

HOW TO SET UP HEALTH SAVINGS ACCOUNT (HSA) DEDUCTION

Question

PLEASE REFER TO THE STEPS BELOW:

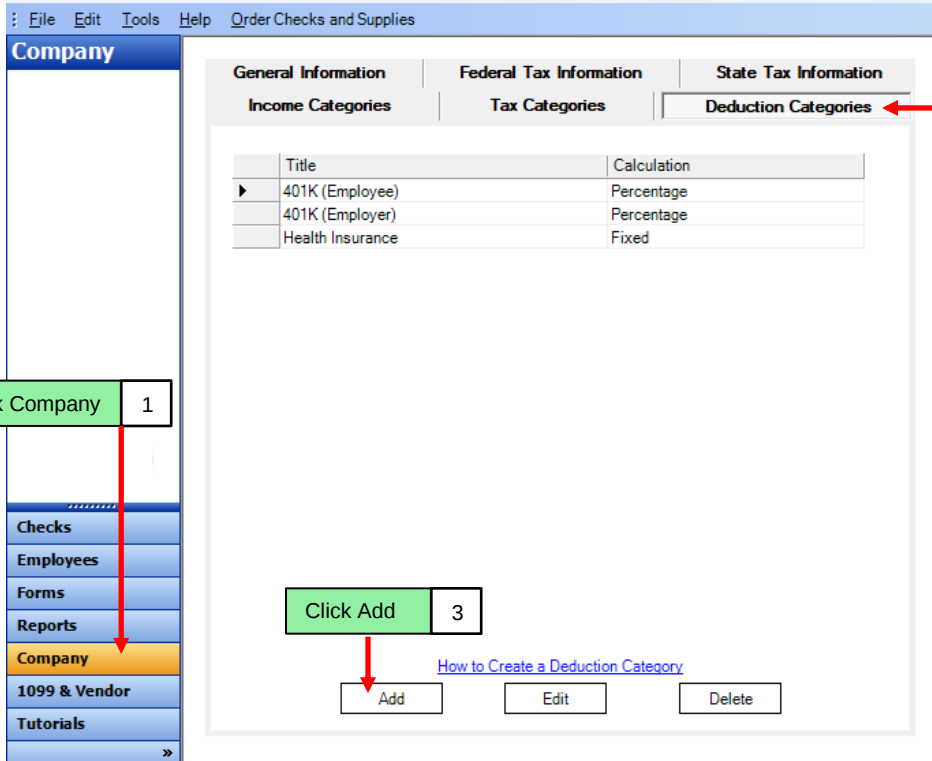
Answer

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.

A Health Savings Account (HSA) is a tax-exempt trust or custodial account you set up with a qualified HSA trustee to pay or reimburse certain medical expenses you incur. You must be an eligible individual to qualify for an HSA. <https://www.irs.gov/pub/irs-pdf/p969.pdf>

Make sure you have the correct company open inside Payroll Mate.

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



The screenshot shows the Payroll Mate software interface. On the left is a navigation menu with options: Checks, Employees, Forms, Reports, Company (highlighted in orange), 1099 & Vendor, and Tutorials. A green callout box labeled "Click Company" with a "1" in a box points to the "Company" menu item. The main window has tabs for General Information, Federal Tax Information, and State Tax Information. Under Federal Tax Information, there are sub-tabs for Income Categories, Tax Categories, and Deduction Categories. A green callout box labeled "Click Deduction Categories" with a "2" in a box points to the "Deduction Categories" sub-tab. The "Deduction Categories" sub-tab is active, showing a table with the following data:

Title	Calculation
▶ 401K (Employee)	Percentage
401K (Employer)	Percentage
Health Insurance	Fixed

Below the table, there is a green callout box labeled "Click Add" with a "3" in a box pointing to an "Add" button. Other buttons labeled "Edit" and "Delete" are also visible. A link "How to Create a Deduction Category" is also present.

4. Read information carefully
5. Click I understand

Attention

Read carefully4



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.

