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The Payroll - A Text & Practice Set

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1954

THE PAYROLL--A TEXT AND PRACTICE SET

BY

ROBERT EDWARD HENDRICK

A THESIS

SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF ARTS

WESTERN KENTUCKY STATE COLLEGE

AUGUST, 1954

Approved:-

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Department of Education
Graduate Committee

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[Signature]

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CHAPTER I

AN INTRODUCTION TO THE STUDY

The writer of this thesis while in college majored in Commercial Education and has spent eleven years since that time teaching commercial subjects in high school. In addition to his teaching, he has done considerable work in the accounting field, both general and payroll. He has taken additional college work in federal income and estate tax accounting, and has for the past six years been engaged in income tax accounting as a side line. The writer in this thesis is attempting to organize his own knowledge and experience, and the knowledge and experience from all other available sources, into a practical and usable form which may be taught in high school.

Some students will use what they learn from this course immediately after graduating from high school. Others will see a need for further training and will enroll in college. Still others may not use it at all. However, the course may be recommended for all girls since they may some time be required to earn a livelihood, and this type of work is particularly well suited to them. It might be added too that bookkeeping is valuable to all people now that the government is requiring so many records of its citizens; and should the student enter business, the accounting department is one of the best steppingstones to the better positions.

The following items are discussed in the order of their appearance:

1. What prompted this study?
2. Statement of the problem.

3. Scope of the study.
4. Source of the data.
5. Technique of treatment.
6. Similar studies.
7. Chapter summary.

What prompted this study:

The writer was prompted by a realization of the need for such a study, the lack of general knowledge of the subject, the questionable success in teaching the subject, and in some cases the avoidance of bringing it to a class since it was not recognized as being of value. By organizing such a study, the writer felt that he could better teach the subject, and that other teachers might perhaps find a use for it as well.

Statement of the problem:

This problem involves the following divisions:

1. The laws, rules, and regulations governing payrolls.
2. Application of the law in payroll accounting.
3. The accounting principles and procedure.
4. A detailed practice set.

Scope of the study:

The material herein purports to give the student a practical working knowledge of the basic elements of keeping a complete set of payroll records for an average-sized business. Having finished this course, the student should be able to get a job as a payroll clerk skilled in keeping all the necessary records, making the payroll checks, and filling out the required government reports.

Source of the data:

The material for this study has been gathered from the following:

1. Textbooks.

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2. Educational bulletins.
 3. Government bulletins.
 4. Periodicals.
 5. Internal Revenue Code.
 6. Prentiss-Hall Tax Guide.
 7. Social Security field office, Bowling Green, Ky.
 8. Internal revenue field office, Bowling Green, Ky.
 9. Experience of writer in the profession.

Technique of treatment:

The writer will attempt to organize and present the matter so that a teacher might bring it before a bookkeeping class in the most interesting, most practical, and most economical manner. It is not the purpose of this course to make income tax experts of high school students, even though a few might find it the first step in that direction.

Any textbook needs constant revision if it is to remain alive. This is especially true here since new laws and regulations are being continually added, revised, and reinterpreted.

Similar studies:

As far as the writer can find, no payroll course has been prepared for high school use. Some of the textbooks which are used do contain a short chapter or so on the subject, but their treatment is wholly inadequate and condensed out of any reality of application. All the textbooks examined contained only the barest mention of payroll payment and its function in the work sheet, the profit and loss statement, and in the adjusting and closing entries; or, in the later editions, a short explanation of the payroll requirements with illustrations only of the totals. This, of course, is but little better than

none at all.

Other studies have been written in developing courses of study,¹ all of them excellent in their line, but none of them fill the need found here.

The present chapter serves as an index to the following chapters:

Chapter II Preliminary Consideration

Chapter III Instructions for Payroll Accounting

Chapter IV The Practice Set

Chapter Summary:

The following main points are brought out in this chapter:

1. This study should help the teacher to
 - a. Create greater interest in the payroll phase of accounting
 - b. Do better teaching of the subject

¹ Jones, Burton C., A Course of Study in Beginning Bookkeeping, unpublished Master of Arts Thesis, Western Kentucky State College, Bowling Green, Kentucky, 1953

Hayes, James T., A Course of Study in Business Law, unpublished Master of Arts Thesis, Western Kentucky State College, Bowling Green, Kentucky, 1953

Hulse, Jane, A Course of Study in Advanced Typing, unpublished Master of Arts Thesis, Western Kentucky State College, Bowling Green, Kentucky, 1944

Kerrick, Paul E., A Course of Study in General Chemistry, unpublished Master of Arts Thesis, Western Kentucky State College, Bowling Green, Kentucky, 1951

McFarlane, Kathryn, A Course of Study in Beginning Shorthand, unpublished Master of Arts Thesis, Western Kentucky State College, Bowling Green, Kentucky, 1944

Serfey, Robert, A Course of Study for Plane Geometry, unpublished Master of Arts Thesis, Western Kentucky State College, Bowling Green, Kentucky, 1943

- c. Do more valuable teaching of the subject
- 2. This study was prompted by the recognition of an unfulfilled need for such a study and to satisfy part of the requirements for a Master of Arts degree.
- 3. This study involves three main divisions:
 - a. Introduction to the text
 - b. Instructions for payroll accounting
 - c. The practice set
- 4. The scope of this study is a rounded study in payroll accounting for high school use.
- 5. Material for this study was gathered from all available sources, particularly the printed law and various government bulletins.
- 6. There have been no other similar approaches to this problem.

CHAPTER II

PRELIMINARY CONSIDERATIONS

Before 1936 the small business man could, if he wished, conduct his affairs without the use of a single written record. Of course, this would not be considered the wise procedure, but he could operate this way if he chose. No law was in effect to force him to do otherwise. For the most part his records were fairly well limited to his accounts receivable and accounts payable since these must of necessity be accurate and up-to-date. His expenses, past and forthcoming, he could generally manage to remember without written reminders. And although he usually did not even bother with an exact, detailed accounting of his capital expenditures, he did take into consideration of such things as "wear and tear," and would keep some cash aside for expansion and the replacement of worn-out or obsolete fixed assets. When some fixed asset became unusable for one reason or another, he would trade it in on another and arrange some kind of a payment plan in line with the amount of cash he had available. This was known as making ends meet, which sometimes did and sometimes did not.

His problem of keeping his payroll was just as simple. A small merchant with several employees frequently paid his employees by taking money from his hip pocket or cash register on Saturday afternoon and handing them their weekly wages. Larger businesses also had a relatively simple task because it was only necessary to write a check or place cash in a pay envelope for the wages of each employee. In a business with several hundred employees, one person, sometimes working only part time on the payroll, could do all the work required.

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But this all changed beginning August 14, 1935, with the passage of the Social Security Act, and the subsequent passage of the Fair Labor Standards Act (Wages and Hours Law) in 1938 and the Current Tax Payment Act in 1943. Along with these federal laws, the various states have passed their own unemployment laws so that now the payroll problem has become quite complicated. This is true of the small business as well as the large. Even the housewife and the farmer who might have only one more-or-less regularly employed helper has become subject. Certain records of time worked, regular earnings, overtime earnings, deductions from wages, and personnel information are required. Likewise, information is needed to prepare accurately and promptly the many reports which are required by law.

Only by understanding the requirements of the various laws can one become acquainted with the records and procedure that are to be maintained. As previously stated, it is not the purpose of this course to make tax experts or authorities of the students who study it. As we examine some of the legal aspects of the field, we are able to see and to understand its broadness and complexity. This broadness and complexity, however, need not discourage the student since his area of operation is comparatively small when the subject is viewed as a whole.

There are four general sources from which the taxpaying employer's liability is determined. These are grouped as follows:

1. The Statute.
2. The Regulations.
3. Administrative Rulings.
4. Court Decisions.

The Statute:

In 1939 the existing federal tax law was consolidated and codified into "The Internal Revenue Code." Federal tax legislation since February 10, 1939, has generally been enacted as amendments to the Code. Present statutory federal tax law, therefore, is to be found primarily in the Code.

The Code is divided into six "Subtitles," which are further subdivided into Chapters, Subchapters, Parts, Supplements, Sections, Subsections, Paragraphs, and Subparagraphs. When reference or citation is made to the law, it is usually made through these subdivisions in abbreviated form. Although these references may seem beyond comprehension at first glance, they may be easily understood in a few minutes of study. It might be well to mention here that the numbering of the Sections is by broken sequence, to permit subsequent insertion of new Sections without the necessity of renumbering the entire series. The Statute is first in importance and the final authority in questions of taxation.

Treasury Regulations:

The Regulations, and the instructions on tax return blanks which have the weight of Regulations, are the Treasury Department's official interpretation and explanation of the Internal Revenue Code. The Commissioner of Internal Revenue with the approval of the Secretary of the Treasury, is specifically authorized by statute to prepare and issue Regulations. They are binding construction of the tax law, themselves having the force and effect of law, unless in conflict with the Statute.

Regulations are issued by sets, one for each major tax and for each group of minor taxes, both subject to refinement, or revisions, from time to time. The important subdivisions of a set of Regulations are its Sections, Subsections, and Paragraphs.

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The numbering of these, always preceded by the identification prefix number of the Regulations issue, is generally identical with the numbering of corresponding subdivisions of the Code.

Administrative Rulings:

The Treasury Department and the Bureau of Internal Revenue are constantly issuing "Rulings." These Rulings sometimes establish general principles that the Treasury will follow on certain points of tax law, or sometimes how they will construe the Code and the Regulations in their application to particular instances. These Rulings are identified and cited by the division or office that issues them and divisional serial numbers given to them. Of all the Rulings issued, the Treasury Decisions are the only ones considered by the Department binding as precedents. These must be signed by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury. Some of the other Administrative Rulings are listed as follows:

Committee on Appeals and Review Memorandum

Committee on Appeals and Review Recommendation

Alcohol Tax Ruling

Carriers' Tax Ruling

Capital Stock Tax Ruling

Employment Tax Ruling

Excess Profits Tax Council Rulings

Estate Tax Ruling

General Counsel's Memorandum

Income Tax Unit Ruling

Mimeograph Letter

Miscellaneous Tax Unit Ruling

Solicitor's Law Opinion

Office Decision of Income Tax Unit

- Opinion of the Attorney General
- Opinion of the Comptroller General
- Pension Trust Ruling
- Processing Tax Division Ruling
- Solicitor's Memorandum
- Silver Tax Division Ruling
- Solicitor's Recommendation
- Solicitor's Opinion
- Social Security Tax Ruling
- Sales Tax Ruling
- Advisory Tax Board Memorandum
- Advisory Tax Board Recommendation

In addition to test Rulings of the above, many other Rulings are issued in response to requests by taxpayers who wish to determine a doubtful point of law that might be involved. These are called Letter Rulings, and have something of the nature of a pre-trial by court.

Court Decisions:

Tax cases may arise in the Tax Court, the Court of Claims, and the district courts, according to the amount involved and the procedure adopted by the taxpayer, or employer. The Commissioner of Internal Revenue is not bound by a decision of one of these courts, since he may hope to obtain a reversal of the decision on appeal, or a conflicting decision in one of the other lower courts, or conflicting decisions from different Circuits of the United States Courts of Appeal. The final decision is, of course, in the hands of the United States Supreme Court if either the Commissioner or the taxpayer wishes to pursue the matter that far.

The more important Tax Court cases are reported in full in

the government's Tax Court series and in certain privately-sponsored tax services such as Prentiss-Hall and the West Publishing Company. Many of the courts' cases are reported only in memorandum form. Many of these memorandum decisions constitute important interpretations of the law, even though they are not always to be considered as setting precedent. Decisions of the various Circuits of the United States Courts of Appeal are published in the Federal Reporter series. Decisions of the Supreme Court are published in the United States series and in the Supreme Court Reporter. These two latter do set precedent; or, at least, until they change their minds.

Decisions, rulings, interpretations, opinions, etc., all of which have bearing on the taxpayers' tax situation, are issued every week. However, these are matters mostly for the income tax lawyers and accountants. The information given here is only for the purpose of giving a brief survey of the whole field. Our study, the payroll, is but a small segment of this whole.

The following chapter will be devoted to the breaking down of the tax law and showing its application to the practical work of preparing a payroll.

CHAPTER III

INSTRUCTIONS FOR PAYROLL ACCOUNTING

For the most part the provisions for the legal aspects of payroll accounting are to be found in the Internal Revenue Code, as amended by the revenue acts and other public laws enacted subsequent to February 10, 1939. What few that are not will be mentioned and explained as progress is made toward the practice set. It is quite as important to know what is not required as to know what is required; otherwise, the student would find himself so bogged down in the limitless maze of legal requirements and terminology that he would throw the task over as hopeless, as indeed it would be.

We will here give some excerpts from the Internal Revenue Code which we might consider basic and essential. This we do for two purposes. First, the student must know the laws governing social security and income tax if he is to become a skilled record keeper. Second, learning to read and comprehend the lawyers' language, or jargon, is a valuable art which he can familiarize himself with as he advances in this study. Almost all students when once introduced to the rudiments of the lawyers' language are delighted to realize that they can both read and understand it without too much difficulty. They soon learn to appreciate its exactness.

Following are the excerpts from the Internal Revenue Code which each student needs to study carefully and learn:

INTERNAL REVENUE CODE

as amended by

Revenue Acts and Other Public Laws

enacted subsequent to February 10, 1939

CHAPTER IX--EMPLOYMENT TAXES

SUBCHAPTER A--EMPLOYMENT BY OTHERS THAN CARRIERS
(Federal Insurance Contributions Act)

Part I--Tax on Employees

SECTION 1400. RATE OF TAX.

In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages (as defined in section 1426(a)) received by him after December 31, 1936, with respect to employment (as defined in section 1426(b)) after such date:

(1) With respect to wages received during the calendar years 1939 to 1949, both inclusive, the rate shall be 1 per centum.

