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Synchronizing Payroll Taxes with Year To Date Wages During Current Year

Why Synchronize Taxes with Pay?

The United States income tax is a pay-as-you-go tax, which means, in other words, that tax must be paid as you earn or receive your income during the current year. You can either do this through withholding or by making estimated tax payments. If you do not pay enough tax, you may have to pay a penalty for underpayment of estimated tax.

How our Payroll Tax Engine handles this

Normally most payroll system(s), calculate amount of taxes for the taxable gross wages for that pay period, whether pay period can be Weekly, Semi-Monthly, Bi-weekly or Monthly. This works out perfect so long as the every pay period wages and taxes are in sync. In scenarios, where in, we change payroll provider from one company to another (OR) retro-actively adjust the wages, like for ex., back-pay, the TOTAL Taxes for the Year may not be Proportional to TOTAL taxable wages paid so-far. In these circumstances, there are chances of either deducting too much or too less taxes from the Employee/Employer, result in Out-of-Sync of Payroll Taxes with Taxable Gross Wages.

These Payroll Taxes, can be either Withholding, FUTA, SUTA or any other Payroll Tax Type(s). To handle these scenarios, we built the tax engine to account for YTD Wages for every pay period, to correctly calculate taxes for that pay period keeping in-sync with YTD Taxes.

Illustration of YTD Payroll/Tax Challenges

In the following examples, we will explain how YTD Wages keep in sync with YTD Taxes. In the first example, we will show how overpaid FUTA got refunded to Employer. In the second example, we will show how we catch up to pay FICA taxes by Employee and Employer. In the final example, we will explain how Federal Withholding taxes???? will be able to be in sync with YTD wages by annualizing wages.

Example 1

An Employee is paid $10000 a week. His Year-To-Date Wages are 10000 and Year-To-Date Withholding Taxes are 1000. Now we will compute Federal FUTA tax for this input data as follows

Input

Output

The FUTA Tax for current pay of $10000, accounting for YTD wages and Taxes would be where FEDERAL FUTA tax cap is 56, tax rate of 0.8% tax, since the total YTD wages are more than $7000 where Year-to-Date Wages is $10000 and Year-To-Date Tax is $1000 is $56.

Example 2

Scenario: Without Consideration of YW&YT

A Single Employee is paid $10000 a week. Now we will compute Federal Withholding tax for this input data as follows

Input

Output

The Withholding Tax for current pay of $10000 without considering Year-to-Date Wages and Taxes the tax is $3007.14.

Example 3

Scenario: With Consideration of YW&YT

An Employee is paid $10000 a week. His Year-To-Date Wages are 10000 and Year-To-Date Withholding Taxes are 1000. Now we will compute Federal Withholding tax for this input data as follows

Input

Output

The Withholding Tax for current pay of $10000 Year-to-Date Wages is $10000 and Year-To-Date Tax is $1000 is $3055.22.

We passionately develop business solutions, products and offer services to our customers. Our offerings cover the gamut of Payroll Systems, Taxes, Finance, Banking, Payment Cards, Business Process Optimization and HRIS (Human Resources). Our products include US Payroll Tax Engine, ACH Automation, Employee Verify (I-9) Automation, and real-time Credit Card Integration with ERPs like SAP®.

We help you address onshore and offshore technical resource requirements with contract, contract-to-hire and direct hire **our recruiting services (Staff Augmentation)**. We understand the challenges that many businesses face when looking for qualified staffing professionals. We make sure to respond to your needs with prompt, efficient, tailored services to exceed your recruitment expectations everyday and on every hire.

For our excellence in products/solutions - quality, commitment and services, **US Dept of Commerce**, awarded TWO years in a row 2009 and 2010 Houston, TX award for **Best Software and Services**

Our revolutionary state of art **US Payroll Tax Engine** is at http://www.PayMyCheck.info

Our real-time Employee verification system (**E-Verify**) is at http://www.MudiamInc.com/I9Automation

We, as SAP® Service Partner, help implement SAP® solutions in the areas of HRIS, Portals and Finance. We also host and support SAP® clients for post-production remote support using our expert level platinum resources that will help client in every possible way.

We, as Microsoft® ISV Partner, develop solutions for business community, a state of the art, ACH Automation product hosted as SaaS at http://www.ACHbiz.com

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