay Hourly	[Per Hour]	0.00
☐ Custom Income	[Per Hour]	0.00
☐ Bonus	[Variable]	
☐ Tips Received Directly by Employee	[Variable]	
☐ Tips Paid by Employer	[Variable]	
☐ Commission	[Variable]	
☐ Life Insurance over 50,000	[Variable]	
☐ Sick Pay	[Variable]	
☐ Employee Reimbursement	[Variable]	

Select the Income Category 14

Click Next 15

Cancel < Back **Next >** Finish

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

16. Click **Finish**

Modify Employee >

Finish

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

Cancel < Back Next > Finish

Click Next 16

You have now applied your newly created custom income category to that one employee.
You may proceed with applying it other employees, if needed.