Department of Accounts
Payroll Bulletin

Calendar Year 2004 **November 19, 2004** **Volume 2004-06**

PAYROLL PROCESSING - CALENDAR YEAR-END 2004

Introduction

This Payroll Bulletin addresses payroll and leave processing for calendar year-end 2004. This bulletin includes 6 attachments and must be reviewed in detail.

All dates noted in this bulletin are final completion dates. Adherence to these dates is imperative in order to complete all regulatory reporting requirements.

Issues Requiring Special Attention

- Payroll adjustments that have been identified during the year but have not been processed should be submitted to DOA for processing before the agency certifies for PE 12/24. See **Payroll Adjustments** subsection on Page 2.

- During 2004 year-end closing, agencies will **not** submit reports 56, 880, or 881 to DOA. Agencies will certify year-to-date totals on Report 83, Post Amounts Totals. The year-end certification form, Report 883 final page and certified totals on the Report 83 will be ***required*** of ***all*** agencies. See Manual Year-End Adjustments subsection on Page 12.

Key Dates

- **Wednesday, December 15** – W-2 distribution form due to DOA.
- **Thursday, December 23, 1:00 p.m.** – semi-monthly certification cut-off.
- **Monday, December 27 – 3:30 p.m**. – prior quarter adjustments due.
- **Tuesday, December 28 – 3:30 p.m.** – wage and special payruns with a December 30 checkdate; – Leave keying deadline for period 12/10-24/2004.
- **Wednesday, December 29 –** agencies can request stop payments of direct deposits, process edits, non-paid updates, manual pay sets, and voids. Employee personal information (e.g employee's new home address) must be corrected.
- **December 30 through January 3 –** leave remote printers on.
- **Friday, January 7 –** Year End certifications due to DOA.

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The Payroll Bulletin is published periodically to provide CIPPS agencies guidance regarding Commonwealth payroll operations. If you have any questions about the bulletin, please call Lora George at (804) 225-2245 or Email at lora.george@doa.virginia.gov.

State Payroll Operations

Director **Lora George**

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Issues Requiring Special Attention

- Review all items carried forward to your 2005 CIPPS Pending File. You may need to delete items applying only to 2004. Be careful with employee records you established using a Goal Amount for stopping deductions (e.g., garnishments). **Depending on how these deductions were established, they may automatically reactivate on January 1, 2005, when DOA resets the year-to-date fields to zero.**
- **Remote print agencies must leave their remote-print printers on from December 30 through January 3, 2005.** Quarter-end and year-end reports will be processed and distributed to agencies during this time.

Distribution

Copy this bulletin and distribute it to all appropriate personnel within your agency.

2004 Payroll Processing

Payroll Adjustments Overview

Agencies certify quarterly to DOA that they have reconciled their payroll records and all adjustments have been identified and resolved. In prior years, many agency adjustments submitted for processing at year-end were noted as occurring throughout the year. In addition, many new adjustment requirements are identified during the review of Miscellaneous Exception Reports (see page 7) and during the Year-end reconciliation process.

To expedite year-end processing and facilitate the issuance of W-2s, you must review your payroll records and key all necessary Manual Pay-sets in CIPPS, or submit any manual (off-line) adjustments that have been identified to DOA for processing by the deadlines identified below. Processing adjustments with CIPPS Manual Pay-sets are highly recommended and encouraged.

Note: Manual Pay-sets are most effective when keyed prior to the agency's final (PE 12/24) payroll certification and may require the employee to have some amount of regular pay.

Adjustment Types and Deadlines

There are three basic types of adjustments used to make changes to CIPPS records. The following table lists the deadlines for each adjustment type:

Adjustment Type	Deadline
Off-line YTD Earnings and Tax accumulator adjustments submitted directly to DOA.(e.g. 10/33 corrections)	Received prior to certifying period ending 12/24(reflected on Report 10) or keyed by DOA on/before 12/27.
CIPPS Manual Pay-sets	Wednesday, December 29 (most effective if prior to PE 12/24 Certification)
Year-end (Report 883) Adjustments	5:00 PM Friday, January 7

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Adjustment Type Advantages & Disadvantages

The following table lists the common uses and the advantages/disadvantages for each adjustment type. Agencies should carefully consider these when determining which type of adjustment best fits their needs.

Adjust Type	Common Uses	Advantages/Disadvantages
CIPPS Manual Pay-set	Salary repayments; Tax and Deduction refunds and/or adjustments; Manual Voids; Earnings reclassification; Misc. Exception Report adjustments (e.g., Imputed Life)	Advantages: • All refunds and collections processed through CIPPS (if employee receives regular pay). • Changes reflect on employee's 12/30 check stub and W-2. • FICA refunds/collections processed through PE 12/24 payroll (if prior to PE 12/24 certification). • FIT adjustments paid/collected through FAD (if prior to PE 12/24 certification). • SIT adjustments paid/collected through CARS. • Most deductions recovered through negative deduction process. • Will reflect on Year-end reports - less work reconciling Year-end. Disadvantages: • If paid adjustment employee must receive a regular pay amount of at least .01 cent. • Terminated employees must be reactivated in order to properly process. • Special processing (page 4) required after PE 12/24
Off-Line Adjustments submitted directly to DOA	Prior quarter adjustments (unprocessed); "10 to 33" adjustments; Misc Exception Report adjustments	Advantages: • YTD adjustments will reflect on Employees 12/30 Check Stub and W-2. • FICA refunds/collections processed through PE 12/24 payroll. • Will reflect on Year-end reports - less work reconciling Year-end. Disadvantages: • FIT/SIT tax adjustments not processed through CIPPS without tax overrides. • Any "net" collections require manual deposits. • FIT adjustments reflect on Form 941 return. • SIT adjustments require IAT.
Year-end (Report 883) Adjustments	Late Manual Voids; Late salary repayments; Late taxable-nontaxable earnings reclassifications (i.e. late workers comp check); Uncollected Employee FICA; errors discovered during CYE reconciliation.	Advantages: • Changes reflect on employee's W-2. • Changes reflect on Agency's W-2 magnetic-media information returns. Disadvantages: • Changes do not appear on employee's check stub. • FICA/FIT adjustments require manual 941 return deposit or refund. • SIT adjustments require IAT recovery. • Gross/net adjustments require manual deposit or ATV. • Deductions must be manually recovered. • Time consuming - more work during YE reconciliation.

