

# 9

## Employer Taxes, Payments, and Reports

### DEMONSTRATION PROBLEM

The totals of the payroll register for Point-to Point Moving are given below. Assume the employment taxes are as follows:

State Unemployment, 5.4 percent	Social Security, 6.2 percent
Federal Unemployment, 0.8 percent	Medicare, 1.45 percent
Total Earnings	\$96,345
State Unemployment Taxable Earnings	21,200
Federal Unemployment Taxable Earnings	21,200
Social Security Taxable Earnings	84,500
Medicare Taxable Earnings	96,345
Federal Income Tax Deduction	26,964
Social Security Tax Deduction	5,239
Medicare Tax Deduction	1,397
Union Dues Deduction	1,560
Medical Insurance Deduction	4,250
Total Deductions	
Net Pay	

### Instructions

Journalize the following entries:

- To record the payroll, assuming the use of a payroll bank account.
- To record the payroll tax expense.
- To pay the payroll.
- To record the deposit of federal taxes that will be reported on the Employer's Quarterly Federal Tax Return (Form 941): employees' income taxes withheld, employees' FICA taxes withheld, and employer's share of FICA tax.
- To record payment of state unemployment insurance that will be reported on the state unemployment insurance tax form.
- To record the deposit of federal unemployment insurance that will be reported on the Employer's Annual Federal Unemployment Tax Return (Form 940).
- To record payment of employees' union dues withheld.
- To record payment of employees' medical insurance withheld.

## **SOLUTION**

GENERAL JOURNAL

PAGE \_\_\_\_\_

	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1		a. <i>Wages Expense</i>		96,345.00		1
2		<i>Employees' Federal Income Tax Payable</i>			26,964.00	2
3		<i>FICA Tax Payable</i>			6,636.00	3
4		<i>Employees' Union Dues Payable</i>			1,560.00	4
5		<i>Employees' Medical Insurance Payable</i>			4,250.00	5
6		<i>Wages Payable</i>			56,935.00	6
7		<i>To record wages as listed in the payroll</i>				7
8		<i>register, page 73.</i>				8
9						9
10		b. <i>Payroll Tax Expense</i>		7,950.40		10
11		<i>FICA Tax Payable</i>			6,636.00	11
12		<i>State Unemployment Tax Payable</i>			1,144.80	12
13		<i>Federal Unemployment Tax Payable</i>			169.60	13
14		<i>To record employer's share of FICA tax</i>				14
15		<i>and federal and state unemployment taxes.</i>				15
16		<i>( FICA tax = Social Security tax +</i>				16
17		<i>Medicare tax; Social Security tax =</i>				17
18		<i>\$84,500 x 0.062 = \$5,239</i>				18
19		<i>Medicare tax = \$96,345 x 0.0145</i>				19
20		<i>= \$1,397</i>				20
21		<i>FICA tax = \$5,239 + \$1,397</i>				21
22		<i>= \$6,636</i>				22
23		<i>SUTA tax = \$21,200 x 0.054</i>				23
24		<i>= \$1,144.80</i>				24
25		<i>FUTA tax = \$21,200 x 0.008</i>				25
26		<i>= \$169.60</i>				26
27						27
28		c. <i>Wages Payable</i>		56,935.00		28
29		<i>Cash</i>			56,935.00	29
30		<i>Paid wages.</i>				30
31						31
32		d. <i>Employees' Federal Income Tax Payable</i>		26,964.00		32
33		<i>FICA Tax Payable</i>		13,272.00		33
34		<i>Cash</i>			40,236.00	34
35		<i>Issued check to record deposit of federal</i>				35
36		<i>taxes.</i>				36
37						37
38		e. <i>State Unemployment Tax Payable</i>		1,144.80		38
39		<i>Cash</i>			1,144.80	39
40		<i>To record payment of state unemployment</i>				40
41		<i>tax.</i>				41
42						42
43		f. <i>Federal Unemployment Tax Payable</i>		169.00		43
44		<i>Cash</i>			169.00	44
45		<i>To record deposit of federal</i>				45
46		<i>unemployment tax.</i>				46
47						47

**SOLUTION (continued)**

GENERAL JOURNAL

PAGE \_\_\_\_\_

	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1		<i>g. Employees' Union Dues Payable</i>		<i>1,560.00</i>		1
2		<i>Cash</i>			<i>1,560.00</i>	2
3		<i>To record payment of employees' union</i>				3
4		<i>dues withheld.</i>				4
5						5
6		<i>h. Employees' Medical Insurance Payable</i>		<i>4,250.00</i>		6
7		<i>Cash</i>			<i>4,250.00</i>	7
8		<i>To record payment of employees'</i>				8
9		<i>medical insurance premiums withheld.</i>				9
10						10