(2) With respect to wages received during the calendar years 1950 to 1953, both inclusive, the rate shall be 1½ per centum.

(3) With respect to wages received during the calendar years 1954 to 1959, both inclusive, the rate shall be 2 per centum.

(4) With respect to wages received during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

(5) With respect to wages received during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

(6) With respect to wages received after December 31, 1969, the rate shall be 3¼ per centum.

SECTION 1401. DEDUCTION OF TAX FROM WAGES.

(a) Requirements.--The tax imposed by section 1400 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid.

(b) Indemnification of Employer.--Every employer required so to deduct the tax shall be liable for the payment of such tax, and shall be indemnified against the claims and demands of any person for the amount of any such payment made by such employer.

(d)(3) Wages received after 1950.--If by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1950 the wages received by him during such year exceed \$3,600, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first \$3,600 of such wages received. (Note to student: This means that the social security tax is on wages only up to \$3,600 per year.)

SECTION 1402. NON-DEDUCTIBILITY OF TAX FROM NET INCOME.

For the purposes of the income tax imposed by chapter one or by any act of Congress in substitution therefor, the tax imposed by section 1400 shall not be allowed as a deduction to the taxpayer in computing his net income for the year in which such tax is deducted from his wages.

SECTION 1403. RECEIPTS FOR EMPLOYEES.

(a) Requirement.--Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee before January 1, 1951. (For corresponding provisions with respect to wages paid after December 31, 1950, see section 1633.) Each statement shall cover a calendar year, or one, two, three, or four calendar quarters, whether or not within the same calendar year, and shall show the name of the employer, the name of the employee, the period covered by the statement, the total amount of wages paid within such period and the amount of tax imposed by section 1400 with respect to such wages. Each statement shall be furnished to the employee not later than the

last day of the second calendar month following the period covered by the statement, except that, if the employee leaves the employ of the employer, the final statement shall be furnished on the day on which the last payment of wages is made to the employee. The employer may, at his option, furnish such a statement to any employee at the time of each payment of wages to the employee during any calendar quarter, in lieu of a statement covering such quarter; and, in such case, the statement may show the day of payment of the wages, in lieu of the period covered by the statement.

(b) Penalty for Failure to Furnish.--Any employer who willfully fails to furnish such statement to any employee in the manner, at the time, and showing the information, required under subsection (a), shall for each such failure be subject to a civil penalty of not more than \$5.

Part II.--Tax on Employers

SECTION 1410. RATE OF TAX.

In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of wages (as defined in section 1426 (a)) paid by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

- (1) With respect to wages paid during the calendar years 1939 to 1949, both inclusive, the rate shall be 1 per centum.
- (2) With respect to wages paid during the calendar years 1949 to 1953, both inclusive, the rate shall be 1½ per centum.
- (3) With respect to wages paid during the calendar years 1954 to 1959, both inclusive, the rate shall be 2 per centum.
- (4) With respect to wages paid during the calendar years

1960 to 1964, both inclusive, the rate shall be $2\frac{1}{2}$ per centum.

(5) With respect to wages paid during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

(6) With respect to wages paid after December 31, 1969, the rate shall be $3\frac{1}{4}$ per centum.

(Note to student: This is an excise tax on the employer, and it may be deducted from his income just as any other expense.)

Part III--General Provisions

SECTION 1420. COLLECTION AND PAYMENT OF TAXES.

(a) Administration.--The taxes imposed by this subchapter shall be collected by the Bureau of Internal Revenue under the direction of the Secretary and shall be paid into the Treasury of the United States as internal-revenue collections.

(b) Addition to Tax in Case of Delinquency.--If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 6 per centum per annum from the date the tax became due until paid.

(c) Method of Collection and Payment.--Such taxes shall be collected and paid in such manner, at such times, and under such conditions, not inconsistent with this subchapter (either by making and filing returns, or by stamps, coupons, tickets, books, or other reasonable devices or methods necessary or helpful in securing a complete and proper collection and payment of the tax or in securing proper identification of the taxpayer), as may be prescribed by the Commissioner, with the approval of the Secretary.

(d) Fractional Parts of a Cent.--In the payment of any tax under this subchapter a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to 1 cent. [Note to student: This

same provision is applied in all your payroll work.)

SECTION 1426. DEFINITIONS.

When used in this subchapter--

(a) Wages.--The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include. . .(Note to student: There follows here a listing of ten types of payments which are not to be considered wages subject tax. Since these items are quite obvious and knowing them is not necessary for the time being, we will only mention here that you should remember that this information is to be found in Section 1426.)

(b) Employment.--The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this subchapter under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship of either, or (B) outside the United States by a citizen of the United States as an employee for an American employer; except that, in the case of service performed after 1950, such term shall not include. . .(Note to student: There follows here seventeen exceptions to the term. As in the paragraph above, you need only remember that this information is found in Section 1426.)

(c) Included and Excluded Service.--If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be

employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then one of the services of such employee for such period shall be deemed to be employment. As used in this subsection the term "pay period" means a period (or not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him.

SUBCHAPTER C--TAX ON EMPLOYERS OF EIGHT OR MORE
(Federal Unemployment Tax Act)

SECTION 1600. RATE OF TAX.

Every employer shall pay for the calendar year 1939 and for each calendar year thereafter an excise tax, with respect to having individuals in his employ, equal to 3 per centum of the total wages paid by him during the calendar year with respect to employment after December 31, 1938.

SECTION 1601. CREDITS AGAINST TAX.

(a) Contributions to State Unemployment Funds.

(b) Additional Credit.--In addition to the credit allowed under subsection (a), a taxpayer may credit against the tax imposed by section 1600 for any taxable year an amount, with respect to the unemployment compensation law of each State certified for the taxable year, equal to the amount, if any, by which the contributions required to be paid by him with respect to the taxable year were less than the contributions such taxpayer would have been required to pay if throughout the taxable year he had been subject under such State law to the highest rate applied thereunder in the taxable year to any person having individuals in his employ, or to a rate of 2.7 per centum, whichever rate

is lower.

(c) Limit on Total Credits.--The total credits allowed to a taxpayer under this subchapter shall not exceed 90 per centum of the tax against which such credits are allowable.

(Note to student: All this means that the federal government requires an employer of eight or more persons, in "covered" employment, to carry an unemployment insurance policy on his employees. The premium on this policy is three per cent of the wages paid. However, if the State government also has unemployment insurance laws, he may deduct part of the premiums paid to the State from his unemployment tax liability to the federal government. The maximum which he can deduct is 2.7 per cent of the wages paid, which is what most employers do. For instance, if the employer paid wages of \$100, his total unemployment tax liability would be \$3. Of this \$3, he would owe \$2.70 to the State government and \$0.30 to the federal government.)

SECTION 1604. RETURNS.

(a) Requirement.--Not later than January 31, next following the close of the taxable year, each employer shall make a return of the tax under this subchapter for such taxable year. Each such return shall be made under oath, shall be filed with the collector for the district in which is located the principal place of business of the employer, or, if he has no principal place of business in the United States, then with the collector at Baltimore, Maryland, and shall contain such information and be made in such manner as the Commissioner, with the Secretary, may be specified in the regulations prescribed.

(b) Extension of Time for Filing.--The Commissioner may extend the time for filing the return of the tax imposed by this

subchapter, under such rules and regulations as he may prescribe with the approval of the Secretary, but no such extension shall be for more than ninety days.

SECTION.1605. Payment of Taxes.

(a) Administration.--The tax imposed by this subchapter shall be collected by the Bureau of Internal Revenue under the direction of the Secretary and shall be paid into the Treasury as internal-revenue collections.

(b) Administration of Tax Delinquency.--If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 6 per centum per annum from the date the tax became due until paid.

SUBCHAPTER D.--COLLECTION OF INCOME TAX AT SOURCE ON WAGES

SECTION 1622. INCOME TAX COLLECTED AT SOURCE.

(a) Requirement of Withholding.--Every employer making payment of wages shall deduct and withhold upon such wages a tax equal to 18 per centum of the amount by which the wages exceed the number of withholding exemptions claimed multiplied by the amount of one such exemption as is shown in subsection (b)(1).

(b) (1) The table referred to in subsection (a) is as follows:

Percentage method withholding table	
Payroll period	Amount of one withholding exemption
Weekly	\$ 13.00
Biweekly	26.00
Semimonthly	28.00
Monthly	56.00
Quarterly	167.00
Semiannual	333.00
Annual	667.00
Daily or miscellaneous	1.80

(2) If wages are paid with respect to a period which is not a payroll period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous payroll period containing a number of days (including Sundays and holidays) equal to the number of days in the period with respect to which such wages are paid.

(c) Wage Bracket Withholding.--

(1) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be deducted and withheld under subsection (a). (Note to student: There are five of these tables. See the illustration on the following page which shows the monthly payment of wages and deductions.)

(2) If wages are paid with respect to a period which is not a payroll period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days (including Sundays and holidays) equal to the number of days in the period with respect to which such wages are paid.

(h) Withholding Exemptions.--

(1) In general.--An employee receiving wages shall on any day be entitled to the following withholding exemptions:

(A) An exemption for himself.

(B) One additional exemption for himself. . .if he is over 65 years old.

(C) One additional exemption for himself. . .if he is blind.

(D) If the employee is married, any exemption to which his spouse is entitled, or would be entitled if such spouse were an employee receiving wages, but only if such spouse does not have in effect a withholding exemption certificate claiming such exemption.

(E) An exemption for each individual with respect to whom, on the basis of facts existing at the beginning of such day, if each individual is a direct dependent allowable by law.

(2) Exemption certificates.--

(A) On Commencement of Employment.--On or before the date of the commencement of employment with an employer, the employee shall furnish the employer with a signed withholding exemption certificate relating to the number of withholding exemptions which he claims, which shall in no event exceed the number to which he is entitled.

(B) Change of Status.--If, on any day during the calendar year, the number of withholding exemptions to which the employee is entitled is less than the number of withholding exemptions claimed by the employee on the withholding exemption certificate then in effect with respect to him, the employee shall within ten days thereafter furnish the

employer with a new withholding exemption certificate relating to the number of withholding exemptions which the employee then claims, which shall in no event exceed the number to which he is entitled on such day. If on any day during the calendar year, the number of withholding exemptions to which the employee is entitled is greater than the number of withholding exemptions claimed, the employee may furnish the employer with a new withholding certificate relating to the number of withholding exemptions which the employee then claims.

SECTION 1623. LIABILITY FOR TAX.

The employer shall be liable for the payment of the tax required to be deducted and withheld under this subchapter, and shall not be liable to any person for the amount of any such payment.

SECTION 1633. RECEIPT FOR EMPLOYEES.

(a) Requirement.--Every person required to deduct and withhold from an employee a tax under section 1400 or 1622, or who would have been required to deduct and withhold a tax under section 1622 if the employee had claimed no more than one withholding exemption, shall furnish to each such employee in respect of the remuneration paid by such person to such employee during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of remuneration is made, a written statement showing the following: (1) the name of such person, (2) the name of the employee (and his social security number if wages as defined in section 1426 have been

paid), (3) the total amount of wages, (4) the total amount deducted and withheld as tax under section 1622, and (5) the total amount deducted and withheld as tax under section 1400.

(Note to student: According to Treasury Regulation 116, Section 405.601, all taxes withheld, as well as the employer's own tax liability, are to be reported quarterly. Generally, the return and the taxes are due and payable to the district Collector of Internal Revenue on or before the last day of the month following the quarter covered by the return. The quarters end on March 31, June 30, September 30, and December 31. In addition to the quarterly returns, there must be an annual return as a reconciliation of the quarterly returns.)

Application of the Law

Step one

In opening a new set of books for keeping the payroll, the first requirement is the making of an application to the Department of Internal Revenue for a Social Security Identification Number for the business. The application blank, called SS-4, may be obtained from the local field office of the Social Security Administration, located usually in the nearest post office.

This application blank is shown on page twenty-seven. When it is properly filled out, you may return it to the local social security office. They, in turn, will forward it to Washington, D. C. The Washington office will then assign your firm a Social Security Identification Number which the firm will henceforth use for all payroll reports to the Internal Revenue Department.

Step two

After you have filed your application for a Social Security Identification Number, you will begin the setting up of a book-keeping system which is best suited to the operation of your particular business.

Although the law does not prescribe any standard regulations concerning your payroll records, it does require that you, in the manner of your choice, keep accurately the following information about each employee:

1. Name in full.
2. Home address.
3. Date of birth if under nineteen.
4. Occupation in which employed.
5. The day and hour on which the employee's work begins.

