GUIDE · 2026 EDITION

Outside Payroll Journal Entry & Bank Match Builder 2026

A step-by-step guide for recording payroll from an outside payroll service in your books, without duplicates.

Guide · Workbook companion

- Why payroll shows up twice, and the one-account fix
- One-time account setup (Desktop and Online)
- Each pay run in 3 steps with the workbook
- Importing the entry: CSV for Online, IIF for Desktop
- Matching every bank withdrawal
- 16 real-world cases and edge cases
- Quarter and year-end tie-out, checklists

Educational tool, not tax or legal advice. Built by a US tax and bookkeeping practice with 20+ years of bookkeeping experience.
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THE PROBLEM

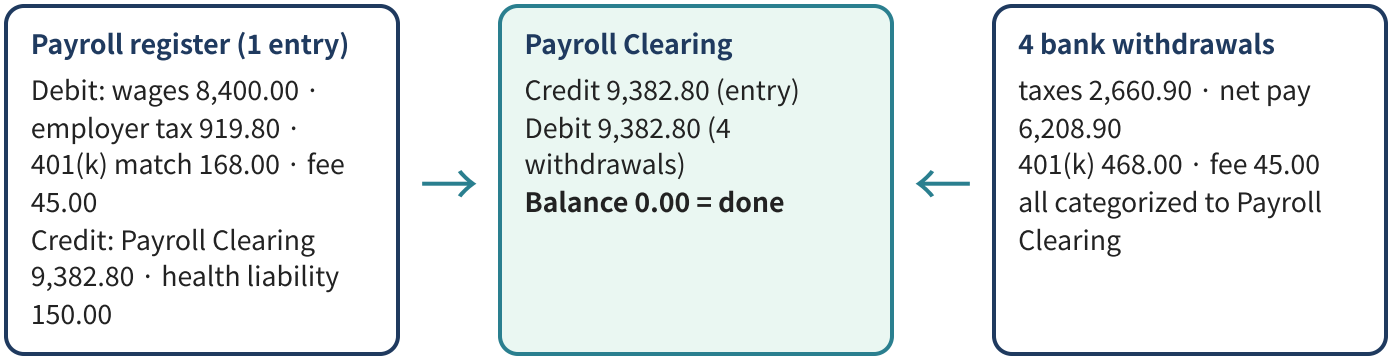
Why payroll shows up twice in your books

When an outside payroll service runs your payroll, your bank shows several withdrawals: one for net pay, one for taxes, sometimes one for retirement and one for the service fee. Your payroll register shows something different: gross wages, taxes withheld, employer taxes and deductions.

If you record the register as an expense AND let the bank feed add each withdrawal as an expense, the same payroll is counted twice. If you only record the withdrawals, your wages and payroll taxes are wrong, because the bank never shows gross wages.

The fix: one clearing account

Record the payroll register once, as one journal entry. Everything the service pulls from your bank is credited to a holding account called Payroll Clearing. Then every bank withdrawal is categorized to that same account. When all withdrawals are in, Payroll Clearing is back to zero.



Example values

> Zero in Payroll Clearing after each pay run means: nothing missing, nothing doubled.

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ONE-TIME SETUP

Create the accounts once

Create these accounts in your chart of accounts, then type the exact names on the Account Setup tab. Use your own names if you already have payroll accounts; just keep the workbook and QuickBooks identical.

What it holds	Suggested name	Account type
Gross wages (staff)	Payroll Expenses:Wages	Expense
Officer wages (optional)	Payroll Expenses:Officer Wages	Expense
Employer payroll taxes	Payroll Expenses:Payroll Taxes	Expense
Employer 401(k) / health	Payroll Expenses:Benefits	Expense
Reimbursements on checks	Employee Reimbursements	Expense
Payroll service fee	Payroll Service Fees	Expense
Money the provider pulls	Payroll Clearing	Other Current Liability
Taxes you pay later	Payroll Liabilities:Federal / :State	Other Current Liability
401(k), health, garnishments	Payroll Liabilities:401(k) / :Health / :Garnish	Other Current Liability
Employee advances	Employee Advances	Other Current Asset

Desktop

Lists > Chart of Accounts > Account > New. For sub-accounts, check Subaccount of and pick the parent.