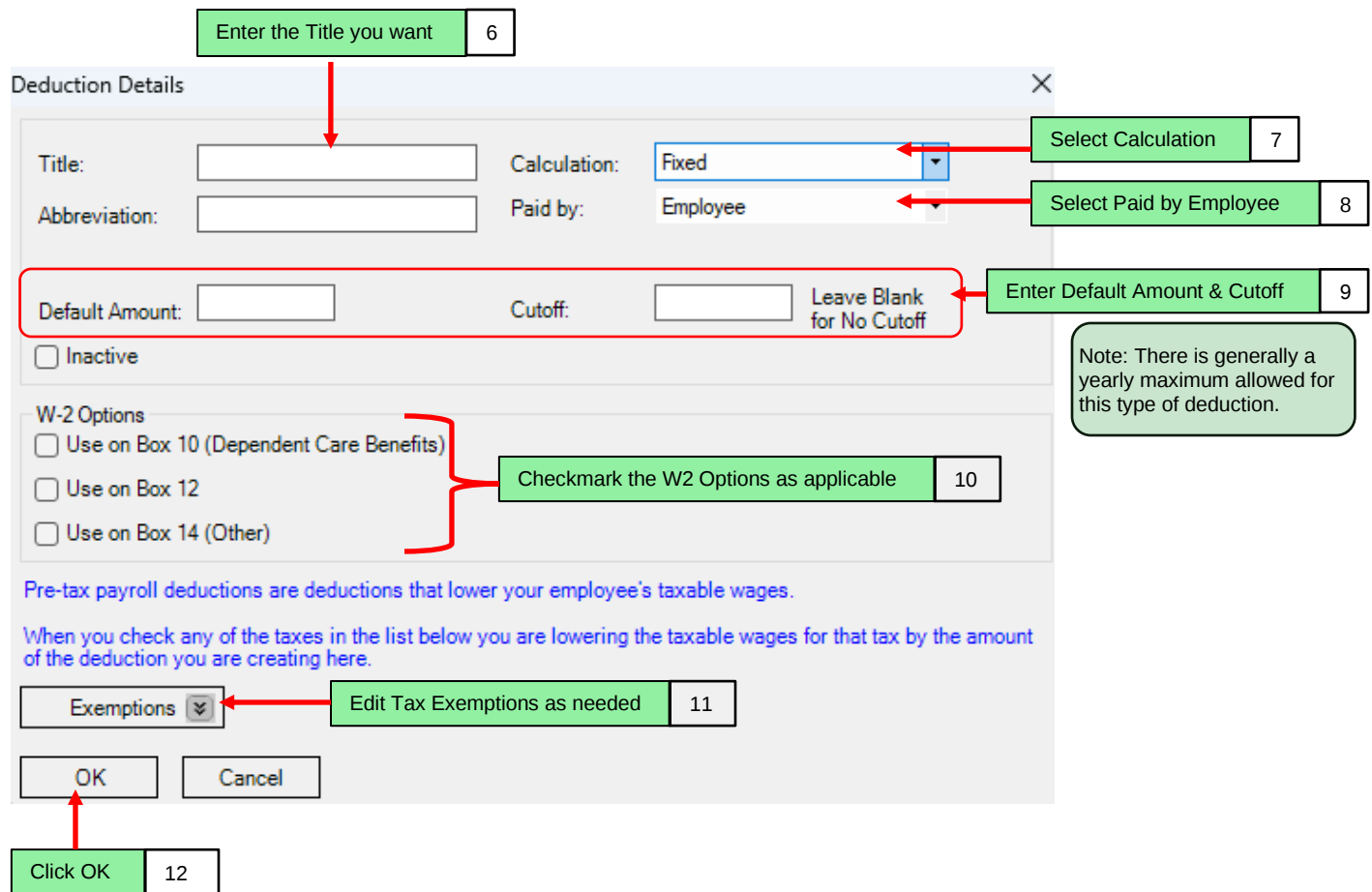
You may need to seek tax advice from your tax professional before creating this new category.

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.