FORM SS-4
U. S. TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
(REV. 10-52)

EMPLOYER'S APPLICATION FOR IDENTIFICATION NUMBER
UNDER THE FEDERAL INSURANCE CONTRIBUTIONS ACT

DO NOT WRITE IN THIS SPACE

NOTE.—Read instructions on reverse before filling in this form
TYPEWRITE or PRINT all entries in BLACK or DARK BLUE INK

1 EMPLOYER'S NAME—Enter Owner's TRUE name under which tax returns will be filed, as distinguished from TRADE name.				
2 TRADE NAME, IF ANY—Enter name under which business is operated, if different from ITEM 1				
3 ADDRESS OF PRINCIPAL PLACE OF BUSINESS—No. and Street City P. O. Zone County State				
4 CHECK (X) TYPE OF ORGANIZATION—If "Other" specify, such as "Estate," etc. <input type="checkbox"/> Individual Owner <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other (Specify)				5 NUMBER OF EMPLOYEES
6 Give date employer in ITEM 1 acquired this business Month Day Year			7 Give first date employer in ITEM 1 paid taxable wages to one or more employees Month Day Year	
8 SHOW NATURE OF BUSINESS (See instructions on back)				
9 Has employer previously filed an application for an identification number for this or any other business? If "Yes," give approximate date			10 Was this business previously operated by another employer? <input type="checkbox"/> Yes <input type="checkbox"/> No	
11 If answer to ITEM 10 is "Yes," give previous employer's name and identification number, if known				
DATE		SIGNATURE—DO NOT PRINT—Owner, Partner, Officer, or Fiduciary		TITLE

INTERNAL REVENUE SERVICE COPY
PAGE 1

DO NOT DETACH

16-43720-2 U. S. GOVERNMENT PRINTING OFFICE

PAGE 2
SOCIAL SECURITY ADMINISTRATION COPY
FORM SS-4
(REV. 10-52)

1 EMPLOYER'S NAME—Enter owner's TRUE name under which tax returns will be filed, as distinguished from TRADE name.					
2 TRADE NAME, IF ANY—Enter name under which business is operated, if different from ITEM 1.					
3 ADDRESS OF PRINCIPAL PLACE OF BUSINESS—No. and Street City P. O. Zone County State					
4 CHECK (X) TYPE OF ORGANIZATION—If "Other" specify, such as "Estate," etc. <input type="checkbox"/> Individual Owner <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other (Specify)				5 NUMBER OF EMPLOYEES	
6 Give date employer in ITEM 1 acquired this business Month Day Year			7 Give first date employer in ITEM 1 paid taxable wages to one or more employees Month Day Year		
8 SHOW NATURE OF BUSINESS (See instructions on back)					
9 If nature of business is MANUFACTURING, list in order of their importance the principal products manufactured and the estimated percentage of the total value of all products which each represents.		2	%		
1		3	%		
10 CHECK (X) REASON FOR FILING THIS APPLICATION—If "Other" specify, such as "Change in corporate structure," "Acquired by gift or trust," etc. <input type="checkbox"/> Started new business <input type="checkbox"/> Purchased going business <input type="checkbox"/> Change in partnership <input type="checkbox"/> New Social Security law <input type="checkbox"/> Other					
11 Does employer in ITEM 1 operate more than one place of employment? <input type="checkbox"/> Yes <input type="checkbox"/> No. If "Yes," attach a list showing for each separate place of employment: a. The name and address. b. Nature of business. c. The number of employees.					
GEO. CODE	IND. CODE	CLASS CODE	SIZE CODE	REASON FOR APPL.	BUS. BIR. DATE

FIGURE 2:--FORM SS-4

(If the hours are uniform, this is not required.)

6. Hours worked daily, and weekly.
7. Basis on which wages are paid.
8. Total earnings at straight time.
9. Total wages, date of payment, and period covered.
10. Total additions or deductions from wages.
11. When employee earns overtime pay, records must show:
 - a. Regular hourly rate of pay.
 - b. Total extra pay for overtime worked.

As you can see, this offers considerable variety in the records you must keep, the chief limitation being on just how complete and detailed the employer may desire. As a matter of fact--and you should remember this--practically every business in this country keeps its books somewhat differently. However--and you should remember this too--they are all based on the same general accounting principles; and once you have thoroughly mastered the principles, you will be able with a little study to comprehend any system you might encounter.

Most payroll systems have for their basis the following minimum records:

1. The Social Security Register of Employees.
2. The Employee Ledger.
3. The Periodical Payroll Summary Sheets.
4. The Time Records.

Along with these records entirely devoted to the payroll you have your usual:

1. Journals.
2. General Ledger.
3. Other subsidiary ledgers.

The Social Security Register of Employees is usually in the form of a small bound booklet and is considered a permanent record. It is imperative that this register be accurate and up-to-date. Below is illustrated a page from this register.

Emp. No.	Employee Name	Address	Soc.Sec.No.	Date of Employment	
				Begin	End
1	Smith, John E.	109 Vine, City	404-34-4593	5/3/53	
(a)	(b)	(c)	(d)	(e)	(f)

FIGURE 3:--PAGE FROM SOCIAL SECURITY REGISTER OF EMPLOYEES

Explanation of Figure 3:

(a) This is the identification number the company assigns its individual employees. Each employee usually keeps this same number as long as he works for the firm. You may have seen factory workers wearing numbered buttons on their lapels, caps, or purses. These are the numbers.

(b) This is the full name of the employee as taken from his social security card. It is important that the name be copied exactly as written on the card.

(c) The address is where the employee lives at the time he is hired--not necessarily the address appearing on his social security card.

(d) The social security number is taken from the employee's social security card. No person, if he is under covered employment, can be hired until he has this card, or has made application for one.

(e) The exact date the employee goes to work is written

in this column.

(f) The exact date the employee leaves is written in this column. (Note: If an employee is rehired, he is entered at the bottom of the list as though he were new. A notation should be made to indicate this.)

The Employee Ledger is a book, or collection, of the individual accounts of each employee. Below is an illustration of a page from an Employee Ledger.

Name: Smith, John E. Soc. Sec. No.: 404-34-4593
 Address: 109 Vine Street Exemptions: 3
Lexington, Kentucky Position: Clerk

Date	Total Wages	WITHHOLDINGS					Net Wages
		Inc. Tax	F.O.A.B.	Insurance	Savings	Other	
Jan. 7	42.34	1.04	.85	.20			40.25
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)

FIGURE 4:--PAGE FROM AN EMPLOYEE LEDGER

Explanation of Figure 4:

- (a) The payroll date.
- (b) The total wages earned, both regular and overtime.
- (c) The federal income tax withheld from wages.
- (d) The federal old age benefits withheld. This is usually called "social security" withholdings.
- (e) The withholdings for insurance. (Should the employee desire to carry a low-rate group insurance policy and wishes the firm to withhold the premium from his wages, the amount withheld is entered here. The payment is later made to the insurance company at certain contracted

times, usually quarterly or semiannually. This withholding is strictly voluntary and is merely an accommodation to the employee.)

- (f) The withholdings for various savings plans. (This withholding is similar to the insurance plan, strictly voluntary.)
- (g) All other withholdings from employee's wages. (These may include union dues, annuities, garnishments, stock purchase, loan funds, or any other employer-employee agreement.)
- (h) The net wages after all withholdings are deducted. This is the actual cash the employee gets, his "take-home" earnings.

(Note: The employer should make arrangement, either on his pay envelopes or pay checks, to show the employee the above information.)

The Periodical Payroll Summary Sheet is an itemized listing of the entire payroll for each payroll period. It contains the complete information about the payroll and is the source of the journal entries and the subsequent employee ledger entries.

The Payroll Summary Sheet is usually prepared weekly since the payroll period for most business is weekly. However, it is quite common to find them prepared for two-week periods; and occasionally you will see them prepared monthly.

If it is possible to say that one record is more important than another, we could say that the Payroll Summary Sheet would be the one. These records are filed away and saved for at least three years.

On the following page is illustrated a Payroll Summary Sheet.

(a) Begin 5/10/54 End 5/17/54

Emp. No.	Name	Exem.	Rate	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	WITHHOLDINGS					Net Wages
				S	M	T	W	T	F	S					Inc. Tax	FOAB	Ins.	Sav.	Other	
1	John E. Davis	3	.60	8	8	8	9	8	5	46	27.60	1.80	29.20	.60	.58	.50	1.00		26.52	
(b)	(c)	(d)	(e)	****(f)****							(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)

FIGURE 5:--A PAYROLL SUMMARY SHEET

Explanation of Figure 5:

- (a) The exact period covered by this payroll.
- (b) Employee number assigned by the firm.
- (c) Employees' names.
- (d) The exemptions allowed against income tax withholdings.
- (e) Hourly wage rate of pay.
- (f) Hours worked each day.
- (g) Total hours worked during the week.
- (h) Wages for the regular rate of pay. (Straight-time pay)
- (i) Wages in bonus for overtime work. (Forty-hour week illustrated here)
- (j) Total wage, the sum of regular and overtime pay.
- (k) through (p) Same as illustrated in Figure 4.

The Time Records are usually in the form of daily time cards which show the exact time the employee starts his day's work and the exact time he ends it. These may be kept by the employee himself, or his immediate superior, by merely writing the time in the "Time Book." However, the hours worked are usually kept automatically by means of a time clock. This time clock is a device which stamps the employees' time cards the exact minute they report for work and stamps it again the exact minute they check out. It is from the time records that the payroll summary sheets are prepared.

Below is an illustration of one type of time card.

Emp. No. 12 Soc. Sec. No. 404-52-3836
 Name: Mary O. Baird Exemptions 2
 Rate 80¢

Date	Morning		Afternoon		Overtime		Hours	
	In	Out	In	Out	In	Out	Reg.	Over.
1/5/54	7:59	12:01	12:58	5:05			8	
1/6/54	7:58	12:00	12:59	5:02			8	
1/7/54	7:58	12:02	1:00	5:04	6:00	8:32	8	2½
1/8/54	8:00	12:05	12:58	5:01			8	
1/9/54	7:59	12:00	12:59	5:00			8	
1/10/54	7:55	12:03					4	
					Total		44	2½

FIGURE 6:--TIME CARD

The journals serve in payroll accounting exactly as they do in all other accounting. They are the books of original entry in which all transactions are entered in chronological order. So then, when a payroll is paid, a journal entry is required. This is important, but many students very often overlook it. The journal entry, as mentioned earlier, is made from the totals of the payroll

summary sheets. If the payroll summary sheet is properly prepared, the journal entries are but little more than accurate copying.

All entries could, of course, be made in the general journal; or they could be made in a general journal and a simple cash receipts journal with folio checks; or they could be made in a combined journal. The combined journal is the most generally used in actual practice, and it is really the easiest method when understood.

The general ledger is the regular permanent book, or collection, of individual accounts used in general accounting. Into it will be posted the classified entries from the journals, either daily or periodically, as the case might require. The account forms and the posting rules in payroll work are precisely the same as those of any other posting.

The accounts of the general ledger peculiar to payroll accounting are but additions to the general ledger. These new accounts are:

1. Payroll Expense. (This includes all employee wages.)
 - a. Direct Labor.
 - b. Indirect Labor.
 - c. Sales Salaries.
 - d. Office Salaries.
 - e. Administration Salaries.
 - f. Supervisory Salaries.
 - g. Custodian Salaries.
 - h. Maintenance Salaries.
 - i. Deliverymen Salaries

- j. Salesmen Salaries.
- k. Salesmen Commissions.
- 2. Federal Old Age Benefits Tax Expense.
- 3. State Unemployment Contributions Tax Expense.
- 4. Federal Unemployment Contributions Tax Expense.
- 5. Workmen's Compensation Tax Expense.
- 6. Federal Income Tax Withholdings Payable.
- 7. Federal Old Age Benefits Payable.
- 8. State Unemployment Contributions Payable.
- 9. Federal Unemployment Contributions Payable.
- 10. Workmen's Compensation Payable.
- 11. Other Withholdings (not required by law).
 - a. Group Insurance Withholdings Payable.
 - b. Group Savings Withholdings Payable.
 - c. Union Dues Withholdings Payable.
 - d. Withholdings for Government Bonds Payable.

Note: If other withholdings are made, this number would increase.

Step three

The third step concerns the hiring of employees. Hiring is, of course, the job of the employer himself; but in cases of the larger business, this task is turned over to some lesser official in the firm. This official is usually called the "Personnel Director," or some other similar title. However, the new employee is still a responsibility of the accounting department since it needs to gather a good deal of personal data from the new employees for its own records.

Before any applicant for a job can be hired, he must be required to:

1. Produce a social security card, or make application for one.
2. Sign a certificate of withholding.

The social security card is a strict requirement for employment if the work falls in the F. I. D. C. classification. From this card the applicant's name and account number is entered in the firm's records, particularly in the social security register. The card itself must be shown since no other means of getting the person's account number is acceptable, not even if the "number is tattooed on the applicant's forehead." This is most important because all reports on employees to the Department of Internal Revenue must carry with them the employees' social security account numbers.

If the prospective employee does not have this card, you may take his application for one. Or you may, and this is much better, sent him to the local field office of the Social Security Administration where he may make application for an account number himself. They will give him a temporary permit which will serve until his regular card is issued by the Department. This application is called the SS-5. See Figure 7.

The certificate of withholding is a form required by the Internal Revenue Department of all employees who wish to claim exemptions-benefits for income tax withholdings. The exemptions he may claim are specifically fixed by law inasmuch as each exemption allows the employee a lessened amount to be deducted from his wages. The deduction amounts are automatically computed in the Wage Bracket Charts. See Figure 1 and note the savings allowed for the exemptions.

If the employee does not sign a certificate of withholding,

he is considered as having no exemptions and is denied any income tax allowance to which he might have been entitled. Although the certificate of withholding is not required of the employee, it is greatly to his advantage to have one. It is the firm's duty to ask each employ to sign one. This certificate, Form W-4, is illustrated in Figure 8.

Form SS-5
 TREASURY DEPARTMENT
 INTERNAL REVENUE SERVICE
 (Revised 7-46)

APPLICATION FOR SOCIAL SECURITY ACCOUNT NUMBER
 REQUIRED UNDER THE FEDERAL INSURANCE CONTRIBUTIONS ACT
 READ INSTRUCTIONS ON BACK BEFORE FILLING IN FORM

DO NOT WRITE IN THE ABOVE SPACE

FILL IN EACH ITEM. PRINT IN BLACK OR DARK BLUE INK OR USE TYPEWRITER FOR ALL ITEMS EXCEPT SIGNATURE. IF THE INFORMATION CALLED FOR IN ANY ITEM IS NOT KNOWN, WRITE "UNKNOWN."