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How to Process Manual Pay Sets and Void Checks

The following must be performed by no later than Wednesday, December 29.

- Key MANUAL PAY SETS into CIPPS,
- Request stop payments of all direct deposit earnings,
- Checks to be voided must be received by DOA, and
- DOA must receive voided earnings notices.

A special "Dummy" payrun will be scheduled Wednesday, December 29 to process manual pay sets and void checks. This procedure will correct an employee's record on the Report 880 (*Employee Quarterly Tax Report*). Because no checks will be written, third-party suspense items will be created for all federal tax, OASDI, HI, and miscellaneous third-party amounts that are part of the voids and/or manual paysets. The following steps need to be taken to clear these items.

Step	Action	Responsibility
1.	Prepare a journal entry charging the agency the total of the suspense items created.	DOA
2.	Delete all items from the Third Party Suspense File as part of the year-end process. These are listed on the U014 report and affect only Federal Tax Deposits (FAD) and agency-level third-party remittances (i.e. Reciprocal State Taxes, Employee Associations, Pre-tax transportation programs, etc.).	DOA
3.	Recover overpayment of federal, OASDI, and HI taxes when 4th quarter Form 941 is filed. Agencies will receive refund checks from the IRS (unless the refund is off-set by other charges).	DOA
4.	Recover overpayments to miscellaneous vendors identified in step 2 above (other than FAD). This may require depositing the agency-level check, subtracting the employee deduction, and processing a payment voucher for the revised amount.	Agencies
5.	Like normal payruns, the "dummy" payrun will recover most employee-level deductions through the negative deduction process. Therefore, if the funds are collected outside of CIPPS and the adjustment is for "masterfile only" updates, contact Judi Ohde at (804) 225-2386 or judi.ohde@doa.virginia.gov.	Agencies

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How to Process Void Checks External to CIPPS

For year-end processing, it is sometimes necessary to process 2004 VOID checks **external** to CIPPS. Agencies must complete the following procedures if it is necessary to void CY 2004 checks after 12/29/2004.

Step	Action
1.	**Do not write on or stamp the check "VOID."**
2.	Endorse the check "For Deposit Only - by: (agency name)" and deposit it to a Treasurer of Virginia account. Follow established procedures for entering Deposit Certificates into CARS. Also deposit any employee-level third party checks (i.e. garnishments).
3.	Agency-level third-party deductions (i.e. Employee Associations and Pre-tax transportation programs) - Recover from vendor or deposit the next check into your agency account, recalculate the amount less the employee deduction, and process a payment voucher to vendor for the correct amount.
4.	Direct Deposit (all ACH DD deductions) - To retrieve money from the bank, contact Payroll Production at (804) 371-7799, 371-8385, or 371-4883 or e-mail ach@doa.virginia.gov. **Direct Deposit funds must be retrieved within 5 days of the check date**.
5.	Prepare an IAT to the Department of Taxation for state tax withholdings. If reciprocal state taxes adjust and request a refund on your Annual Reconciliation & Return.
6.	Prepare a VRS 1501 FORM for retirement withholdings. If Optional Retirement Plan, request a refund from DOA.
7.	Adjust employee records, as required, using year-end procedures, or request a corrected W-2 (form W-2C) if past the YE certification deadline.
8.	Recover miscellaneous employee-level deductions through the following instructions. Refunds requested through DOA will be credited to the agency by CARS journal entry.

If deduction is…	Then…
Combined VA campaign	Request refund from the vendor.
Deferred Compensation	Request a refund from vendor.
DSS Child Support (Ded. 01)	Request a refund from Department of Social Services
Flexible Reimbursement Account	Request a refund from DHRM, Office of Health Benefits.
Garnishment Fees	Request a refund from DOA
Health Care	Request a refund on the Health Care Certification
Supplemental Insurance and Tax Sheltered Annuities	Request a refund from vendor(s).
U. S. Savings Bonds	Request a refund from DOA
Optional Group Life	Request a refund from vendor.

W-5 Forms

W-5 Forms (*Earned Income Credit Advance Payment Certificate*) expire December 31. Employees who want to continue receiving advance payments of the earned income credit (EIC) **must** complete a new W-5 FORM before the first payroll of the new calendar year is certified. Report 806, *Employees Currently Receiving Earned Income Credit*, lists the participating employees.

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Correct Reporting of Employee Social Security Numbers

Review the Report 830 to ensure payroll information is reported correctly to the IRS and SSA.

The Social Security Administration can fine agencies $50 for every incorrect social security number remitted for W-2 reporting.

To identify potentially incorrect social security numbers, Report 830 (*CIPPS Employees Whose SSN Does Not Equal the First Nine Positions of the Employee ID Number*) will be produced that compares an employee's SSN with the employee number. If a discrepancy between a SSN and employee number is identified, your agency will receive this report and agency personnel will need to make appropriate corrections in CIPPS prior to year-end certification.

Excess Deferrals

Employers must report amounts that exceed the annual IRS limits for Deferred Compensation or Tax Sheltered Annuities as taxable income. Please check participants' withholdings prior to year-end to ensure they do not exceed the maximum withholding limits. The limits for CY 2004 are:

Category	Incremental Amount	Total 403(b) Plan (Annunity) Deduction 39 – Pre-Tax Limits	Total 457 (Deferred Compensation) Deduction 38 – Deferred Compensation Limits
Normal (Under 50)	N/A	$13,000	$13,000
Age 50 + Provision	$3,000	$16,000	$16,000
15 Year "Catch-up"	$3,000	$19,000	N/A
General "Catch-up"	Double normal	N/A	$26,000

NOTE: NOTE: On 457 accounts, you cannot combine the Age 50+ and the General "Catch-Up" amounts. Also, general "catch-up" can only be withheld in the three years preceding "designated normal" retirement age as identified on the Normal Retirement Age Election Form.

