

QUICKBOOKS INSTRUCTIONS FOR SETTING UP SECTION 125 DEDUCTIONS

Agents should provide these instructions to Payroll Administrators. Agents should never make the changes to the employer's QuickBooks themselves.

Payroll Administrators must create a separate payroll item for each payroll deduction from gross or net pay.

Examples of payroll deductions include union dues, loan repayments, employee-paid insurance, and employee contributions to a pension or 401(k) plan.

To add the Section 125 health premium deduction:

1. Go to the Lists menu and click 'Payroll Item List'.
2. Click the 'Payroll Item List' button and click 'New'.
3. Click 'Custom Setup', click 'Next'.
4. Select 'Deduction', click 'Next'.
5. Follow the on-screen instructions.

Type: Name – Health Insurance Pre-Tax – click 'Next'

Enter Name, number and choose liability account (the default is Payroll Liabilities)

Tax Tracking Type – use the dropdown arrow and select Premium Only/125

Taxes – the default should be accurate

Calculate based on quantity – select neither

Default Rate – leave blank – click 'Next'

6. Click 'Finish' when you're done.

Add the item to each employee:

1. Click 'Employee Center'
2. Double Click 'Employee'
3. Change tab: Payroll and Compensation Info
4. In the 'Additions, Deductions and Company Contributions' window, enter Item name and amount to be withdrawn from each paycheck
5. Click 'OK' in the upper right hand corner to save changes