1 PRINT NAME YOU GAVE YOUR PRESENT EMPLOYER, OR, IF UNEMPLOYED, THE NAME YOU WILL USE WHEN EMPLOYED		FIRST NAME		MIDDLE NAME. (IF YOU USE NO MIDDLE NAME OR INITIAL, DRAW A LINE—)		LAST NAME	
2 MAILING ADDRESS (NO. AND ST., P. O. BOX, OR RFD) (CITY) (ZONE) (STATE)				3 PRINT FULL NAME GIVEN YOU AT BIRTH			
4 AGE ON LAST BIRTHDAY		5 DATE OF BIRTH (MONTH) (DAY) (YEAR)		6 PLACE OF BIRTH (CITY) (COUNTY) (STATE)			
7 FATHER'S FULL NAME, REGARDLESS OF WHETHER LIVING OR DEAD				8 MOTHER'S FULL NAME BEFORE EVER MARRIED, REGARDLESS OF WHETHER LIVING OR DEAD			
9 (MARK (X) WHICH) MALE FEMALE SEX: <input type="checkbox"/> <input type="checkbox"/>		10 COLOR (MARK (X) WHICH) (IF OTHER, SPECIFY) OR WHITE NEGRO OTHER RACE <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		11 HAVE YOU EVER BEFORE APPLIED FOR OR HAD A SOCIAL SECURITY OR RAILROAD RETIREMENT NUMBER? YES <input type="checkbox"/> NO <input type="checkbox"/> (MARK (X) WHICH) DO I KNOW <input type="checkbox"/>			
12 BUSINESS NAME OF EMPLOYER. IF UNEMPLOYED, WRITE "UNEMPLOYED"				IF ANSWER IS "YES", PRINT THE STATE IN WHICH YOU FIRST APPLIED AND WHEN		STATE DATE	
13 EMPLOYER'S ADDRESS (NO. AND STREET) (CITY) (ZONE) (STATE)				14 WRITE YOUR NAME AS USUALLY WRITTEN (DO NOT PRINT)		ALSO PRINT YOUR ACCOUNT NUMBER IF YOU KNOW IT ACCOUNT NUMBER	
13 TODAY'S DATE							

DO NOT WRITE IN THIS SPACE

60-10-5224-7

RETURN COMPLETED APPLICATION TO NEAREST SOCIAL SECURITY ADMINISTRATION FIELD OFFICE

FIGURE 7:--FORM SS-5. APPLICATION.

Form W-4 (Rev. July 1953)
U. S. Treasury Department
Internal Revenue Service

EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE

Print full name _____ Social Security No. _____
Print home address _____ City _____ State _____

EMPLOYEE:

File this form with your employer. Otherwise, be must withhold U. S. income tax from your wages without exemption.

EMPLOYER:

Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the District Director should be so advised.

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If SINGLE, and you claim an exemption, write the figure "1".
2. If MARRIED, one exemption each for husband and wife if not claimed on another certificate.
 - (a) If you claim both of these exemptions, write the figure "2".
 - (b) If you claim one of these exemptions, write the figure "1".
 - (c) If you claim neither of these exemptions, write "0".
3. Exemptions for age and blindness (applicable only to you and your wife but not to dependents):
 - (a) If you or your wife will be 65 years of age or older at the end of the year, and you claim this exemption, write the figure "1"; if both will be 65 or older, and you claim both of these exemptions, write the figure "2".
 - (b) If you or your wife are blind, and you claim this exemption, write the figure "1"; if both are blind, and you claim both of these exemptions, write the figure "2".
4. If you claim exemptions for one or more dependents, write the number of such exemptions. (Do not claim exemption for a dependent unless you are qualified under instruction 3 on other side.)
5. Add the number of exemptions which you have claimed above and write the total

CERTIFY that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.

Date) _____, 19____ (Signed) _____

FIGURE 8:--FORM W-4

AJAX COMPANY PAYROLL RECEIPT				No. _____
TOTAL#	INC. TAX#	FOAB#	OTHER#	NET#
AJAX COMPANY				19
FIRST NATIONAL BANK				73-74
BOWLING GREEN, Ky.				832
PAY TO THE ORDER OF _____				\$
				DOLLARS
PAYROLL CHECK		By _____		
No. _____				

FIGURE 9:--A PAYROLL CHECK

FORM 941 (Rev. Sept. 1952)
U. S. Treasury Department
Internal Revenue Service

EMPLOYER'S QUARTERLY FEDERAL TAX RETURN

1. Federal Income Tax Withheld From Wages (If not required to withhold, write "None") \$

2. Adjustment for preceding quarter(s) of calendar year. (Attach explanation. See instructions) \$

3. Income tax withheld, as adjusted \$

Federal Insurance Contributions Act Taxes (If no taxable wages paid, write "None") Enter Adjusted Total Here → \$

4. Number of employees listed in Schedule A

5. Total taxable Wages paid (from Item 21) \$

6. 3% of wages in Item 5 (1 1/2% employer tax and 1 1/2% employee tax) \$

7. Credit or adjustment. (Attach explanation. See instructions) \$

8. F.I.C.A. taxes (Item 6 as adjusted by Item 7) \$

9. Total taxes (Item 3 plus Item 8). If deposits of taxes are made, fill in Depository Receipt Record on other side

1. declare under the penalties of perjury that this return (including any accompanying schedules and statements) has been examined by me and to the best of my knowledge and belief is a true, correct, and complete return.

Enter Adjusted Total Here → \$

(Signed) _____ (Title) _____ (Date) _____, 195__

(Owner, president, partner, member, etc.)

Return for Calendar Quarter

Make check or money payable to "Director of Internal Revenue."

Space below for Director's use

Tax \$

Penalty \$

Interest \$

Total \$

DO NOT DETACH AT THIS LINE

Schedule A-QUARTERLY REPORT OF WAGES TAXABLE UNDER THE FEDERAL INSURANCE CONTRIBUTIONS ACT

List for each employee the WAGES taxable under the Federal Insurance Contributions Act which were paid during the quarter. If you pay an employee more than \$3,600 in a calendar year, report ONLY THE FIRST \$3,600 of such wages in Schedule A. If wages were not taxable under the F.I.C.A., make no entries below except in Items 15 and 16. See instructions on back of this page.

Return for Calendar Quarter

12. Total pages of this return, including this page and any pages of Form 941a _____

13. Total number of employees listed (same as Item 4) _____

14. Number of persons employed during pay period ending nearest 15th of third month in quarter except agricultural and household employees _____

16. Has a change of ownership or other transfer of the business taken place during the quarter? Yes No

If "Yes," attach statement showing name and address of your successor or predecessor. If you are the successor, include in the statement the date of your first payment of taxable wages to one or more employees.

11. Employer's name, address, and identification number as in Item 10. Yes No

15. Do you expect to pay taxable wages in the future to any employee in a business, agricultural, governmental, or nonprofit activity? Write "Final Return" at the top of this page. Attach statement showing (a) custodian and location of records, (b) date of last payment of taxable wages to such employees, and (c) whether or not you will pay taxable wages in the future to household employees. Check reason, in appropriate block below, for filing final return.

If "NO"

Sale of business to successor

Business discontinued

Formed new partnership

Discharged all employees, but still in business

Other (Specify) _____

17. EMPLOYEE'S ACCOUNT NUMBER If number is unknown, see Circular E or A (17)

18. WAGES TAXABLE UNDER F.I.C.A. Paid in Employees in Quarter (Before deductions) (18)

19. Title, Possessor, or Territory of Employment (or "Outside U. S.") (19)

FIGURE 10:--FORM 941. EMPLOYER'S QUARTERLY TAX RETURN

The Accounting Principles and Procedures

All accounting principles are fixed and remain the same; and this, of course, is true of the accounting requirements peculiar to the payroll. Keep this fact constantly in mind and much of your trouble will be eliminated. For a quick review, ask yourself these questions:

1. When an asset is decreased, you debit or credit?
 2. When an expense is incurred, you debit or credit?
 3. When a liability is incurred, you debit or credit?
 4. When a liability is paid, you debit or credit?
- (1. Credit. 2. Debit. 3. Credit. 4. Debit.)

In application of the accounting principles of keeping the payroll, study the following examples and explanations.

Situation one

The Ajax Company has a payroll of \$500 on which there are no withholdings.

The Journal Entry

Payroll Expense	500.00
Cash	500.00

Posted to General Ledger

Cash		Payroll Expense
XXXX.-- (Balance)	500.00	500.00
Employee Ledger		
Employee White	Employee Green	Employee Brown
200.00	200.00	100.00

Situation two

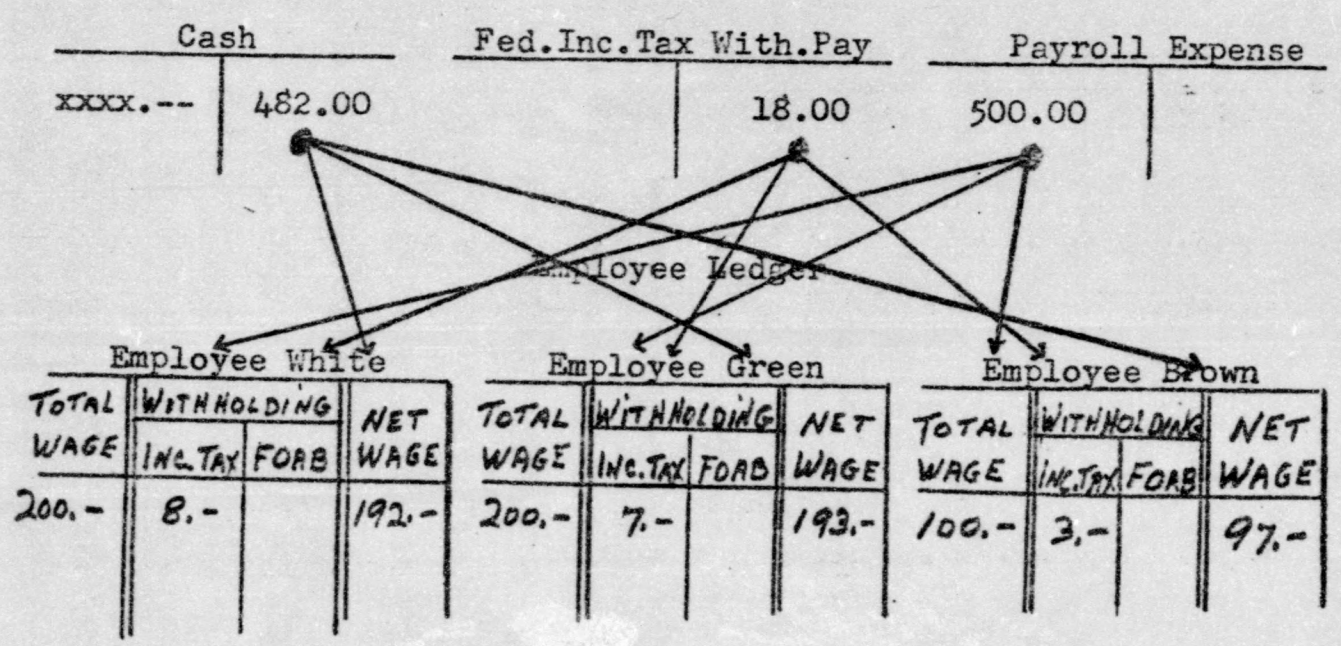
The Beejax Company has a payroll of \$500. The only withholding is \$18 for federal income tax.

The Journal Entry

(a)	Payroll Expense	500.00	
(b)	Employees Federal Income Tax Withheld Payable	18.00	
(c)	Cash		482.00

- (a) An expense account increased--debit.
- (b) A liability account increased--credit.
- (c) An asset account decreased--credit.

Posted to
General Ledger



Note carefully the controls. The sum of the individual total wages equals the total payroll expense. The sum of the individual income tax withholdings equals to the total federal income tax withheld payable. The total cash paid equals the sum of all the net wages. (The figures used in the Employee Ledger came from the payroll summary sheet.)

Situation three

The Ceejax Company has a payroll of \$1,000. The federal income tax withheld is \$45. The F. O. A. B. withholdings are 2 per cent of the total payroll. (Remember that the employer is also liable for an equal F. O. A. B. tax; hence, a double entry is needed.)

The Journal Entries

(1)

(a)	Payroll Expense	1,000.00
(b)	Employees Federal Income Tax Withheld Payable	45.00
(c)	Federal Old Age Benefits Payable	20.00
(d)	Cash	935.00

(2)

(e)	Federal Old Age Benefits Tax Expense	20.00
(f)	Federal Old Age Benefits Payable	20.00

- (a) Expense increased--debit. (d) Asset decreased--credit.
- (b) Liability increased--credit. (e) Expense increased--debit.
- (c) Liability increased--credit. (f) Liability increased--cr.

*

The above two entries may be combined, thus:

Payroll Expense	1,000.00
Federal Old Age Benefits Tax	20.00
Employees Federal Income Tax Withheld Payable	45.00
Federal Old Age Benefits Payable	40.00
Cash	935.00

(Note: This combination entry is possible since we may add together the employer-employee F. O. A. B. liability.)

Posted to General Ledger

Cash	Emp. Fed. Inc. Tax With. Pay.	FOAB Pay.	FOAB Tax Exp.	Payroll Exp.
xxxx.--- Bal.	45.---	20.--- 20.---	20.---	1,000.---

Employee Ledger

Employee White

Total Wages	Withholding Inc. Tax FOAB	Net Wages
	30.---	460.---

Employee Green

Total Wages	Withholding Inc. Tax FOAB	Net Wages
	10.---	284.---

Employee Brown

Total Wages	Withholding Inc. Tax FOAB	Net Wages
	5.---	191.---

Recapitulation:

Total Wages	Income Tax With.	FOAB With.	Net Wages (Cash).
\$500.---	\$30.---	\$10.---	460.---
300.---	10.---	6.---	284.---
200.---	5.---	4.---	191.---
1,000.---	45.---	20.---	935.---

Brpwn
Green
White

Situation four

The Deejax Company has eight employees and a payroll of \$800. Income tax withheld is \$45; F. O. A. B. withheld is \$16. (Remember that when there are eight or more employees, the employer comes under the unemployment compensation laws. We will consider the State tax at 2.7 per cent and the federal tax at .3 per cent.)

