Advanced Employee Masterfile Maintenance

Structure of Manual Pay Screens

HTPSA: EMPLOYEE SPECIAL PAY ADJUSTMENT

```
> GUH   10010,00999999900                                      ON HTPSA


                  ----EMPLOYEE SPECIAL PAY ADJUSTMENT-----

 __   COMPANY--> 00000 EMPLOYEE NO--> 0000000000 - X PAGE NUMBER--> 00000

 TRN CHECK NO.      CHK DT    BEG DT    END DT   REAS   TU      NET       PA RES + Y
 503 0000000000  00000000  00000000  00000000    __    000  00000000000 000000 _ _
     S/LC/F DPT/DIV OT SH    FROM       TO     HOURS  AMT / LAB CODE   SUI ST
 400 000000  _____     0   0 00000000 00000000 0000000 00000000000        00
                                                                             _ _
         _  _____                                       _____
 400 000000  _____     0   0 00000000 00000000 0000000 00000000000        00
     PA  _  _____                                     _____   _ _
     SW ST/LOC FIT / OASDI   SIT / HI   LOCAL / DI   OTHER       GROSS        + Y
 500 _   000000 00000000000 00000000000 00000000000 00000000000 00000000000
                00000000000 00000000000 00000000000                          _ _
     PAY S/LC/F DP/DV PISU    FROM       TO     HOURS  AMT / LABOR NON TAXABLE + Y
 6XX 000 000000  _____  0 00 00000000 00000000 0000000 00000000000 00000000000 _ _
             _  _____                                 _____
 6XX 000 000000  _____  0 00 00000000 00000000 0000000 00000000000 00000000000 _ _
             _  _____                                _____
 TAXES 00000000000  +NET 00000000000  =TOT PAYS 00000000000  =GROSS 00000000000
 A287W-NO RECORD/S FOUND
                             06/01/15  10:18:32 1 M3LL CIP5 _____
```

HTODA: EMPLOYEE DEDUCTION REFUND/ADJUSTMENT

```
> GUH   10010,00999999900                                           ON HTODA


                      --EMPLOYEE DEDUCTION REFUND/ADJUSTMENT--

 __  COMPANY--> 00000 EMPLOYEE NO--> 0000000000 - X PAGE NUMBER--> 00000
 TRN  CHECK NO.   CHK DT     BEG DT     END DT    REAS  TU       NET       PA RES + Y
      MISC AMT 1
 503 0000000000  00000000  00000000  00000000    __    000  00000000000 000000 _ _
      00000000000
      PA  ST/LOC     FIT          OASDI        HI        OTHER      GROSS     + Y
      SW             SIT          LOCAL        DI
 500 _    000000 00000000000  00000000000 00000000000 00000000000 00000000000 _ _
                  00000000000  00000000000 00000000000


                   *------ VOLUNTARY DEDUCTIONS ------*
 550  000 00000000000  000 00000000000  000 00000000000  000 00000000000
      000 00000000000  000 00000000000  000 00000000000                   _ _
 550  000 00000000000  000 00000000000  000 00000000000  000 00000000000
      000 00000000000  000 00000000000  000 00000000000                   _ _


 DEDUCTIONS   +   TAXES     +      NET    =   TOTAL PAYS  =   GROSS
 00000000000      00000000000     00000000000    00000000000    00000000000
A287W-NO RECORD/S FOUND
                             06/01/15  10:22:22 1 M3LL CIP5 ____
```

HTQTA: EMPLOYEE TAX REFUND/ADJUSTMENT

```
> GUH   10010,00999999900                                        ON HTQTA


                    ----EMPLOYEE TAX REFUND/ADJUSTMENT----


 __  COMPANY--> 00000 EMPLOYEE NO--> 0000000000 - X PAGE NUMBER--> 00000


 TRN  CHECK NO.    CHK DT     BEG DT     END DT    REAS   TU        NET        PA RES + Y
 503 0000000000   00000000   00000000   00000000    __    000  00000000000 000000 _ _


                 -------- T A X - W I T H H E L D --------
     PA ST/LOC FIT / OASDI   SIT / HI   LOCAL / DI    OTHER       GROSS      + Y
     SW
 500 _   000000 00000000000 00000000000 00000000000 00000000000 00000000000  _ _
             00000000000 00000000000 00000000000


 500 _   000000 00000000000 00000000000 00000000000 00000000000 00000000000  _ _
             00000000000 00000000000 00000000000



         TAXES     +    NET     =    TOTAL PAYS    =     GROSS
        00000000000   00000000000     00000000000       00000000000

 A287W-NO RECORD/S FOUND
                               06/01/15  10:27:09 1 M3LL CIP5 ____
```

