Payroll Accounting 2018 4th edition Landin Solutions Manual

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SOLUTIONS MANUAL: CHAPTER 2 END OF CHAPTER ANSWERS

ANSWERS TO STOP AND CHECK EXERCISES

What's in the File?

1. A, B, D, E

Match the pay frequencies:

2. B
3. D
4. A
5. C

Who Are You?

1. Student answers will vary. One possible way to prove both identity and employment is a current U.S. passport. Alternatively, a current state-issued driver's license and a social security card will work for the purposes of the I-9.

2. Student answers will vary. Many students may underestimate their estimated exemptions.

3. Student answers will vary. Examples of statutory employees include: A driver who distributes beverages (other than milk) or meat, vegetable, fruit, or bakery products or who picks up and delivers laundry or dry cleaning, if the driver is a single company's agent or is paid on commission. A full-time life insurance sales agent whose principal business activity is selling life insurance or annuity contracts, or both, primarily for one life insurance company. An individual who works at home on materials or goods that a company supplies and that must be returned to that company or a designated agent in accordance with furnished specifications for the work to be done. A full-time traveling or city salesperson who works on a single company's behalf and turns in orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments. The goods sold must be merchandise for resale or supplies for use in the buyer's business operation. The work performed for that single company must be the salesperson's principal business activity.

Exempt vs. Nonexempt

1. Exempt workers are exempt from the overtime provisions of FLSA. Exempt workers tend to be employees in a company's managerial or other leadership functions, in which they may need to work more than 40 hours per week to complete their tasks. Exempt workers usually receive a fixed salary per period that is not based on the number of hours worked. Nonexempt workers tend to be compensated on an hourly basis and often do not have managerial or leadership responsibilities. It should be noted

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that some nonexempt workers do have managerial or leadership responsibilities and may receive a fixed salary; however, these particular employees are covered by the overtime provisions of FLSA. An employee is defined as a person who works solely for one company. Most or all work-related materials are provided by the company. Employee payroll taxes are paid by the company, and the employee may be eligible for fringe benefits. In contrast, an independent contractor may have more than one company as a client. Independent contractors provide their own tools and materials, pay their own income taxes, and generally establish their working hours. An employee of a company is considered to be part of the payroll expense, whereas an independent contractor is a vendor of the company who submits invoices for payment.

2. C

3. Nonexempt. When workers are employed on a nonexempt basis, they are paid to perform a specific job regardless of the number of hours worked to accomplish that job. A 2014 Gallup Work and Education poll found that more than half of the nonexempt salaried workers surveyed worked in excess of 40 hours per week.

Worker Facts

1. Hourly workers and nonexempt are protected by the FLSA

2. Exempt workers receive a fixed amount of money and generally direct the actions of other employees; nonexempt workers are eligible for overtime and generally have their work directed by a manager.

3. Commission workers are typically tied to sales completed by the individual; piece rate pay is determined by the number of pieces the employee completes during a shift or period.

4. A minimum hourly rate is set by the U.S. Federal government. Minimum wage rates can and do vary per state, and different parts of the same state may have different minimum wages. The minimum wage may differ from a “living wage,” which is an amount needed to meet basic subsistence needs. As of 2017, approximately 40 cities and/or counties have enacted living wage ordinances to rise in relation to the Consumer Price Index.

Who Does Which Job?

Student answers will vary. The answer should reflect a clear separation of duties, cross-training, rotation of tasks, and security protocols.

Internal Controls and Audits

1. B

2. C

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Destroy and Terminate

1. Paper payroll records should be shredded or burned. Computer records should be purged from the server and all other storage devices.

2. Charlie should receive his final pay on October 12, and not later than October 13. His employer is not required to provide him with a severance package, although he may be eligible for his accrued vacation pay.

ANSWERS TO END-OF-CHAPTER MATERIALS

REVIEW QUESTIONS

1. What constitutes internal controls for a payroll department?

   a. Payroll system design, authorized signers, documentation, and review of the process

2. Why should more than one person prepare/verify payroll processing?

   a. Internal controls and verification to avoid fraud or theft

3. What documents are required in all new hire packets?

   a. I-9 and W-4

4. Why are new hires required to be reported to the state's employment department?

   a. The enforcement of child support and legal withholdings, ensuring immigrants are still eligible to work, verification of professional licensing/qualifications, administration of COBRA benefits

5. For the state in which you live, when must a terminated employee be paid his or her final paycheck?

   a. Student answers will vary. This is a state specific regulation time ranging from the point of discharge to no time requirements.

6. What are the five main payroll frequencies?

   a. Daily, weekly, biweekly, monthly, semi-monthly

7. What are some of the best practices in establishing a payroll system?

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a. Keep any requests for leave with the related paystubs, file retention schedule, have more than one person responsible for the duties/verification, and separation of duties

8. What are the important considerations in setting up a payroll system?

a. Pay frequency, pay types, method of payment, benefits, manual/computerized/outsourced payroll processing, file security system

9. What are the different tasks involved in payroll accounting?

a. Entering the employees, entering the hours, calculation of gross wages, preparation of paychecks, payment of taxes, reporting requirements

10. When does a payroll record retention period begin?

a. Disbursement of pay

11. What agencies or organizations can audit a company's payroll records?

1. The Internal Revenue Service (IRS)
2. Federal and State Departments of Labor
3. Department of Homeland Security
4. Other state and local agencies
5. Labor unions

12. How long must employers keep terminated employee records?

a. Seven years from the date of termination

13. Are independent contractors included in company payroll? Why or why not?

a. It depends; some independent contractors are not included in the company's payroll, but are treated as vendors. Some independent contractors are considered statutory employees and would be included in the company's payroll.

14. What is the difference between termination and resignation?

a. An employee is terminated by the employer; when the employee initiates the separation it is a resignation. Employees who resign will receive their final paycheck in the normal payroll cycle, whereas terminated employees may be required to receive theirs sooner.

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15. What is the difference between weekly, biweekly, semi-monthly, and monthly pay periods?

a. A weekly pay period is for one week, biweekly pay period is two weeks long, semi-monthly pay period is twice a month, and monthly pay period is once a month.

16. What differentiates exempt and nonexempt employees?

a. Nonexempt employees are covered under the Fair Labor Standards Act (FLSA) and are in non-supervisory positions. Exempt employees are typically in managerial positions, are exempt from overtime pay requirements and the FLSA.

17. What categories exist for the purpose of document retention?

1. Payroll Records (time sheets, electronic records, etc.)

2. Employee federal, state, and local income tax records

3. Form I-9 and accompanying employee eligibility documents

4. Employee benefits and contributions

5. Health plan documentation

EXERCISES SET A

E2-1A. Krystal Valdez, a nonexempt employee at Misor Investments, works a standard 8:00–5:00 schedule with an hour for lunch. Krystal received overtime pay for hours in excess of 40 per week. During the week, she worked the following schedule:

4. 2.25

E2-2A. Roger Ortega receives her pay twice per month working for Megaveo Enterprises. Which of the following choices describes his pay frequency?

b. Semimonthly

E2-3A. Lila Rivera is a new employee for Divera Glass. Which Federal forms must he complete as part of the hiring process?

1. W-4

4. I-9

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E2-4A. Wilbur Matthews, a resident of Wisconsin, ended his employment with Bovill Farms on December 8, 2017. The next pay date for the company is December, 20. By what date should he receive his final pay?

3. December 20

E2-5A. Charlene Kelley is a new nonexempt sales clerk for Oyondo Retail Stores. She completes her time card for the pay period. To ensure proper internal control, what is the next step in the payroll review process?

3. Submit the time card to her manager for review

E2-6A. Alfonso Silva needs additional filing space at the end of the year in the company's offsite, secured storage. He sees several boxes marked for the current year's destruction. What methods can Alfonso use to dispose of the payroll records? (Select all that apply.)

3. Shred the records, then dispose of the shredded paper
4. Incinerate the payroll records marked for destruction

E2-7A. Ed Myers is verifying the accuracy and amount of information contained in the employee records for his employer, Genible Industries. Which of the following items should be present in the employee information? (Select all that apply)

1. Job title

E2-8A. Ginger Klein is the payroll clerk for Neolane Transportation. A colleague who is classified as an independent contractor requests to be classified as an employee. What factors should Ginger consider? (Select all that apply.)

1. Relationship of the Parties
2. Behavioral Control
4. Financial Control

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E2-9A. What are the forms of identification that establish identity for the I-9? (Select all that apply.)

1. Driver's License
2. Native American Tribal document
3. Voter's Registration card

E2-10A. What are the forms of identification that establish *employment authorization* for the I-9? (Select all that apply.)

1. U.S. Citizen I.D. Card.
2. U.S. Passport
4. Certified copy of the birth certificate.

E2-11A. Jamie Patil is a candidate for the position of sales manager with Retrozz Furniture. She is going to be required to supervise several employees and can determine the direction in which she will complete the assignments given to her. What guidelines should she follow when classifying workers as exempt or nonexempt?

a. The FLSA and the Department of Labor provide guidance for the proper classification of workers as either exempt or nonexempt.