The Journal Entries

(1)

(a)	Payroll Expense	800.00	
(b)	Federal Old Age Benefits Payable		16.00
(c)	Employees Federal Income Tax Withheld Payable		45.00
(d)	Cash		739.00

(2)

(e)	Federal Old Age Benefit Tax Expense	16.00	
(f)	Federal Old Age Benefits Payable		16.00

(3)

(g)	State Unemployment Contributions Tax Exp.	21.60	
(h)	Federal Unemployment Contributions Tax Exp.	2.40	
(i)	State Unemployment Contributions Payable		21.60
(j)	Federal Unemployment Contributions Payable		2.40

- (a) Expense increased--debit. (f) Liability increased--credit.
- (b) Liability increased--credit. (g) Expense increased--debit.
- (c) Liability increased--credit. (h) Expense increased--debit.
- (d) Asset decreased--credit. (i) Liability increased--credit.
- (e) Expense increased--debit. (j) Liability increased--credit.

The above three entries may be combined into one single

entry, thus:

Payroll Expense	800.00
Federal Old Age Benefits Tax Expense	16.00
State Unemployment Contributions Tax Exp.	21.60
Federal Unemployment Contributions Tax Exp.	2.40
Federal Old Age Benefits Payable	32.00
Employees Federal Income Tax Withheld Payable	45.00
State Unemployment Contributions Payable	21.60
Federal Unemployment Contributions Payable	2.40
Cash	739.00

Or, this same entry may group all the employer's tax expenses into one account, thus:

Payroll Expense	800.00
Social Security Tax Expenses	40.00
Federal Old Age Benefits Payable	32.00
Employees Federal Income Tax Withheld Payable	45.00
State Unemployment Contributions Payable	21.60
Federal Unemployment Contributions Payable	2.40
Cash	739.00

(Note: The grouping of all the employer's payroll taxes in one account, as illustrated in the last journal entry, is a very common way of doing it. The other way is somewhat better since it is more complete and detailed. You will better understand this advantage when you are called upon to make out the quarterly and annual reports which the government requires of all employers.)

Posted to
General Ledger

<u>Cash</u>		<u>Emp. Fed. Inc. Tax With. Pay.</u>		<u>FOAB Pay.</u>	
x,xxx.--	739.--		45.--		16.--
					16.--
<u>State Unemp. Cont. Pay.</u>		<u>State Unemp. Cont. Tax Exp.</u>		<u>FOAB Tax Exp.</u>	
	21.60	21.60		16.--	
<u>Fed. Unemp. Cont. Pay.</u>		<u>Fed. Unemp. Cont. Tax Exp.</u>		<u>Payroll Expense</u>	
	2.40	2.40		800.--	

Employee Ledger

Employee Abbott

Total Wages	Withholdings		Net Wages
	Inc. Tax	FOAB	
110.--	8.--	2.20	99.80

Employee Black

Total Wages	Withholdings		Net Wages
	Inc. Tax	FOAB	
90.--	5.--	1.80	83.20

Employee Carter

Total Wages	Withholdings		Net Wages
	Inc. Tax	FOAB	
105.00	7.--	2.10	95.90

Employee Davis

Total Wages	Withholdings		Net Wages
	Inc. Tax	FOAB	
95.--	5.--	1.90	88.10

Employee Ellis

Total Wages	Withholdings		Net Wages
	Inc. Tax	FOAB	
102.--	6.--	2.04	93.96

Employee Franklin

Total Wages	Withholdings		Net Wages
	Inc. Tax	FOAB	
98.--	8.--	1.96	88.04

Employee Gates

Total Wages	Withholdings		Net Wages
	Inc. Tax	FOAB	
104.--	4.--	2.08	97.92

Employee Hix

Total Wages	Withholdings		Net Wages
	Inc. Tax	FOAB	
96.--	2.--	1.92	92.08

Situation five

The Feejax Company with eight employees has a payroll of \$2,000. Withholdings are as follows:

F. O. A. B.	\$ 40
Income Tax	100
Union Dues	32
Thrift Savings	25
Group Insurance	30
Government Bonds	10

The Journal Entries

(1)

Payroll Expense	2,000.00	
Federal Old Age Benefits		40.00
Employees Federal Income Tax Withheld Payable		100.00
Union Dues Withheld Payable		32.00
Employees Thrift Fund Withheld Payable		25.00
Group Insurance Withheld Payable		30.00
Government Bonds Withheld Payable		10.00
Cash		1,763.00

(2)

Federal Old Age Benefits Tax Expense	40.00	
Federal Old Age Benefits Payable		40.00

(3)

State Unemployment Contributions Tax Expense	54.00	
Federal Unemployment Contributions Tax Expense	6.00	
State Unemployment Contributions Payable		54.00
Federal Unemployment Contributions Payable		6.00

The above three entries may be combined, thus:

Payroll Expense	2,000.00	
Federal Old Age Benefits Tax Expense	40.00	
State Unemployment Contributions Tax Expense	54.00	
Federal Unemployment Contributions Tax Expense	6.00	
		80.00
Federal Old Age Benefits Payable		80.00
Employees Federal Income Tax Withheld Payable		100.00
Union Dues Withheld Payable		32.00
Employees Thrift Fund Withheld Payable		25.00
Group Insurance Withheld Payable		30.00
Government Bonds Withheld Payable		10.00
State Unemployment Contributions Payable		54.00
Federal Unemployment Contributions Payable		6.00
Cash		1,763.00

Or, this same entry may group all the employer's tax expenses on his payroll into one account, thus:

Payroll Expense	2,000.00	
Social Security Tax Expense	100.00	
		40.00
Federal Old Age Benefits Payable		40.00
Employees Federal Income Tax Withheld Payable		100.00
Union Dues Withheld Payable		32.00
Employees Thrift Fund Withheld Payable		25.00
Group Insurance Withheld Payable		30.00
Government Bonds Withheld Payable		10.00
State Unemployment Contributions Payable		54.00
Federal Unemployment Contributions Payable		6.00
Cash		1,763.00

Posted to
General Ledger

<table border="1" style="width: 100%;"> <tr><td colspan="2" style="text-align: center;">Cash</td></tr> <tr><td style="width: 50%;">X,XXX.-- Balance</td><td style="width: 50%; text-align: right;">1,763.--</td></tr> </table>	Cash		X,XXX.-- Balance	1,763.--	<table border="1" style="width: 100%;"> <tr><td colspan="2" style="text-align: center;">Emp.Fed.Inc.Tax With.Pay.</td></tr> <tr><td></td><td style="text-align: right;">100.--</td></tr> </table>	Emp.Fed.Inc.Tax With.Pay.			100.--
Cash									
X,XXX.-- Balance	1,763.--								
Emp.Fed.Inc.Tax With.Pay.									
	100.--								
<table border="1" style="width: 100%;"> <tr><td colspan="2" style="text-align: center;">FOAB Payable</td></tr> <tr><td></td><td style="text-align: right;">40.-- 40.--</td></tr> </table>	FOAB Payable			40.-- 40.--	<table border="1" style="width: 100%;"> <tr><td colspan="2" style="text-align: center;">State Unemp.Cont.Pay.</td></tr> <tr><td></td><td style="text-align: right;">54.--</td></tr> </table>	State Unemp.Cont.Pay.			54.--
FOAB Payable									
	40.-- 40.--								
State Unemp.Cont.Pay.									
	54.--								
<table border="1" style="width: 100%;"> <tr><td colspan="2" style="text-align: center;">Fed.Unemp.Cont.Pay.</td></tr> <tr><td></td><td style="text-align: right;">6.--</td></tr> </table>	Fed.Unemp.Cont.Pay.			6.--	<table border="1" style="width: 100%;"> <tr><td colspan="2" style="text-align: center;">Union Dues With.Pay.</td></tr> <tr><td></td><td style="text-align: right;">32.--</td></tr> </table>	Union Dues With.Pay.			32.--
Fed.Unemp.Cont.Pay.									
	6.--								
Union Dues With.Pay.									
	32.--								
<table border="1" style="width: 100%;"> <tr><td colspan="2" style="text-align: center;">Emp.Thrift Fund With.Pay.</td></tr> <tr><td></td><td style="text-align: right;">25.--</td></tr> </table>	Emp.Thrift Fund With.Pay.			25.--	<table border="1" style="width: 100%;"> <tr><td colspan="2" style="text-align: center;">Group Insurance With.Pay.</td></tr> <tr><td></td><td style="text-align: right;">30.--</td></tr> </table>	Group Insurance With.Pay.			30.--
Emp.Thrift Fund With.Pay.									
	25.--								
Group Insurance With.Pay.									
	30.--								
<table border="1" style="width: 100%;"> <tr><td colspan="2" style="text-align: center;">Gov't.Bonds With.Pay.</td></tr> <tr><td></td><td style="text-align: right;">10.--</td></tr> </table>	Gov't.Bonds With.Pay.			10.--	<table border="1" style="width: 100%;"> <tr><td colspan="2" style="text-align: center;">FOAB Tax Expense</td></tr> <tr><td></td><td style="text-align: right;">40.--</td></tr> </table>	FOAB Tax Expense			40.--
Gov't.Bonds With.Pay.									
	10.--								
FOAB Tax Expense									
	40.--								
<table border="1" style="width: 100%;"> <tr><td colspan="2" style="text-align: center;">State Unemp.Cont.Tax Exp.</td></tr> <tr><td style="width: 50%;">54.--</td><td style="width: 50%;"></td></tr> </table>	State Unemp.Cont.Tax Exp.		54.--		<table border="1" style="width: 100%;"> <tr><td colspan="2" style="text-align: center;">Fed.Unemp.Cont.Tax Exp.</td></tr> <tr><td></td><td style="text-align: right;">6.--</td></tr> </table>	Fed.Unemp.Cont.Tax Exp.			6.--
State Unemp.Cont.Tax Exp.									
54.--									
Fed.Unemp.Cont.Tax Exp.									
	6.--								
<table border="1" style="width: 100%;"> <tr><td colspan="2" style="text-align: center;">Payroll Expense</td></tr> <tr><td></td><td style="text-align: right;">2,000.--</td></tr> </table>		Payroll Expense			2,000.--				
Payroll Expense									
	2,000.--								

(Note: The titles of these accounts may be changed somewhat in different systems but still retain the same meaning and function.)

Employee Ledger

Albert Abbott

Total Wages	Withholdings						Net Wages
	Inc. Tax	FOAB	Union	Thrift	Insur.	Bonds	
300.--	15.--	6.--	4.--	5.--	6.--		264.--

William Black

Total Wages	Withholdings						Net Wages
	Inc. Tax	FOAB	Union	Thrift	Insur.	Bonds	
290.--	14.--	5.80	4.--	5.--	6.--		255.20

Charles Carter

Total Wages	Withholdings						Net Wages
	Inc. Tax	FOAB	Union	Thrift	Insur.	Bonds	
210.--	10.--	4.20	4.--		6.--	3.--	182.80

Nelson Davis

Total Wages	Withholdings						Net Wages
	Inc. Tax	FOAB	Union	Thrift	Insur.	Bonds	
280.--	13.--	5.60	4.--		6.--		251.40

Thomas Ellis

Total Wages	Withholdings						Net Wages
	Inc. Tax	FOAB	Union	Thrift	Insur.	Bonds	
220.--	14.--	4.40	4.--	10.--		2.--	185.60

Robert Franklin

Total Wages	Withholdings						Net Wages
	Inc. Tax	FOAB	Union	Thrift	Insur.	Bonds	
300.--	15.--	6.--	4.--	5.--			270.--

George Gatewood

Total Wages	Withholdings						Net Wages
	Inc. Tax	FOAB	Union	Thrift	Insur.	Bonds	
200.--	10.--	4.--	4.--		6.--		176.--

Henry Hix

Total Wages	Withholdings						Net Wages
	Inc. Tax	FOAB	Union	Thrift	Insur.	Bonds	
200.--	9.--	4.--	4.--			5.--	178.--

(Note the controls.)

Situation six

The Geejax Company has eight employees and makes its payroll on a monthly basis.

(1) The January payroll was \$900.

Withholdings for January:

F. O. A. B. \$18.

Income Tax 12.

(2) The February payroll was \$920.

Withholdings for February:

F. O. A. B. \$18.40.

Income Tax 13.00.

(3) The March payroll was \$950.

Withholdings for March:

F. O. A. B. \$19.

Income Tax 15.

(4) All due payroll tax liability was paid on April 10.

(5) All income tax withheld was paid on April 10.