Online

Open your chart of accounts (in newer layouts it sits under Accounting) and select New. Choose the account type, then the detail type closest to the role. For a sub-account, select Make this a subaccount and pick the parent.

> Online CSV import: turn off account numbers first, or type the number and name exactly as QuickBooks shows them.

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EACH PAY RUN

Three steps with the workbook

1

Type the totals

Payroll Entry tab: copy the totals from your provider's payroll register (or journal report) into the yellow cells. Optional items are grey.

2

Post the entry

Import File tab: copy the block for your version and import it, or type the lines from the journal entry table by hand.

3

Match the bank

Bank Match tab: list each payroll withdrawal. When the green balance shows $0.00, you are done.

Where the numbers come from

- Gross wages, taxes withheld and deductions: the totals line of the payroll register for that check date.
- Employer taxes: the employer or company tax section of the same report.
- Who pays the taxes: Provider if the service pulls taxes and files for you; Me later if you deposit taxes yourself.
- Fee: only if the service pulls it with this pay run. A monthly fee bill can be entered like any other bill.

What the green answer tells you

- Entry status: BALANCED means debits equal credits and no check failed.
- Net pay: what employees receive. It should equal the direct deposit total plus any paper checks.
- Provider pulls from your bank: the total that should leave your bank for this pay run.
- Checks: Social Security employee vs employer, Medicare (OK* = Additional Medicare, which is employee-only), officer wages, pay date.

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QUICKBOOKS ONLINE

Post and match in QuickBooks Online

Option A: import the entry (CSV)

1. Import File tab: copy the Online block (header row plus the lines shown) into a new workbook and save it as CSV.
2. In QuickBooks Online: Settings (gear) > Import data > Journal entries.
3. Browse to the CSV, select Next, and map the columns: Journal No, Journal Date, Account Name, Debits, Credits, Description.
4. Review, then Start import. Open the entry once to confirm the accounts and the total.

> Journal entry import is listed for Online plans in Intuit's help article (Advanced, Plus, Essentials, Simple Start and others). Accounts must already exist. If you use account numbers, turn them off first.

Option B: type it

Select + New > Journal entry, set the date to the pay date, and type each line from the THE JOURNAL ENTRY table (zero lines can be skipped).

Match the withdrawals

1. Go to your bank transactions (Banking, or Transactions > Bank transactions in newer layouts).
2. In the For review list (some newer layouts call it Pending), open the payroll withdrawal.
3. Categorize it to Payroll Clearing and add it (Add, Confirm or Post, depending on your layout).
4. Do this for every payroll withdrawal. Never categorize them to Wages or Payroll Taxes, or the payroll is counted twice.

> If the bank feed already added payroll withdrawals as Wages, open the Categorized (or Posted) list, Undo them, and categorize them to Payroll Clearing instead.

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QUICKBOOKS DESKTOP

Post and match in QuickBooks Desktop

Option A: import the entry (IIF)

1. Back up your company file first.
2. Import File tab: copy the Desktop block from the !TRNS row through ENDTRNS (the tab shows the exact range).
3. Paste into Notepad and save as payroll.iif (Save as type: All files).
4. In multi-user mode switch to single-user. Then File > Utilities > Import > IIF Files (some versions say Import IIF), choose the file and select OK.
5. Open the new general journal entry and confirm the accounts and the total.

> IIF import does not warn about duplicates. Import each pay run once, and keep the Journal no. (DOCNUM) unique so you can find it later.

Option B: type it

Company > Make General Journal Entries. Use the pay date and the lines from the journal entry table.

Match the withdrawals

- Bank Feeds: in the Bank Feeds Center, add each payroll withdrawal with the account Payroll Clearing.
- No bank feeds: in the checking register (or Write Checks), enter each withdrawal with the account Payroll Clearing.
- When you reconcile, the withdrawals clear the bank; the journal entry never touches the bank account.