E2-12A. Susana Robledo is the office manager for Wardley and Sons Auto Detailing. Because it is a small office she is required to keep track of all employee records and pay both employees and contractors. Which of the following are legal factors that will differentiate between exempt and nonexempt employees? (Select all that apply.)

b. Type of work performed

d. Amount of supervisor-given direction

PROBLEM SET A

P2-1A. Henrietta Morales is a salaried employee earning $75,000 per year. Calculate the standard gross salary per pay period under each of the following payroll frequencies:

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a. Biweekly $75,000/26 = $2,884.62
b. Semimonthly $75,000/24 = $3,125.00
c. Weekly $75,000/52 = $1,442.31
d. Monthly $75,000/12 = $6,250.00

P2-2A. Beth Caldwell is in the payroll accounting department of Acerill Films. An independent contractor of the company requests that Social Security and Medicare taxes be withheld from future compensation. What advice should Beth offer?

a. As an independent contractor they would be responsible for their own payments and these would not be withheld by the company

P2-3A. You are the new payroll supervisor for your company. Which payroll documentation control procedures are now your responsibility?

a. Payroll system security, Maintenance of paid time off (i.e., vacation, sick, etc.), Access to payroll data, Separation of duties, Training of payroll staff

P2-4A. Leona Figueroa is a new employee in the payroll department of Octolium Computers. After working at the company for one week, she asks you why it is so important to submit new hire documentation. What guidance will you offer her?

a. Reporting creates a registry to monitor child support obligations, tracks immigration to ensure individuals are legal to work in the United States, ensures that individuals in professions that can have sanctions are legally able to continue to work, finally to enable the tracking of COBRA benefits.

P2-5A. You are the payroll accounting clerk for your company, Conose Advertising, which has 50 employees. The controller has asked for assistance in determining which accounting software package is best suited to the company's payroll needs. What factors should you consider in your decision?

a. Student answers may vary, key points that need to be included: ease of update for changes in tax laws, tax tables, and payroll regulations; ease of reporting; confidentiality.

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P2-6A. Aaron Tallchief is a citizen of the Northern Pomo Indian Nation. In completing his I-9, he provides an official Northern Pomo Nation birth certificate to establish identification and employment eligibility. Is this sufficient documentation? Why or why not?

a. Yes, these are acceptable since this would fulfill the requirements of items from type B and type C of the acceptable documents.

P2-7A. The controller has requested your assistance to price various accounting software programs available for document retention, payroll preparation, and financial reporting. What requirements should you ensure are present in the computer program?

a. Availability of handling various payroll types, processing timelines, updates of tax tables, maintaining confidentiality, options for retention schedule implementation, and secured accessibility.

P2-8A. Twinte Cars, a California corporation, has internal corporate requirements that stipulate a three-year payroll document retention period. They enter into a contract with an international company that mandates a six-year payroll document retention requirement. How should Twinte Cars balance these requirements?

a. The longer retention period would be appropriate since the benefits and records may be called to evidence up to 8 years depending upon the circumstances.

P2-9A. Ted McCormick is a full-time life insurance agent with Centixo Insurance, a small insurance company. The company has classified him as an employee, and he feels that he should be classified as an independent contractor because he receives no company benefits and sets his own office hours. Should he be reclassified as an independent contractor? Why or why not?

a. Of the three tests, Ted does not meet the relationship of the parties and should be treated as an employee.

P2-10A. Evelyn Hardy is an employee of Polyent Plastics, a company with headquarters in Rock Island, Illinois. She lives and works in Doha Qatar, and earns an annual salary of $97,300. The company has been withholding U.S. federal income taxes from her pay, but Evelyn believes that she should be exempt because she is an expatriate. What course of action should Evelyn take?

a. Evelyn would need to file IRS Foreign Earned Income Exclusion

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P2-11A. Complete the W-4 for employment at Superore Wheels

Erma Jane Grant
441 West Hill Road
Montrose, Colorado 81401
SSN: 432-55-6792
Single, head of household
Two dependents
Eligible for the Child tax credit because the two allowances and an annual salary of $36,000
$1,500 in child care expenses
Not claiming additional amounts to be withheld
Not claiming exemption from withholding

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Form W-4 (2017)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2017 expires February 15, 2018. See Pub. 505, Tax Withholding and Estimated Tax.

Note: If another person can claim you as a dependent on his or her tax return, you can't claim exemption from withholding if your total income exceeds $1,050 and includes more than $350 of unearned income (for example, interest and dividends).

Exceptions. An employee may be able to claim exemption from withholding even if the employee is a dependent, if the employee:

- Is age 65 or older,
- Is blind, or
- Will claim adjustments to income, tax credits, or itemized deductions, on his or her tax return.

The exceptions don't apply to supplemental wages greater than $1,000,000.

Basic instructions. If you aren't exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you can claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 505 for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2017. See Pub. 505, especially if your earnings exceed $130,000 (Single) or $180,000 (Married).

Future developments. Information about any future developments affecting Form W-4 (such as legislation enacted after we release it) will be posted at *www.irs.gov/w4*.

Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for **yourself** if no one else can claim you as a dependent	A	1
B	Enter "1" if: • You're single and have only one job; or • You're married, have only one job, and your spouse doesn't work; or • Your wages from a second job or your spouse's wages (or the total of both) are $1,500 or less.	B	
C	Enter "1" for your **spouse.** But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	C	
D	Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return	D	2
E	Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above)	E	1
F	Enter "1" if you have at least $2,000 of **child or dependent care expenses** for which you plan to claim a credit (**Note:** Do **not** include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)	F	
G	**Child Tax Credit** (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than $70,000 ($100,000 if married), enter "2" for each eligible child; then **less** "1" if you have two to four eligible children or **less** "2" if you have five or more eligible children. • If your total income will be between $70,000 and $84,000 ($100,000 and $119,000 if married), enter "1" for each eligible child.	G	3
H	Add lines A through G and enter total here. (**Note:** This may be different from the number of exemptions you claim on your tax return.) ▶	H	7

For accuracy, **complete all worksheets that apply.**

- If you plan to **itemize** or **claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
- If you are **single and have more than one job** or are **married and you and your spouse both work** and the combined earnings from all jobs exceed $50,000 ($20,000 if married), see the **Two-Earners/Multiple Jobs Worksheet** on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

---------- Separate here and give Form W-4 to your employer. Keep the top part for your records. ----------

Form **W-4** Department of the Treasury Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ **Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.**

OMB No. 1545-0074

2017

1 Your first name and middle initial: Erma J	Last name: Grant	2 Your social security number: 432-55-6792
Home address (number and street or rural route): 441 West Hill Road	3 ☑ Single ☐ Married ☐ Married, but withhold at higher Single rate. Note: If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.	
City or town, state, and ZIP code: Montrose, Colorado 81401	4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ ☐	

5	Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)	5	7
6	Additional amount, if any, you want withheld from each paycheck	6	$
7	I claim exemption from withholding for 2017, and I certify that I meet **both** of the following conditions for exemption. • Last year I had a right to a refund of **all** federal income tax withheld because I had **no** tax liability, **and** • This year I expect a refund of **all** federal income tax withheld because I expect to have **no** tax liability. If you meet both conditions, write "Exempt" here ▶	7	

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature (This form is not valid unless you sign it.) ▶ **Date** ▶

8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)	9 Office code (optional)	10 Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 10220Q Form **W-4** (2017)

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P2-12A. Complete the I-9 for employment at Erma Jane Grant. Be sure to complete the "preparer" section.

Erma Jane Grant

441 West Hill Road

Montrose, Colorado 81401

SSN: 432-55-6792

Maiden Name: Grant

Date of Birth: June 12, 1986

U.S. Citizen

Erma presented her passport for her employer to review. Passport number 3890493, issued by the United States State Department, expires April, 1 2020.

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Employment Eligibility Verification

Department of Homeland Security
U.S. Citizenship and Immigration Services

USCIS
Form I-9
OMB No. 1615-0047
Expires 08/31/2019

▶**START HERE:** **Read instructions carefully before completing this form. The instructions must be available, either in paper or electronically, during completion of this form. Employers are liable for errors in the completion of this form.**

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers **CANNOT** specify which document(s) an employee may present to establish employment authorization and identity. The refusal to hire or continue to employ an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

Section 1. Employee Information and Attestation *(Employees must complete and sign Section 1 of Form I-9 no later than the **first day of employment**, but not before accepting a job offer.)*

Last Name *(Family Name)*	First Name *(Given Name)*	Middle Initial	Other Last Names Used *(if any)*
Grant	Erma	J	Grant

Address *(Street Number and Name)*	Apt. Number	City or Town	State	ZIP Code
441 West Hill Road		Montrose	CO	81401

Date of Birth *(mm/dd/yyyy)*	U.S. Social Security Number	Employee's E-mail Address	Employee's Telephone Number
06/12/1986	432 - 55 - 6792		

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following boxes):

- [x] 1. A citizen of the United States
- [ ] 2. A noncitizen national of the United States *(See instructions)*
- [ ] 3. A lawful permanent resident (Alien Registration Number/USCIS Number): N/A
- [ ] 4. An alien authorized to work until (expiration date, if applicable, mm/dd/yyyy): N/A
  Some aliens may write "N/A" in the expiration date field. *(See instructions)*

Aliens authorized to work must provide only one of the following document numbers to complete Form I-9: An Alien Registration Number/USCIS Number OR Form I-94 Admission Number OR Foreign Passport Number.

1. Alien Registration Number/USCIS Number: N/A

OR

2. Form I-94 Admission Number: N/A

OR

3. Foreign Passport Number: N/A

Country of Issuance: N/A

QR Code - Section 1
Do Not Write In This Space

Signature of Employee	Today's Date *(mm/dd/yyyy)*

Preparer and/or Translator Certification (check one):

☐ I did not use a preparer or translator. ☐ A preparer(s) and/or translator(s) assisted the employee in completing Section 1.

(Fields below must be completed and signed when preparers and/or translators assist an employee in completing Section 1.)

I attest, under penalty of perjury, that I have assisted in the completion of Section 1 of this form and that to the best of my knowledge the information is true and correct.