HTM00: MANUAL PAY BUILDER

```
> GUH   10010,00999999900                                      ON HTM00


                 ---------- MANUAL PAY BUILDER ----------


 __  COMPANY--> 00000 EMPLOYEE NO--> 0000000000 - X PAGE NUMBER--> 00000


                       CHECK NUMBER            0000000000
                       OLD CHECK NUMBER        0000000000
                       CHECK DATE                00000000
                       BEGINNING DATE            00000000
                       ENDING DATE               00000000
                       TAX UNIT                       000
                       SUI STATE                       00
                       REASON                          __
                       METHOD                           _
                       PA STATE/LOCAL              000000
                       MISC AMT 1                     .00
                       Y/Q INDICATOR                    _
             * * * SCREENS WILL BE ACCESSED IN FOLLOWING ORDER * * *
                       PAYS ------------------->  HTMPA
                       SPECIAL PAYS ----------->  HTMSP
                       TAXES AND DEDUCTIONS --->  HTMTD
                       BALANCE DETAILS -------->  HTMCK
 A287W-NO RECORD/S FOUND                06/01/15  10:28:31 1 M3LL CIP5 ____
```

HTMPA: MANUAL PAYS – REGULAR PAYS (400)

```
> GUH   10010,00999999900                                      ON HTMPA


                  -- MANUAL PAYS - REGULAR PAYS (400) --

 R  COMPANY--> 00000 EMPLOYEE NO--> 0000000000 - X  PAGE NUMBER--> 00000


    OT SH   HOURS      SAL /AMOUNT  DPT/SEC LABOR CODE          ST/LOC  ADJ
                                F   DIV/OF  FR-DATE    TO-DATE
    0  0       .00          .00   _____  _____  000000  _
                               _  _____  00000000  00000000
    0  0       .00          .00   _____  _____  000000  _
                               _  _____  00000000  00000000
    0  0       .00          .00   _____  _____  000000  _
                               _  _____  00000000  00000000
    0  0       .00          .00   _____  _____  000000  _
                               _  _____  00000000  00000000
    0  0       .00          .00   _____  _____  000000  _
                               _  _____  00000000  00000000
    0  0       .00          .00   _____  _____  000000  _
                               _  _____  00000000  00000000


 A287W-NO RECORD/S FOUND
                              06/01/15  10:29:44 1 M3LL CIP5 _____
```

HTMSP: MANUAL PAYS – SPECIAL PAYS (6XX)

```
> GUH   10010,00999999900                                    ON HTMSP

                  -- MANUAL PAYS - SPECIAL PAYS (6XX) --

 R  COMPANY--> 00000 EMPLOYEE NO--> 0000000000 - X PAGE NUMBER--> 00000

    PAY#    HOURS    SPL PAY AMT  DPT/SEC LABOR CODE              ST/LOC   PI ADJ
                              F   DIV/OF FR-DATE    TO-DATE    NON-TAXABLE
    000      .00            .00  _____  _____  000000    0   _
                               _  _____  00000000  00000000                .00
    000      .00            .00  _____  _____  000000    0   _
                               _  _____  00000000  00000000                .00
    000      .00            .00  _____  _____  000000    0   _
                               _  _____  00000000  00000000                .00
    000      .00            .00  _____  _____  000000    0   _
                               _  _____  00000000  00000000                .00
    000      .00            .00  _____  _____  000000    0   _
                               _  _____  00000000  00000000                .00
    000      .00            .00  _____  _____  000000    0   _
                               _  _____  00000000  00000000                .00


 A287W-NO RECORD/S FOUND
                              06/01/15  10:31:49 1 M3LL CIP5 _____
```

