

## Bolster company loyalty by accurately tracking paid time off

### AT A GLANCE

Many small businesses save money by handling their own payrolls, and QuickBooks makes this easy to accomplish without expensive help from a payroll service. However, when you want to reward employees with time off, it's time-consuming to record the hours they've accrued and how many remain. Not to worry — QuickBooks can do the work for you.

To automatically track accrued vacation and sick time for employees, we'll:

- Ensure that the QuickBooks payroll feature is turned on.
- Designate default sick and vacation time accrual for all employees.
- Enter sick or vacation time in a payroll check correctly.
- Generate a report that shows you each employee's sick time and vacation time.

When you're flying solo with your payroll duties, you may be overwhelmed by the task of tracking accrued time off. After all, you not only have to distribute time off for your employees throughout the year's pay periods, but you also need to simultaneously record the time they use and the remaining hours. You're in luck, because QuickBooks can save the day. You can modify your employees' sick and vacation time right in the Employee Center.

### Turn on the payroll feature

Before you modify your employee's paid time off, you want to make sure that the payroll feature is enabled.

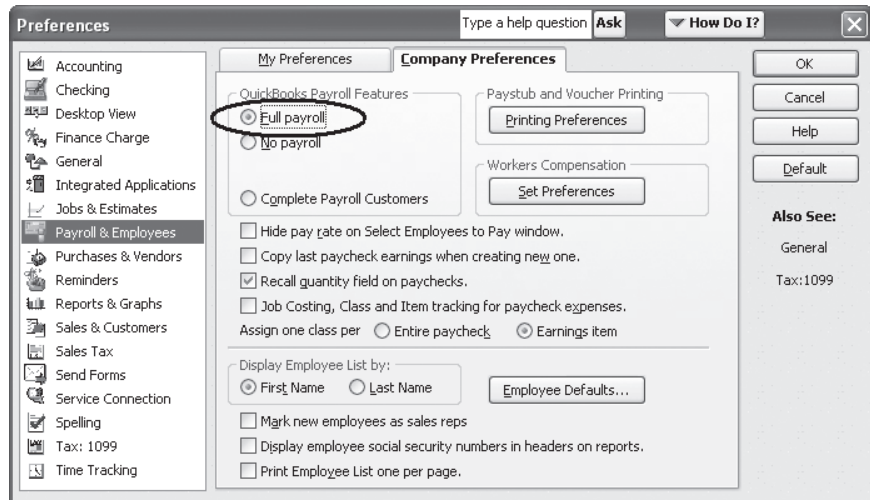
#### To ensure that the payroll feature is on:

1. Launch QuickBooks and open your company file.
2. Choose Edit | Preferences from the menu bar to access the Preferences window.

3. Select Payroll & Employees from the list on the left side of the window.

4. Click on the Company Preferences tab.

5. Ensure that the Full Payroll option button in the QuickBooks Payroll Features section is selected, as shown in **Figure 1**.



1: You must enable the QuickBooks payroll feature before you can track paid time off.



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We can do all of your bookkeeping for you or diagnose your QuickBooks problems, identify training issues and provide solutions.

Call us toll free at 877-933-0404 to discuss how we can help.

## Edit your default time off settings

Now that you know the payroll feature is on, you can set up or edit your paid time off defaults through the Employee Center. This is useful if many of your employees accrue paid time off at the same rate. If they don't, we'll show you how to change an individual employee's paid time off settings later in the article.

### To set up default employees' paid time off accrual:

1. Click on the Employee Center icon in the main icon bar. Alternatively, you can choose Employees | Employee Center from the menu bar.
2. In the Employee Center, click on the Related Activities icon and choose Employee Defaults from the resulting dropdown list; the Employee Defaults window displays.
3. Click the Sick/Vacation Time button to open the Sick & Vacation Defaults window.
4. Choose an accrual period from the Accrual Period dropdown list. We'll choose Every Paycheck.
5. Enter the number of sick hours you want employees to accrue *per*

*paycheck* in the Sick section's Hours Accrued Per Paycheck text box.