Agencies should use reports 855 and/or 857 (Deferred Compensation/Annuity Excess Deduction Reports) to help identify employees approaching or exceeding the limits. Exercise caution as these reports are estimated projections based on employee masterfile information. Individual limits must be manually recalculated using actual YTD earnings prior to making an adjustment. Please contact J. R. Rodgers at (804) 225-3079 or e-mail him at john.rodgers@doa.virginia.gov to ensure your agency has been set-up to request these reports.

Miscellaneous Exception Reports

Agency Review & Corrective Action Required

DOA has developed several "exception" type reports to assist agencies in identifying possible problems prior to year-end processing. These reports will be distributed manually the first week of December. Note that these reports may not apply to all agencies. They are produced based on exception criteria; therefore, if you do not receive any of these reports, your agency did not meet the exception criteria and no action is required.

Report #	Report Name (Short)	Purpose
806	Employees Receiving EIC	Identify employees requiring a new W-5 form to continue advance EIC in 2005.
809	Employees with Zero Social Security Numbers	Employees on this list must be corrected prior to issuing W-2's.
830	CIPPS Employees Whose SSN Does Not Equal The First Nine Positions of the Employee ID Number	To identify potentially invalid Social Security Numbers which can lead to fines by the Social Security Administration.
843	Statutory Indicator Checked	Identify Employees who may have the W-2 Statutory Employee Indicator Checked. Note: DOA will override this indicator unless otherwise requested in writing.
844	YTD OASDI Tax - Employee not equal to employer.	Identifies employees who may have OASDI Tax withheld incorrectly. It is essential this report be reviewed and corrective action taken prior to the final payroll certification of 2004.*
846	YTD OASDI Taxable - Employee not equal to employer.	Identifies employees who may have OASDI Taxable amounts reported incorrectly. It is essential this report be reviewed and corrective action taken prior to the final payroll certification of 2004.*
848	YTD HI Tax - Employee not equal to employer.	Identifies employees who may have HI Tax withheld incorrectly. It is essential this report be reviewed and corrective action taken prior to the final payroll certification of 2004.*
850	YTD HI Taxable - Employee not equal to employer.	Identifies employees who may have HI Taxable amounts reported incorrectly. It is essential this report be reviewed and corrective action taken prior to the final payroll certification of 2004.*
852	Incorrect Imputed Life	Identifies employees who may have imputed life (Special Pay 14) calculated incorrectly. It is essential this report be reviewed and corrective action taken prior to the final payroll certification of 2004.
853	Non-Resident Alien Tax Report	Identifies employees classified as non-resident aliens, and should be dropped from year-end files.

* Contact Denise Halderman, Accountant Senior - Payroll Tax Accounting, at denise.halderman@doa.virginia.gov for procedural clarification if necessary.

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Agency Review
& Corrective Action Required (continued)

Report #	Report Name (Short)	Purpose
855	Deferred Compensation Excess Deduction Report	Identifies employees who may exceed the IRS deferral limit for Section 457 plans.
857	Annuity Excess Deduction Report	Identifies employees who may exceed the IRS deferral limit for Section 403(b) plans.
915	YTD State taxable wages Different from Federal	Identifies Employees whose State taxable wages does not equal Federal.
917	Employees with term code "01" and zero Deceased Pays	To identify those employees who may require a Form 1099.
918	Employees with YTD Deceased pay w/o term code "01".	To identify those employees who may require a Form 1099.

Payroll Operations Calendar This calendar highlights key payroll dates in December 2004.

December 2004

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1 **Payday for semi-monthly employees**	**2**	**3**	**4**
5	**6**	**7**	**8**	**9**	**10** Semimonthly salaried certification deadline (salaried earnings period #1 - 11/25-12/9)	**11**
12	**13**	**14** Leave keying deadline (11/25-12/9)	**15** W-2 distribution forms due	**16** Payday for semimonthly salaried employees 11/25-12/9 payperiod	**17**	**18**
19	**20**	**21**	**22**	**23** Semimonthly salaried certification deadline (salaried earnings period (12/10-12/24) **Offices close at 1:00 pm.** **Non-resident Alien information due**	**24** **HOLIDAY**	**25**
26	**27** **Deadline for prior quarter (manual) adjustments**	**28** **Last day to certify special or wage payrolls for a December (12/30) check date.** Leave keying deadline 12/10-12/24	**29** Last day to process 2004 manual pay-sets, edits, non-paid updates, voids, and stop payments of direct deposit earnings notices Files open for keying updates only. **No Pay Certifications allowed. CIPPS closes at 2:00 p.m.**	**30** Payday for semimonthly salaried employees 12/10-12/24 payperiod **Files Down year-end processing is complete.** Healthcare Cert due (November)	**31** **HOLIDAY**	**Leave remote-print printers on December 31 to January 3 to receive Quarter-end and Year-end reports.**

January 2005

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1 **HOLIDAY**
2	**3**	**4**	**5**	**6**	**7** Semimonthly salaried certification deadline salaried earnings period (12 /25-1/9 Final Year End Certifications for W-2s due to DOA	**8**
9	**10**	**11** Leave Keying Deadline for 12/25 – 1/9 Year End Leave Processing	**12**	**13** Payday for semimonthly salaried employees 12/25-1/09 pay period	**14** **HOLIDAY** **CIPPS files open -** no edits or payruns	**15**
16	**17** **HOLIDAY** **CIPPS files open -** no edits or payruns	**18**	**19**	**20**	**21**	**22**
23	**24**	**25**	**26** Semimonthly salaried certification deadline (salaried earnings period (1/10-1/24)	**27**	**28** Leave Keying Deadline for 1/10-24. Post leave accruals (1/10-1/24) **Last Day for W-2s to be distributed to Agencies**	**29**
30	**31** **Healthcare Certifications for Dec 2003 due 29** **W-2s due to Employees**	**February 1** Payday for semimonthly salaried employees 1/10-1/24 pay period				

Payroll Bulletin Listing-2004

Payroll Bulletin Topics

To obtain copies of these bulletins, access DOA's website at www.doa.virginia.gov. Click on the *Payroll Information* button, then select *Payroll Bulletins*.