HTMTD: MANUAL PAYS – TAXES AND DEDUCTIONS

```
> GUH    10010,00999999900                                    ON HTMTD


                   MANUAL PAYS   TAXES AND DEDUCTIONS

 R   COMPANY--> 00000 EMPLOYEE NO--> 0000000000 - X PAGE NUMBER--> 00000

 PA                          *---- TAXES (500) ----*
 SW ST/LOC     FIT / SIT     OASDI / LOCAL     HI / DI      OTHER / GROSS  ADJ
 _    000000         .00            .00             .00            .00
                     .00            .00             .00            .00      _
 _    000000         .00            .00             .00            .00
                     .00            .00             .00            .00      _
 _    000000         .00            .00             .00            .00
                     .00            .00             .00            .00      _
 _    000000         .00            .00             .00            .00
                     .00            .00             .00            .00      _
                    *----- DEDUCTIONS (550) -----*
      0         .00   0         .00   0         .00   0          .00
                     0         .00   0         .00   0          .00        _
      0         .00   0         .00   0         .00   0          .00
                     0         .00   0         .00   0          .00        _
      0         .00   0         .00   0         .00   0          .00
                     0         .00   0         .00   0          .00        _
 A287W-NO RECORD/S FOUND              06/01/15  10:32:45 1 M3LL CIP5 _____
```

HTMCK: MANUAL PAY SUMMARY

```
> GDH   10010,00999999900                                    ON HTMCK


 ___                          MANUAL PAY SUMMARY
     COMPANY--> 00000  EMPLOYEE NO--> 0000000000 - 0  PAGE NUMBER--> 00000
     NAME->
     CHECK NUMBER 0000000000   CHECK DATE  00000000
     BEGIN DATE   00000000      END DATE  00000000  GROSS PAY              .00
     .......... BALANCING CALCULATIONS ...........   ......... TAXES .........
     REG  PAY                .00                     FEDERAL                .00
     SPEC PAY  +             .00  TAXES         .00   STATE                  .00
     NONPAID   -             .00  DEDS  +       .00   LOCAL/SD               .00
                     -----------         -----------  OASDI                  .00
     TOT PAYS               .00  TAX/DED       .00   HI                     .00
     TAX/DED   -                                     D.I.                   .00
     NET-ONLY  +            .00                      SPEC. LOCAL            .00
                     -----------
     NET PAY               .00  <====== EQUAL ======> NET                    .00
     ......................... VOLUNTARY DEDUCTIONS .........................




 A287W-NO RECORD/S FOUND                  06/01/15  10:33:16 1 M3LL CIP5 ____
```

Complete Manual Pay Process Timeline

Data Entry

Key Manual Pay Adjustment

Overnight

Transactions to Pending File

Employee Masterfile YTD Amounts Updated

System and Edit Reports

Report 10 Current Amounts Reflect Adjustment

Change Reports (1006/1010) Reflect Adjustment

Payroll Certification

Payroll Output Files Reflect Adjustment

Report 33, Composite Tax Report Reflect Adjustment

Report U092/U093, 10/33 Comparison, Balance (Month-End)

Combining Related Deductions on HTODA Paid Update

When you are adjusting employee AND employee deductions, it is usually necessary to complete only one paid update manual pay adjustment. Each HTODA screen allows up to 14 deductions to be refunded at the same time. CIPPS knows whether or a not a deduction is employee-paid or is an employer-paid memo deduction. The net pay amount should only include the total of all employee-paid deductions being refunded.

Where the deductions being adjusted are related (e.g., VRS, health care, etc.) it is important to record the adjustments in one set of transactions. This ensures that all related deductions are included in the vendor file automatically when payroll is certified. Unlike paid adjustments, non-paid adjustments must be manually added to the vendor file.

The example below illustrates the correct method for refunding/adjusting VRS deductions for our sample employee. Notice how this balances

```
> GUH   10010,00999999900,1                                     ON HTODA

                   --EMPLOYEE DEDUCTION REFUND/ADJUSTMENT--

 __  COMPANY--> 10010 EMPLOYEE NO--> 0099999990 - 0 PAGE NUMBER--> 00001
 TRN  CHECK NO.   CHK DT    BEG DT    END DT   REAS  TU      NET       PA RES + Y
      MISC AMT 1
 503 1001099901  06162015  05252015  06092015   __    000   00000015643 000000 P Y
     00000000000
     PA  ST/LOC    FIT          OASDI        HI        OTHER      GROSS    + Y
     SW           SIT          LOCAL        DI
 500 _    000000 00000000000  00000000000 00000000000 00000000000 00000000000 P Y
                  00000000000  00000000000 00000000000


                   *------ VOLUNTARY DEDUCTIONS ------*
 550  012 00000015643  115 00000003285  116 00000038576  120 00000003723     M Y
      136 00000002065  000 00000000000  000 00000000000
 550  000 00000000000  000 00000000000  000 00000000000  000 00000000000     _ _
      000 00000000000  000 00000000000  000 00000000000

 DEDUCTIONS   +   TAXES    +      NET     =  TOTAL PAYS   =   GROSS
 00000015643-   00000000000    00000015643    00000000000    00000000000

                              06/03/15  07:20:55 1 M3L1 CIP5 _____
```