Signature of Preparer or Translator	Today's Date *(mm/dd/yyyy)*

Last Name *(Family Name)*	First Name *(Given Name)*

Address *(Street Number and Name)*	City or Town	State	ZIP Code

STOP *Employer Completes Next Page* STOP

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Employment Eligibility Verification
Department of Homeland Security
U.S. Citizenship and Immigration Services

USCIS
Form I-9
OMB No. 1615-0047
Expires 08/31/2019

Section 2. Employer or Authorized Representative Review and Verification

(Employers or their authorized representative must complete and sign Section 2 within 3 business days of the employee's first day of employment. You must physically examine one document from List A OR a combination of one document from List B and one document from List C as listed on the "Lists of Acceptable Documents.")

Employee Info from Section 1	Last Name *(Family Name)*	First Name *(Given Name)*	M.I.	Citizenship/Immigration Status
	Grant	Erma	J	1

List A Identity and Employment Authorization	OR	List B Identity	AND	List C Employment Authorization
Document Title: U.S. Passport		Document Title: N/A		Document Title: N/A
Issuing Authority: U.S. Department of State		Issuing Authority: N/A		Issuing Authority: N/A
Document Number: 3890493		Document Number: N/A		Document Number: N/A
Expiration Date *(if any)(mm/dd/yyyy)*: 04/01/2020		Expiration Date *(if any)(mm/dd/yyyy)*: N/A		Expiration Date *(if any)(mm/dd/yyyy)*: N/A
Document Title: N/A				
Issuing Authority: N/A				
Document Number: N/A				
Expiration Date *(if any)(mm/dd/yyyy)*: N/A				
Document Title: N/A				
Issuing Authority: N/A				
Document Number: N/A				
Expiration Date *(if any)(mm/dd/yyyy)*: N/A				

Additional Information

QR Code - Section 2
Do Not Write In This Space

Certification: I attest, under penalty of perjury, that (1) I have examined the document(s) presented by the above-named employee, (2) the above-listed document(s) appear to be genuine and to relate to the employee named, and (3) to the best of my knowledge the employee is authorized to work in the United States.

The employee's first day of employment *(mm/dd/yyyy)*: _____ ***(See instructions for exemptions)***

Signature of Employer or Authorized Representative	Today's Date *(mm/dd/yyyy)*	Title of Employer or Authorized Representative

Last Name of Employer or Authorized Representative	First Name of Employer or Authorized Representative	Employer's Business or Organization Name

Employer's Business or Organization Address (Street Number and Name)	City or Town	State	ZIP Code

Section 3. Reverification and Rehires *(To be completed and signed by employer or authorized representative.)*

A. New Name *(if applicable)*			**B.** Date of Rehire *(if applicable)*
Last Name *(Family Name)*	First Name *(Given Name)*	Middle Initial	Date *(mm/dd/yyyy)*

C. If the employee's previous grant of employment authorization has expired, provide the information for the document or receipt that establishes continuing employment authorization in the space provided below.

Document Title	Document Number	Expiration Date *(if any)* *(mm/dd/yyyy)*

I attest, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.

Signature of Employer or Authorized Representative	Today's Date *(mm/dd/yyyy)*	Name of Employer or Authorized Representative

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EXERCISE SET B

E2-1B. Stacy Romero, a nonexempt employee of Prosaria Publishers, works a standard 6:00–3:00 p.m. schedule with an hour for lunch. Stacy works in a state requiring overtime for hours over 8 per day and for those over 40 in a week. During the week, she worked the following schedule:

Monday	6:00–10:30	11:15–3:00	8.25
Tuesday	6:15–10:45	11:45–3:15	8.00
Wednesday	5:45–10:00	11:00–3:30	8.75
Thursday	7:00–12:00	1:00–3:00	7.00
Friday	6:00–3:00	(no lunch)	9.00

Based on a 40-hour work week, how much overtime has Stacy worked during the period?

1. 2 hours

E2-2B. Grant Saunders is a salaried employee earning $84,000 per year who receives pay every two weeks. Which of the following best describes the pay frequency?

a. Biweekly

E2-3B. On October 31, 2017, Dolores Goodman quit her job after ten years with Omnivue Optics in Utah. Omnivue Optics pays employees weekly on Fridays. Upon quitting, Dolores had 38.5 hours of vacation accrued that she had not used, and she had worked 45 hours, 5 hours of which was subject to overtime. When must she receive her final paycheck?

1. On the next pay date.

E2-4B. Adrienne Norman terminated her employment with Univee Inc. on December 15, 2017. When is the earliest that Univee Inc. may destroy her payroll records?

3. December 15, 2020

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E2-5B. Elijah Brown is a new payroll clerk at Zata Imports, a company with 250 employees. He has completed entering all time card data for the pay period. What should Elijah's next step in the payroll review process be?

3. Ask his supervisor to verify the accuracy of the payroll data.

E2-6B. Elaine Wheeler needs additional filing space at the end of the year in the company's office and chooses to use offsite, secured storage. Upon arriving at the storage facility, she discovers that the unit is nearly full and sees several boxes marked for destruction at the end of the next calendar year. What are Elaine's obligations regarding the destruction of the payroll records marked for destruction? (Select all that apply.)

2. She should make arrangements to pulp or burn the payroll records marked for destruction.

3. She should arrange to have a document destruction service pick up the boxes marked for destruction.

4. She should bring a shredding machine to the storage facility and prepare to shred the records marked for destruction.

E2-7B. Gerardo Rogers is conducting a review of the payroll files for each employee at Meejo Games. Which of the following items must be present in the file? (Select all that apply.)

1. Basis upon which compensation is paid.

2. Overtime pay earned during each pay period.

3. Hours worked during each pay period.

E2-8B. Jane McCarthy is preparing to compute employee pay and needs to determine the amount of employee federal income taxes to be withheld. Which of the following should she consult?

2. IRS Publication 15

E2-9B. John Franklin is a new employee of the Camidel Clothiers. Which of the following will provide proof of identity for the completion of the I-9? (Select all that apply.)

2. U.S. Military Identification Card.

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4. New York driver's license.

E2-10B. Sheri Jennings is completing the I-9 for her new employment at Insulend Tours. Which of the following provides proof of her employment authorization? (Select all that apply.)

1. Social Security Card.
2. Certificate of birth abroad, issued by the U.S. Department of State.

E2-11B. Laverne Watkins is a candidate for the position of marketing clerk with the promotions department of Paramba Productions, earning $10.25 per hour. She will work occasional overtime in her new position and will not have managerial or supervisory duties as a regular part of her job description. Why should Laverne be classified as a nonexempt employee? (Select all that apply.)

2. She has no supervisory or managerial duties
3. She has the term *clerk* in her job title

E2-12B. Rex Marshall manages a ski resort with year-round and seasonal employees. Assuming that the ski resort engages in interstate commerce, which are the FLSA requirement(s) that Rex should consider?

1. Hourly wages paid to employees
3. Number of hours worked per week
4. Employee age and weekly work schedule

PROBLEM SET B

P2-1B. Tasha Webb is an independent contractor for Antimbu Exports, where you are the payroll accountant. She feels that she should receive employee benefits because of the number of hours that she dedicates to the company. What guidance can you offer Tasha?

a. Independent contractors are most frequently treated as a vendor and would not be included in employee benefits. There are specific tests that determine the relationship

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between employer and employee; however, the number of hours committed is not one of the defining traits.

P2-2B. Joseph Lyons was terminated for cause from Telecy Industries in Hawaii, on August 21, 2017. As of the date of his termination, he had accrued 22 hours of regular time. Employees at Telecy are paid semimonthly on the 15th and last day of the month. Joseph would like to know when he will be paid for the accrued hours. What will you tell him?

a. Hawaii requires that when an employee is terminated their final pay is given at the time of termination or on the next business day if financially unable to issue the check.

P2-3B. Sara Northman, a member of the Algonquin Indian Nation, is a new employee at Predeo Game Design. During the process of completing her I-9, she claims that the only way to prove her identity is the Algonquin Indian National official birth certificate. Is this document sufficient to verify his employment eligibility? Explain.

a. Algonquin Indian National official birth certificate would be adequate as it can fulfill both requirements for establishing identity and employment verification.

P2-4B. Abraham Manning is a new employee of Symity Batteries. He is curious about the purpose of the requirements for new hire documentation to be forwarded to government agencies. What should you tell him?

a. Reporting creates a registry to monitor child support obligations, tracks immigration to ensure individuals are legal to work in the United States, ensures that individuals in professions that can have sanctions are legally able to continue to work, finally to enable the tracking of COBRA benefits.

P2-5B. Frances Perez wants to start her own company. As a seasoned payroll professional, she approaches you for guidance about the differences between weekly, biweekly, and semimonthly pay periods. What would you tell her?

a. Weekly payroll is where individuals will receive 52 paychecks per year and are suited for companies that are small – construction or professional entities. Biweekly payroll is where individuals will receive 26 paychecks per year processed every two weeks and is one of the more common pay periods, occasionally this method may result in 27 pay periods. Semimonthly is where employees will receive 24 paychecks per year

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P2-6B. Katrina Wilkins is a new payroll clerk for Remm Plumbing. She is curious about the purpose of the different steps in the payroll review process and asks you, her supervisor, for guidance. What would you tell her?

a. The payroll review process is designed to verify the information so that employees are paid correctly and the data is correct. Starting with the employee completing their time card, the information is then verified by the manager. After the manager has agreed that the employee has accurately portrayed the hours worked, the payroll clerk will prepare the information for the manager to review and approve. Once the information has been approved, the payroll checks can be issued to the employees.

P2-7B. George Andrews started as a payroll accountant at Portose Herbals, a company with 70 employees. He soon notices that the former payroll accountant had been processing payroll manually, and suggests that the company immediately switch to cloud-based payroll. Although the company is switching to an electronic payroll processing system, what types of paper documentation must be maintained in employee records?

a. Employers retain physical copies of employees' time records, pay advice, and any other documentation processed with the paycheck. Some other types of documentation include: Request for a day off; reports of tardiness or absenteeism; detailed records of work completed during that day's shift.

