Setting up taxes – in-house payroll

Goal: Learn how to set up employer- and employee-paid taxes for in-house payroll in Ajera.

In this quick lesson

Ajera calculates federal, state, and local taxes. It automatically sets up federal taxes during installation. For taxes consisting of portions paid by the employee and employer, such as Social Security, Ajera sets up two taxes.

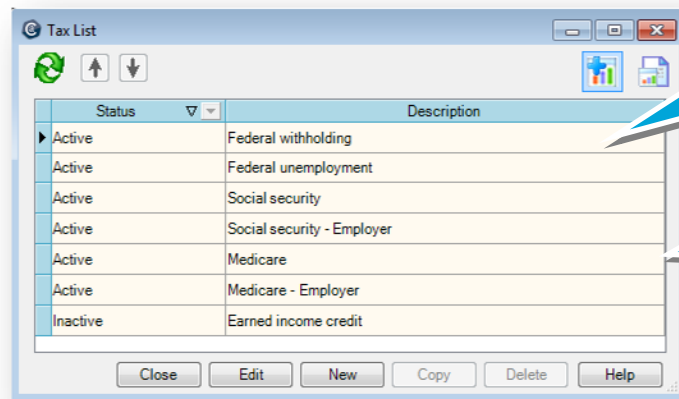You can easily add any state, local, or other taxes as needed.

Ajera service plans ensure that your tax tables are always up-to-date. Access to the latest information helps you maintain accuracy and avoid filing delays, fines, or audits that can result from sending incorrect payroll tax reports.

In this quick lesson, you'll set up an employer-paid state tax for unemployment insurance and manually enter the rate. Then, you'll set up an employee-paid tax for state withholding, which automatically uses a tax table.

Step 1: Review the predefined taxes

View the active and inactive taxes in Ajera.

1. Click **Company** > **Payroll** > **Taxes**.

2. Click the **Customize** ![icon] button, select the **Status** check box, and click **OK**.

3. In the Tax List window, select **All** from the Status field so you can see all statuses.
    Notice that all the federal taxes are established for you.

Ajera automatically sets up all the federal taxes for you.

Taxes appear on the paycheck stub in the order listed in this window. Ajera adds new taxes to the bottom of the list.

To change the order, just click and drag a tax to the appropriate location.

4. If you wanted to stop using a tax on paychecks, you would select the tax, click
    the **Edit** button, and change the status to **Inactive**.

Step 2: Set up an employer-paid tax

You want to create a state tax for unemployment insurance.

1. Click the **New** button.

2. Leave the status as **Active** and enter the name **Oregon State Withholding**.
   The description name appears on lists, paycheck stubs, and reports.

   Enter general information about the tax.

   Select this check box because your firm pays the tax.

   When would you clear this? You would clear this check box if a tax is deducted from the employee's paycheck, such as state disability.

3. Select the liability and expense accounts for the tax:

   This field is available only if the Employer tax check box is selected.

4. Ajera automatically reports the W-2 information for boxes 1 through 9.

   To report other taxes, select the appropriate option from the W-2 Form Boxes 10-20 field.

   For example, if reporting local boxes, select **Box 18-19 Local 1**.
   Some states might require reporting other items, such as SDI in Box 14.

   When would you use this? If you were reporting this tax in Box 14, 18, or 19, you would use this field to type the description you want to print.

   You may want to check with your firm's CPA or taxing agency when making this decision.

Step 2: Set up an employer-paid tax (continued)

5. Select the calculation method:

Leave the default calculation method, Percent of Taxable.

6. Select the rate and wage limit:

Enter the rate for your firm, which is provided by the state.

If the tax is subject to a wage limit, enter the maximum amount of income that is subject to this tax.

When would you use these? Use these fields if you want a rate or wage limit for the tax to become effective sometime in the future.

7. Here's what the completed tax looks like:

8. Click **Save**.

Step 3: Set up an employee-paid tax

Now, let's set up a tax for state withholding, which is based on a tax table. Ajera regularly provides up-to-date tables to ensure accurate tax calculations.

1. Click the **New** button.

2. Leave the status as **Active** and enter the name **Oregon State Withholding**.
   The description name will appear on lists, paycheck stubs, and reports.

   Enter general information about the tax.

   Leave this check box cleared. Ajera will withhold the tax from the employee.

3. Select the liability account for the tax:

4. When you select State Withholding from the Type field, these fields are automatically set to use tax tables:

5. Click **Save**.

Summary

You now know how to set up a tax in Ajera. This quick lesson showed you just a few of the options you can select. Be sure to review Ajera Help for the full details on setting up taxes.