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

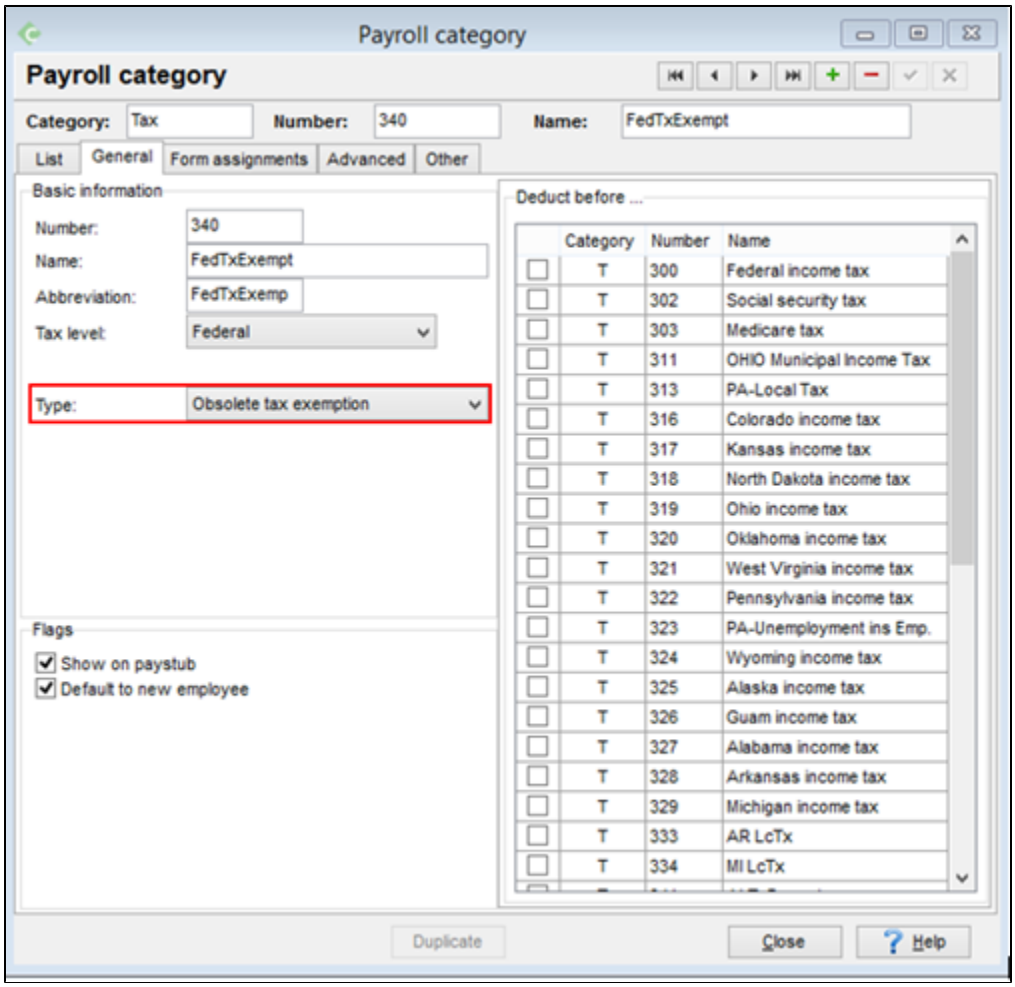
Your employees (or yourself) may be exempt from state taxes. This article will outline how you can make an employee exempt from these taxes, and prevent these deductions from coming off their paycard when you process payroll.