P2-8B. Tara Morris, a payroll clerk, has received a promotion and is now the payroll supervisor for Fligen Enterprises. What document control items could now become her responsibility?

a. Payroll system security, Maintenance of paid time off (i.e., vacation, sick, etc.), Access to payroll data, Separation of duties, Training of payroll staff

P2-9B. Herman Watkins is in the payroll department of Neombee Plastics, a multistate company. The company has historically been filing employee information with each state. What alternative exists for multistate employers?

a. Multistate Employer Notification Form allows centralized reporting from the Office of Management and Budget

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P2-10B. Derek Allen is the payroll supervisor for Caposis Freight. His company is preparing to merge with another distribution company that has a different pay cycle. The president of the company wants to know the difference between biweekly and semimonthly pay cycles as far as pay dates and pay amounts. What should Derektell him?

a. Moving between biweekly (26 pay periods per year with the possibility of 27) to a semimonthly system (24 pay periods per year) would cause individual to see increases per pay period since there are more days being covered on the pay period under semimonthly than on biweekly. This would also result in higher taxes per pay period.

P2-11B. Complete the W-4 for employment at Dark Forest Ranch:

Linda Ellen Marshall

8924 County Line Road

Taylorville, Illinois 62555

SSN: 129-53-2309

Married filing jointly, combined income exceeds $70,000 per year

Three dependents. She has no child care expenses but is able to claim the child tax credit and does not wish to withhold additional amounts.

She has a second job as a delivery driver for Tazio Labs, where she earns $12,000/year.

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Form W-4 (2017)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2017 expires February 15, 2018. See Pub. 505, Tax Withholding and Estimated Tax.

Note: If another person can claim you as a dependent on his or her tax return, you can't claim exemption from withholding if your total income exceeds $1,050 and includes more than $350 of unearned income (for example, interest and dividends).

Exceptions. An employee may be able to claim exemption from withholding even if the employee is a dependent, if the employee:

- Is age 65 or older,
- Is blind, or
- Will claim adjustments to income; tax credits; or itemized deductions, on his or her tax return.

The exceptions don't apply to supplemental wages greater than $1,000,000.

Basic instructions. If you aren't exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you can claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 505 for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2017. See Pub. 505, especially if your earnings exceed $130,000 (Single) or $180,000 (Married).

Future developments. Information about any future developments affecting Form W-4 (such as legislation enacted after we release it) will be posted at *www.irs.gov/w4*.

Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for **yourself** if no one else can claim you as a dependent	A	1
B	Enter "1" if: • You're single and have only one job; or • You're married, have only one job, and your spouse doesn't work; or • Your wages from a second job or your spouse's wages (or the total of both) are $1,500 or less.	B	
C	Enter "1" for your **spouse.** But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	C	1
D	Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return	D	3
E	Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above)	E	
F	Enter "1" if you have at least $2,000 of **child or dependent care expenses** for which you plan to claim a credit (**Note:** Do **not** include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)	F	
G	**Child Tax Credit** (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than $70,000 ($100,000 if married), enter "2" for each eligible child; then **less** "1" if you have two to four eligible children or **less** "2" if you have five or more eligible children. • If your total income will be between $70,000 and $84,000 ($100,000 and $119,000 if married), enter "1" for each eligible child.	G	3
H	Add lines A through G and enter total here. (**Note:** This may be different from the number of exemptions you claim on your tax return.) ►	H	8

For accuracy, **complete all worksheets that apply.**

- If you plan to **itemize** or **claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
- If you are **single and have more than one job** or are **married and you and your spouse both work** and the combined earnings from all jobs exceed $50,000 ($20,000 if married), see the **Two-Earners/Multiple Jobs Worksheet** on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

Separate here and give Form W-4 to your employer. Keep the top part for your records.

Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

► **Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.**

OMB No. 1545-0074
2017

1 Your first name and middle initial: Linda E	Last name: Marshall	2 **Your social security number:** 129-53-2309
Home address (number and street or rural route): 8924 County Line Road	3 ☐ Single ☑ Married ☐ Married, but withhold at higher Single rate. **Note:** If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.	
City or town, state, and ZIP code: Taylorville, Ilinois 62555	4 **If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card.** ► ☐	

5	Total number of allowances you are claiming (from line **H** above **or** from the applicable worksheet on page 2)	5	8
6	Additional amount, if any, you want withheld from each paycheck	6	$
7	I claim exemption from withholding for 2017, and I certify that I meet **both** of the following conditions for exemption. • Last year I had a right to a refund of **all** federal income tax withheld because I had **no** tax liability, **and** • This year I expect a refund of **all** federal income tax withheld because I expect to have **no** tax liability. If you meet both conditions, write "Exempt" here ►	7	

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature
(This form is not valid unless you sign it.) ► **Date** ►

8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)	9 Office code (optional)	10 Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 10220Q Form **W-4** (2017)

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P2-12B. Complete the I-9 for employment at Ecovee Energy located at 244 Winston Drive, Gretna, Virginia 24557. Be sure to complete the "preparer" section.

Lloyd Gregory Flowers

SSN: 382-10-0392

Date of Birth: 11-20-1993

1298 Chantham Road

Gretna, Virginia 24557

U.S. Citizen

Lloyd presented his driver's license and Social Security card to the Human Resources Manager, Amanda Weeble, to review.

Virginia Driver's License #293034293, Expires 11/20/2020

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Employment Eligibility Verification

Department of Homeland Security
U.S. Citizenship and Immigration Services

USCIS
Form I-9
OMB No. 1615-0047
Expires 08/31/2019

►**START HERE:** **Read instructions carefully before completing this form. The instructions must be available, either in paper or electronically, during completion of this form. Employers are liable for errors in the completion of this form.**

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers **CANNOT** specify which document(s) an employee may present to establish employment authorization and identity. The refusal to hire or continue to employ an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

Section 1. Employee Information and Attestation *(Employees must complete and sign Section 1 of Form I-9 no later than the **first day of employment**, but not before accepting a job offer.)*

Last Name *(Family Name)*	First Name *(Given Name)*	Middle Initial	Other Last Names Used *(if any)*
Flowers	Lloyd	G	

Address *(Street Number and Name)*	Apt. Number	City or Town	State	ZIP Code
1298 Chantham Road		Gretna	VA	24557

Date of Birth *(mm/dd/yyyy)*	U.S. Social Security Number	Employee's E-mail Address	Employee's Telephone Number
11/20/1993	382 - 10 - 0392		

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following boxes):

- [x] 1. A citizen of the United States
- [ ] 2. A noncitizen national of the United States *(See instructions)*
- [ ] 3. A lawful permanent resident (Alien Registration Number/USCIS Number): N/A
- [ ] 4. An alien authorized to work until (expiration date, if applicable, mm/dd/yyyy): N/A
  Some aliens may write "N/A" in the expiration date field. *(See instructions)*

Aliens authorized to work must provide only one of the following document numbers to complete Form I-9: An Alien Registration Number/USCIS Number OR Form I-94 Admission Number OR Foreign Passport Number.

1. Alien Registration Number/USCIS Number: N/A

OR

2. Form I-94 Admission Number: N/A

OR

3. Foreign Passport Number: N/A

Country of Issuance: N/A

QR Code - Section 1
Do Not Write In This Space

Signature of Employee	Today's Date *(mm/dd/yyyy)*

Preparer and/or Translator Certification (check one):

[ ] I did not use a preparer or translator. [ ] A preparer(s) and/or translator(s) assisted the employee in completing Section 1.

(Fields below must be completed and signed when preparers and/or translators assist an employee in completing Section 1.)

I attest, under penalty of perjury, that I have assisted in the completion of Section 1 of this form and that to the best of my knowledge the information is true and correct.

Signature of Preparer or Translator	Today's Date *(mm/dd/yyyy)*

Last Name *(Family Name)*	First Name *(Given Name)*

Address *(Street Number and Name)*	City or Town	State	ZIP Code

STOP! *Employer Completes Next Page* STOP!

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Employment Eligibility Verification
Department of Homeland Security
U.S. Citizenship and Immigration Services

USCIS
Form I-9
OMB No. 1615-0047
Expires 08/31/2019

Section 2. Employer or Authorized Representative Review and Verification

(Employers or their authorized representative must complete and sign Section 2 within 3 business days of the employee's first day of employment. You must physically examine one document from List A OR a combination of one document from List B and one document from List C as listed on the "Lists of Acceptable Documents.")

Employee Info from Section 1	Last Name *(Family Name)*	First Name *(Given Name)*	M.I.	Citizenship/Immigration Status
	Flowers	Lloyd	G	1

List A Identity and Employment Authorization	OR	List B Identity	AND	List C Employment Authorization
Document Title: N/A		Document Title: Driver's license issued by state/territory		Document Title: Social Security Card (Unrestricted)
Issuing Authority: N/A		Issuing Authority: Virginia		Issuing Authority: Social Security Administration
Document Number: N/A		Document Number: 293034293		Document Number: 382100392
Expiration Date *(if any)(mm/dd/yyyy)*: N/A		Expiration Date *(if any)(mm/dd/yyyy)*: 11/20/2020		Expiration Date *(if any)(mm/dd/yyyy)*: N/A
Document Title: N/A		Additional Information		QR Code - Section 2 Do Not Write In This Space
Issuing Authority: N/A				
Document Number: N/A				
Expiration Date *(if any)(mm/dd/yyyy)*: N/A				
Document Title: N/A				
Issuing Authority: N/A				
Document Number: N/A				
Expiration Date *(if any)(mm/dd/yyyy)*: N/A				

Certification: I attest, under penalty of perjury, that (1) I have examined the document(s) presented by the above-named employee, (2) the above-listed document(s) appear to be genuine and to relate to the employee named, and (3) to the best of my knowledge the employee is authorized to work in the United States.