Topic		***Volume***
Benefit Deduction Rate Changes		2004-03
Fake W-2 Circulation		2004-02
Field Expansion Implementation		2004-05
Field Expansion Project Underway		2004-02
FY 2005 Healthcare Rate Tables		2004-03
Payroll Accounting		2004-01
Payroll Certification Schedule		2004-01
Payroll Deductions		2004-01
Payroll and Leave Contact Personnel		2004-01
Payroll Operations Schedule		2004-01
Payroll Operations Calendar June - November 2004		2004-03
Payroll Processing - Fiscal Year End		2004-03
Payline Enhancements		2004-02
Report U118 (Gross Pay Differences) Responses		2004-02
State Payroll Manager Announced		2004-02
New Website Address for DOA		2004-05

Manual Year-End Adjustments Procedures

Follow these instructions regarding year-end adjustments and certification.

- Enter the **TOTAL CORRECT AMOUNTS** clearly on the Employee File Adjustment Form (See Page 24, not the amount to be added to or subtracted from the incorrect amount. **DOA must be able to read the correct amount.** Identify corrections to all required fields (e.g., YTD employee and employer portions).

- Include original pages from Report 883 that contain employee manual adjustments and the total pages of Reports 83 containing ***adjusted (Post) totals***. Do not submit the amount of the correction. **The agency Fiscal Officer must sign Report 83.** The Report 883 total **must** also be included to assist in balancing and for W-2 counts.

- Explain why DOA must make your manual adjustments on the reverse of each adjustment form. **Unacceptable or missing explanations will result in a delay as the adjustment will not be keyed until a written explanation is received**.

- If you have SUI adjustments, process the adjustments on Report U057 to VEC. No adjustments should be included on Reports 83 and 883.

Return the following to DOA by Friday, 5:00 PM, January 7

If you…	Remit the following…
Have manual adjustments,	➢ Original pages of Report 883 reflecting employees who require manual adjustments. ➢ Employee File Adjustment Form (See Page 24.) ➢ Final total page of Reports 83 containing adjusted (post amount) totals with agency Fiscal Officer signature, and 2004 YEAR-END CERTIFICATION form (see page 25), signed by the agency Fiscal Officer. Report 883 total page showing the W-2 counts. ➢ After year-end adjustments have been processed, you will receive revised year-end audit reports (83/883) that reflect the requested changes. W-2s will be generated after all adjustments have been processed and balanced to the certified Reports 83 and 883 total pages. Agencies do not need to return corrected copies of Reports 83 and 883.
Do not have manual adjustments,	➢ Completed Year-End Certification form and Final total pages of Reports 83 both containing the agency Fiscal Officer signature as well as the final page of Report 883.

W-2's will be generated upon receipt of the aforementioned certified reports. You must verify that your final Report 83 and Report 883 are correct prior to certifying for the printing of W-2's.

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Non-Resident Aliens - Form 1042 Preparation

Employees identified by an entry of an "N" in the Alien Code on the *Employee Job Description* screen (H0BUO) are considered to be non-resident alien employees.

All FIT taxes withheld from non-resident alien employees who do not have FICA withholdings have been deposited to IRS as a type 1042 deposit, not a type 941 deposit. All taxes (FIT and FICA) withheld from non-resident alien employees who do have FICA withholdings have been deposited to IRS as a type 941 deposit.

Non-resident aliens whose tax withholdings were deposited as a type 1042 deposit must be reported annually on FORM 1042 (an employer report) and 1042S (an employee report) to the IRS. These employees do not receive a W-2. **Agencies must prepare FORM 1042 and FORM 1042S for their employees. DOA will not prepare these forms.**

Non-Resident Aliens – Processing

Agencies must adhere to the following guidelines regarding non-resident alien employees (NR employees).

Step	Action
1.	Report 853 (*Non-Resident Alien Tax Report*), which identifies all employees recorded as non-resident aliens, will be distributed to agencies with NR employees by December 10.
2.	Review Report 853, ensuring that listed employees are properly classified as NR employees. Agencies must also identify all NR employees that are not included on Report 853. ***Note: An employee is not considered a non-resident alien for tax purposes if he/she is paying social security.***
3.	FAX a list of employees (agency name and #, employee name and #) to DOA (804-786-9201) by December 23 that: • Appeared on Report 853 but were not NR employees; or • Did not appear on Report 853 but were NR employees.
4.	At year-end, agencies will receive audit reports (83/883) that will include NR employees. See **Manual Year-End Adjustments Procedures** subsection on Page 12 for processing instructions.
5.	For each NR employee, complete *the Employee File Adjustment Form* (See Page 24), checking the box indicating a NR employee. These NR employee records will be dropped from CIPPS files used for W-2 processing (i.e. no W-2 will be generated for these employees).

Turn On Remote Printers

Quarter-end reports (56/880/881) and year-end reports (83/883) will be generated from **December 31 through January 3.** To ensure that remote-print agencies receive these reports, **ensure that your remote-print printers are left on during this period.**

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Deductions Generally – Flex and CVC

All deduction year-to-date accumulators will be set to zero on December 30. Any deduction (i.e. garnishments, levies, etc.) using the Goal field to stop the deduction should be checked prior to processing your first payroll in 2005 since it may automatically reactivate depending on how it was established.

