

# Payroll Deductions Explained

There are several types of deductions that are taken out of our employee paychecks including Federal Income and State Income Tax, deductions for Social Security and Medicare, some states have disability, and in California, there's also an Employment Training Tax or ETT. We have set up MaxxTraxx Pro CE so you can select the Federal and State Income Withholdings from tax tables, and enter in your state rates for unemployment, disability and this ETT. But what do we do about benefit deductions?

Benefit deductions can include things like health insurance premiums, Health Savings Accounts (HSA), pension programs like a 401K or 408B, or the multitude of IRA programs just to name a few. Whether these benefit deductions are subject to tax or not is a determination you and your account must decide. So we have outlined the taxability of these deduction fields in MaxxTraxx Pro CE so you can decide on which fields to use for the deductions you need to take out of your employees' paychecks:

The **cafeteria** amount is pre-tax meaning they are not subject to any tax.

Federal Income Tax: NO  
 State Income Tax: NO  
 Social Security: NO  
 Medicare: NO

The **401k** amount is not subject to federal and state income tax, but is subject to social security and Medicare. Simple IRA would go here.

Federal Income Tax: NO  
 State Income Tax: NO  
 Social Security: YES  
 Medicare: YES

The **IRA** amount is subject to all tax; it is not pre-tax in any way. (Often called a Roth IRA)

Federal Income Tax: YES  
 State Income Tax: YES  
 Social Security: YES  
 Medicare: YES

Cafeteria 1 - Employee Pre-Tax	0.00	23350 - Pre-Tax Savings Plan
Cafeteria 2 - Employee Pre-Tax	0.00	23350 - Pre-Tax Savings Plan
Cafeteria 3 - Employee Pre-Tax	0.00	23350 - Pre-Tax Savings Plan
Cafeteria 4 - Employee Pre-Tax	0.00	23350 - Pre-Tax Savings Plan
401k	0.00	0.00% 23350 - Pre-Tax Savings
IRA	0.00	23300 - Savings Plan

Note: The entry field titles cannot be changed; however, the G/L accounts that these entries flow to on the general ledger can be changed to whatever you like under Setup >>> Accounting and Payroll >>> Default Account Posting.