Here, we have keyed the total of all deductions as the net amount. CIPPS warns that the adjustment does not balance. Note the message is a "warning". If you did not correct the error, CIPPS will process the adjustment and you will have paid too much into the employee's net check!

ALWAYS:
- Review all messages when keying manual pay adjustments.
- Have another person review what was keyed.
- Print your screen after you key the manual pay to use as a reference should an error occur when it processes.

```
> GUH   10010,00999999900,1                                        ON HTODA

                    --EMPLOYEE DEDUCTION REFUND/ADJUSTMENT--

 R_ COMPANY--> 10010 EMPLOYEE NO--> 0099999990 - 0 PAGE NUMBER--> 00001
 TRN  CHECK NO.   CHK DT    BEG DT    END DT    REAS  TU      NET      PA RES + Y
      MISC AMT 1
 503 1001099901  06162015  05252015  06092015    __     000  63292       000000 P Y
      00000000000
      PA  ST/LOC    FIT         OASDI        HI        OTHER      GROSS    + Y
      SW          SIT         LOCAL        DI
 500 _    000000 00000000000  00000000000 00000000000 00000000000 00000000000 P Y
                  00000000000  00000000000 00000000000


                    *------ VOLUNTARY DEDUCTIONS ------*
 550  012 00000015643  115 000000003285  116 00000038576  120 000000003723    M Y
      136 000000002065  000 00000000000  000 00000000000
 550  000 00000000000  000 00000000000  000 00000000000  000 00000000000    _ _
      000 00000000000  000 00000000000  000 00000000000

 DEDUCTIONS   +   TAXES    +      NET    =  TOTAL PAYS  =   GROSS
  00000015643-   00000000000    00000063292    00000000000    00000000000
 6084W-MANUAL PAY SET DOES NOT BALANCE
                                      06/03/15  07:47:55 1 M3L1 CIP5 ____
```

Refunding FICA Pre-tax Deductions to Employees Not Receiving Regular Pay using HTODA Manual Pay

Overview

At times, it is necessary to refund Premium Conversion (deduction 024) to an employee who is not receiving any regular pay due to the current employment status. This may be a terminated employee or an employee on LWOP from whom too much pre-tax health care premium was deducted.

A $100.00 premium conversion refund is used in this example. If necessary, reactivate the employee to non-auto status in CIPPS. To do this, go to H0BES change the employment status from '3' to a '1' and remove the Term Date. Ensure the employee is non-auto on H0BID.

Calculate FICA Taxes

Calculate the net amount – after OASDI and HI taxes are taken – actually to be paid to the employee. You will need the amount of OASDI tax, HI tax, and net payable for these adjustments.

Refund Net Amount

Key a **paid** update (P/M) on HTODA to refund that amount from deduction 024:

```
> GUH 10010,999999900,1                                              ON HTODA

                        --EMPLOYEE DEDUCTION REFUND/ADJUSTMENT--

 __   COMPANY--> 10010 EMPLOYEE NO--> 0099999990 - 0 PAGE NUMBER--> 00001
 TRN  CHECK NO.    CHK DT     BEG DT     END DT    REAS   TU        NET        PA RES + Y
      MISC AMT 1
 503 1001099991  08152014   07252014   08092014    __      000  00000009235 000000 P Y
      00000000000
      PA  ST/LOC    FIT          OASDI         HI        OTHER        GROSS      + Y
      SW           SIT          LOCAL         DI
 500 _     000000 00000000000  00000000000 00000000000 00000000000 00000000000 P Y
                   00000000000  00000000000 00000000000

                     *------ VOLUNTARY DEDUCTIONS ------*
 550  024 00000009235  000 00000000000  000 00000000000  000 00000000000       M Y
      000 00000000000  000 00000000000  000 00000000000
 550  000 00000000000  000 00000000000  000 00000000000  000 00000000000       _ _
      000 00000000000  000 00000000000  000 00000000000

 DEDUCTIONS   +   TAXES    +      NET     =   TOTAL PAYS   =   GROSS
 00000009235-   00000000000    00000009235   00000000000    00000000000

                                    11/07/14  14:10:39 1 M3L1 CIP5 ____
```