The Journal Entries

January 31, 1954

Payroll Expense	900.00	
Federal Old Age Benefits Payable		18.00
Employees Federal Income Tax Withheld Payable		12.00
Cash		870.00

31

Federal Old Age Benefits Tax Expense	18.00	
Federal Old Age Benefits Payable		18.00

31

State Unemployment Contributions Tax Expense	24.30
Federal Unemployment Contributions Tax Expense	2.70
State Unemployment Contributions Payable	24.30
Federal Unemployment Contributions Payable	2.70

February 28, 1954

Payroll Expense	920.00
Federal Old Age Benefits Payable	18.40
Employees Federal Income Tax Withheld Payable	13.00
Cash	888.60

28

Federal Old Age Benefits Tax Expense	18.40
Federal Old Age Benefits Payable	18.40

28

State Unemployment Contributions Tax Expense	24.84
Federal Unemployment Contributions Tax Expense	2.76
State Unemployment Contributions Payable	24.84
Federal Unemployment Contributions Payable	2.76

March 31, 1954

Payroll Expense	950.00
Federal Old Age Benefits Payable	19.00
Employees Federal Income Tax Withheld Payable	15.00
Cash	916.00

31

Federal Old Age Benefits Tax Expense	19.00
Federal Old Age Benefits Payable	19.00

31

State Unemployment Contributions Tax Expense	25.60
Federal Unemployment Contributions Tax Expense	2.85
State Unemployment Contributions Payable	25.60
Federal Unemployment Contributions Payable	2.85

April 10, 1954

Federal Old Age Benefits Payable	110.80
Employees Federal Income Tax Withheld Payable	40.00
State Unemployment Contributions Payable	74.79
Cash	225.59

- Note: (1) Employee ledger will not be illustrated here since it would be the same as that already shown in Situation IV.
- (2) The federal unemployment contributions tax liability is not paid until the end of the year. Notice how this account remains open in the general ledger as shown on the following page.
- (3) When the quarterly federal tax liability and withholdings of income tax are paid, the report is made on U. S. Treasury Department Form 941.
- (4) All the payroll and tax expense accounts are closed into the Profit and Loss Summary at the end of the fiscal period.

Posted to
General Ledger

Cash	
XX,XXX.-- Balance	870.-- (1/31)
	888.60 (2/28)
	916.-- (3/31)
	225.59 (4/10)

FOAB Payable	
(4/10) 110.80	18.-- (1/31)
	18.-- (1/31)
	18.40 (2/28)
	18.40 (2/28)
	19.-- (3/31)
	19.-- (3/31)

Emp. Fed. Inc. Tax With. Pay.	
(4/10) 40.--	12.-- (1/31)
	13.-- (2/28)
	15.-- (3/31)

State Unemp. Cont. Pay.	
(4/10) 74.79	24.30 (1/31)
	24.84 (2/28)
	25.65 (3/31)

Federal Unemp. Cont. Pay.	
	2.70 (1/31)
	2.76 (2/28)
	2.85 (3/31)

FOAB Tax Expense	
(1/31) 18.--	To
(2/28) 18.40	P & L
(3/31) 19.--	

State Unemp. Cont. Tax Exp.	
(1/31) 24.30	To
(2/28) 24.84	P & L
(3/31) 25.85	

Federal Unemp. Cont. Tax Exp.	
(1/31) 2.70	To
(2/28) 2.76	P & L
(3/31) 2.85	

Payroll Expense	
(1/31) 900.--	To
(2/28) 920.--	P & L
(3/31) 950.--	

Situation seven

The Heejax Company has eight employees whose daily work record is kept by means of a time clock. From these time cards they prepare a payroll summary sheet which is used as a basis for their journal entries and the information entered into their employee ledger. The Heejax Company is operating on a forty-hour week and pays "time-and-a-half" for all overtime.

On the following page is a sample payroll summary sheet prepared for the Heejax Company. The journal entries taken from this payroll summary sheet would appear as follows:

May 14, 1954

Payroll Expense	389.10	
Federal Old Age Benefits Payable		7.77
Employees Federal Income Tax Withheld Payable		22.30
Cash		359.13
	14	
Federal Old Age Benefits Tax Expense	7.77	
Federal Old Age Benefits Payable		7.77
	14	
State Unemployment Contributions Tax Expense	10.50	
Federal Unemployment Contributions Tax Expense	1.17	
State Unemployment Contributions Payable		10.50
Federal Unemployment Contributions Payable		1.17

Note: The general ledger, the employee ledger, and the posting procedure would be the same as that illustrated in Situation IV.

PAYROLL SUMMARY SHEET

Begin 5/9/54 End 5/14/54

Emp. No.	Name	Exe m	Rate	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	W I T H O L D I N G S			Net Wages	
				S	M	T	W	T	F	S					Inc. Tax	FOAB Ins.	Sav.		Other
10	Agnes O. Beales	3	.80	8	8	8	8	8	5	45	36.-	2.-	38.-	-	.76	-	37.2		
11	Leland Donovan	2	.80	8	8	-	8	8	5	37	29.60	-	29.60	.70	.59	-	28.3		
12	Wvall C. Eard	2	1.-	8	10	10	8	8	7	51	51.-	5.50	56.50	5.60	1.13	-	49.8		
13	Opal T. Gege	5	1.-	8	10	8	8	8	8	50	50.-	5.-	55.-	-	1.10	-	53.9		
14	Joseph F. Lee	4	.90	5	10	10	10	8	5	48	43.20	3.60	46.80	-	.93	-	45.8		
15	Joan Potter	1	1.-	10	10	10	10	10	5	55	55.-	7.50	62.50	9.-	1.25	-	52.2		
16	Paddy K. O'Toole	1	.80	8	8	8	8	8	8	56	44.80	6.40	51.20	7.-	1.02	-	43.18		
17	George G. Owens	7	.90	9	9	9	9	10	4	50	45.-	4.50	49.50	-	.99	-	48.5		
				(a)										389.10	22.30	7.77		359.1	
				(b)															
Grand Totals																			

(a) From daily time records.

(b) They journal entries.

Chapter Review

- I. The Internal Revenue Code requires that the employer withhold from each employee's earnings certain taxes.
 - a. Federal old age benefits.
 - b. Federal income tax.
- II. The Internal Revenue Code requires the employer to pay on each employee's earnings certain taxes.
 - a. Federal old age benefits.
 - b. Federal unemployment contributions, if eight or more persons are employed.
- III. The State of Kentucky requires the employer to pay on each employee's earnings certain taxes.
 - a. State unemployment contributions, if eight or more persons are employed.
 - b. Workmen's compensation. (This is a private, but in certain cases required, arrangement between the employer and an insurance company, something of an "on-the-job-health-and-accident" group policy. This is treated as any other insurance payment; hence, it is not considered in this study of the payroll.)
- IV. All taxes withheld from employees' earnings and all accrued taxes owed by the employer must be paid at specified times.
 - A. Quarterly.
 1. All federal old age benefits taxes to the Collector of Internal Revenue.
 2. All federal income taxes withheld to the Collector of Internal Revenue.
 3. All State unemployment contributions liability to the State Treasurer.

B. Annually.

1. Federal unemployment contributions to the Collector of Internal Revenue.
2. The employer's own social security taxes. (This has no connection with the payroll.)

C. Payment is made each month if withholdings amount to \$100 or more.

V. Reports are made at specified times.

A. Quarterly.

1. All federal old age benefits.
2. Federal income taxes withheld.
3. State unemployment contributions.

B. Annually.

1. Federal unemployment contributions.
2. Reconciliation of quarterly federal old age benefits and income tax withholdings reports.
3. Reconciliation of quarterly State unemployment contributions.
4. Statements to each employee of his total earnings and withholdings.
5. Copies of employees' statements to the Collector of Internal Revenue.

VI. Steps in setting up payroll accounting system.

- A. Application of employer for social security identification number.
- B. Preparation of necessary financial records.
 1. Social security register.
 2. Employee ledger.
 3. Payroll summary sheets.

4. Daily time records.
5. The journal, or journals.
6. General ledger.

VII. Hiring of employees.

- A. Require social security card, or the application for one.
- B. Require the signing of withholding exemption certificate.

VIII. Steps in the payroll cycle.

- A. The daily time records.
- B. The periodical payroll summary sheet.
- C. The journal entries.
- D. Journal entries posted.
 1. General ledger.
 2. Employee ledger.
- E. Payroll checks issued to employees.
- F. Payments and reports of all withholdings and tax liabilities.

CHAPTER IV

THE PRACTICE SET

The the student: You have been employed as bookkeeper for the Ali-Katz Company, a maker of household rat poison known in the trade as "Yummy-Yummy." Your job requires you to open up a new set of books and keep all the records incident to the operation of the company. Among the other necessary records, you will have complete charge of the payroll.

For our purposes here, all other records not directly connected with the payroll will be disregarded so that you may concentrate more fully upon the payroll. In this way you will be able to follow the whole chain of accounting and legal procedure involving the payroll from start to finish without the distraction of other records. These other records you have, or soon will have, in your other practice sets.

The Ali-Katz Company pays its employees each week on Saturday. By arrangement with the union representing the employees, the company has agreed to pay "time-and-a-half" for all time worked over forty hours a week. Do not overlook this fact, unless you are exceptionally strong or exceptionally beautiful; otherwise, you will have some trouble with the other employees.

You will follow the calendar shown on the next page as the time basis for your records.

Instructions Guide

January 1, 195-.

(1) This is the date you begin work. You will operate on the calendar as shown here:

January

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February

S	M	T	W	T	F	S
		-		1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

March

S	M	T	W	T	F	S
		-		1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

(2) Make application on the Form SS-4 found in the preceding chapter for your employer's social security identification number. After you have completed it, detach and take to the teacher. The teacher will act as the local field office of the Social Security Administration. Your firm will be assigned No. 29-2838303. You should write this number in your social security of employees.

(3) The following people have been employed:

Name	Address	Exem.	Soc.Sec.No.	Rate
Agnes O. Beales	2022 Oak, Newton	2	405-22-3943	\$.75
Leland Donovan	1830 Chestnut, City	1	304-35-3656	.90
Wyall C. Earp	Route 1, Bardstown	4	405-30-0330	.90
Opal T. Gage	Lakeland Apt., City	1	399-39-5500	.80
Joseph F. Lee	1048 Elm, City	1	None	.75
Joan Potter	2930 Beacon, City	0	450-45-4044	.80
Paddy X. O'Toole	144 Beeckton, Numa	8	302-30-4577	.90
George G. Owens	3044 Portage, City	3	404-55-0505	.80

Note: Joseph F. Lee does not have a social security card. Make application for one on Form SS-5 found in the preceding chapter. Detach and take to the teacher. He will be assigned social security number 494-49-9885.

(4) Cause all employees to sign their certificates of withholdings. These certificates will be found at the back of this practice set. Distribute the exemptions as you see listed above in what ever manner you choose. You should retain these certificates. (Forms 9, 10, 11, 12, 13, 14, 15, and 16)

(5) Enter all necessary information about employees in the social security register of employees and in the employee ledger. You will find these further over in the set.

(6) Note: All the above takes place January 1.

January 6.

(1) From the time cards (Forms 1, 2, 3, 4, 5, 6, 7, and 8) prepare the first payroll summary sheet.

(2) Make the general journal entries from the payroll summary sheet which you have just prepared.

(3) Post the journal entries from your general journal to both the general ledger and employee ledger.

(4) Write payroll checks for all employees. (Forms 17, 18, 19, 20, 21, 22, 23, and 24) Give these checks to the teacher.

January 13.

(1) Complete the second payroll summary sheet from the information given on it and the other information you have elsewhere in your records.

(2) Make the journal entries from the second payroll summary sheet.

(3) Post the journal entries to both the general ledger and the employee ledger.

Note: The computing of time cards and the writing of payroll checks will be omitted for the remainder of this practice set. In actual practice however this would need to be done.

January 20 through March 31.

Continue with the procedure of January 13 for each week up through the close of the quarter, March 31.

March 31.

(1) Foot the accounts of both the general ledger and the employee ledger.

(2) Make the necessary adjusting and closing entries in the general journal. Use only the payroll accounts.

(3) Post the adjusting and closing entries to the general ledger. Balance and rule both ledgers.

(4) Make a reconciliation report of all the accounts of the employee ledger. Check the totals with the general ledger control accounts.

April 4.

(1) From the information you now have, complete the U. S. Treasury Form 941 found in the preceding chapter.

(2) Write a check to the Collector of Internal Revenue for all withholdings and tax liabilities due his office. (Form 25)

(3) Write a check to the State Treasurer for all State unemployment contributions due his office. (Form 26)

(4) Make the journal entries to record the payments of April 4.

(5) Post the above journal entries to the general ledger. Then balance and rule the proper accounts affected.

This completes the problem.