**Serious drawback to QuickBooks' time tracking:** There's one aspect of QuickBooks' accrued sick and vacation time that doesn't appeal to many professionals. It doesn't track the dates of the paid time off that employees use. You can tell which pay period the vacation time or sick time was taken, but you can't track the exact date.

6. Type the maximum number of sick hours you want employees to accrue in the Sick section's Maximum Number Of Hours text box. You can leave this text box blank if you don't want to cap the time accrued.
7. Follow steps 4-6 for the Vacation section, entering the information relevant to your employees' accrued vacation time. Your Sick & Vacation Defaults window should look similar to ours, as shown in **Figure 2**.

**Hot tip:** If you don't want your employees' accrued sick time or vacation time to rollover to the next year, simply select the Reset Hours Each New Year check box. When you do so, the accrued hours remaining are reset to zero.

The screenshot shows the 'Sick & Vacation Defaults' dialog box. It has a title bar with a close button. The 'Sick' section includes a dropdown for 'Accrual period' (set to 'Every paycheck'), a text box for 'Hours accrued per paycheck' (set to '2:00'), a text box for 'Maximum number of hours' (set to '48:00'), and a checked checkbox for 'Reset hours each new year?'. The 'Vacation' section includes a dropdown for 'Accrual period' (set to 'Every paycheck'), a text box for 'Hours accrued per paycheck' (set to '4:00'), a text box for 'Maximum number of hours' (set to '96:00'), and an unchecked checkbox for 'Reset hours each new year?'. On the right side, there are three buttons: 'OK', 'Cancel', and 'Help'.

**2:** You can differentiate sick time from vacation time in your paid time off preferences.

## Do the math and get the right results

You'll want to remember that the sick time and vacation time is granted in different units depending on your accrual period. You'll need to account for this when you decide how many hours to accrue.

For instance, we wanted employees to have six sick days a year (48 hours) and 12 vacation days (96 hours). Let's assume our employees are paid twice a month. With the Every Paycheck accrual period selected, we'd need to designate 2 hours per pay period of sick time and 4 hours per pay period of vacation time to meet those annual totals.

### Know your accrual period options

There are three options for what intervals you want employees to accrue time off. Here's a quick overview of the options and what they mean for your employees' accrued time off:

- **Beginning Of Year.** Grants employees a certain number of sick or vacation hours all in one lump sum at the beginning of the accrual year. Typically, your accrual year begins on the employee's hire date, but you can modify this date if you'd like, as we'll discuss in the "Change time off for an individual" section.
- **Every Paycheck.** Accrues a certain number of sick or vacation hours with each pay period so that the employee gradually accumulates paid time off throughout the year.
- **Every Hour On Paycheck.** This third option is optimal for hourly employees. It grants a certain amount of sick or vacation time for each hour recorded on a paycheck. That way, the employee's accrued paid time off is proportional to the number of hours worked.

## Change time off accrual for an individual

The defaults work great if all of your employees have the same sick time and vacation time accrual rates. However, sometimes you want to reward those who've stayed with the company by increasing their paid time off. Here's how to modify the sick time and vacation time accrual settings for an individual employee.

### To change one employee's paid time off settings:

1. Return to the Employee Center by clicking on the Employee Center icon or choosing Employees | Employee Center from the menu bar.
2. Double-click on an employee in the list on the left side of the window to open the Edit Employee window.
3. Select Payroll And Compensation Info from the Change Tabs dropdown list.
4. Click the Sick/Vacation button to open the Sick & Vacation For [Employee Name] window, as shown in **Figure 3**.
5. Enter the necessary sick time and vacation time information as we did earlier in the article and click OK to set the custom preferences.