Remember that you **must** key an HUA03 transaction for one penny (0.01) in order for CIPPS to process any paid update you key for an employee who is otherwise not receiving any regular pay (700 on HUA03) or special pay as regular pay (7XX on HUC01).

Continued on next page

Reclassify FICA Tax Amounts

Key a **non-paid** update (+/-) on HTODA to re-classify un-paid amount from deduction 024 to OASDI and HI taxes:

```
> GUH 10010,999999900,2                                            ON HTODA


                    --EMPLOYEE DEDUCTION REFUND/ADJUSTMENT--

 __  COMPANY--> 10010 EMPLOYEE NO--> 0099999990 - 0 PAGE NUMBER--> 00002
 TRN  CHECK NO.   CHK DT    BEG DT    END DT   REAS  TU      NET      PA RES + Y
      MISC AMT 1
 503 1001099992  08152014  07252014  08092014   __     000  00000000000 000000 + Y
      00000000000
     PA  ST/LOC    FIT          OASDI        HI         OTHER      GROSS    + Y
     SW          SIT          LOCAL       DI
 500 _    000000 00000000000  00000000620 00000000145 00000000000 00000000000 + Y
               00000000000  00000000000 00000000000


                    *------ VOLUNTARY DEDUCTIONS ------*
 550  024 00000000765  000 00000000000  000 00000000000  000 00000000000      - Y
      000 00000000000  000 00000000000  000 00000000000
 550  000 00000000000  000 00000000000  000 00000000000  000 00000000000      _ _
      000 00000000000  000 00000000000  000 00000000000

 DEDUCTIONS   +   TAXES    +      NET    =  TOTAL PAYS   =   GROSS
 00000000765-  00000000765     00000000000    00000000000    00000000000

                                  11/07/14  14:13:17 1 M3L1 CIP5 ____
```

Due Agency and Deceased Net checks

The order in which CIPPS processes deductions – pre-tax, tax, garnishment, post-tax – allows you to use this method whether the net is paid to the employee or to another payee. If you need to issue a check to the agency for the net of this refund, establish deduction 010, DUE AGY, on H0ZDC for the amount owed. Deduction 013, DEC-NET, should be established on H0ZDC to issue a check for the net refund amount payable to the beneficiary or estate of a deceased employee.

Refer to the latest payroll bulletin that discusses Deceased Pay Processing for additional guidance on using deduction 010 and deduction 013. Payroll bulletins may be found on the State Payroll Operations website: (http://www.doa.virginia.gov/Payroll/Payroll_Bulletins/Payroll_Bulletins_Main.cfm).

Earnings Reclassification with Reciprocal State Taxation

Overview

Situations occur where it is necessary to reclassify regular earnings to another type of earnings or vice versa. In most circumstances, reclassification of earnings may be accomplished by keying an HTPSA in CIPPS. Even in certain situations like Workers' Compensation, where the adjustment affects taxable wages for FIT, OASDI, HI, and SIT taxes, HTPSA may still be used for employees whose resident state and work state are both Virginia.

When state taxation is assigned to the employee's resident state because of an existing reciprocal agreement between that state and Virginia, the existing process has been incomplete and required outside assistance. To date, this process has been to key the earnings reclassification for Virginia only. At the end of the quarter, agencies would submit to State Payroll Operations an Employee File Adjustment Form, with screen prints of the resident state tax Masterfile. State Payroll Operations personnel would manually update the resident state taxable earnings in CIPPS.

The Manual Pay Builder in CIPPS, screens HTM00 through HTMCK, provides the only method by which reciprocal state taxable earnings may be adjusted correctly through the system.