General Ledger

Date	Explanation	Fol	Amount	Date	Explanation	Fol	Amount

Date	Explanation	Fol	Amount	Date	Explanation	Fol	Amount

Date	Explanation	Fol	Amount	Date	Explanation	Fol	Amount

Date	Explanation	Fol	Amount	Date	Explanation	Fol	Amount

PAYROLL SUMMARY SHEET #1

Begin _____ End _____

Emp. No.	Name	E x e m	R a t e	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	WITHHOLDINGS					Net Wage			
				S	M	T	W	T	F	S					Inc. Tax	FOAB	Ins.	Sav.	Other				
10	Agnes O. Beales																						
11	Leland Donovan																						
12	Wvall C. Eard																						
13	Opal T. Gage																						
14	Joseph F. Lee																						
15	Joan Potter																						
16	Paddy R. O'Toole																						
17	George G. Owens																						
											Grand Totals												

PAYROLL SUMMARY SHEET #2

Begin _____ End _____

Emp. No.	Name	E x e m	R a t e	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	WITHHOLDINGS					Net Wage		
				S	M	T	W	T	F	S					Inc. Tax	FOAB	Ins.	Sav.	Other			
10	Agnes O. Beales			8	8	6	6	8	4													
11	Leland Donovan			8	8	8	8	9	5													
12	Wyll C. Eard			9	8	8	8	9	4													
13	Opal T. Gage			8	8	8	9	9	4													
14	Joseph F. Lee			7	7	9	9	6	4													
15	Joan Potter			8	8	8	8	8	4													
16	Paddy R. O'Toole			4	8	8	8	8	8													
17	George G. Owens			4	8	8	9	9	5													
Grand Totals																						

PAYROLL SUMMARY SHEET #4

Begin _____ End _____

Emp. No.	Name	E x e m	R e t e	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	WITHHOLDINGS					Net Wages	
				S	M	T	W	T	F	S					Inc. Tax	FOAB	Ins.	Sav.	Other		
10	Agnes O. Beales			8	8	8	8	8	-												
11	Leland Donovan			9	9	9	9	9	4												
12	Wvall C. Earp			9	9	9	-	9	5												
13	Opal T. Gage			10	11	8	8	8	4												
14	Joseph F. Lee			8	8	8	8	8	5												
15	Joan Potter			-	-	-	-	-	-												
16	Paddy X. O'Toole			8	8	8	9	9	9												
17	George G. Owens			9	9	9	10	10	5												
Grand Totals																					

PAYROLL SUMMARY SHEET #5

Begin _____ End _____

Emp. No.	Name	E x e m	R a t e	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	WITHHOLDINGS					Net Wage	
				S	M	T	W	T	F	S					Inc. Tax	FOAB	Ins.	Sav.	Other		
10	Agnes O. Bealos			7	7	9	9	8	4												
11	Leland Donovan			8	8	8	8	8	4												
12	Wyll C. Earp			9	9	9	8	8	5												
13	Opal T. Gage			8	8	8	8	8	4												
14	Joseph F. Lee			9	9	-	9	9	5												
15	Joan Potter			8	8	8	-	-	5												
16	Paddy E. O'Toole			9	9	9	9	9	4												
17	George G. Owens			9	9	9	9	9	4												
Grand Totals																					

PAYROLL SUMMARY SHEET #6

Begin _____ End _____

Emp. No.	Name	E x e m	R a t e	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	WITHHOLDINGS					Net Wages					
				S	M	T	W	T	F	S					Inc. Tax	FOAB	Ins.	Sav.	Other						
10	Agnes O. Beales																								
11	Leland Donovan																								
12	Wyll C. Earp																								
13	Opal T. Gage																								
14	Joseph F. Lee																								
15	Joan Potter																								
16	Paddy K. O'Toole																								
17	George G. Owens																								
											Grand Totals														

PAYROLL SUMMARY SHEET #7

Begin _____ End _____

Emp. No.	Name	E x e m	R a t e	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	WITHHOLDINGS					Ne t Whge
				S	M	T	W	T	F	S					Inc. Tax	FOAB	Ins.	Sav.	Other	
10	Agnes O. Beales			8	8	8	8	8	4											
11	Leland Donovan			9	9	9	8	8	4											
12	Wyll C. Earp			8	8	8	9	9	5											
13	Opal T. Gage			6	6	6	8	8	6											
14	Joseph F. Lee			8	8	8	8	8	-											
15	Jean Potter			8	8	8	8	8	4											
16	Paddy K. O'Toole			9	9	9	8	8	8											
17	George G. Owens			9	9	-	-	9	5											

Grand Totals

PAYROLL SUMMARY SHEET #8

Begin _____ End _____

Emp. No.	Name	E x e m	R a t e	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	WITHHOLDINGS					Net Wages
				S	M	T	W	T	F	S					Inc. Tax	FOAB	Ins.	Sav.	Other	
10	Agnes O. Beales			8	8	8	8	8	4											
11	Loland Donovan			9	9	8	9	9	4											
12	Wvall C. Earp			8	8	9	8	8	4											
13	Opal T. Gage			9	5	8	8	8	5											
14	Joseph F. Lee			7	7	7	8	8	8											
15	Joan Potter			8	8	8	8	8	4											
16	Paddy K. O'Toole			8	8	8	8	8	8											
17	George G. Owens			9	9	8	8	9	5											

Grand Totals

PAYROLL SUMMARY SHEET #9

Begin _____ End _____

Emp No.	Name	E x e m	R a t e	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	WITHHOLDINGS					Net Wages	
				S	M	T	W	T	F	S					Inc. Tax	FOAB	Ins.	Sav.	Other		
10	Agnes O. Beales			8	8	8	9	9	5												
11	Leland Donovan			9	9	-	-	9	4												
12	Wyll C. Earp			7	7	8	8	8	4												
13	Opal T. Gage			8	4	8	8	8	4												
14	Joseph F. Lee			9	9	8	8	8	5												
15	Joan Potter			8	8	8	8	8	4												
16	Paddy X. O'Toole			8	8	9	9	9	8												
17	George C. Owens			9	-	9	9	9	5												
Grand Totals																					

PAYROLL SUMMARY SHEET #10

Begin _____ End _____

Emp No.	Name	E x e m	R a t e	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	WITHHOLDINGS					Net Wages	
				S	M	T	W	T	F	S					Inc. Tax	FOAB	Ins.	Sav.	Other		
10	Agnes O. Beales			8	8	8	8	8	5												
11	Leland Donovan			9	9	9	9	9	-												
12	Wvall C. Earp			9	9	9	9	9	4												
13	Opal T. Gage			8	8	8	9	9	4												
14	Joseph F. Lee			8	8	9	9	9	5												
15	Joan Potter			8	8	8	8	8	5												
16	Paddy K. O'Toole			8	8	8	8	8	8												
17	George G. Owens			9	9	9	9	9	5												
Grand Totals																					

PAYROLL SUMMARY SHEET #11

Begin _____ End _____

Emp. No.	Name	E x e m	R a t e	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	WITHHOLDINGS					Net Wage
				S	M	T	W	T	F	S					Inc. Tax	FOA3	Ins.	Sav.	Other	
10	Agnos O. Beales			8	8	8	8	8	4											
11	Leland Donovan			8	8	8	8	8	4											
12	Wyll C. Sarp			8	8	8	8	8	4											
13	Opal T. Gage			8	8	8	8	8	4											
14	Joseph F. Lee			8	8	8	8	8	4											
15	Joan Potter			8	8	8	8	8	4											
16	Paddy X. O'Tools			8	8	8	8	8	4											
17	George G. Owens			8	8	8	8	8	4											
											Grand Totals									

PAYROLL SUMMARY SHEET #12

Begin _____ End _____

Emp. No.	Name	E x e m	R a t e	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	WITHHOLDINGS					Net Wages	
				S	M	T	W	T	F	S					Inc. Tax	FOAB	Ins.	Sav.	Other		
10	Agnes O. Beales			8	8	8	8	8	-												
11	Leland Donovan			9	9	9	8	8	4												
12	Wyll C. Earp			9	-	-	-	8	4												
13	Opal T. Gage			9	9	8	8	8	4												
14	Joseph F. Lee			9	8	8	8	8	4												
15	Joan Potter			8	8	8	8	8	4												
16	Paddy X. O'Toole			10	10	8	8	8	8												
17	George G. Owens			-	8	8	8	8	4												
Grand Totals																					

PAYROLL SUMMARY SHEET #13

Begin _____ End _____

Emp. No.	Name	E x e m	R a t e	Time Worked							Tot. Hrs.	Reg. Wages	Over. Wages	Total Wages	WITHHOLDINGS					Net Wage	
				S	M	T	W	T	F	S					Inc. Tax	FOA	Ins.	Sav.	Other		
10	Agnes O. Beales			8	8	8	8	9	4												
11	Leland Donovan			8	8	8	9	9	4												
12	Wyll C. Earp			4	8	8	4	8	4												
13	Opal T. Gage			8	8	8	8	8	4												
14	Joseph F. Lee			10	10	9	9	9	4												
15	Joan Potter			8	8	8	9	8	4												
16	Paddy E. O'Toole			8	8	8	8	8	8												
17	George G. Owens			9	9	8	8	9	4												
Grand Totals																					

THE ALI-KATZ COMPANY
Time Card

No. 10

Employee Name Agnes O. Beales

Date	Morning		Afternoon		Overtime		Hrs.
	In	Out	In	Out	In	Out	
1/1	7:58	12:00	12:58	5:04			8
1/2	7:59	12:03	12:59	5:02			8
1/3	6:00	12:02	12:57	5:00			10
1/4	8:00	12:00	1:00	5:10			8
1/5	7:58	12:03	12:04	5:04	5:30	7:34	10
1/6	8:00	12:05					4

Total -

(Form 1)

THE ALI-KATZ COMPANY
Time Card

No. 11

Employee Name Leland Donovan

Date	Morning		Afternoon		Overtime		Hrs.
	In	Out	In	Out	In	Out	
1/1	7:59	12:03	12:59	5:02			8
1/2	7:55	12:02	12:58	5:03	1:00	4:00	11
1/3	7:00	12:02	1:00	5:01	7:00	8:00	10
1/4	7:58	12:01	12:59	5:04			8
1/5	7:59	12:04	12:59	5:03			8
1/6	7:55	12:00					4

Total

(Form 2)

THE ALI-KATZ COMPANY
Time Card

No. 12

Employee Name Wyll C. Earp

Date	Morning		Afternoon		Overtime		Hrs.
	In	Out	In	Out	In	Out	
1/1	7:57	12:03	12:59	5:03	-		8
1/2	7:59	12:04	12:59	5:01	6:00	7:00	9
1/3	8:00	12:00	12:56	5:03			8
1/4	7:57	12:02	12:58	5:04			8
1/5	7:58	12:05	12:59	5:01			8
1/6	7:56	12:03					4

Total

(Form 3)

THE ALI-KATZ COMPANY
Time Card

No. 13

Employee Name Opat T. Gage

Date	Morning		Afternoon		Overtime		Hrs.
	In	Out	In	Out	In	Out	
1/1	7:59	12:04	12:58	5:04			8
1/2	7:58	12:03	12:59	5:02			8
1/3	7:58	12:03	12:59	5:03			8
1/4	7:57	12:04	12:58	5:01			8
1/5	7:59	12:02	12:59	5:03			8
1/6	7:55	12:04					4

Total

(Form 4)

THE ALI-KATZ COMPANY
Time Card

No. 14

Employee Name Joseph F. Lee

Date	Morning		Afternoon		Overtime		Hrs.
	In	Out	In	Out	In	Out	
1/1	7:59	12:03	12:59	5:04			8
1/2	7:58	12:02	12:58	5:00			8
1/3	7:55	12:03	12:59	5:01			8
1/4	7:59	12:02	12:57	5:03	5:30	7:35	10
1/5	7:59	12:04	12:55	5:00			8
1/6	7:56	12:03					4

Total

(Form 5)

THE ALI-KATZ COMPANY
Time Card

No. 16

Employee Name Paddy X. O'Toole

Date	Morning		Afternoon		Overtime		Hrs.
	In	Out	In	Out	In	Out	
1/1	7:58	12:01	12:57	5:03			8
1/2	7:56	12:04					4
1/3	7:59	12:02	12:59	5:03			8
1/4	7:57	12:05	12:58	5:01			8
1/5	7:57	12:00	12:59	5:00			8
1/6	8:00	12:03					4

Total

(Form 7)

THE ALI-KATZ COMPANY
Time Card

No. 15

Employee Name Joan Potter

Date	Morning		Afternoon		Overtime		Hrs.
	In	Out	In	Out	In	Out	
1/1	7:59	12:03	12:57	5:01			8
1/2	7:57	12:02	12:59	5:00			8
1/4	7:59	12:04	12:58	5:02			8
1/5	7:58	12:03	12:55	5:06			8
1/6	7:59	12:00					4

Total

(Form 6)

THE ALI-KATZ COMPANY
Time Card

No. 17

Employee Name George G. Owens

Date	Morning		Afternoon		Overtime		Hrs.
	In	Out	In	Out	In	Out	
1/1	7:55	12:00	12:59	5:03			8
1/2	7:59	12:01	12:59	5:01			8
1/3	7:58	12:00	12:58	5:03			8
1/4			12:59	5:04			4
1/5	7:55	12:03	12:56	5:01			8
1/6	7:59	12:00					4

Total

(Form 8)

93

EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE

Print full name _____ Social Security No. _____
Print home address _____ City _____ State _____

EMPLOYEE:
File this form with your employer. Otherwise, he must withhold U. S. income tax from your wages without exemption.

EMPLOYER:
Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the District Director should be so advised.

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If **SINGLE**, and you claim an exemption, write the figure "1".
2. If **MARRIED**, one exemption each for husband and wife if not claimed on another certificate.
 - (a) If you claim both of these exemptions, write the figure "2".
 - (b) If you claim one of these exemptions, write the figure "1".
 - (c) If you claim neither of these exemptions, write "0".
3. Exemptions for age and blindness (applicable only to you and your wife but not to dependents):
 - (a) If you or your wife will be 65 years of age or older at the end of the year, and you claim this exemption, write the figure "1"; if both will be 65 or older, and you claim both of these exemptions, write the figure "2".
 - (b) If you or your wife are blind, and you claim this exemption, write the figure "1"; if both are blind, and you claim both of these exemptions, write the figure "2".
4. If you claim exemptions for one or more dependents, write the number of such exemptions. (Do not claim exemption for a dependent unless you are qualified under instruction 3 on other side.)
5. Add the number of exemptions which you have claimed above and write the total.

I CERTIFY that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.
(Date) _____, 19____ (Signed) _____

(Form 9)

EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE

Print full name _____ Social Security No. _____
Print home address _____ City _____ State _____

EMPLOYEE:
File this form with your employer. Otherwise, he must withhold U. S. income tax from your wages without exemption.

EMPLOYER:
Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the District Director should be so advised.

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If **SINGLE**, and you claim an exemption, write the figure "1".
2. If **MARRIED**, one exemption each for husband and wife if not claimed on another certificate.
 - (a) If you claim both of these exemptions, write the figure "2".
 - (b) If you claim one of these exemptions, write the figure "1".
 - (c) If you claim neither of these exemptions, write "0".
3. Exemptions for age and blindness (applicable only to you and your wife but not to dependents):
 - (a) If you or your wife will be 65 years of age or older at the end of the year, and you claim this exemption, write the figure "1"; if both will be 65 or older, and you claim both of these exemptions, write the figure "2".
 - (b) If you or your wife are blind, and you claim this exemption, write the figure "1"; if both are blind, and you claim both of these exemptions, write the figure "2".
4. If you claim exemptions for one or more dependents, write the number of such exemptions. (Do not claim exemption for a dependent unless you are qualified under instruction 3 on other side.)
5. Add the number of exemptions which you have claimed above and write the total.

