

Clarity US - How To Make An Employee Exempt From State Taxes

Your employees (or yourself) may be exempt from state taxes. This article will outline how you can make an employee exempt from these taxes, and prevent these deductions from coming off their paycard when you process payroll.

Pre-Requisites

- Have already set up your payroll categories
- Have already set up your employees' master paycards
- Know which employees are exempt from which state tax(es)

Creating an Exempted Federal Tax Payroll Category

1. Navigate to Setup > Payroll Settings > Payroll Categories.
2. Click the "+" button to create a new payroll category.
3. Select **"Add Tax"** to create a new tax payroll category.
4. Enter a *"Number"*, *"Name"*, and *"Abbreviation"* to identify your payroll category.
5. For *"Tax Level"*, select **'Federal'**.
6. For *"Type"*, select **'Obsolete Tax Exemption'**.
7. Click the checkmark icon at the top-right corner of the window to save your changes.

Payroll category

Category: Tax Number: 340 Name: FedTxExempt

Basic information

Number: 340
Name: FedTxExempt
Abbreviation: FedTxExemp
Tax level: Federal

Type: Obsolete tax exemption

Flags

☒ Show on paystub
☒ Default to new employee

Deduct before ...

	Category	Number	Name
<input type="checkbox"/>	T	300	Federal income tax
<input type="checkbox"/>	T	302	Social security tax
<input type="checkbox"/>	T	303	Medicare tax
<input type="checkbox"/>	T	311	OHIO Municipal Income Tax
<input type="checkbox"/>	T	313	PA-Local Tax
<input type="checkbox"/>	T	316	Colorado income tax
<input type="checkbox"/>	T	317	Kansas income tax
<input type="checkbox"/>	T	318	North Dakota income tax
<input type="checkbox"/>	T	319	Ohio income tax
<input type="checkbox"/>	T	320	Oklahoma income tax
<input type="checkbox"/>	T	321	West Virginia income tax
<input type="checkbox"/>	T	322	Pennsylvania income tax
<input type="checkbox"/>	T	323	PA-Unemployment ins Emp.
<input type="checkbox"/>	T	324	Wyoming income tax
<input type="checkbox"/>	T	325	Alaska income tax
<input type="checkbox"/>	T	326	Guam income tax
<input type="checkbox"/>	T	327	Alabama income tax
<input type="checkbox"/>	T	328	Arkansas income tax
<input type="checkbox"/>	T	329	Michigan income tax
<input type="checkbox"/>	T	333	AR LcTx
<input type="checkbox"/>	T	334	MI LcTx

Duplicate Close ? Help

Editing Your Employees' Master Paycards

1. In Clarity, navigate to Employees > Master Paycard > 'List' tab.
2. Double-click on the employee whom you want to make exempt.
3. Navigate to the employees' 'Taxes' tab.
4. Click on the payroll category on the left side of the window which you have to make exempt.

- Un-checkmark the "Active" checkbox at the bottom-right corner of the window. Ensure that the "Active" checkbox next to the payroll category name is also unchecked.
- Click the checkmark icon at the top-right corner of the window to save your changes.
- Repeat steps 4 through 6 for each payroll category if the employee is exempt from more than one.
- Repeat steps 2 through 7 for each employee that has exemptions.

Employee master paycard

Number: 0372 Name: Adams, Adam

Tabbed interface: List, Earnings, Benefits, Taxes, Deductions, Accruals, Balance, Payroll taxes, Compensation summary, Job setup

Number	Name	Active
300	Federal income tax	<input type="checkbox"/>
301	Federal extra income tax	<input checked="" type="checkbox"/>
302	Social security tax	<input checked="" type="checkbox"/>
303	Medicare tax	<input checked="" type="checkbox"/>
340	FedTxExempt	<input checked="" type="checkbox"/>

Defaults per pay: Unit: 0.0000, Rate: 0.00, Amount: 0.00, Percentage: 0.0000, Minimum: 0.00, Maximum: 0.00, Maximum per pay (%): 0.0000

Opening: Unit: 0.0000, Amount: 0.00, Declining balance: 0.00

Year-to-date: Unit: 0.0000, Amount: 0.00

Current balance: Unit: 0.0000, Amount: 0.00

☒ Active ☐ Use cost allocation

Buttons: Add tax, Delete tax, Close, Help

Editing Your Employees' Taxation Information

- In Clarity, navigate to Employees > Employee Taxation Information > 'List' tab.
- Double-click on the employee who is exempt from taxes.
- Navigate to the 'Detail' tab.
- Locate the tax exemption payroll category. Checkmark the "Exempt" checkbox for the federal and/or state taxes. If the employee is exempt in a different state, place a checkmark in the correct state.

Employee taxation information

Employee taxation information

Number: WH-9512

Name: White, Keith X

List

Detail

Attachments

State of hire: Colorado

FICA employee exempt

FICA employer exempt

Medicare employee exempt

Federal

Exempt

Regular withholdings calculation:

Annualized (default)

Cumulative

Daily

Supplemental withholdings calculation:

Aggregation (default)

Flat

Filing status:

Single

Federal allowances:0

Colorado

Exempt

Regular withholdings calculation:

Annualized (default)

Cumulative

Daily

Supplemental withholdings calculation:

Aggregation (default)

Flat

Filing status:

Single

Total allowances:0

Add state

Delete state

Close

Help