# How to Set Up Reimbursements inside Payroll Mate

This tutorial is for information purposes only. It is your responsibility to make sure the payroll setup is correct. Consult your accountant or tax advisor if you are unsure how a certain payroll item or your payroll in general should be set up.

We recommend reimbursements are made outside the Payroll Mate software.
If you are going to make reimbursements on an employee's paycheck we recommend setting up the reimbursement category and running a sample check (that can be deleted) to confirm the figures are being reported as expected on Form 941 and W2.

1. Click Company from Shortcuts

2. Click Income Categories

3. Click Add
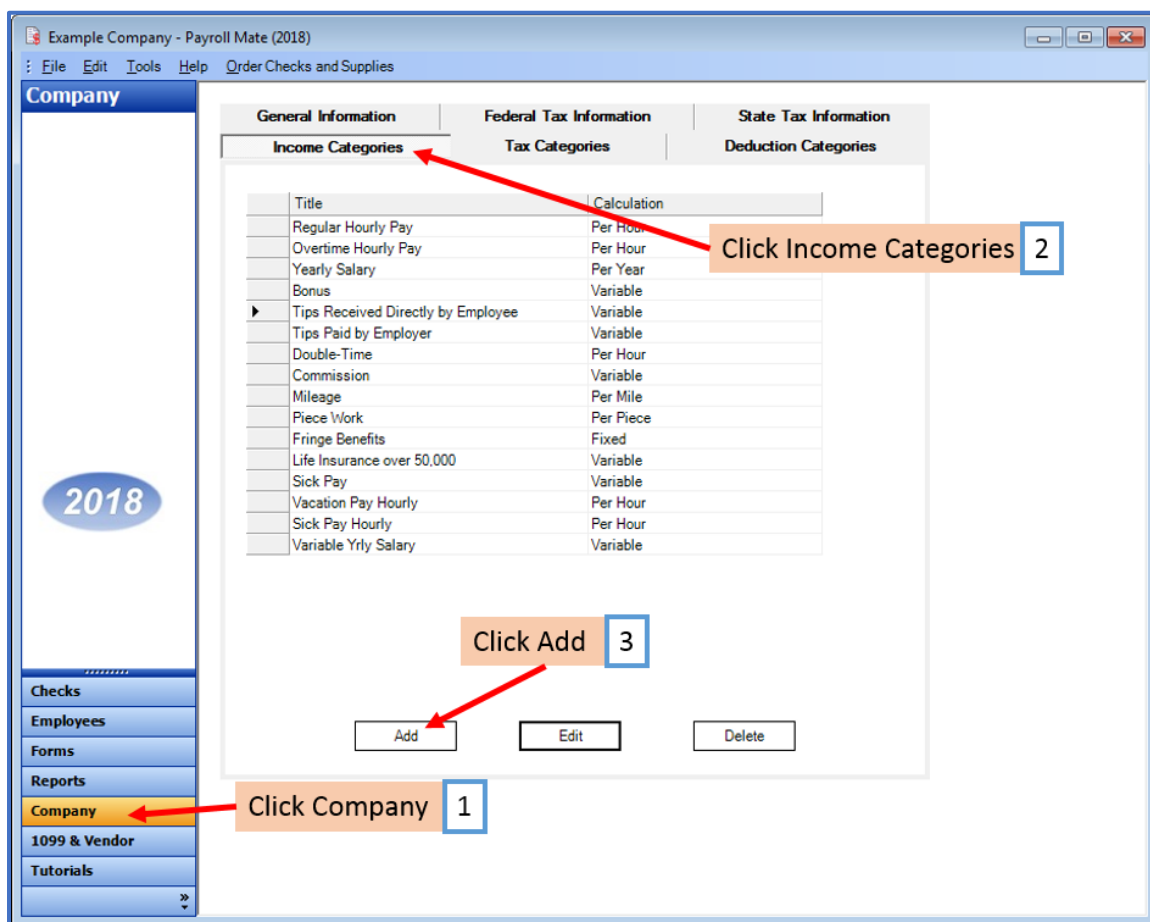
4. Enter Title

5. Select Pay Type from drop-down menu

6. Edit Taxes and Deductions as needed
Note: This tutorial assumes the reimbursement is NOT included on the 941/W2/W3 as taxable income. Reimbursements are included in the net pay and are exempt from Federal Income tax, Social Security, Medicare, and Federal Unemployment. You will need to uncheck the applicable taxes and deductions when creating the income.

State tax laws vary. Please consult your tax advisor to determine if any state taxes are affected by this payroll item and update your setup accordingly.