I understandClick I understand5

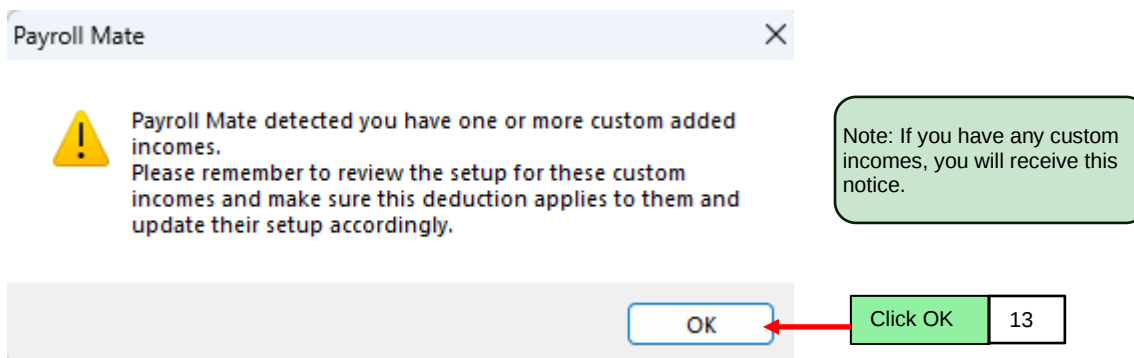
6. Deduction Details box will appear. Enter **Title** for the Health Savings Account (HSA) **Deduction**
7. Select a **Calculation** for the deduction from the drop-down menu. You may need to seek advice on which method to use (fixed amount or percentage).
8. Select **Paid by Employee** from the drop-down menu.
9. **Enter the Default Amount** (can modify at employee level) **and Cutoff** (as applicable)
10. **Checkmark W2 Options** (as applicable)
11. **Edit Tax Exemptions** (as needed)
12. Click **OK**



The screenshot shows the 'Deduction Details' dialog box. Callout 6 points to the 'Title' field. Callout 7 points to the 'Calculation' dropdown menu, which is set to 'Fixed'. Callout 8 points to the 'Paid by' dropdown menu, which is set to 'Employee'. Callout 9 points to the 'Default Amount' and 'Cutoff' fields, which are both empty. Callout 10 points to the 'W-2 Options' section, which includes three checkboxes: 'Use on Box 10 (Dependent Care Benefits)', 'Use on Box 12', and 'Use on Box 14 (Other)'. Callout 11 points to the 'Exemptions' dropdown menu. Callout 12 points to the 'OK' button. A note on the right states: 'Note: There is generally a yearly maximum allowed for this type of deduction.'

Note: This tutorial assumes that the HSA payroll item is NOT exempt from any taxes. You cannot rely on this tutorial for tax advice and will need to consult a tax professional if you are unsure how Health Savings Account HSA deductions should be set up. 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.