I CERTIFY that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.
(Date) _____, 19____ (Signed) _____

(Form 10)

FORM W-4 (Rev. July 1953)
U. S. Treasury Department
Internal Revenue Service

EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE

Print full name _____ Social Security No. _____
Print home address _____ City _____ State _____

EMPLOYEE:
File this form with your employer. Otherwise, he must withhold U. S. income tax from your wages without exemption.

EMPLOYER:
Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the District Director should be so advised.

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If **SINGLE**, and you claim an exemption, write the figure "1".
2. If **MARRIED**, one exemption each for husband and wife if not claimed on another certificate.
 - (a) If you claim both of these exemptions, write the figure "2".
 - (b) If you claim one of these exemptions, write the figure "1".
 - (c) If you claim neither of these exemptions, write "0".
3. Exemptions for age and blindness (applicable only to you and your wife but not to dependents)
 - (a) If you or your wife will be 65 years of age or older at the end of the year, and you claim this exemption, write the figure "1"; if both will be 65 or older, and you claim both of these exemptions, write the figure "2".
 - (b) If you or your wife are blind, and you claim this exemption, write the figure "1"; if both are blind, and you claim both of these exemptions, write the figure "2".
4. If you claim exemptions for one or more dependents, write the number of such exemptions. (Do not claim exemption for a dependent unless you are qualified under instruction 3 on other side.)
5. Add the number of exemptions which you have claimed above and write the total.

I CERTIFY that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.
(Date) _____, 19____ (Signed) _____

(Form 11)

FORM W-4 (Rev. July 1953)
U. S. Treasury Department
Internal Revenue Service

EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE

Print full name _____ Social Security No. _____
Print home address _____ City _____ State _____

EMPLOYEE:
File this form with your employer. Otherwise, he must withhold U. S. income tax from your wages without exemption.

EMPLOYER:
Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the District Director should be so advised.

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If **SINGLE**, and you claim an exemption, write the figure "1".
2. If **MARRIED**, one exemption each for husband and wife if not claimed on another certificate.
 - (a) If you claim both of these exemptions, write the figure "2".
 - (b) If you claim one of these exemptions, write the figure "1".
 - (c) If you claim neither of these exemptions, write "0".
3. Exemptions for age and blindness (applicable only to you and your wife but not to dependents)
 - (a) If you or your wife will be 65 years of age or older at the end of the year, and you claim this exemption, write the figure "1"; if both will be 65 or older, and you claim both of these exemptions, write the figure "2".
 - (b) If you or your wife are blind, and you claim this exemption, write the figure "1"; if both are blind, and you claim both of these exemptions, write the figure "2".
4. If you claim exemptions for one or more dependents, write the number of such exemptions. (Do not claim exemption for a dependent unless you are qualified under instruction 3 on other side.)
5. Add the number of exemptions which you have claimed above and write the total.

I CERTIFY that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.
(Date) _____, 19____ (Signed) _____

(Form 12)

W-4 (Rev. July 1953)
Treasury Department
Revenue Service

EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE

Full name

Social Security No.

Home address

City

State

EMPLOYEE:

Fill in this form with employer. Other than U. S. income from wages must be exempted.

EMPLOYER:

Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the District Director should be so advised.

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If **SINGLE**, and you claim an exemption, write the figure "1".
2. If **MARRIED**, one exemption each for husband and wife if not claimed on another certificate.
 - (a) If you claim both of these exemptions, write the figure "2".
 - (b) If you claim one of these exemptions, write the figure "1".
 - (c) If you claim neither of these exemptions, write "0".
3. Exemptions for age and blindness (applicable only to you and your wife but not to dependents):
 - (a) If you or your wife will be 65 years of age or older at the end of the year, and you claim this exemption, write the figure "1"; if both will be 65 or older, and you claim both of these exemptions, write the figure "2".
 - (b) If you or your wife are blind, and you claim this exemption, write the figure "1"; if both are blind and you claim both of these exemptions, write the figure "2".
4. If you claim exemptions for one or more dependents, write the number of such exemptions. (Do not claim exemption for a dependent unless you are qualified under instruction 3 on other side.)
5. Add the number of exemptions which you have claimed above and write the total.

I CERTIFY that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.

(Date) 19.....

(Signed)

(Form 13)

W-4 (Rev. July 1953)
Treasury Department
Revenue Service

EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE

Full name

Social Security No.

Home address

City

State

EMPLOYEE:

Fill in this form with employer. Other than U. S. income from wages must be exempted.

EMPLOYER:

Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the District Director should be so advised.

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If **SINGLE**, and you claim an exemption, write the figure "1".
2. If **MARRIED**, one exemption each for husband and wife if not claimed on another certificate.
 - (a) If you claim both of these exemptions, write the figure "2".
 - (b) If you claim one of these exemptions, write the figure "1".
 - (c) If you claim neither of these exemptions, write "0".
3. Exemptions for age and blindness (applicable only to you and your wife but not to dependents):
 - (a) If you or your wife will be 65 years of age or older at the end of the year, and you claim this exemption, write the figure "1"; if both will be 65 or older, and you claim both of these exemptions, write the figure "2".
 - (b) If you or your wife are blind, and you claim this exemption, write the figure "1"; if both are blind and you claim both of these exemptions, write the figure "2".
4. If you claim exemptions for one or more dependents, write the number of such exemptions. (Do not claim exemption for a dependent unless you are qualified under instruction 3 on other side.)
5. Add the number of exemptions which you have claimed above and write the total.

I CERTIFY that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.

(Date) 19.....

(Signed)

(Form 14)

FORM W-4 (Rev. July 1953)
U. S. Treasury Department
Internal Revenue Service

EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE

Print full name _____ Social Security No. _____
Print home address _____ City _____ State _____

EMPLOYEE:

File this form with your employer. Otherwise, he must withhold U. S. income tax from your wages without exemption.

EMPLOYER:

Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the District Director should be so advised.

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If **SINGLE**, and you claim an exemption, write the figure "1".
2. If **MARRIED**, one exemption each for husband and wife if not claimed on another certificate.
 - (a) If you claim both of these exemptions, write the figure "2".
 - (b) If you claim one of these exemptions, write the figure "1".
 - (c) If you claim neither of these exemptions, write "0".
3. Exemptions for age and blindness (applicable only to you and your wife but not to dependents):
 - (a) If you or your wife will be 65 years of age or older at the end of the year, and you claim this exemption, write the figure "1"; if both will be 65 or older, and you claim both of these exemptions, write the figure "2".
 - (b) If you or your wife are blind, and you claim this exemption, write the figure "1"; if both are blind, and you claim both of these exemptions, write the figure "2".
4. If you claim exemptions for one or more dependents, write the number of such exemptions. (Do not claim exemption for a dependent unless you are qualified under instruction 3 on other side.)
5. Add the number of exemptions which you have claimed above and write the total

I CERTIFY that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.
(Date) _____, 19____ (Signed) _____

(Form 15)

FORM W-4 (Rev. July 1953)
U. S. Treasury Department
Internal Revenue Service

EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE

Print full name _____ Social Security No. _____
Print home address _____ City _____ State _____

EMPLOYEE:

File this form with your employer. Otherwise, he must withhold U. S. income tax from your wages without exemption.

EMPLOYER:

Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the District Director should be so advised.

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If **SINGLE**, and you claim an exemption, write the figure "1".
2. If **MARRIED**, one exemption each for husband and wife if not claimed on another certificate.
 - (a) If you claim both of these exemptions, write the figure "2".
 - (b) If you claim one of these exemptions, write the figure "1".
 - (c) If you claim neither of these exemptions, write "0".
3. Exemptions for age and blindness (applicable only to you and your wife but not to dependents):
 - (a) If you or your wife will be 65 years of age or older at the end of the year, and you claim this exemption, write the figure "1"; if both will be 65 or older, and you claim both of these exemptions, write the figure "2".
 - (b) If you or your wife are blind, and you claim this exemption, write the figure "1"; if both are blind, and you claim both of these exemptions, write the figure "2".
4. If you claim exemptions for one or more dependents, write the number of such exemptions. (Do not claim exemption for a dependent unless you are qualified under instruction 3 on other side.)
5. Add the number of exemptions which you have claimed above and write the total

I CERTIFY that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.
(Date) _____, 19____ (Signed) _____

(Form 16)

THE ALI-KATZ CO.
Payroll Check

No. _____ Date _____ 19__

No. _____ Date _____

Total Wages \$ _____

Withheld:

Inc. Tax	
FOAB	
Other	
Total With.	

Net Wages _____

FIRST NATIONAL BANK
Paris Green, Ky. 75-76
832

Pay to the order of _____ \$ _____ Dollars

THE ALI-KATZ CO.
Payroll Check

By _____

(Form 17)

THE ALI-KATZ CO.
Payroll Check

No. _____ Date _____ 19__

No. _____ Date _____

Total Wages \$ _____

Withheld:

Inc. Tax	
FOAB	
Other	
Total With.	

Net Wages _____

FIRST NATIONAL BANK
Paris Green, Ky. 75-75
832

Pay to the order of _____ \$ _____ Dollars

THE ALI-KATZ CO.
Payroll Check

By _____

(Form 18)

THE ALI-KATZ CO.
Payroll Check

No. _____ Date _____ 19__

No. _____ Date _____

Total Wages \$ _____

Withheld:

Inc. Tax	
FOAB	
Other	
Total With.	

Net Wages _____

FIRST NATIONAL BANK
Paris Green, Ky. 75-76
832

Pay to the order of _____ \$ _____ Dollars

THE ALI-KATZ CO.
Payroll Check

By _____

(Form 19)

THE-ALI KATZ CO.
Payroll Check

No. _____ Date _____ 19__

No. _____ Date _____

Total Wages \$ _____

Pay to the order of FIRST NATIONAL BANK 75-75
Paris Green, Ky. 832

_____ Dollars

Withheld:

Inc. Tax	_____
FOAB	_____
Other	_____
TOTAL WITH.	_____

Net Wages _____

ALI-KATZ CO.
Payroll Check

By _____

(Form 20)

THE ALI-KATZ CO.
PAYROLL CHECK

No. _____ Date _____ 19__

No. _____ Date _____

Total Wages \$ _____

Pay to the order of FIRST NATIONAL BANK 75-76
Paris Green, Ky. 832

_____ Dollars

Withheld:

Inc. Tax	_____
FOAB	_____
Other	_____
Total With.	_____

Net Wages _____

ALI-KATZ CO.
Payroll Check

By _____

(Form 21)

THE ALI-KATZ CO.
Payroll Check

No. _____ Date _____ 19__

No. _____ Date _____

Total Wages \$ _____

Pay to the order of FIRST NATIONAL BANK 75-76
Paris Green, Ky. 832

_____ Dollars

Withheld:

Inc. Tax	_____
FOAB	_____
Other	_____
Total With.	_____

Net Wages _____

ALI-KATZ CO.
Payroll Check

By _____

(Form 22)

THE ALI-KATZ CO.
Payroll Check

No. _____ Date _____ 19__

No. _____ Date _____

Total Wages \$ _____

Withheld:	
Inc. Tax	
FOAB	
Other	
Total With.	

Net Wages _____

FIRST NATIONAL BANK 75-76
Paris Green, Ky. 832

Pay to the order of _____ \$ _____

_____ Dollars

THE ALI-KATZ CO.
Payroll Check

By _____

(Form 23)

THE ALI-KATZ CO.
Payroll Check

No. _____ Date _____ 19__

No. _____ Date _____

Total Wages \$ _____

Withheld:	
Inc. Tax	
FOAB	
Other	
Total With.	

Net Wages _____

FIRST NATIONAL BANK 75-76
Paris Green, Ky. 832

Pay to the order of _____ \$ _____

_____ Dollars

THE ALI-KATZ CO.
Payroll Check

By _____

(Form 24)

General Fund

Dark

Documents

- May not
film well -

Filmed as

Received

No. _____

Date _____ 19__

FIRST NATIONAL BANK
Paris Green, Ky.

75-76
832

Pay to the
order of _____

\$ _____
Dollars

For _____

THE ALI-KATZ CO.
General Fund

By _____

(Form 25)

No. _____

Date _____ 19__

FIRST NATIONAL BANK
Paris Green, Ky.

75-76
832

Pay to the
order of _____

\$ _____
Dollars

For _____

THE ALI-KATZ CO.
General Fund

By _____

(Form 26)

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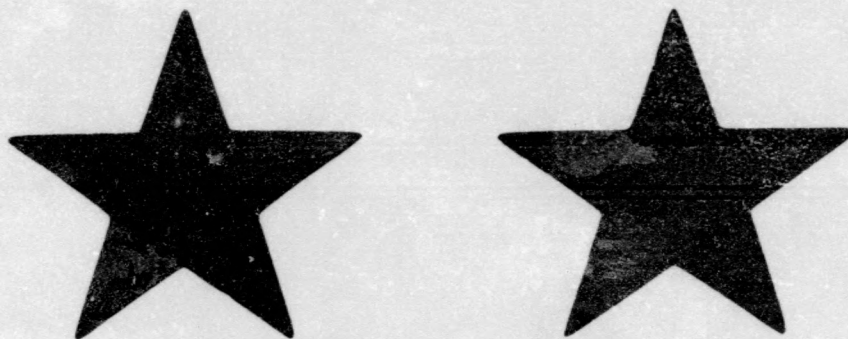
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Henry,
Philip W.

1978

CORRECTION



***PRECEDING IMAGE HAS BEEN
REFILMED
TO ASSURE LEGIBILITY OR TO
CORRECT A POSSIBLE ERROR***