7. Click OK

Reimbursement income category is now in the list of Income Categories

You will need to apply the Reimbursement income to each employee as needed

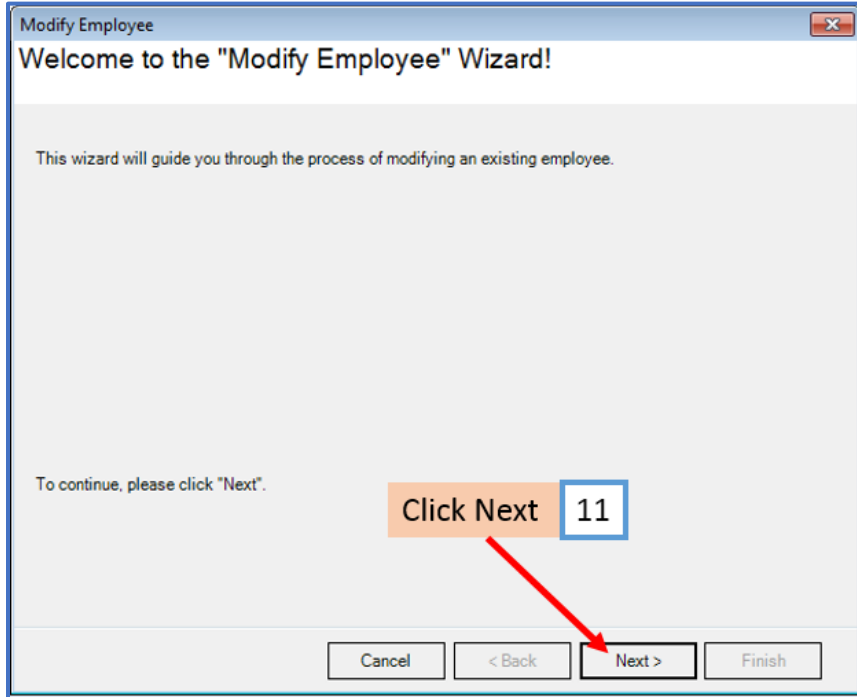8. Click Employees from Shortcuts

9. Select an employee from the list of employee's names
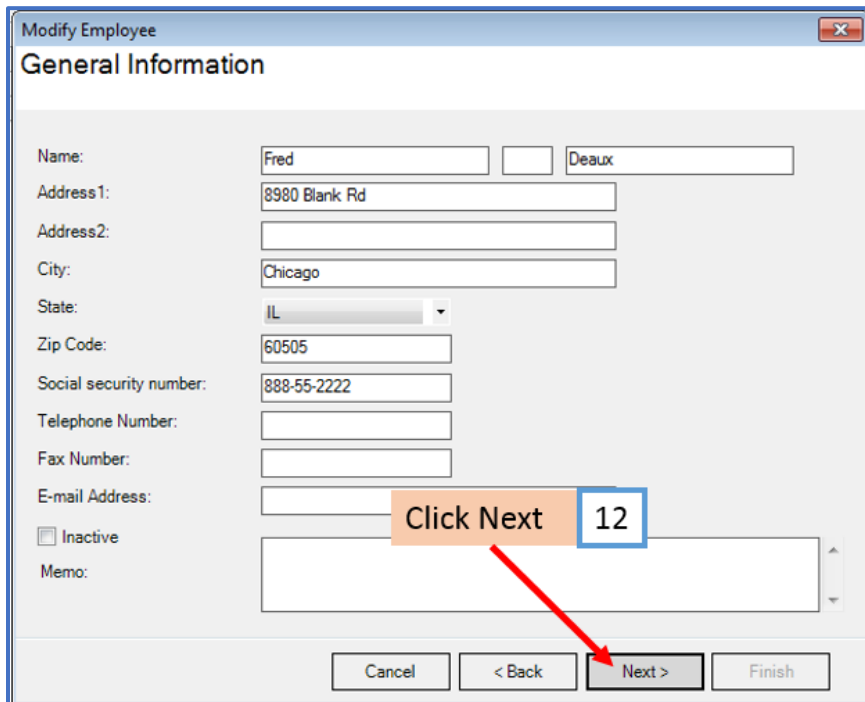
10. Click Edit
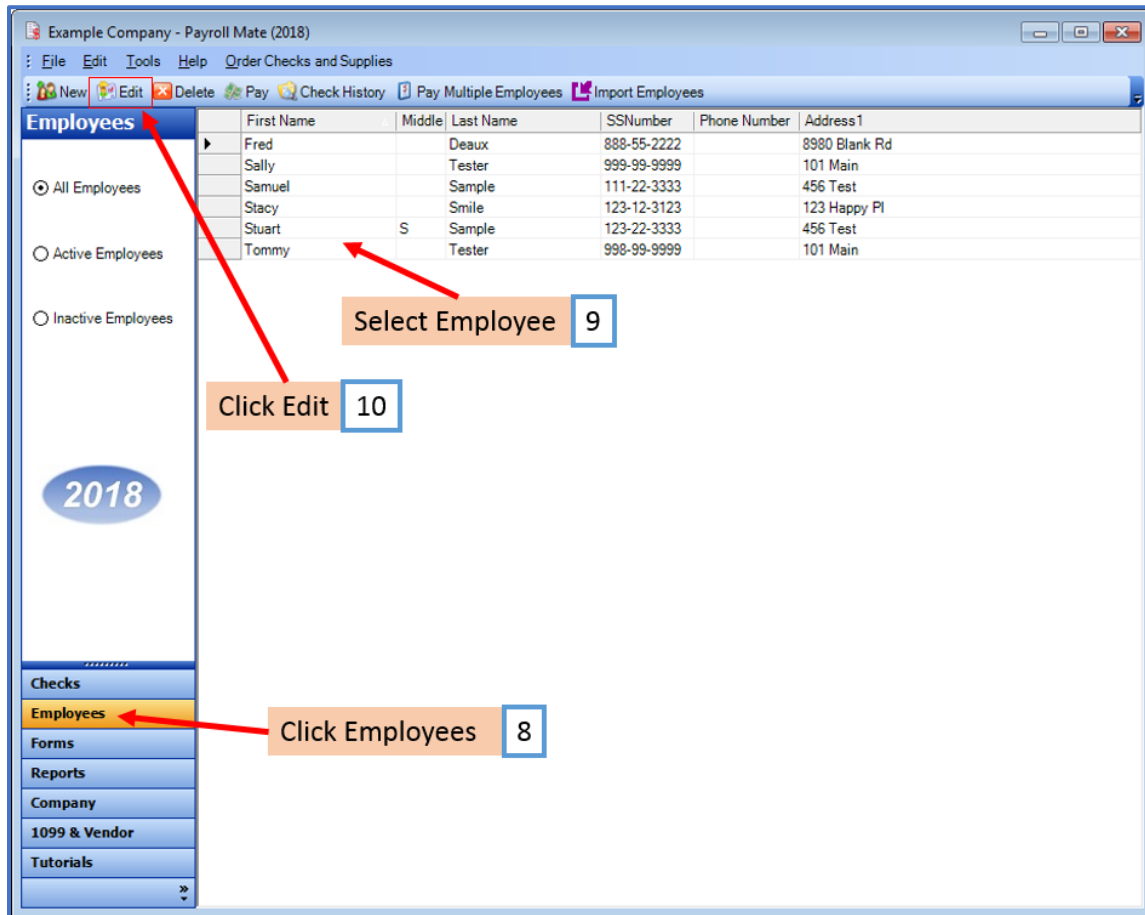
The Modify Employee Wizard will appear on the screen

