

Set up the employee profile to accrue sick and/or vacation:

1. Double-click the employee's name to edit the information.
2. Click the drop-down arrow on Change Tabs and change to Payroll and Compensation info.
3. Click the Sick/Vacation button.
4. In the **Vacation** section of the **Sick & Vacation** window, enter the amount of hours of vacation currently available for the employee in the **Hours Available as of** box.
Note: This is the hours available as of today regardless of the date field. The date field defaults to the employee's hire date in QuickBooks. This field should indicate the amount of time available as of today.
5. In the **Accrual period** drop-down box, select how often the employee will accrue vacation. There are 3 different ways to accrue sick and vacation in QuickBooks:
 - **Beginning of Year:** Grant a certain amount of hours in the beginning of year.
 - **Every Paycheck:** Accrue certain number of hours per paycheck
 - **Every Hour on Paycheck:** Accrue every hour on paycheck.
6. In the **Hours Accrued** field, enter the amount of hours that will be accrued based on the accrual period you selected in the Accrual period drop-down box (e.g., 80 hours of vacation per year accrued biweekly: $80 \text{ hours} / 26 \text{ pay periods} = 3.08 \text{ hours per pay period}$ to be entered in the **Hours Accrued** field).
7. Enter the total amount of vacation hours the employee can have in the **Maximum number of hours** window.
8. Click the **Reset hours each new year** box if you want the number of vacation hours for the employee to start over at zero each new calendar year.
9. Click **OK** twice

Note: Sick pay and vacation pay in QuickBooks is accrued on the day in which employees work, not on the day of the paycheck itself. For example, if an

employee works on June 4th and gets paid on June 6th, the employee will accrue sick/vacation time on June 4th, even though the paycheck was created on June 6th.

Access the sick and vacation defaults under Preferences:

1. Click on **Edit** on the top menu bar.
2. Select **Preferences**.
3. Click **Payroll & Employees**.
4. Click on the **Company Preferences** tab.
5. Click on the **Sick & Vacation** button.
6. You can fill in defaults that will flow to the setup of each new employee.
7. Be sure to check the Do not accrue boxes at the bottom if you do not want time accrued when paying sick/vacation/overtime.

Sick and Vacation Defaults

Sick (Prints as: PTO)

Accrual period
Beginning of year

Hours accrued at beginning of year 0:00

Maximum number of hours

Reset hours each new year?

Vacation (Prints as: Vacation)

Accrual period
Beginning of year

Hours accrued at beginning of year 0:00

Maximum number of hours

Reset hours each new year?

Sick and Vacation Accrual

Do not accrue employee sick and vacation hours for:

Sick and vacation hours paid

Overtime hours paid

OK
Cancel
Help

Now set up the sick and vacation payroll items:

1. From **Lists** on the top menu bar, choose **Payroll Item List**.
2. Click **Payroll Item** in the bottom left corner, choose **New**.
3. Select **Custom Setup**, and click **Next**.
4. Select **Wage**, and click **Next**.
5. Select either **Annual Salary** or **Hourly Wages** depending on whether you have salaried or hourly employees, and click **Next**.
6. Select **Sick Pay** or **Vacation Pay**, and click **Next**.
7. Name the item (e.g., 312 Hourly Sick Pay, 308 Salary Sick Pay), and click **Next**.
8. Choose the expense account (for the first on you will select 312, and for the next on you will select 308 and so on) that you want this item to report to, and click **Finish**.

Now we just need to add the sick or vacation payroll items to the employees paycheck:

1. On the **Preview Paycheck** window, click in the **Item Name** column under **Earnings**.
2. Click on the drop-down arrow, choose the sick or vacation item from the list.
3. Enter an hourly rate in the **Rate** column for hourly employees and the number of hours in the **Hours** column.
4. For salaried employees, enter the number of hours worked next to the regular salary earnings item in the **Hours** column and the number of hours paid for sick/vacation time next to the sick/vacation salary earning item in the **Hours** column. QuickBooks will divide the salary rate accordingly once the correct number of hours are entered.
5. Review the other information on the **Preview Paycheck** window, and create the paycheck.