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REAL-WORLD CASES

16 cases you will meet

Case	What to do
Taxes pulled 1-2 days before payday	Normal. Post the entry on the pay date; clearing is zero once all withdrawals are in.
Pay run crosses month-end	Date the entry by check date. Clearing may carry a balance for a few days; note it in month-end review.
Net pay split into several deposits	Categorize each deposit batch to Payroll Clearing. The tool adds them up.
Paper checks printed by the service	Each cleared check goes to Payroll Clearing, not Wages.
You hand-write a payroll check	Write the check to Payroll Clearing; the register already includes it.
Voided or reversed paycheck	Refund deposit goes to Payroll Clearing; the corrected register adjusts wages.
Monthly fee billed separately	Leave Fee blank; record the bill or withdrawal to Payroll Service Fees.
You deposit taxes yourself	Choose Me later. Tax payments go to Payroll Liabilities, which return to zero after each deposit.
401(k) sent by you later	Choose Me later for 401(k). Your payment to the plan goes to Payroll Liabilities:401(k).
Garnishment you remit	Withheld amount sits in Payroll Liabilities:Garnish until you pay the agency.
Employee advance repaid	The advance was recorded to Employee Advances; repayment reduces that asset.
Reimbursement added to a check	Non-taxable amount; record to Employee Reimbursements or the real expense account.
S corp owner on payroll	Enter officer wages separately so they are easy to report at tax time.
Employee Medicare higher than employer	Additional Medicare Tax is employee-only. The tool marks it OK*.
Penalty or tax notice paid	Not payroll clearing. Record it to a separate expense and ask your tax professional.
Switching providers mid-year	Log pay runs from both providers; compare each provider's quarterly totals separately.

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TIE-OUT

Quarter and year-end tie-out

Each quarter your provider files payroll tax returns, such as Form 941 for federal income tax withholding, Social Security and Medicare, plus state returns. Your books should agree with those filings.

1. After each pay run, copy the blue row on the Pay Run Log tab and Paste Values into the next empty row.
2. At quarter end, compare the quarter totals (gross, federal income tax, Social Security, Medicare) with the provider's quarterly reports.
3. Type the provider's federal total in Provider 941. A difference usually means a pay run is missing, doubled or was corrected later.
4. Run a QuickBooks report for Payroll Clearing (balance should be $0.00) and for each Payroll Liabilities account (only amounts you still owe).

Year-end

- Year gross wages in your books should agree with the provider's annual wage totals (W-2/W-3 summary), after known adjustments such as pre-tax deductions.
- Payroll Expenses:Payroll Taxes for the year should agree with the employer taxes on the provider's annual reports.
- Clear any old balance in Payroll Clearing before closing the year; find the pay run it belongs to.

> The workbook organizes your numbers; it does not prepare or check tax returns. Ask your tax professional about any difference you cannot explain.

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CHECKLISTS

Per pay run checklist and troubleshooting

Every pay run

- [ ] Payroll register for the check date downloaded
- [ ] Totals typed in the yellow cells; status says BALANCED
- [ ] Entry imported or typed once (search the Journal no. first)
- [ ] Every payroll withdrawal categorized to Payroll Clearing
- [ ] Bank Match shows $0.00
- [ ] Row pasted into the Pay Run Log

Payroll Clearing is not zero?

Clearing shows	Likely reason
Money still left (positive)	A withdrawal has not cleared yet, or one was categorized to another account.
Too much withdrawn (negative)	A withdrawal was added twice, or a fee billed separately was also typed in the tool.
Off by the tax total	Who pays the taxes is set wrong (Provider vs Me later).
Off by the 401(k) total	Who sends the 401(k) is set wrong.
Off by a small odd amount	The provider corrected the register later; use the final register.

> Never type Social Security numbers, bank account numbers or passwords into the workbook. Totals are all it needs.

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FINE PRINT

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This guide and workbook are educational tools for organizing bookkeeping records. They are not tax, legal, payroll or accounting advice, and they do not calculate payroll taxes or guarantee any result. Payroll tax rules depend on your facts and your state; consult a qualified tax professional for advice about your situation.

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Menu names in QuickBooks change over time and differ between versions. The steps were written for QuickBooks Desktop and checked against Intuit's public help articles for QuickBooks Online available in November 2026.

Built by a US tax and bookkeeping practice with 20+ years of bookkeeping experience. All examples are invented.

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