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

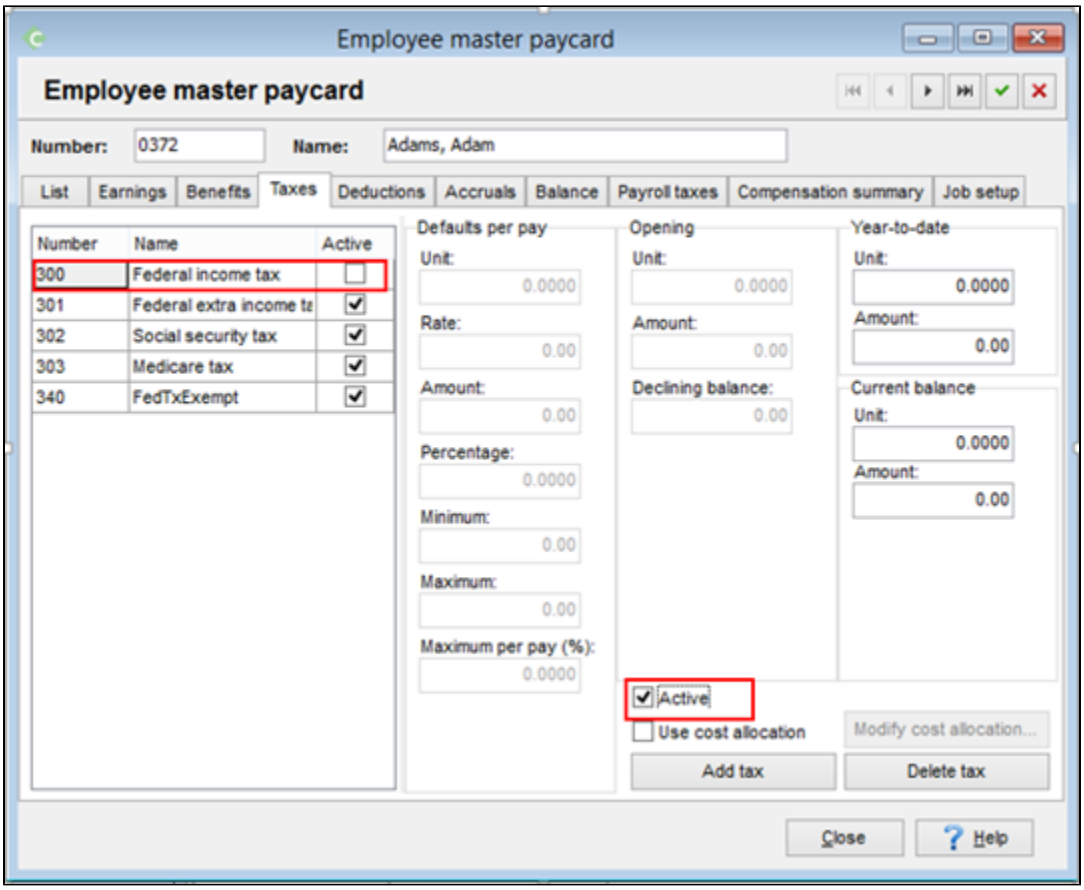
1. Navigate to Setup > Payroll Settings > Payroll Categories.
2. Click the **"+"** button to create a new payroll category.
3. Select **"Add Tax"** to create a new tax payroll category.
4. Enter a *"Number"*, *"Name"*, and *"Abbreviation"* to identify your payroll category.
5. For *"Tax Level"*, select **'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.