The employee's first day of employment *(mm/dd/yyyy)*: _____ ***(See instructions for exemptions)***

Signature of Employer or Authorized Representative	Today's Date *(mm/dd/yyyy)*	Title of Employer or Authorized Representative
		Human Resources Manager

Last Name of Employer or Authorized Representative	First Name of Employer or Authorized Representative	Employer's Business or Organization Name
Weeble	Amanda	Ecovee Energy

Employer's Business or Organization Address (Street Number and Name)	City or Town	State	ZIP Code
244 Winston Drive	Gretna	VA	24557

Section 3. Reverification and Rehires *(To be completed and signed by employer or authorized representative.)*

A. New Name *(if applicable)*			**B.** Date of Rehire *(if applicable)*
Last Name *(Family Name)*	First Name *(Given Name)*	Middle Initial	Date *(mm/dd/yyyy)*

C. If the employee's previous grant of employment authorization has expired, provide the information for the document or receipt that establishes continuing employment authorization in the space provided below.

Document Title	Document Number	Expiration Date *(if any)* *(mm/dd/yyyy)*

I attest, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.

Signature of Employer or Authorized Representative	Today's Date *(mm/dd/yyyy)*	Name of Employer or Authorized Representative

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CRITICAL THINKING

2-1. When Omnimia Graphics was looking to implement a payroll accounting system, the manufacturing firm had several options. With only 40 employees, the manual preparation of payroll through spreadsheets and handwritten time cards was a comfortable option for the firm. Another option is to convince the senior management of Omnimia Graphics to implement a software program for payroll processing. What are the key points to consider? If the company has more than one department, how can this transition be accomplished?

1. Key points that need to be included: ease of update for changes in tax laws, tax tables, and payroll regulations; ease of reporting; whether the employee self-service option would be eligible; confidentiality

2-2. You have been hired as a consultant for Semiva Productions, a company facing an IRS audit of their accounting records. During your review, you notice anomalies in the payroll system involving overpayments of labor and payments to terminated employees. What would you do?

1. When the abnormalities are discovered, the management of the company should be made aware of the situation. Since the IRS audit is imminent, documenting the date of the find and attempts to rectify the error would be advisable. Depending upon the nature of the anomalies, the company or payroll employees may have made some serious errors.

IN THE REAL WORLD: CASE FOR DISCUSSION

Student response will vary.

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CONTINUING PAYROLL PROJECT: PREVOSTI FARMS AND SUGARHOUSE

Prevosti Farms and Sugarhouse pays its employees according to their job classification. The following employees make up Sugarhouse's staff:

Employee Number	Name and Address	Payroll information
A-Mille	Thomas Millen 1022 Forest School Rd Woodstock, VT 05001 802-478-5055 SSN:031-11-3456 401(k) deduction: 3%	Hire Date: 2-1-2017 DOB: 12-16-1982 Position: Production Manager PT/FT: FT, exempt No. of Exemptions: 4 M/S: M Pay Rate: $35,000/year
A-Towle	Avery Towle 4011 Route 100 Plymouth, VT 05102 802-967-5873 SSN:089-74-0974	Hire Date: 2-1-2017 DOB: 7-14-1991 Position: Production Worker PT/FT: FT, nonexempt No. of Exemptions: 1 M/S: S Pay Rate: $12.00/hour
A-Long	Charlie Long 242 Benedict Road S. Woodstock, VT 05002 802-429-3846 SSN: 056-23-4593	Hire Date: 2-1-2017 DOB: 3-16-1987 Position: Production Worker PT/FT: FT, nonexempt No. of Exemptions: 2

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		M/S: M Pay Rate: $12.50/hour
B-Shang	Mary Shangraw 1901 Main Street #2 Bridgewater, VT 05520 802-575-5423 SSN: 075-28-8945	Hire Date: 2-1-2017 DOB: 8-20-1994 Position: Administrative Assistant PT/FT: PT, nonexempt No. of Exemptions: 1 M/S: S Pay Rate: $10.50/hour
B-Lewis	Kristen Lewis 840 Daily Hollow Road Bridgewater, VT 05523 802-390-5572 SSN: 076-39-5673	Hire Date: 2-1-2017 DOB: 4-6-1960 Position: Office Manager PT/FT: FT, exempt No. of Exemptions: 3 M/S: M Pay Rate: $32,000/year
B-Schwa	Joel Schwartz 55 Maple Farm Way Woodstock, VT 05534 802-463-9985 SSN: 021-34-9876	Hire Date: 2-1-2017 DOB: 5-23-1985 Position: Sales PT/FT: FT, exempt No. of Exemptions: 2 M/S: M Pay Rate: $24,000/year base plus 3% commission per case sold
B-Prevo	Toni Prevosti	Hire Date: 2-1-2017

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	10520 Cox Hill Road Bridgewater, VT 05521 802-673-2636 SSN: 055-22-0443	DOB: 9-18-1967 Position: Owner/President PT/FT: FT, exempt No. of Exemptions: 5 M/S: M Pay Rate: $45,000/year

The Departments are as follows:

Department A: Agricultural Workers

Department B: Office Workers

1. You have been hired as of February 1, 2017, as the new accounting clerk. Your employee number is B-XXXXX, where "B" denotes that you are an office worker and "XXXXX" is the first five letters of your last name. If your last name is fewer than five letters, use the first few letters of your first name to complete the employee number. Your social security number is 555-55-5555, and you are full-time, nonexempt, and paid at a rate of $34,000 per year. You are single with only one job (claiming 2 exemptions). You live at 1644 Smittin Road, Woodstock, VT 05001. Your date of birth is 1/1/1991 and your Social Security number is 555-55-5555 for the project. You are a citizen of the United States and provide a Vermont driver's license #88110009 expiring 1/1/2020 in addition to your Social Security card for verification of your identity. Complete the W-4 and the I-9 to start your own employee file.

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Payroll Accounting 2018 4th edition Landin Solutions Manual

Form W-4 (2017)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2017 expires February 15, 2018. See Pub. 505, Tax Withholding and Estimated Tax.

Note: If another person can claim you as a dependent on his or her tax return, you can't claim exemption from withholding if your total income exceeds $1,050 and includes more than $350 of unearned income (for example, interest and dividends).

Exceptions. An employee may be able to claim exemption from withholding even if the employee is a dependent, if the employee:

- Is age 65 or older,
- Is blind, or
- Will claim adjustments to income; tax credits; or itemized deductions, on his or her tax return.

The exceptions don't apply to supplemental wages greater than $1,000,000.

Basic instructions. If you aren't exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you can claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 505 for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2017. See Pub. 505, especially if your earnings exceed $130,000 (Single) or $180,000 (Married).

Future developments. Information about any future developments affecting Form W-4 (such as legislation enacted after we release it) will be posted at *www.irs.gov/w4*.

Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for **yourself** if no one else can claim you as a dependent	A	1
B	Enter "1" if: • You're single and have only one job; or • You're married, have only one job, and your spouse doesn't work; or • Your wages from a second job or your spouse's wages (or the total of both) are $1,500 or less.	B	
C	Enter "1" for your **spouse.** But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	C	
D	Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return	D	2
E	Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above)	E	
F	Enter "1" if you have at least $2,000 of **child or dependent care expenses** for which you plan to claim a credit (**Note:** Do **not** include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)	F	
G	**Child Tax Credit** (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than $70,000 ($100,000 if married), enter "2" for each eligible child; then **less** "1" if you have two to four eligible children or **less** "2" if you have five or more eligible children. • If your total income will be between $70,000 and $84,000 ($100,000 and $119,000 if married), enter "1" for each eligible child.	G	
H	Add lines A through G and enter total here. (**Note:** This may be different from the number of exemptions you claim on your tax return.) ►	H	3

For accuracy, **complete all worksheets that apply.**

- If you plan to **itemize** or **claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
- If you are **single and have more than one job** or are **married and you and your spouse both work** and the combined earnings from all jobs exceed $50,000 ($20,000 if married), see the **Two-Earners/Multiple Jobs Worksheet** on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

Separate here and give Form W-4 to your employer. Keep the top part for your records.

Form **W-4** Department of the Treasury Internal Revenue Service

Employee's Withholding Allowance Certificate

► **Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.**

OMB No. 1545-0074 **2017**

1 Your first name and middle initial: Student	Last name: Success	2 **Your social security number:** 555-55-5555
Home address (number and street or rural route): 1644 Smitten Road	3 ☑ Single ☐ Married ☐ Married, but withhold at higher Single rate. **Note:** If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.	
City or town, state, and ZIP code: Woodstock, VT 05001	4 **If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card.** ► ☐	

5	Total number of allowances you are claiming (from line **H** above **or** from the applicable worksheet on page 2)	5	3
6	Additional amount, if any, you want withheld from each paycheck	6	$
7	I claim exemption from withholding for 2017, and I certify that I meet **both** of the following conditions for exemption. • Last year I had a right to a refund of **all** federal income tax withheld because I had **no** tax liability, **and** • This year I expect a refund of **all** federal income tax withheld because I expect to have **no** tax liability. If you meet both conditions, write "Exempt" here ►	7	

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature (This form is not valid unless you sign it.) ► **Date** ►

8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)	9 Office code (optional)	10 Employer identification number (EIN)
Prevosti Farms and Sugarhouse		

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Employment Eligibility Verification
Department of Homeland Security
U.S. Citizenship and Immigration Services

USCIS
Form I-9
OMB No. 1615-0047
Expires 08/31/2019

►**START HERE:** **Read instructions carefully before completing this form. The instructions must be available, either in paper or electronically, during completion of this form. Employers are liable for errors in the completion of this form.**

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers **CANNOT** specify which document(s) an employee may present to establish employment authorization and identity. The refusal to hire or continue to employ an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

Section 1. Employee Information and Attestation *(Employees must complete and sign Section 1 of Form I-9 no later than the **first day of employment**, but not before accepting a job offer.)*

Last Name *(Family Name)*	First Name *(Given Name)*	Middle Initial	Other Last Names Used *(if any)*
Success	Student	B	

Address *(Street Number and Name)*	Apt. Number	City or Town	State	ZIP Code
1644 Smittin Road		Woodstock	VT	05001

Date of Birth *(mm/dd/yyyy)*	U.S. Social Security Number	Employee's E-mail Address	Employee's Telephone Number
01/01/1991	555-55-5555		

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following boxes):

- [x] 1. A citizen of the United States
- [ ] 2. A noncitizen national of the United States *(See instructions)*
- [ ] 3. A lawful permanent resident (Alien Registration Number/USCIS Number): N/A
- [ ] 4. An alien authorized to work until (expiration date, if applicable, mm/dd/yyyy): N/A
  Some aliens may write "N/A" in the expiration date field. *(See instructions)*

Aliens authorized to work must provide only one of the following document numbers to complete Form I-9: An Alien Registration Number/USCIS Number OR Form I-94 Admission Number OR Foreign Passport Number.