Flexible Spending Accounts will be deactivated on December 30 and the goal and amount fields will be "zeroed out**."** It is suggested that the remaining annual election (i.e., half of the annual election amount) be entered in the Goal Field **before processing the first payroll in January. To provide the decrementing of the goal, enter value of "1" (one) in the eighth position of the utility field.** Administrative fees for flexible spending accounts continue to be suspended for Calendar Year 2005.

Combined Virginia Campaign (CVC) deductions will be deactivated on December 30 and the goal and amount fields will be "zeroed out." **Turn on the deduction and enter the 2005 deduction and goal amounts before processing the first payroll in January.**

Additional information on deductions will be included in the **2005 Payroll Operations Payroll Bulletin** to be issued in December.

Terminated Employee Records

All employee records with an employment status of 3 and year-to-date gross equal to zero will be purged. Agencies will receive a report of employees to be purged at the end of December. Report 860, *CIPPS Employees to be Purged at Year-End Processing,* reflects this information.

Schedule Of Major Payroll Events in January 2005

The Payroll Bulletin that provides Calendar Year 2005 payroll operating information, including the January through May 2005 Payroll Operations Calendar, will be distributed to agencies in December 2004. An interim list of major payroll events occurring in January 2005 follows. All dates listed are final completion dates. Data will be processed as DOA receives it.

Date	Day of Week	Event
12/31	Friday	State Holiday for January 1st Holiday.
1/7	Friday	2004 W-2 Audit Reports (83 & 883) due from agencies by 5:00 p.m. Certification Deadline for salaried semi-monthly, 12/25/04-01/09/05, Check date 01/13/05.
1/11	Tuesday	Leave keying deadline for 12/25 - 1/9 pay period and cut-off for year-end.
1/13	Thursday	Payday
1/14	Friday	State Holiday
1/17	Monday	State Holiday
1/26	Wednesday	Certification Deadline for salaried semi-monthly, 01/10/05-01/24/05, Check date 02/01/05.
1/27	Thursday	Last day employee W-2s are sent to agencies.
1/28	Friday	Leave Keying Deadline, Period 01/10/05-01/24/05.
1/31	Monday	Last day for agencies to deliver or postmark W-2s to employees.

Year-End Leave Processing & Accounting

Calendar Year-End Processing for CIPPS Leave Accounting

In accordance with DHRM policy, annual leave balances will be reduced to the maximum accrual limits (indicated in the Annual Leave Policy, Number 4.10) as of the close of business (leave keying deadline) on January 11, 2005.

DOA will provide agencies Report U028 (*Leave Accounting Pending Annual Leave Lost)* to identify employees who may lose annual leave at the end of the newly established calendar year.

- Report U028 will be generated November 29 and December 14. Individuals listed will have a warning message on their earnings notices dated 12/16 and 12/30 stating that annual leave may be lost if not used by January 9, 2005.

- The Report U028 generated for leave as of 11/24 on 11/29/04 **will only reflect accruals for two payperiods (PE 12/9 & 12/24)**. This means you will have to **add another period** of annual leave accruals (for 1/9) to these individuals' balances to reflect a more accurate number of hours that may be deleted on the close of business 1/9/03. Additionally, this report will **not** list employees that may only exceed their annual leave limits with the third, or unprojected, period.

- The report generated for leave as of 12/9 on 12/14/04 **will reflect the accruals for the remaining two payperiods** (12/24 & 1/9) of the calendar year. This report **will** also **list** those employees who at that time may exceed their annual leave limits (employees who were missed on the first generation of Report U028) on January 9.

At close of business January 11:

- Leave balances will be updated with leave transactions that have been entered for the period ending January 9.
- Accruals for annual and sick leave will be generated.
- Year-to-date leave usage accumulators with the exception of military leave will be zeroed (i.e., sick family, family/personal, civil, community service, etc.) and any excess annual leave will be deleted based on the employee's years of service.
- VSDP conversions will be processed.
- Yearly allocations of VSDP leave will occur.

Note: Maintenance entries may be required for receipt of late leave slips.

VSDP Recipients

Employees coded as "VSDP Recipients" on the HPIUS will **not** receive their annual Sick Personal (SP) and Family Personal (FP) leave allocations. Some employees who received prior STD benefits have returned to work but still have the SDP Recipient indicator coded "Y". DOA has developed Report #902 to identify all employees with the SDP recipient indicator still on. Agencies interested in requesting this report should contact J.R. Rodgers at (804) 225-3079 or john.rodgers@doa.virginia.gov to have their CIPPS Company Header updated prior to using the on-line request (HSRUP).

Leave Contacts

Direct questions or comments regarding leave to:

Name	E-mail	Phone
John R. Rodgers	John.rodgers@doa.virginia.gov	(804) 225-3079
Ervin Farmer	Ervin.farmer@doa.virginia.gov	(804) 225-3120

W-2 Forms

Overview

This year, DOA will again issue laser-printed W-2s. There will be one sheet of paper folded in half inside a sealed envelope for each employee. The sheet will contain four original employee copies of the W-2.

An employee may receive more than one W-2 if taxes were withheld for more than one state or locality. An additional W-2 may also be generated if an employee has more than 4 entries in BOX 12 or if the employee had more than one Employee ID Number in CIPPS.

Your employer copy of the W-2 will have four employees per page. Employer copies will be printed subsequent to the employee W-2s and mailed under separate cover in February.

DO NOT SEND PAPER COPIES OF W-2s to the Internal Revenue Service (IRS)/Social Security Administration (SSA). As in the past, DOA will submit W-2 data to the IRS/SSA, as well as to the Virginia Department of Taxation and Virginia Employment Commission.

Agencies withholding other state taxes under reciprocal agreements are responsible for filing their own reciprocal state reconciliations and information returns. Additional Employer Copies of D.C., MD, and WV W-2's will be provided for this purpose. Please be aware of the specific filing deadlines in each individual state.