Editing Your Employees' Master Paycards

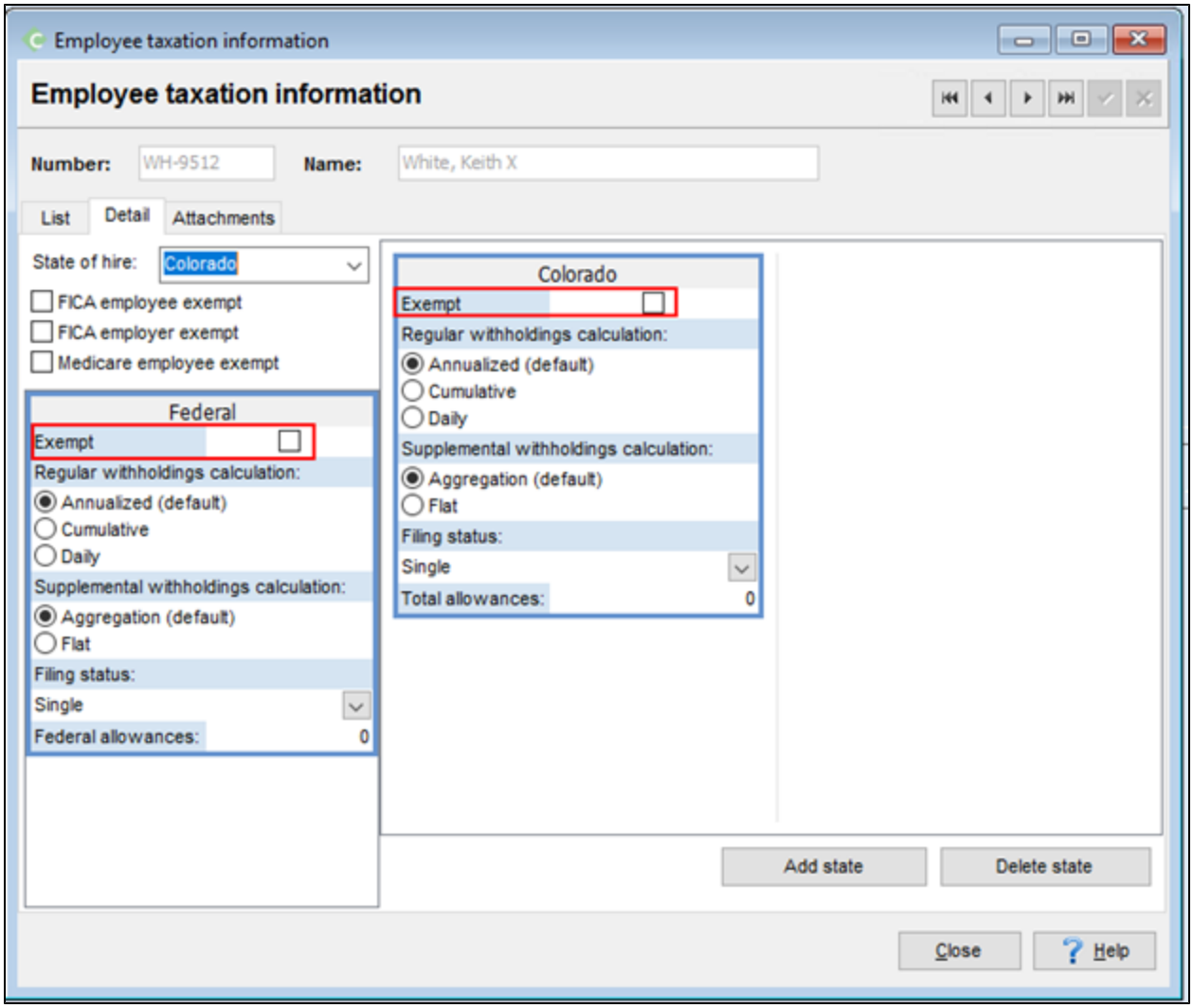
1. In Clarity, navigate to Employees > Master Paycard > 'List' tab.
2. Double-click on the employee whom you want to make exempt.
3. Navigate to the employees' 'Taxes' tab.
4. Click on the payroll category on the left side of the window which you have to make exempt.

5. 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.
6. Click the checkmark icon at the top-right corner of the window to save your changes.
7. Repeat steps 4 through 6 for each payroll category if the employee is exempt from more than one.
8. Repeat steps 2 through 7 for each employee that has exemptions.



Editing Your Employees' Taxation Information

1. In Clarity, navigate to Employees > Employee Taxation Information > 'List' tab.
2. Double-click on the employee who is exempt from taxes.
3. Navigate to the 'Detail' tab.
4. 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