

Department of Accounts

Payroll Bulletin

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the Payroll
Bulletin.....*

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Deposit Mandates

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 Cathy McGill at (804) 371-7800 or Email at cathy.mcgill@doa.virginia.gov

State Payroll Operations

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Reclassification of Taxable Income for EZ Reimburse® Card Payments

Reclassification According to IRS guidelines (Revenue Ruling 2003-43, 2006-69), all Card transactions must be validated. FBMC is permitted, under the IRS guidelines, to automatically validate (auto-adjudicate) certain transactions. In the event that FBMC cannot auto-adjudicate EZ REIMBURSE® transactions, FBMC requests supporting documentation by reporting those transactions in blue on employees' monthly statements or in red at www.myFBMC.com. If documentation is not received, then the outstanding transaction amounts must be reported to the Internal Revenue Service (IRS) as income on the employee's W-2 form, and are subject to all applicable employment taxes (including federal and state income tax withholding and FICA).

The week of November 17 FBMC mailed reclassification letters to all employees who have outstanding *EZ Reimburse* card payment amounts for the 2007-2008 plan year. A list of employees who received the reclassification letter is available in agency FTP folders on the DHRM repository with the file name "Flex-Reclassification-nnn-11192008.csv." Employees who have questions regarding their outstanding amounts should contact FBMC at 1-800-342-8017 (M-F/ 7:00AM-10:00PM).

**Automated
Reclassification** A file will be loaded the night of December 4 which will automatically update the taxable and non-taxable fields for those employees who have been paid in 2008. This file will simply adjust the year-to-date accumulation fields and will not process through a payrun and reflect on a Report 10. Therefore, any agency maintaining control totals for the purpose of balancing quarterly or calendar year-end totals will need to make manual adjustments. The amounts can be derived from the data available on the DHRM repository or from the Report 1006.

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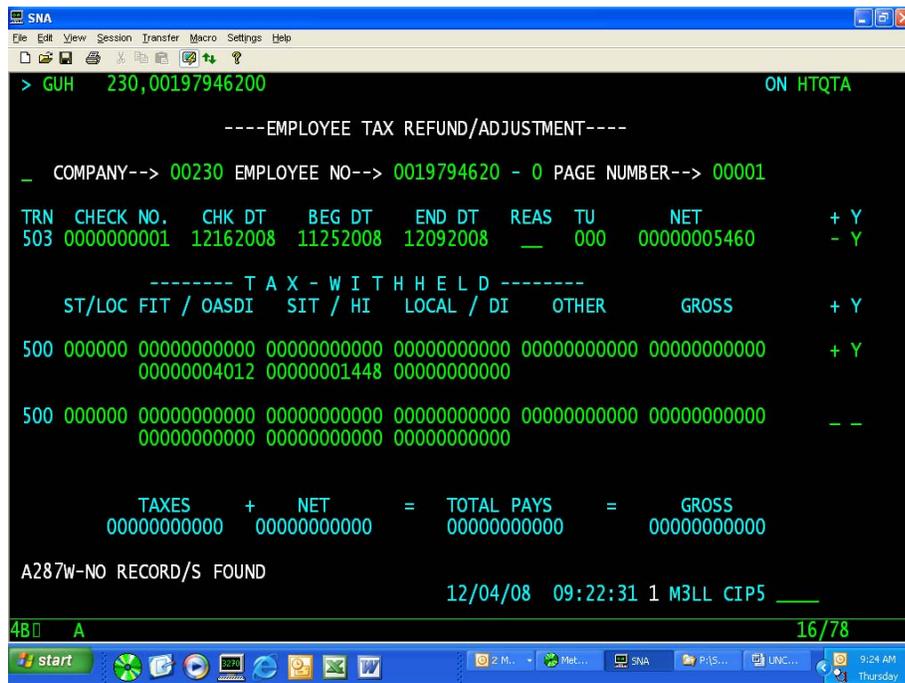
Reclassification of Taxable Income for EZ Reimburse® Card Payments, *continued*

2008 Terminations - Manual Payset Required

A manual payset will be required to invoke the collection of FICA taxes for those employees **who have terminated in 2008**. An example of the required transaction is provided below.

The amount of OASDI (.062) and HI (.0145) tax related to the reclassified income must be calculated. The combined total should be entered in the NET field with an adjustment indicator of '-' and the individual amounts entered for OASDI and HI with an adjustment indicator of '+'.

The employee must be reactivated in a non-auto time card status and a time attendance transaction for \$.01 must be entered to pull through the manual payset.



The Department of Accounts will create a journal entry to charge the line agency for the uncollected employee FICA amounts.

It is imperative that these transactions are processed in a timely manner in order for the taxes to be remitted to the IRS by the Department of Accounts. Failure to process these transactions will result in a requirement of the individual agency remitting the taxes to the IRS via EFTPS.

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Reclassification of Taxable Income for EZ Reimburse® Card Payments, *continued*

2007 Terminations For those employees who terminated in 2007, the Department of Accounts will process W2Cs and 941Cs. DOA will contact each agency as these are processed to request the payment to the IRS be made via EFTPS in conjunction with the filing of the 941C.

Active Employees No action is required for active employees as FICA will self-adjust when the employee is paid in December. However, if you have an active employee who will not be receiving any payments in December, please follow the instructions provided for employees who have terminated during 2008.

Global Opt-Out Updates

Additional Agency Global Opt-Out and Mandatory Direct Deposit

The following agencies have elected a global opt-out of printed earnings notices:

- Commonwealth Center for Children and Adolescents
- Department of Corrections, Central Activities
- Department of Historic Resources
- Department of Mental Health, Mental Retardation and Substance Abuse Services
- Department of Military Affairs
- Department of Motor Vehicles
- Department of State Police
- Division of Capital Police
- Division of Community Corrections
- Division of Institutions
- Employee Relations and Training Division
- Lord Fairfax Community College
- New College Institute
- Northern Virginia Community College
- Office of the Inspector General
- Sitter-Barfoot Veterans Care Center
- Thomas Nelson Community College
- Virginia Parole Board
- Western State Hospital

In addition, the following agencies have mandated direct deposit for the entire agency:

- Department of State Police
- Jamestown-Yorktown Foundation
- Thomas Nelson Community College

We commend these agencies in supporting these cost saving measures!