Distribution

Complete the W-2 DISTRIBUTION FORM (See Page 27) and FAX it to J.R. Rodgers by December 17 at (804) 786-9201.

This form is broken down into the following sections:

- **Distribution** - Agencies can choose whether to pick up their W-2s at DOA or have them mailed via UPS. No other distribution methods are available.
- **Sort Order** - Agencies can select the sort order for their W-2s. The *Standard* W-2 sort order is alphabetical by employee (last name, first name, and middle initial) within organization code. The *Agency* sort order is alphabetical by employee within the agency (i.e., ignores organization codes). Please review your distribution process and indicate your preferred sort order on the form.
- **Agency Contact** - Agencies must provide a primary agency contact for DOA to notify regarding W-2 distribution. DOA will notify agencies when their W-2s are ready for distribution.

Continued on next page

W-2 Changes

Note the following regarding W-2 changes:

- If personal information needs to be corrected (e.g., employee's new home address), agencies may need to request a correction to the Calendar Year 2004 employee records.
- If the request for a new W-2 was due to an error in reported wages or tax amounts (e.g., incorrect data on the W-2), perform research to determine if a W-2C is necessary instead of a reissued W-2. Contact J.R. Rodgers if discrepancies are noted.

How to Request Reissued W-2s

The IRS does not specify the timeframe in which duplicate W-2s must be reissued. **Agencies must maintain copies of reissued W-2s for 4 years.**

When employees request that you issue duplicate W-2s, agencies have 2 options:

Option	Action
1	Check your returned W-2s file to see if the W-2 was returned as undeliverable. If so, send this copy to the employee. If the W-2 was not returned and the request for a new W-2 is for replacement purposes only, give the employee a copy of the agency's W-2 marked "REISSUED."
2	DOA offers 2 special runs to produce reissued W-2s using CIPPS: February 11 and February 25, 2005. Have the employee complete the "Employee Request for a Reissued W-2 Form" form (See Page 26) and FAX it to J.R. Rodgers at (804) 786-9201. A separate form is required for each reissued W-2 requested. Contact J.R. Rodgers at john.rodgers@doa.virginia.gov for additional guidance.

Moving and Relocation

Listed below are the two special pay types and how they will be handled for W-2 reporting.

Special Pay Type	How Handled For W-2 Reporting
Special Pay 03 (Moving & Relocation Nontaxable)	*Excluded* from wages (Box 1), but included in Box 12 with label of P.
Special Pay 04 (Moving & Relocation Taxable)	*Included* in wages (Box 1) and in Box 14 (other).

Continued on next page

Deceased Worker's Wages

To ensure that deceased employees are properly recorded in CIPPS, the employee's Termination Reason Code on the H0BES screen must be coded with a value of **01**. Report 891 (*Employees With YTD Deceased Pay*) will be provided, listing all employees in your agency that have been paid either Deceased Pay One or Deceased Pay Two. A 'deceased' status is no longer reflected on the employee's W-2, however, Deceased Pay amounts must still be reported as follows:

Special Pay Type	How Handled For W-2 Reporting
Deceased Pay One (*Special Pay 54 - current year*)	• During year-end processing, DOA will back-out these wages from FIT Nontaxable Wages. These amounts will not be included in WAGES on your year-end audit reports. • Both the OASDI/HI Taxable amounts and the OASDI/HI Taxes Withheld will be included on your year-end audit reports and will also be reported on a W-2. • The Federal wages associated with Deceased pay must be reported in Box 3 on a Form 1099-MISC. Refer to the IRS instructions for 2004 form 1099-MISC for proper entries on the 1099-MISC. The 1099-MISC should be made out to the name and SSN of the beneficiary if paid to an individual or the name and TIN of the estate if paid to the executor/administrator of the estate. 1099-MISC should not be made to "the estate of…" with the deceased employee's SSN.
Deceased Pay Two (*Special Pay 55 - prior year*)	• Excluded from either your quarter or year-end reports. Wages paid *in the calendar year after death* are exempt from FIT, OASDI, HI, and State withholding. • The agency must report this compensation on a Form 1099-MISC to the estate or beneficiary of the employee. A W-2 is not an appropriate reporting instrument for this payment.

Box 12 Entries

DOA will report the following amounts in box 12 on the W-2:

Item Reported	Box 12 Code
Tax Sheltered Annuities (403-b) amounts (Deduction 39)	E
Deferred Compensation (457) amounts (Deduction 38)	G
Imputed Life (Special Pay 14) amounts	C
Uncollected Social Security (OASDI) amounts	M
Uncollected Medicare (HI) amounts	N
Excludable Moving & Relocation expense amounts	P

Continued on next page

W-2 Form Content Descriptions

This list identifies the coding in all boxes included on an employee's W-2 form and provides a description.

Field	Title	Description
a	Control Number	Assigned during the printing process and provides a count of all W-2's printed and a reference number in the event an employee receives more than one W-2. (OPTIONAL)
b	Employer's Identification Number	Employer's Federal Employer Identification Number (FEIN).
c	Employer's Name, Address, and Zip Code	Self-explanatory.
d	Employee's social security number	
e & f	Employee's Identification Number, Organizational Code, Name, Address, and Zip Code	
1	Wages, Tips, Other Compensation	Sum of federal taxable plus federal nontaxable (reportable) wages.
2	Federal Income Tax Withheld	Amount of Federal income tax withheld.
3	Social Security Wages	Amount of OASDI taxable wages. Maximum is $87,900.
4	Social Security Tax Withheld	Amount of OASDI tax withheld. Maximum is $5,4498.80.
5	Medicare Wages and Tips	Amount of HI or Medicare taxable wages.
6	Medicare Tax Withheld	Amount of HI or Medicare tax withheld.
7	Social Security Tips	Not used. Should be blank.
8	Allocated Tips	Not used. Should be blank.
9	Advance EIC Payment	Earned Income Credit (EIC) amount.
10	Dependent Care Benefits	Amount deducted through the Dependent Care Flexible Reimbursement Account (Deduction #21).
11	Nonqualified Plans	Not used. Should be blank.
12	Multi-purpose: C E G	Box may contain the following required items with labels assigned by IRS: Group Term Insurance Coverage over $50,000 (Special Pay 14 - Imputed Life) Section 403(b) plans (Deduction 39 - Annuities) Section 457 plans (Deduction 38 - Deferred Compensation)

