

HOW TO SET UP TIPS

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.

Payroll Mate Software has 2 tip income categories built into the software.

Tips Received Directly by Employee (Cash Tips) – these tips will be excluded from net pay and will be taxed as income.

Example of Cash tips: A tip was left in cash and the server already has the funds in hand. The employer only needs to report the amount so it is taxed as income.

Tips Paid by Employer (Paycheck Tips) – these tips will be included in net pay and taxed as income.

Example of Paycheck tips: A tip was left by credit card and the employer needs to pay this tip amount out to the server on their regular paycheck.

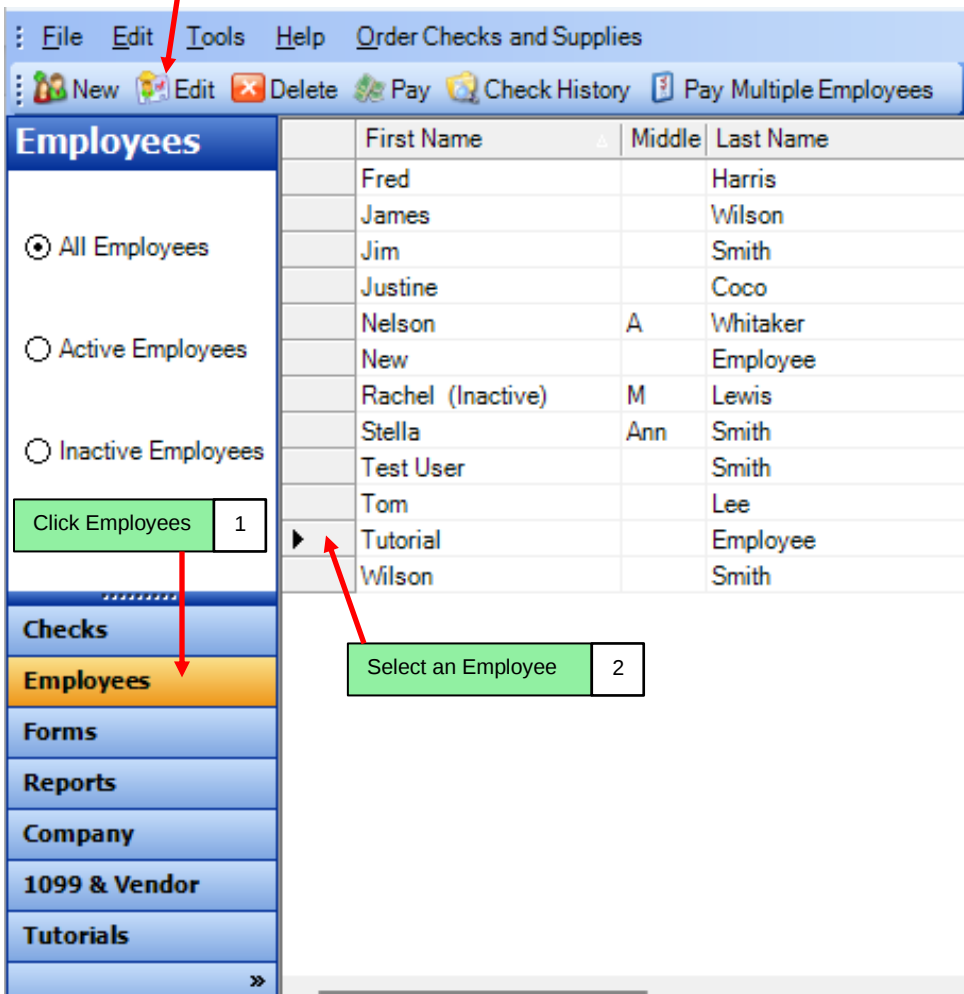
If either of these income categories do not apply to you, then you may add a new tip income category. See the tutorial [How to Add an Income Category](#)

You will need to apply the tip income to each employee as needed.

Make sure you are in the correct company.