1. Alien Registration Number/USCIS Number: N/A
OR
2. Form I-94 Admission Number: N/A
OR
3. Foreign Passport Number: N/A
Country of Issuance: N/A

QR Code - Section 1
Do Not Write In This Space

Signature of Employee	Today's Date *(mm/dd/yyyy)*

Preparer and/or Translator Certification (check one):

[ ] I did not use a preparer or translator. [ ] A preparer(s) and/or translator(s) assisted the employee in completing Section 1.

(Fields below must be completed and signed when preparers and/or translators assist an employee in completing Section 1.)

I attest, under penalty of perjury, that I have assisted in the completion of Section 1 of this form and that to the best of my knowledge the information is true and correct.

Signature of Preparer or Translator	Today's Date *(mm/dd/yyyy)*

Last Name *(Family Name)*	First Name *(Given Name)*

Address *(Street Number and Name)*	City or Town	State	ZIP Code

STOP *Employer Completes Next Page* STOP

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Employment Eligibility Verification
Department of Homeland Security
U.S. Citizenship and Immigration Services

USCIS
Form I-9
OMB No. 1615-0047
Expires 08/31/2019

Section 2. Employer or Authorized Representative Review and Verification

(Employers or their authorized representative must complete and sign Section 2 within 3 business days of the employee's first day of employment. You must physically examine one document from List A OR a combination of one document from List B and one document from List C as listed on the "Lists of Acceptable Documents.")

Employee Info from Section 1	Last Name *(Family Name)*	First Name *(Given Name)*	M.I.	Citizenship/Immigration Status
	Success	Student	B	1

List A Identity and Employment Authorization	OR	List B Identity	AND	List C Employment Authorization
Document Title: N/A		Document Title: Driver's license issued by state/territory		Document Title: Social Security Card (Unrestricted)
Issuing Authority: N/A		Issuing Authority: Vermont		Issuing Authority: Social Security Administration
Document Number: N/A		Document Number: 88110009		Document Number: 555555555
Expiration Date *(if any)(mm/dd/yyyy)*: N/A		Expiration Date *(if any)(mm/dd/yyyy)*: 01/01/2020		Expiration Date *(if any)(mm/dd/yyyy)*: N/A
Document Title: N/A				
Issuing Authority: N/A				
Document Number: N/A				
Expiration Date *(if any)(mm/dd/yyyy)*: N/A				
Document Title: N/A				
Issuing Authority: N/A				
Document Number: N/A				
Expiration Date *(if any)(mm/dd/yyyy)*: N/A				

Additional Information

QR Code - Section 2
Do Not Write In This Space

Certification: I attest, under penalty of perjury, that (1) I have examined the document(s) presented by the above-named employee, (2) the above-listed document(s) appear to be genuine and to relate to the employee named, and (3) to the best of my knowledge the employee is authorized to work in the United States.

The employee's first day of employment *(mm/dd/yyyy)*: _____ ***(See instructions for exemptions)***

Signature of Employer or Authorized Representative	Today's Date *(mm/dd/yyyy)*	Title of Employer or Authorized Representative
		Owner

Last Name of Employer or Authorized Representative	First Name of Employer or Authorized Representative	Employer's Business or Organization Name
Prevosti	Toni	Prevosti Farms & Sugarhouse

Employer's Business or Organization Address (Street Number and Name)	City or Town	State	ZIP Code
820 Westminster Road	Bridgewater	VT	05520

Section 3. Reverification and Rehires *(To be completed and signed by employer or authorized representative.)*

A. New Name *(if applicable)*			**B.** Date of Rehire *(if applicable)*
Last Name *(Family Name)*	First Name *(Given Name)*	Middle Initial	Date *(mm/dd/yyyy)*

C. If the employee's previous grant of employment authorization has expired, provide the information for the document or receipt that establishes continuing employment authorization in the space provided below.

Document Title	Document Number	Expiration Date *(if any)* *(mm/dd/yyyy)*

I attest, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.

Signature of Employer or Authorized Representative	Today's Date *(mm/dd/yyyy)*	Name of Employer or Authorized Representative

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2. Complete the headers of the employee earnings register for each employee. Enter the pay rate for each employee.

EMPLOYEE EARNING RECORD

Name	Thomas Millen	Hire Date	2/1/2017
Address	1022 Forest School Rd	Date of Birth	12/16/1982
City/State/Zip	Woodstock/VT/05001	Exempt/Nonexempt	Exempt
Telephone	802-478-5055	Married/Single	M
Social Security Number	031-11-3456	No. of exemptions	4
Position	Production Manager	Pay Rate	$35,000/year

Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA

Taxable Pay for Federal	Taxable Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay

EMPLOYEE EARNING RECORD

Name	Avery Towle	Hire Date	2/1/2017
Address	4011 Route 100	Date of Birth	7/14/1991
City/State/Zip	Plymouth/VT/05102	Exempt/Nonexempt	Nonexempt
Telephone	802-967-5873	Married/Single	S
Social Security Number	089-74-0974	No. of exemptions	1
Position	Production Worker	Pay Rate	$12.00/hour

Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA

Taxable Pay for Federal	Taxable Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay

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EMPLOYEE EARNING RECORD

Name	Charlie Long	Hire Date	2/1/2017
Address	242 Benedict Rd	Date of Birth	3/16/1987
City/State/Zip	S. Woodstock/VT/05002	Exempt/Nonexempt	Nonexempt
Telephone	802-429-3846	Married/Single	M
Social Security Number	056-23-4593	No. of exemptions	2
Position	Production Worker	Pay Rate	$12.50/hour

Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA

Taxable Pay for Federal	Taxable Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay

EMPLOYEE EARNING RECORD

Name	Mary Shangraw	Hire Date	2/1/2017
Address	1901 Main St #2	Date of Birth	8/20/1994
City/State/Zip	Bridgewater/VT/05520	Exempt/Nonexempt	Exempt
Telephone	802-575-5423	Married/Single	S
Social Security Number	075-28-8945	No. of exemptions	1
Position	Administrative Assistant	Pay Rate	$10.50/hour

Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA

Taxable Pay for Federal	Taxable Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay

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EMPLOYEE EARNING RECORD

Name	Kristen Lewis	Hire Date	2/1/2017
Address	840 Daily Hollow Rd	Date of Birth	4/6/1960
City/State/Zip	Bridgewater/VT/05523	Exempt/Nonexempt	Exemtpt
Telephone	802-390-5572	Married/Single	M
Social Security Number	076-39-5673	No. of exemptions	3
Position	Office Manager	Pay Rate	$32,000/year

Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA

Taxable Pay for Federal	Taxable Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay

EMPLOYEE EARNING RECORD

Name	Joel Schwartz	Hire Date	2/1/2017
Address	55 Maple Farm Wy	Date of Birth	5/23/1985
City/State/Zip	Woodstock/VT/05534	Exempt/Nonexempt	Exempt
Telephone	802-463-9985	Married/Single	M
Social Security Number	021-34-9876	No. of exemptions	2
Position	Sales	Pay Rate	$24,000/year + commission

Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA

Taxable Pay for Federal	Taxable Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay

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EMPLOYEE EARNING RECORD

Name	Toni Prevosti	Hire Date	2/1/2017
Address	10520 Cox Hill Rd	Date of Birth	9/18/1967
City/State/Zip	Bridgewater/VT/05521	Exempt/Nonexempt	Exempt
Telephone	802-673-2636	Married/Single	M
Social Security Number	055-22-0443	No. of exemptions	5
Position	Owner/President	Pay Rate	$45,000/year

Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA

Taxable Pay for Federal	Taxable Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay

EMPLOYEE EARNING RECORD

Name	Student Success	Hire Date	2/1/2017
Address	1644 Smittin Rd	Date of Birth	1/1/1991
City/State/Zip	Woodstock/VT/05001	Exempt/Nonexempt	Nonexempt
Telephone	(555)555-5555	Married/Single	S
Social Security Number	555-55-5555	No. of exemptions	2
Position		Pay Rate	$34,000/year

Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA

Taxable Pay for Federal	Taxable Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay

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Jeanette M. Landin, Ed.D.

Paulette Schirmer, D.B.A.