Continued on next page

W-2 Form Content Descriptions (continued)

Field	Title	Description
12, cont.	Multi-purpose: M N P	Box may contain the following required items with labels assigned by IRS: Uncollected OASDI on Group Term Life Insurance Coverage over $50,000 Uncollected HI on Group Term Life Insurance Coverage over $50,000 Excludable moving expense reimbursements Special Pay 03 -Moving and Relocation Nontaxable
	Note: Only four items can print in BOX 12. If an employee has more than four of these items, a second W-2 will be printed with basic identification information on it, but it will not repeat the wage and tax information printed on the first form.	
13	This box contains checkboxes that are marked with an X if they apply. *STATUTORY EMPLOYEE* - Employee's FIT Status is equal to 1 and FICA Status not equal to a 1 on the H0BAD screen. Note: DOA will override this indicator unless specifically requested by the agency in writing. *RETIREMENT PLAN* - If employee was an active participant in a retirement plan for any part of a year. Contributions to non-qualified plans or 457 plans are excluded. (YTD amount for deductions 8 - 18 are greater than zero.) *THIRD PARTY SICK PAY* - Not applicable.	
14	Other	*M&R TXBL* - Special Pay 04 - Moving & Relocation Taxable
15	State	Two-character abbreviation of the state and the employer's identification number.
16	State Wages, Tips, Etc.	Amount of state taxable wages. This can include imputed life and may also include any company-paid DI tax.
17	State Income Tax	Amount of state income tax withheld
18	Locality Name	Name of the local taxing entity.
19	Local Wages, Tips, Etc.	Amount of local taxable wages. (Note: For Maryland these amounts are reported with State.)
20	Local Income Tax	Amount of local income tax. (Note: For Maryland these amounts are reported with State Tax.)

Attachments

Department of Accounts - Payroll and Leave Contacts
CIPPS 2004 Calendar Year-End

Name and Title	Functional Area	E-mail	Phone *(804 Area Code)*
Annie Callanta Supervisor Payroll Production	Agency reports, direct deposit/ACH/, deposit certificates	Annie.Callanta@doa.virginia.gov Or ach@doa.virginia.gov	371-7799
Lora George Director - State Payroll Operations	General Information	Lora.george@doa.virginia.gov	225-2245
Ervin L. Farmer Payroll Analyst	Year-end adjustments, Leave, agency payroll and procedural support	Ervin.farmer@doa.virginia.gov	225-3120
Denise Halderman Accountant Senior - Payroll Tax Accounting	941 processing, Voids	Denise.halderman@doa.virginia.gov	371-8912
John (JR) Rodgers Year End Coordinator	Year-end adjustments, manual updates, W-2 distribution, reissued W-2s	John.rodgers@doa.virginia.gov	225-3079

Address all questions related to year-end processing to the individuals listed above. DOA strongly encourages your use of e-mail and FAXES to avoid "telephone tag" and to provide staff with all of your relevant information. Using e-mail and FAXES will significantly reduce the amount of time it takes DOA personnel to address questions or concerns.

Payroll FAX Numbers

- FAX information to 786-9201 for question related to year-end processing or W-2 distribution.
- FAX information to 225-3499 for all other payroll related questions.

Summary of Quarter and Year-to-Date Reports

Report	Description	Agencies Use Report to…
56 – Quarterly Composite Tax Report	Comprehensive tax report by tax unit, country, state, local, and establishment.	Balance year-to-date activity. Agency use only. Do not send to DOA.
68 – W-2 Forms	Employee withholding statements showing total amount of wages paid, taxes withheld, etc.	Verify accuracy
880 – Employee Quarterly Tax Report #1	Tax information by tax unit, country, state, local, establishment, and employee number for prior quarter (4th quarter 2004) and year-to-date. Report contains fields usually used by agencies but does not include extraneous fields such as DI TAX.	Balance year-to-date activity. Agency use only. Do not send to DOA.
881 – Employee Tax Report #2	Tax information by tax unit, country, state, local, establishment, and employee number for prior quarter (4th quarter 2004) and year-to-date. Report contains fields ordinarily not used by agencies and includes fields that are normally $0 such as DI TAX. No report unless one or more report fields have a year-to-date amount greater than zero.	
83 & 883 – W-2 Audit Reports	Reports contain the information included on the W-2. Note that FIT Taxable plus FIT Nontaxable is reported in Box 1 (wages, tips, other compensation). State Wages (Box 16) may or may not equal to Box 1 depending on how your employee records are established.	Balance year-to-date activity. Return last page of report 83 signed by the agency fiscal officer. Submission of report 883 totals is **not** optional.
U018 – Leave Accounting Annual Leave Lost Report	Calendar year-end annual leave balances adjusted for maximum carry over limits.	Monitor leave activity.
U021 – Leave Accounting Individual Leave History	Leave transactions by employee for 01/10/Y4 to 01/09/Y5.	
U028 – Leave Accounting Pending Annual Leave Lost	Lists employees who may potentially lose leave at the end of the year.	Monitor leave activity. See page 14 of this bulletin for detailed instructions.
U030 – Workers Compensation Report	Prior and current quarter amount (July - December by Workers Compensation Code).	For information only.
U035 – Leave Accounting Year-end Leave Usage Summary	Leave usage for the calendar year for each leave type by agency.	Monitor leave activity.
U057 – Quarterly Employee Count	Monthly count of employees and quarterly wages by FIPS Code (Area Detail Attachment).	Compare SUI wage totals to Report 56 company totals. If different, adjust U057.
U090 – FIPS Code Error Report	If any amounts are shown, these figures must be added to the totals reported on the Report U057. Additionally, employee records should be corrected in CIPPS.	Use in conjunction with U057.
853 – Non-Resident Alien Tax Report	QTD and YTD tax information for all non-resident aliens.	Review to ensure employees are properly classified and should be dropped from year-end files.
858 – Year-to-date Uncollected FICA	Shows employees who have uncollected OASDI and HI amounts.	Review to ensure propriety of uncollected amounts due to imputed life. If not, remove from 83/883.
891 – Employees With YTD Deceased Pay (Special Pay 54 & 55)	Shows employees who have been paid either Deceased Pay One (Special Pay 54) or Deceased Pay Two (Special Pay 55).	Review for accuracy.