Manual Pay Builder

Keying the Manual Pay Builder begins with the HTM00 screen. The information on HTM00 is the unique identifier for the manual pay.

1. On HTM00, key these fields: Company, Employee No, Page Number, Check Number, Check Date, Beginning Date, and Ending Date. Put a 'Y' in the Y/Q Indicator field. CIPPS will move to the next screen when you press ENTER.
2. On HTMPA, key the regular pay to be adjusted.
3. On HTMSP, key the special pay to be adjusted.
4. On HTMTD, replace the pre-loaded ST/LOC value (usually '470000') on the first line with the ST/LOC value for the employee's resident state & local.
5. Review the Manual Pay Summary on HTMCK to ensure everything balanced.
6. Press ENTER again to return to the HTM00 screen. Scroll through the Manual Pay Builder screens to review & verify everything shows as entered.

```
> GUH   10010,00999999900,1                                         ON HTMTD

                    MANUAL PAYS  TAXES AND DEDUCTIONS

 R   COMPANY--> 10010 EMPLOYEE NO--> 0099999990 - 0 PAGE NUMBER--> 00001

 PA                            *---- TAXES (500) ----*
 SW ST/LOC    FIT / SIT     OASDI / LOCAL      HI / DI       OTHER / GROSS   ADJ
 _    210017          .00              .00              .00              .00   _
                      .00              .00              .00              .00
 _    000000          .00              .00              .00              .00   _
                      .00              .00              .00              .00
 _    000000          .00              .00              .00              .00   _
                      .00              .00              .00              .00
 _    000000          .00              .00              .00              .00   _
                      .00              .00              .00              .00
                         *----- DEDUCTIONS (550) -----*
      0          .00    0          .00    0          .00    0          .00   _
                       0          .00    0          .00    0          .00
      0          .00    0          .00    0          .00    0          .00   _
                       0          .00    0          .00    0          .00
      0          .00    0          .00    0          .00    0          .00   _
                       0          .00    0          .00    0          .00
 A287W-NO RECORD/S FOUND                  06/01/15  11:16:35 1 M3LL CIP5 ____
```

HTMTD Screen with MD (21) state and Prince Georges County (0017) local codes entered

Reviewing the Manual Pay

PA STATE/LOCAL
This field is optional. Employers with Pennsylvania residents may enter the employee's resident state and local if the employee is subject to PA Act 32 local tax. If no value is entered, the resident state and resident local entered on the H0BAD screen are defaulted into this field when you press Enter.

Continued on next page

```
> GUH   10010,00999999900,1                                        ON HTM00

                 ---------- MANUAL PAY BUILDER ----------

 __  COMPANY--> 10010 EMPLOYEE NO--> 0099999990 - 0 PAGE NUMBER--> 00001

                      CHECK NUMBER           1001099991
                      OLD CHECK NUMBER       0000000000
                      CHECK DATE               08152014
                      BEGINNING DATE           05252014
                      ENDING DATE              06092014
                      TAX UNIT                      001
                      SUI STATE                      00
                      REASON
                      METHOD                         __
                      PA STATE/LOCAL             210017
                      MISC AMT 1                    .00
                      Y/Q INDICATOR                   Y
            * * * SCREENS WILL BE ACCESSED IN FOLLOWING ORDER * * *
                      PAYS ------------------->  HTMPA
                      SPECIAL PAYS ----------->  HTMSP
                      TAXES AND DEDUCTIONS --->  HTMTD
                      BALANCE DETAILS -------->  HTMCK
 A287W-NO RECORD/S FOUND                06/01/15  11:14:06 1 M3LL CIP5 ____
```

HTM00 after keying – MD (21) resident state and Prince Georges County (0017) local

The PA STATE/LOCAL value on HTM00 should be compared to the resident state and local codes entered on the HTMTD screen. If there is a discrepancy and the HTMTD is determined to be wrong, correct the HTMTD screen.

If the resident state and local code combination entered on HTMTD is correct:
1. check that an H0ATX record for that state and local exists;
2. verify that the state status on H0ATX is correct for both the work state and resident state records; and
3. verify that the H0BAD screen has been properly configured for work state and res

Work State on HTMTD
CIPPS will re-generate a line on HTMTD for the work state. This is correct. This transaction cannot be deleted.