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Chapter 2

Payroll System Procedures

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Employer Payroll Concerns

- Pay Frequency
- Pay Types
  - Direct Deposit, Paycards, or Paper Checks
- Employee Benefits
- Pay Advances
- Confidentiality
- Fraud protection

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LO 2-1: Identify Important Payroll Procedures and Pay Cycles

- Reporting requirements
- Deadlines
- Other compliance issues related to the firm's industry

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EIN Purposes – Tax Related

- EIN is the permanent federal identifier for the company

<u>Must accompany</u>

- Tax Deposits
- Payroll Tax Returns
  - Forms 940, 941, 944
  - Forms W-2 and W-3
  - Any 1099s (independent contractors)

- States may issue a different identifying number

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Non-Confidential Company Documents

- Expense Receipts
- Vendor Invoices
- Check copies

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Confidential Company Documents

Privacy Act of 1974

- Personnel information
- Payroll documents

Note: Fraud-related documents may be subpoenaed at any time and must be accessible to government authorities.

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Payroll File Requirements– Employee

- Employee full name
- Social Security number
- Complete address
- Birth date (if younger than 19)
- Sex
- Occupation

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Payroll File Requirements– Compensation

- Time/day when workweek begins
- Hours/pay and total hours/workweek
- Basis of wages
- Hourly rate
- Total straight-time earnings
- Total overtime earnings
- Additions/deductions
- Total Wages
- Date Paid

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Employee Earnings Record example

EMPLOYEE EARNING RECORD

Name		Hire Date	
Address		Date of Birth	
City/State/Zip		Exempt/Nonexempt	
Telephone		Married/Single	
Social Security Number		No. of exemptions	
Position		Pay Rate	

Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA

Taxable Pay for Federal	Taxable Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay

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Payroll Cycle Options

- Daily
  - Usually used in a day-labor situation
  - Often paid at end of day or next day

- Weekly
  - Usually paid Friday of following week
  - 52 pay periods/year

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Payroll Cycle Options (continued)

- Biweekly
  - Paid every other week
  - 26 pay periods/year
- Semimonthly
  - Paid twice/month
  - 24 pay periods/year
- Monthly
  - Paid once/month
  - 12 pay periods/year

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Payroll Frequency: Example

Payroll frequency	Pay periods/year	$50,000/year gross salary per pay period
Daily	365	$136.99
Weekly	52	$961.54
Biweekly	26	$1,923.08
Semimonthly	24	$2,083.33
Monthly	12	$4,166.67

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LO 2-2: Prepare Required Employee Documentation

- Form W-4
- I-9
  - Filed within 20 days of employee hire
  - $25 fine for non-reporting per employee
  - $500 fine for intentional non-reporting

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W-4 Example

Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ **Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.**

OMB No. 1545-0074
2016

1 Your first name and middle initial Jonathan A.	Last name Doe	2 **Your social security number** 987-65-4321
Home address (number and street or rural route) 123 Main Street	3 ☑ Single ☐ Married ☐ Married, but withhold at higher Single rate. **Note:** If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.	
City or town, state, and ZIP code Anytown, KS 54932	4 **If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card.** ▶ ☐	

5	Total number of allowances you are claiming (from line **H** above **or** from the applicable worksheet on page 2)	5 2
6	Additional amount, if any, you want withheld from each paycheck	6 $
7	I claim exemption from withholding for 2016, and I certify that I meet **both** of the following conditions for exemption. • Last year I had a right to a refund of **all** federal income tax withheld because I had **no** tax liability, **and** • This year I expect a refund of **all** federal income tax withheld because I expect to have **no** tax liability. If you meet both conditions, write "Exempt" here ▶	7

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature
(This form is not valid unless you sign it.) ▶ *Jonathan A. Doe* **Date ▶** 1/2/2016

8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)	9 Office code (optional)	10 Employer identification number (EIN)

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Form I-9 Example

Employee Last Name, First Name and Middle Initial from Section 1: Doe, Jonathan A.

List A Identity and Employment Authorization	OR	List B Identity	AND	List C Employment Authorization
Document Title:		Document Title: Driver's License		Document Title: Social Security Card
Issuing Authority:		Issuing Authority: State of Kansas		Issuing Authority: Social Security Administration
Document Number:		Document Number: G93847562		Document Number: 987-65-4321
Expiration Date *(if any)(mm/dd/yyyy)*:		Expiration Date *(if any)(mm/dd/yyyy)*: 05/17/2017		Expiration Date *(if any)(mm/dd/yyyy)*:
Document Title:				
Issuing Authority:				
Document Number:				
Expiration Date *(if any)(mm/dd/yyyy)*:				
Document Title:				
Issuing Authority:				
Document Number:				

3-D Barcode
Do Not Write in This Space

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Tests to determine employee vs. independent contractor

- Behavioral control
  - Does the employer tell the person when to work and what work to do?
- Financial control
  - What amount and nature are worker's expenses?
  - What investment does the worker have in tools needed for the job?
  - Is the worker available to work with other companies?
  - How is the worker paid?
- Relationship of the parties
  - Work contract between worker and employer
  - Benefits offered and permanence of the relationship

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New Hire Reporting: Why?

- Child support tracking
- Employment eligibility verification
- Permanent resident alien tracking
- Other garnishments
  - Credit card debt
  - Court judgments

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Child Support

- As of the 2010 U.S. census, the estimated amount of child support transferred between parents in the United Stated exceeded $41.7 billion.

- As of March 2015, outstanding unpaid child support:

$14.3 Billion

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Statutory Employees

- A driver who is a single company's agent or is paid on commission
- A full-time life insurance sales agent for one life insurance company
- A home-worker who works on a company's provided materials
- A full-time traveling or city salesperson who works on a single company's behalf

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U.S. Workers in Foreign Subsidiaries

- Known as *expatriate* workers
- Foreign Account Tax Compliance Act (FATCA)
  - Report wages of earners in foreign locations
  - Ensures appropriate taxation
  - Workers may exclude first $102,100 of wages (2017 figure)
- Enforcement can be difficult due to foreign banks compliance with U.S. law

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Entering New Employees into a Database

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LO 2-3: Differentiate between exempt and nonexempt employees

<u>Exempt Employees</u>

- Not subject to FLSA wage and hour laws
- Usually applied to
  - Highly-skilled workers
  - Managers
  - Executives

- Typically receive fixed salary per pay period

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Exempt Executive Employee Duties Test

- An employee whose job description involves regular management
- An employee who has substantial input into other employees' job status
- Regularly supervises two or more employees

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Professional Exempt Employee Duties Test

- An employee whose work requires specific education, usually a terminal degree
- Is considered a knowledge worker or a creative professional
- An employee who must use discretion and professional judgment

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Exempt Administrative Duties Test

- An employee whose primary duties are office-based or non-manual
- An employee who contributes input on matters of significance to the firm
- An employee whose regular tasks directly relate to the firm's operations

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Nonexempt employees

- Subject to FLSA wage and hour provisions
- Employees receive specific amount per hour or other measure of output
- Must be paid a premium for work performed past the FLSA maximum during a pay period

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LO 2-4: Explain Pay Records and Employee File Maintenance

Pay Records include:

- Pay period
- Pay date
- Pay rate
- All deductions

Employer Retains:

- Copy of time card
- Copy of pay stub
- Any other documentation included with pay check
- Time off documentation

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Pay Rate Determination

Employee

- Experience
- Education
- Certifications
- Governmental Regulations
- Hours Worked
- Job Performed

Employer

- Salary
- Hourly
- Commission
- Piece Rate
- Exempt
- Nonexempt

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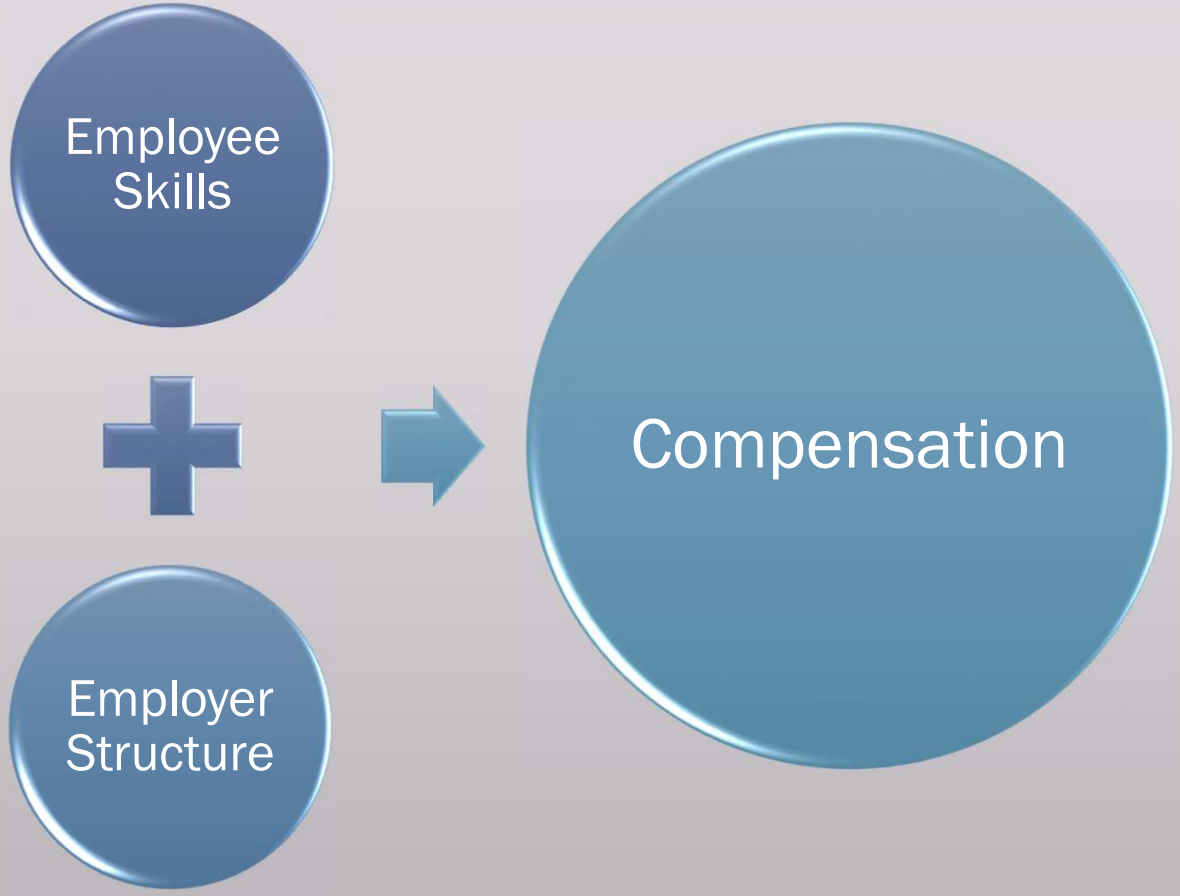
Compensation considerations



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Calculations of Time: Exempt Employee

- Juan is a manager for a textiles firm. He earns $52,000 per year and is classified as an exempt employee, and is paid biweekly.
- He normally works 40 hours per week.
- In June, he worked 85 hours during one pay period and 78 hours during the next.
- He would receive his salary of $2,000 ($52,000/26 periods) for each pay period, no matter how many hours he worked because he is classified as an exempt employee.