Optional Reports

Report	Description
806 – Employees Currently Receiving Earned Income Credit (EIC)	Identifies employees who may need to file a new W-5 FORM.
807 – W-4 Forms to be Pulled and Sent with Quarterly Reports	Includes employees who are W-4 exempt or have over nine exemptions on the W-4.
808 – Verification Report	Used to verify employee name and address prior to issuing W-2's.
873 – Automatic Special Pay #05-Reportable Meals	Lists year-to-date amounts for verification.

These reports can be requested on-line on HSRUT. Contact J.R. Rodgers (804) 225-3079 or e-mail him at john.rodgers@doa.virginia.gov for assistance.

Employee File Adjustment Form

Year-End Adjustments Only

Company # _____ **State Code** _____ **Local Code** _____

Employee Name _____ **Employee #** _____

TAXABLE ADJUSTMENTS

GROSS	FIT NTXBL	FIT TXBL	FIT TAX	EIC PAID
_____ . ___	_____ . ___	_____ . ___	_____ . ___	_____ . ___

SIT TXBL	SIT TAX	LOC TXBL	LOC TAX
_____ . ___	_____ . ___	_____ . ___	_____ . ___

FICA ADJUSTMENTS

OASDI TXBL	OASDI TAX	HI TXBL	HI TAX	MED TXBL	MED TAX
_____ . ___	_____ . ___	_____ . ___	_____ . ___	_____ . ___	_____ . ___

COMPANY OASDI TXBL	COMPANY OASDI TAX	COMPANY HI TXBL	COMPANY HI TAX	COMPANY MED TXBL	COMPANY MED TAX
_____ . ___	_____ . ___	_____ . ___	_____ . ___	_____ . ___	_____ . ___

UNCOLLECTIBLE ADJUSTMENTS

UNCOLL OASDI	UNCOLL HI
_____ . ___	_____ . ___

OTHER ADJUSTMENTS

MOVING AND RELOCATION NON-TAX	MOVING AND RELOCATION TAXABLE
_____ . ___	_____ . ___

DEDUCTION ADJUSTMENTS

DEP CARE	MED REIM	OPT LIFE	DEF COMP	PRE TAX	IMP LIFE
_____ . ___	_____ . ___	_____ . ___	_____ . ___	_____ . ___	_____ . ___

NON-RESIDENT ALIENS

_____ Employee is a non-resident alien employee and should be deleted from the year-end audit reports.

= = = =

2004 YEAR-END CERTIFICATION

Company Name: _____ **Number:** _____

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1. We have reconciled our Year-to-Date (YTD) Report 83/883 totals by one of the following methods (check applicable box):

   ☐ By review and reconciliation of all Report U092 and U093 (CIPPS YTD 10/33 Reconciliation Reports) differences.

   OR,

   ☐ By manual or spreadsheet reconciliation of all 4 quarters, based on
   - Report 10 (Payroll and Deduction Register)
   - Report 33 (Composite Tax Report)
   - Report 880/881 (Employee Quarterly Tax Reports)

2. ☐ There are no differences or all differences are valid and no adjustments are required

   OR,

   ☐ All differences are identified and the required adjustments are included on the attached Employee File Adjustment Forms.

3. **Federal and State Wage Verification**:

   ☐ No differences between total FIT Taxable Wages and total SIT Taxable Wages

   OR,

   ☐ Differences exist and are valid

   FIT Taxable: _____

   SIT Taxable: _____

   DIFFERENCE: _____

   Attach explanation of Differences

4. **Certification of Taxable Wage Totals**:

   The attached Report 83/883 accurately reflects the total taxable wages paid, and associated tax withholdings for employees of this agency/company in 2004.

_____ _____

Agency Fiscal Officer Signature Date

_____ _____

Printed name Phone #

Due Friday, January 7, 2005

Employee Request for a Reissued W-2 Form

(PLEASE PRINT)

Agency Name and # _____ DATE OF REQUEST _____

Provide a reissued WAGE AND TAX STATEMENT (Form W-2) for the following employee for 2004.

Employee Name: _____

Social Security Number: _____

Street Address _____

City _____ State _____ Zip Code _____

The FORM W-2 is requested for the following reason:

_____ Never Received
_____ Misplaced or Destroyed
_____ Social Security Number or Name Incorrect
_____ Other (Explain)

_____
Signature of Employee

= = = =

W-2 Distribution Form

FOR CALENDAR YEAR ENDING DECEMBER 31, 2004

Company Name: _____ **Number**: _____

Agency Fiscal Officer Signature: _____ **Date**: _____

Note: A separate W-2 Distribution Request must be completed for each company.

DISTRIBUTION

Please indicate the method that you want W-2's to be distributed to your agency.

Pick Up at DOA _____ **UPS** _____

Payroll Service Bureau Pick Up and Distribution _____

SORT ORDER

Standard (*alphabetical within organization code*) _____ **Agency** (*alphabetical within agency*) _____

AGENCY CONTACT

Name _____ FAX # _____ Phone # _____

Email Address _____

Other Information

_____

_____

Payroll Service Bureau Contact _____

FAX by December 17 to:

J.R. Rodgers, Year-End Coordinator
(804) 786-9201