11. Click Next

12. Click Next

13. Click Next

14. Checkmark to select reimbursement as applicable

15. Click Next

16. Click Next

17. Click Next

18. Click Next

19. Click Next

20. Click Finish

Note: Your information will not be saved if you do not click Finish
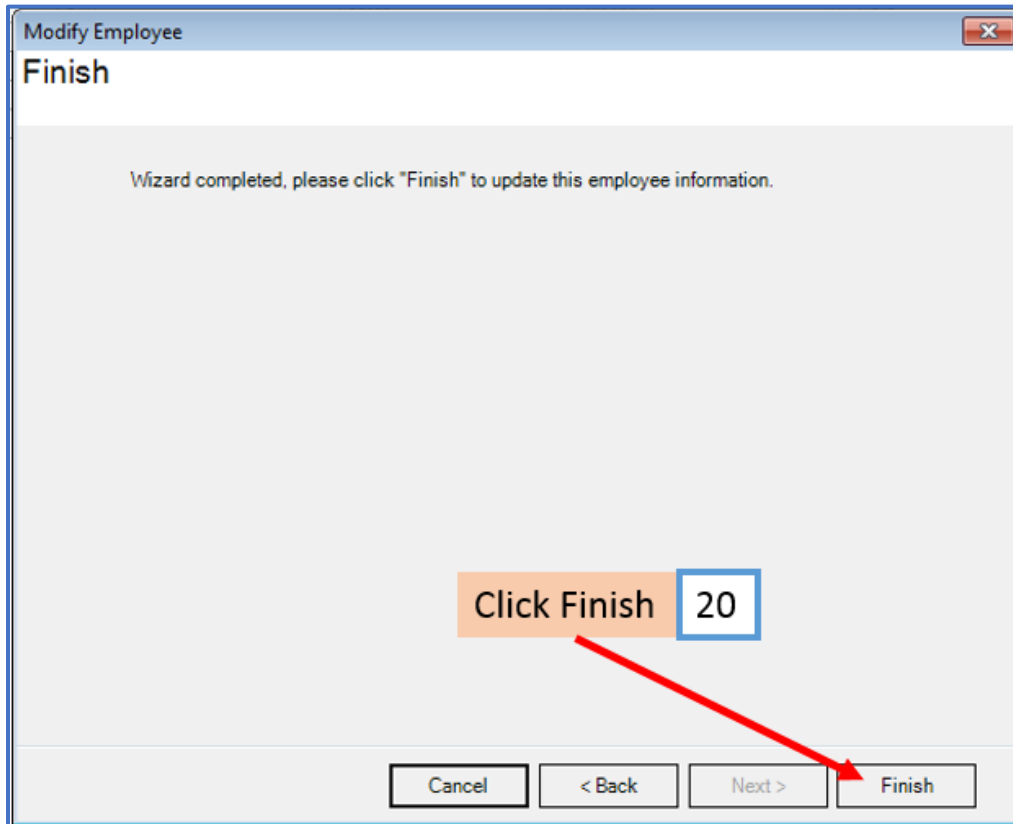
Repeat steps 8-20 for each applicable employee

21. When creating a new payroll check for the employee the new income category will be visible