Payroll Accounting & Withholdings Master Cheat Sheet

Employee Deductions vs. Employer Taxes, FICA, FUTA, SUTA & Complete Journal Entries

1. EMPLOYEE WITHHOLDINGS VS. EMPLOYER PAYROLL TAXES

Tax / Deduction Category	Withholding Rate	Paid By	Accounting Impact
FICA - Social Security (OASDI)	**6.2%** up to annual wage base cap	**Both** (Employee & Employer Match)	Current Liability (FICA Payable)
FICA - Medicare (HI)	**1.45%** on all gross earnings (no cap)	**Both** (Employee & Employer Match)	Current Liability (Medicare Payable)
Federal Income Tax (FITW)	Graduated brackets based on Form W-4	**Employee Only** (Withheld by firm)	Current Liability (FITW Payable)
State / Local Income Tax	State statutory rates	**Employee Only** (Withheld by firm)	Current Liability (SITW Payable)
FUTA (Federal Unemployment)	**0.6%** on first $7,000 per employee	**Employer ONLY** (No employee cut)	Employer Payroll Tax Expense
SUTA (State Unemployment)	State merit rating (typically 2-6%)	**Employer ONLY** (in most states)	Employer Payroll Tax Expense

2. DUAL JOURNAL ENTRIES FOR PAYROLL

Transaction	Journal Entry Format
Entry 1: Record Employee Wages & Net Pay	**Dr. Salaries & Wages Expense (Gross Pay) ..... $10,000** Cr. FICA Social Security Payable (6.2%) ..... $620 Cr. FICA Medicare Payable (1.45%) ..... $145 Cr. Federal Income Tax Withholding Payable ..... $1,500 Cr. Voluntary Health Insurance Payable ..... $400 **Cr. Cash / Wages Payable (Net Pay to Employees) ... $7,335**
Entry 2: Record Employer Payroll Taxes	**Dr. Payroll Tax Expense ..... $1,205** Cr. FICA Social Security Matching Payable ..... $620 Cr. FICA Medicare Matching Payable ..... $145 Cr. FUTA Federal Unemployment Payable (0.6%) ..... $60 Cr. SUTA State Unemployment Payable (3.8%) $380

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