13. Click **OK**

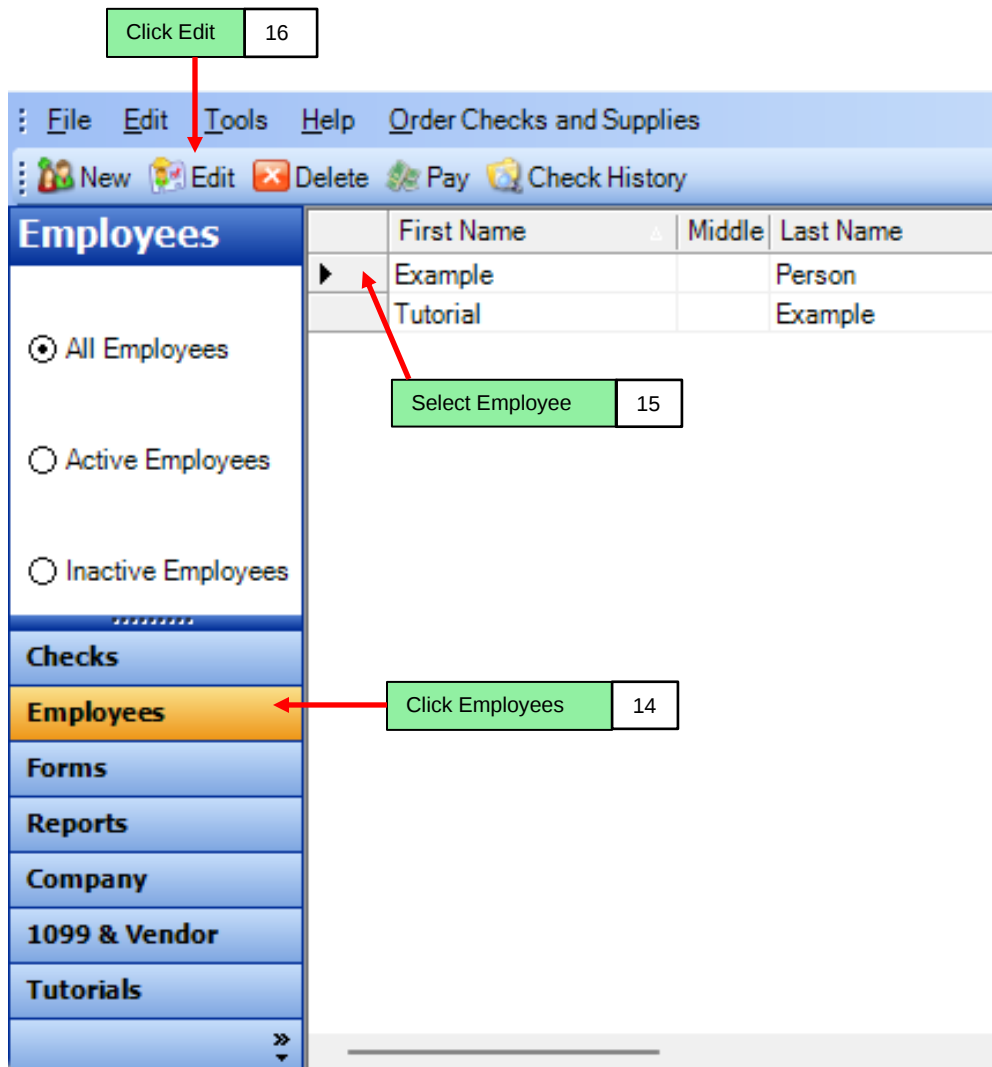


If you need to update custom income categories to apply the Health Savings Account (HAS) deduction, refer to steps 14-21. If this does not apply to you, please proceed to step 22.

To update custom income categories

14. Click **Employees**
15. **Select an Employee**
16. Click **Edit**

Click Edit 16



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, and Check History. The left sidebar has a tree view with categories: Employees (selected), Checks, Forms, Reports, Company, 1099 & Vendor, and Tutorials. The main area displays a table of employees.

	First Name	Middle	Last Name
▶	Example		Person
	Tutorial		Example

Select Employee 15

Click Employees 14

17. Welcome to Modify Employee Wizard will appear, click **Next**

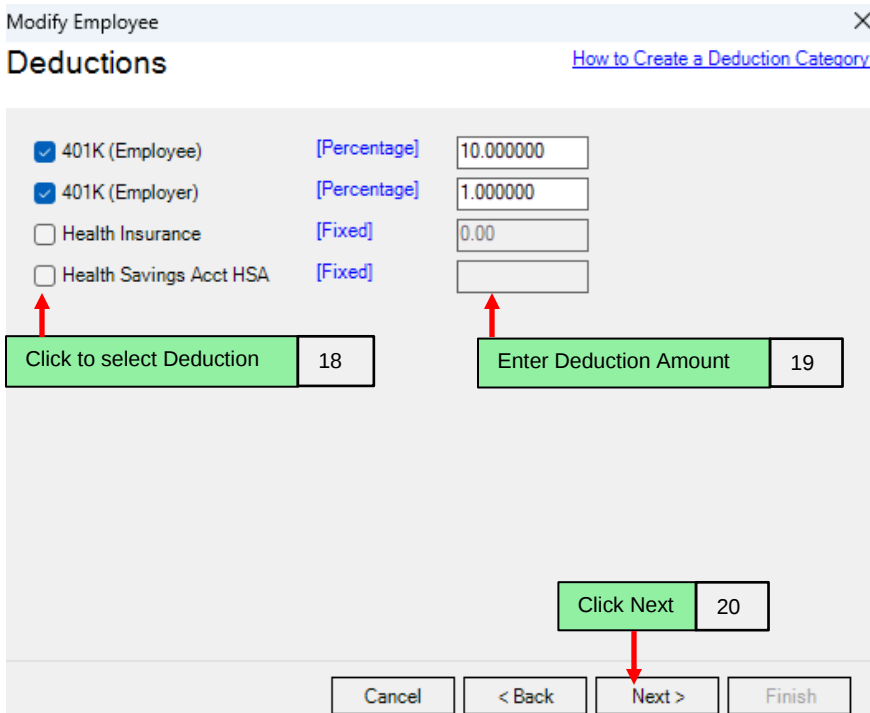


Continue to click Next, until you reach the **Deductions** page

18. **Click to select the Deduction** you created (Example: Health Savings Acct HSA)