1. Click **Employees**
2. **Select an Employee**
3. Click **Edit**

Click Edit 3



Employees

☒ All Employees

☐ Active Employees

☐ Inactive Employees

Click Employees 1

Checks

Employees

Forms

Reports

Company

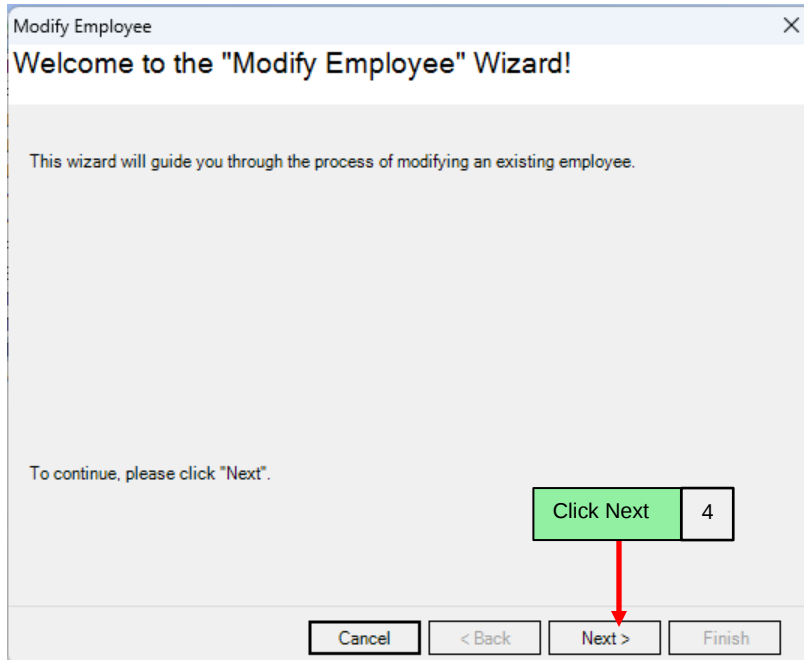
1099 & Vendor

Tutorials

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

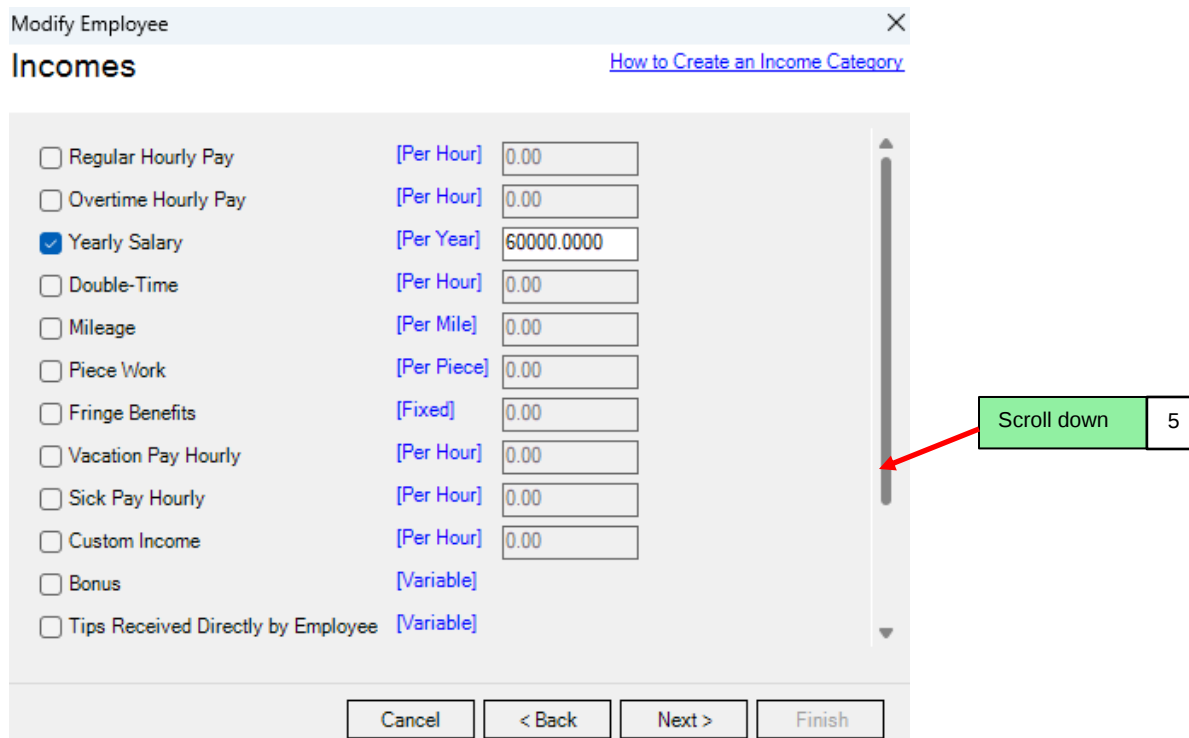
Select an Employee 2

4. Welcome to the New Company Wizard will appear. Click **Next**



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

5. **Scroll down** the page to see both built-in Tips Incomes



6. Click **Tips Received Directly by Employee** (place checkmark)
7. Click **Tips Paid by Employer** (place checkmark)
8. Click **Next**

Modify Employee >

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

☐ Mileage	[Per Mile]	0.00
☐ 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]	6
☒ Tips Paid by Employer	[Variable]	7
☐ Commission	[Variable]	
☐ Life Insurance over 50,000	[Variable]	
☐ Sick Pay	[Variable]	