### Assign additional preferences

You might notice that there are a few additional preferences you can set for individual employees. You can set the start date of the accrual year. Or, if the employee has remaining time off, the amount displays in the Hours Available As Of [Date] text box.

In addition, you can set the time off to begin accruing at a specific date. For instance, if employees don't start accruing vacation time until they've spent six months with the company, you can

set the date in the Begin Accruing Vacation Time On text box to the date six months after the employee's hire date. When you do so, QuickBooks automatically begins accruing vacation time on that date.

### Test the waters by entering time off

QuickBooks now accrues vacation and sick time with each accrual period, but you need to record it correctly or you may get incorrect results. Let's say that one of our employees, Vicki King, used 2 hours of her accrued sick time.

- 3: If you designate custom payroll preferences for an employee, it overrides the employee defaults.

Item Name	Rate	Hours	Customer:Job	Class	Service Item	Sick Available	Vacation Avail.	Sick Accrued	Vac. Accrued
Sick - Hourly	12.00	2:00				0:00	4:00	2:00	0:00
Clerical	12.00	38:00							

Item Name	Amount	YTD
Sick - Hourly	24.00	24.00
Clerical	456.00	6,228.00
Federal Withholding	-41.00	-1,930.93
Social Security Employee	-29.76	-409.94
Medicare Employee	-6.96	-95.87
CA - Withholding	-4.40	-4.40
CA - Disability Employee	-5.18	-8.42

Item Name	Amount	YTD
CA - Employment Training Tax	0.48	0.78
Social Security Company	29.76	409.94
Medicare Company	6.96	95.87
Federal Unemployment	0.00	453.60
CA - Unemployment Company	16.80	27.30

- 4: Sick time or vacation time is a payroll item that you add to the Earnings section of an employee's paycheck.

### To record time off for an employee:

1. Choose Employees | Pay Employees from the menu bar to open the Select Employees To Pay window.
2. Click to the left the employee(s) that need paid time off recorded for the pay period so a check mark displays.
3. Select the Enter Hours And Preview Check Before Creating option button.
4. Click Create to open the Preview Paycheck window.
5. Display the Item Name dropdown list in the Earnings section's first blank line by clicking in the column.
6. Choose the payroll item set up for sick time — in our case, it's Sick – Hourly.
7. Enter the number of sick hours taken in the Hours column.
8. Type the information for the hours worked on a new line in the Earnings section, as shown in **Figure 4**.
9. Click the Create button when you're ready to create the paycheck.

Note that there's information about sick time and vacation time including how many hours the employee has accrued and how many are still available in the panel to the right of the Earnings section.

### When you might not want to accrue paid time off

In the Preview Paycheck window, you might notice the Do Not Accrue Sick/Vac check box. This is important for additional paychecks that are outside of the normal pay periods. For instance, if you grant an employee a bonus check you don't want it to accrue sick or vacation time.

As another example, let's say that your company's pay periods are biweekly (every two weeks). This means there are two months in the year that have three pay periods. To avoid strange accrual

numbers with 26 pay periods in a year, you might decide to exclude the two "third" pay periods in the year so you can stick to 24 pay periods. The Do No Accrue Sick/Vac check box allows you to exclude the pay period from accrual.

### Generate a paid time off report

When you want a bird's-eye view of your employees' paid time off, you can run a Paid Time Off List report. It lists each employee and shows the number of sick and vacation hours used versus the number of hours accrued.

To view the Paid Time Off List report, simply choose Reports | Payroll & Employees | Paid Time Off List from the menu bar. The Paid Time Off List report displays, as shown in **Figure 5**.

Employee	Sick Available	Sick Used	Vacation Av...	Vacation Us...
Deborah Wood	10:00	0:00	40:00	20:00
Jonathan Graham	10:00	0:00	120:00	10:00
Vicki King	4:00	2:00	4:00	96:00

5: You can get a quick idea of how each employee stands with paid time off from this report.

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