Refer to CAPP Topic 50315, *Employee Tax Maintenance*, for additional assistance with configuring the employee tax Masterfile. Contact payroll@doa.virginia.gov if you have questions.

Processing Non-Cash Taxable Benefits as earnings and pay Employee FICA taxes for Terminated Employees

Overview

Although an employee has terminated, the employer is still required to timely report and timely pay FICA taxes owed on all taxable income regardless of whether the taxes were withheld from the employee's pay. When you receive non-cash benefit information after an employee has terminated, the amount that the employee received must be "grossed-up". This is done by dividing the amount paid by a factor which accounts for the current year OASDI and HI tax rates. To calculate this factor, subtract from 1 the current year combined OASDI and HI tax rate. For 2015 the rate is .0765 (7.65%). $1 - 0.0765 = 0.9235$.

In our example, we are recording the receipt of a $25.00 gift card by the employee prior to termination. $25.00 is the stated amount, or the amount actually received by the employee. When we divide $25.00 by the factor, the increased total wages to be reported as taxable is $27.07.

Record Taxable Earnings:

In CIPPS you will key two (2) special payment transactions on HUE01.First, you will key special pay 049, NC AWDS, to record the amount received by the employee. Special pay 049 adds to all taxable wage accumulators the amount entered on HUE01.

The second special payment transaction you will enter on HUE01 is special pay 071, ER PD TX. Because SP 049 is already adding $25.00 to taxable wages, you only need to enter the difference between the calculated increased total wages and the amount of SP049: $2.07 ($27.07 - $25.000).

Tax-Check-Deduction indicators for both special pay entries should be 0-0-0.

```
> GUH   10010,1000                                               ON HUE01

                   ------------SPECIAL PAYMENTS------------

 __  COMPANY--> 10010 BATCH NUMBER--> 1000 PAGE NUMBER--> 00001


           T                          T C D
 EMPLOYEE  C     PAY STATE  DEPT  A H E   DATE      DATE     HOURS    RATE/AMT
  NUMBER   D TRN  NO LOCAL   SEC  X K D   FROM       TO
              (2ND LINE) F DIV/OF LABOR  CODE              WORKFIELD    ADJ AU
0099999990 0 9XX 049 000000 _____  0 0 0 00000000 00000000 0000000 00000000 2500
                                                           00000000000      0
0099999990 0 9XX 071 000000 _____  0 0 0 00000000 00000000 0000000 00000000 207
                                                           00000000000      0
0000000000 X 9XX 000 000000 _____  0 0 0 00000000 00000000 0000000 00000000000
                                                           00000000000      0
0000000000 X 9XX 000 000000 _____  0 0 0 00000000 00000000 0000000 00000000000
                                                           00000000000      0
0000000000 X 9XX 000 000000 _____  0 0 0 00000000 00000000 0000000 00000000000
                                                           00000000000      0
0000000000 X 9XX 000 000000 _____  0 0 0 00000000 00000000 0000000 00000000000
                                                           00000000000      0

                        05/27/15  08:31:51 1 M3L1 CID5 _____
```

Record the FICA taxes:

The second, and very important, part of this process is to record the Employee OASDI and HI tax amounts. First, calculate the amount of each tax using the increased total wages amount, $27.07. For 2015 the OASDI tax rate is 0.062 (6.2%) and the HI tax rate is 0.0145 (1.45%). The tax amounts are:

OASDI: 1.68 (27.07 x 0.062)
HI: 0.39 (27.07 x 0.0145)
Total: 2.07

Key a non-paid update on HTQTA. Enter the total OASDI/HI tax amount in the Net amount field with – Y in the "+" and "Y" indicator fields on the 503 line. On the 500 transaction line, enter the amount for OASDI tax and HI tax in the respective fields. Use '+ y' for the indicators. An example is shown below:

```
> GUH   10010,00999999900,1                                    ON HTQTA


                    ----EMPLOYEE TAX REFUND/ADJUSTMENT----

 __  COMPANY--> 10010 EMPLOYEE NO--> 0099999990 - 0 PAGE NUMBER--> 00001

 TRN  CHECK NO.   CHK DT    BEG DT    END DT   REAS  TU      NET      PA RES + Y
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References:

IRS Publication 15-A, Section 7
IRS Publication 15, Circular E, Employer's Tax Guide

Contact payroll@doa.virginia.gov if you have any questions.