- Total pay = <u>$2,000</u>

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Calculations of Time: Nonexempt Employee

- Monique works as an administrator at a busy hospital.
- She is paid $52,000 on a weekly basis and is classified as nonexempt.
- During one week, she worked 50 hours.
- She would earn her regular weekly wage of $1,000 ($52,000/52 period) ***plus*** time and a half for the overtime hours.
- Based on a 40-hour workweek, her hourly wage is $25 ($52,000/(52x40)), so her overtime pay would be $375 (10 hours x 1.5 x $25).

- Total Pay = $1,000 + $375 = <u>$1,375</u>

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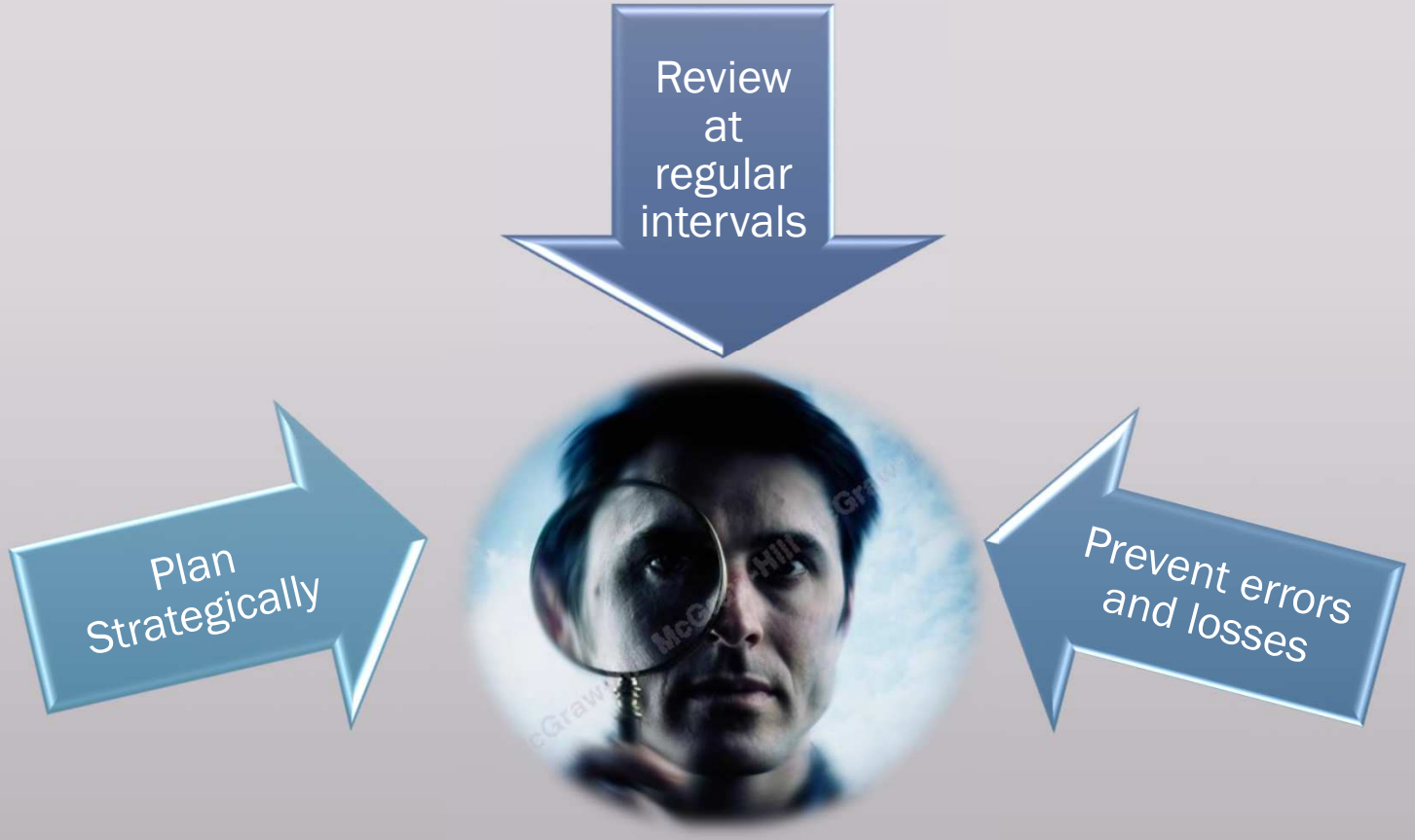
LO 2-5: Describe Internal Controls and Record Retention for a Payroll System



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Review Process Elements

- Managerial Verification of Time Cards
- Verification of Payroll Computations
- Approval of Pay Amounts
- Preparation of Pay Disbursement
- Approval of Pay Disbursement

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File Security

- Important part of internal control
- Safeguards governmental obligations
- Involves
  - Multiple passwords
  - Personnel cross-training
  - Electronic encryption
  - Restricted access
  - Duty rotation

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Payroll fraud occurrence example

A payroll specialist in Florida was HIV-positive, and was afraid to reveal his illness to employers. Instead, he took the money from his employer to pay for expensive medications.

- He would memorize his coworkers' usernames and passwords to create "ghost" employees.
- These ghosts' pay would go to the payroll specialist's bank account.
- He would falsify the payroll summaries he submitted for approval.
- The payroll specialist was found guilty of embezzling $112,000 before his termination.

Source: Journal of Accountancy

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Best Practices: Employee File Maintenance

- IRS Regulation 26 CFR 1.6001
  - Employer responsible for file maintenance
  - Recommends labeling and storage of backups
  - Employer must guarantee auditor access

- IRS Revenue Procedure 98-25
  - Record keeping duration for employers
  - Must include payroll transaction detail
  - Record derivation of executive pay
  - All pay must be benchmarked and justified

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Best Practices: Electronic Records

- Closed system
  - Access granted only to specific employees
- Record identifiers and logging
  - Marks who accessed which record and when
- Employers must monitor records for hacker activity

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Best Practices: Non-Solo Effort

- More than one person involved in the generation and maintenance of payroll records
- Separation of duties
  - No single person could generate paychecks
- Documentation of employee duties
  - Provides verification of completed tasks
  - Protects employer against fraud

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What a Non-Solo Payroll Department Prevents

- Terminated employees could continue to be paid via the payroll system or the funds could be subverted to someone else perpetrating the fraud.
- Sales commission plans, employee bonus plans, incentive programs are all subject to employees' and management's manipulation.
- The payroll checks distributed to employees could be stolen individually or en masse prior to their distribution.

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Best Practices: Document Retention

- Regulation 26 CFR 1.6001
  - Pertains to manual and computerized records
  - Guideline is 7 years
  - Retention period begins upon final pay disbursement

    In the event of payroll fraud, all records must be accessible <u>indefinitely</u>
  - Records for terminated employees must be kept for 7 years following separation
- Employer is responsible for all records, even when payroll is outsourced

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Document retention and the U.S. Supreme Court

In 2012, the U.S. Supreme Court issued specific guidelines to the IRS about the statute of limitations for audits. In *U.S. v. Home Concrete Supply, LLC*, the Court directed the following guidelines about records audits:

- 3 years to assess a taxpayer's deficiency
- 6 years if the taxpayer's gross assets were understated by more than 25%
- Unlimited time if intent to commit fraud exists

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LO 2-6: Discuss Employee Termination and Document Destruction Procedures

- Paper records
  - Incineration
  - Shredding
  - Pulping

- Electronic records
  - Must be purged from company servers
  - All backup copies must be destroyed

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Termination Pay Regulations

- Termination type
  - Involuntary termination (“firing” or “layoff”)
  - Voluntary resignation (“quitting”)

- Final pay
  - Must contain all hours worked
  - Vacation and sick time owed
  - Any other compensation owed or due

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Final Pay Regulations: Selected States

AR	Within 7 days of discharge	NV	Immediately upon discharge
CA	At time of discharge	NH	Within 72 hours
CO	Immediately upon discharge	NJ	By the next regular payday
CT	No later than the next business day	NM	Within 5 days when wages are definite, otherwise within 10 days if wages are indefinite

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Final Pay Regulations: Selected States (continued)

GA	No termination pay guidelines	OK	Next regular payday for the pay period
ID	Within 10 days, excluding weekends and holidays	PA	Next regular payday
IL	No later than the next payday, immediately if possible	RI	Next regular payday

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Summary of Payroll System Procedures

- Payroll system requires careful planning
- Allow room for company growth
- Best practices promote accuracy and prevent fraud
- Records may be paper, computerized, or outsourced
- Records must be maintained securely and allow auditor access
- Final pay for terminated employees must reflect all amounts due

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