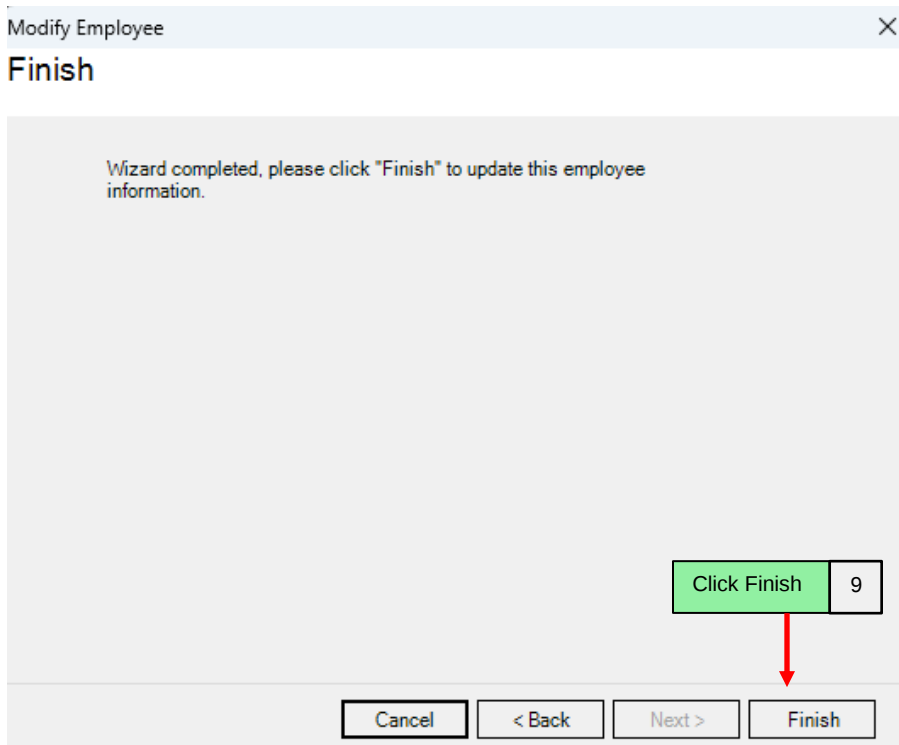
Click Next 8

Cancel < Back **Next >** Finish

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

9. Click **Finish**

Note: Your information will not be saved if you do not click Finish



The screenshot shows a 'Modify Employee' dialog box with a close button (X) in the top right corner. The title bar reads 'Modify Employee'. Below the title bar, the word 'Finish' is displayed. The main area of the dialog contains the text: 'Wizard completed, please click "Finish" to update this employee information.' At the bottom of the dialog, there are four buttons: 'Cancel', '< Back', 'Next >', and 'Finish'. A red arrow points from a green box labeled 'Click Finish' to the 'Finish' button. The number '9' is in a small box next to the 'Click Finish' label.

Repeat steps 1-9 for each applicable employee

10. When creating a new payroll check for the employee the new income categories (Tip Income Categories) will be visible.

Enter the dollar amount of tips to record for this paycheck in the Rate columns.

Check Details

General Information

Pay Frequency: Semi-Monthly (24 Pay Periods)

Employee: Employee, Tutorial

Begin Date: Month DD, YYYY

Check #: 25

Pay Date: Month DD, YYYY

End Date: Month DD, YYYY

Recalculate

Income Details

Income:	Rate:	Type:	Quantity:	Amount:	YTD:	Vacation / Sick Hours
Yearly Salary	60000.0000	Per Year	N/A	2500.00	3653.85	Vac. hours earned 0.00 0.00
Tips Received Directly by Employee	1250.0000	Variable	N/A	1250.00	1556.00	Vac. hours used 0.00 0.00
Tips Paid by Employer	300.0000	Variable	N/A	300.00	332.00	Sick hours earned 0.00 0.00
						Sick hours used 0.00 0.00

Tip Income Categories

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

Tax Details

Tax:	Amount:	YTD:
Federal Income Tax	541.58	1734.14
Social Security (Employee)	251.10	1094.76
Medicare (Employee)	58.73	256.04
State Income Tax	200.48	874.07
Local Income Tax	0.00	0.00
State Disability Insurance (Employee)	0.00	0.00
My own tax category	0.00	0.00
Social Security (Employer)	251.10	1094.76
Medicare (Employer)	58.73	256.04
Fed Unemployment (Employer)	0.00	49.60
State Unemployment (Employer)	60.75	264.87
State Disability Insurance (Employer)	0.00	0.00
Retirement Expenses	100.00	0.00

Deduction Details

Deduction:	Amount:	YTD:

Other Optional Details

	Amount:	YTD:	Check Summary				
Hours Worked	0.00	.00	This Check:	Total Incomes:	Total Taxes:	Total Deductions:	Net Pay:
Weeks Worked	0.00	.00	YTD:	4050.00	1051.89	0.00	1748.11
				5541.85	3959.01	0.00	26.84

MEMO:

OK

Cancel