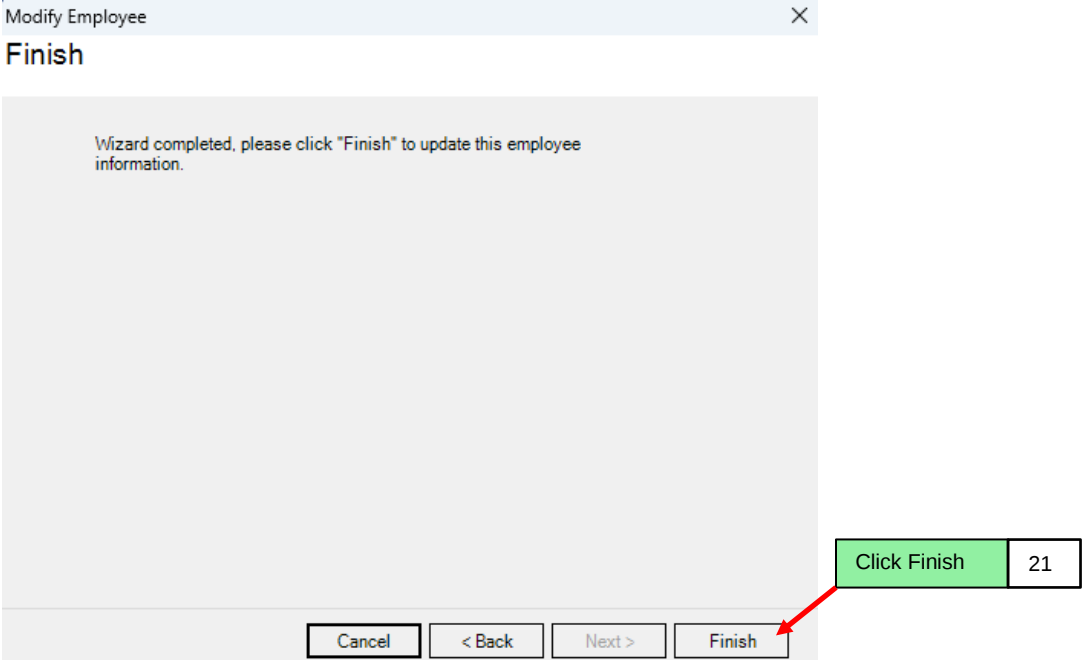
19. **Enter deduction amount**

20. Click **Next**



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

21. Click **Finish**



Modify Employee X

Finish

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

Click Finish 21

Cancel < Back Next > Finish

Repeat steps 14-21 for each applicable employee.

22. When creating a new payroll check for the employee the Health Savings Account HSA deduction category will be visible.

Check Details

General Information

Employee: Smith, Katie

Begin Date: Month DD, YYYY

Check #: 1

Pay Date: Month DD, YYYY

End Date: Month DD, YYYY

Recalculate

Pay Frequency: Semi-Monthly (24 Pay Periods)

Income Details

Income:	Rate:	Type:	Quantity:	Amount:	YTD:
Yearly Salary	132000.0000	Per Year	N/A	5500.00	5500.00

Deduction

22

Vacation / Sick Hours

	Amount:	YTD:
Vac. hours eamed	16.00	16.00
Vac. hours used	0.00	0.00
Sick hours eamed	8.00	8.00
Sick hours used	0.00	0.00

[Learn how to rollover hours from last year](#)

Tax Details

Tax:	Amount:	YTD:
Federal Income Tax	739.92	739.92
Social Security (Employee)	341.00	341.00
Medicare (Employee)	79.75	79.75
State Income Tax	245.03	245.03
Local Income Tax	0.00	0.00
State Disability Insurance (Employee)	0.02	0.02
Social Security (Employer)	341.00	341.00
Medicare (Employer)	79.75	79.75
Fed Unemployment (Employer)	33.00	33.00
State Unemployment (Employer)	110.00	110.00
State Disability Insurance (Employer)	0.02	0.02

DeductionDetails

Deduction:	Amount:	YTD:
401K (Employee)	550.00	550.00
Health Savings Acct HSA	100.00	100.00
401K (Employer)	55.00	55.00

Other Optional Details

	Amount:	YTD:
Hours Worked	0.00	.00
Weeks Worked	0.00	.00

Check Summary

	Total Incomes:	Total Taxes:	Total Deductions:	Net Pay:
This Check:	5500.00	1405.72	650.00	3444.28
YTD:	5500.00	1405.72	650.00	3444.28

MEMO:

OK

Cancel