

Department of Accounts

Payroll Bulletin

Calendar Year 2011

September 30, 2011

Volume 2011-16

*In This Issue of
the Payroll
Bulletin.....*

- ✓ **Disposable Earnings: Solution Includes Mandatory Retirement Deductions**
- ✓ **Contract Lengths – 9, 10, 11 Month Employees**
- ✓ **Deduction Override Processing**

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

Director **Lora L. George**
Assistant Director Cathy C. McGill

Disposable Earnings: Solution Includes Mandatory Retirement Deductions

Automatic Reduction for Mandatory Employee Retirement Deductions

As explained in [Payroll Bulletin 2011-09](#), mandatory employee retirement contributions are required by law and therefore not included in “disposable pay” according to the definitions established in the Consumer Credit Protection Act and Code of Virginia § 34-29.

Specifically, the amounts for the following deduction numbers must be deducted from gross when calculating “disposable pay”:

- EMP FID (Deduction 009)
- EMP ORP (Deduction 011)
- EMP RET (Deduction 012)
- TIAACREF (Deduction 014)

A solution from our vendor has been installed to **automatically** deduct those amounts when determining disposable earnings when using the following garnishment deductions:

- GARNISH1 (Deduction 003)
- GARNISH2 (Deduction 004)
- GARNISH3 (Deduction 005)
- GARNISH6 (Deduction 008)

GARNISH4 (Deduction 006) and GARNISH5 (Deduction 007) will continue to reduce “disposable earnings” by **ALL PRE-TAX DEDUCTIONS**. Before using those deductions, please review the court order to ensure this is allowed.

Continued on next page

Disposable Earnings: Solution Includes Mandatory Retirement Deductions, contd.

Percentage Method Functional The automatic reduction of mandatory employee retirement contributions from “disposable earnings” allows users to resume using the percentage method for garnishments.

The percentage entered in the “AMT/PCT” field on H0ZDC will be applied to Gross minus Taxes minus Mandatory Employee Retirement Contributions.

For more information regarding the percentage method, please see [CAPP Topic 50405 – Court Ordered Withholdings](#).

Tax Levy Processing Reminder

Because mandatory retirement employee contributions are automatically reduced from disposable earnings, protected amounts previously calculated for a tax levy *may need to be recalculated*.

When calculating the protected amount for tax levy purposes do not include amounts that already reduce disposable earnings. Specifically, the following items reduce disposable earnings automatically:

- Amounts withheld for FIT, SIT and FICA taxes
- Mandatory Retirement Contributions (Deductions 009, 011, 012 and 014)
- Any Deduction that has a lower deduction number than the deduction number you are using for the tax levy. For example, Child Support (Deduction 001) should not be included if the tax levy is established with GARNISH1 (Deduction 003).

In addition, do not include Direct Deposit deductions as these are methods of payment and do not meet the IRS “deduction” criteria. Direct Deposit deductions include:

- DDCHKNG1 (Deduction 159)
- DDSAVNG1 (Deduction 160)
- DDCHKNG3 (Deduction 163)
- DDSAVNG3 (Deduction 164)
- DDCHKNG2 (Deduction 167)
- DDSAVNG2 (Deduction 168)
- DDCHKING (Deduction 169)
- DDSAVING (Deduction 170)

Continued on next page

Disposable Earnings: Solution Includes Mandatory Retirement Deductions, contd.

How to Decrement the Goal for Deductions 003, 004 and 005

Users can decrement a garnishment goal by placing a “1” in position 18 (the last position) of the deduction utility field for the following deductions:

- GARNISH1 (Deduction 003)
 - GARNISH2 (Deduction 004)
 - GARNISH3 (Deduction 005)
-

Contract Lengths for 9, 10, 11 Month Employees

Entering Contract Lengths for 9, 10 or 11 Month Employees

CIPPS automatically updates the contract length on H0BUO to “12” on the night that a new hire is entered. If you enter a value into contract length on the day the new employee record is added to CIPPS, it will be overlaid with a value of ‘12.’ Therefore, if you have employees that work fewer than 12 months in a year, ***do not enter the contract length on H0BUO until the next business day.***

It is imperative that a contract length be present in order for certain deduction interfaces to calculate correctly. At this time, the only way we can ensure that the contract length is populated is to update CIPPS the night after a new hire is entered. Unfortunately, we must use a default of “12” and system limitations prevent us from determining if the field is already populated.

Deduction Override Processing

Processing Deduction Overrides with Special Payments

As noted in [Payroll Bulletin 2011-15](#) users must go through HMCU1 to update deductions related to retirement and healthcare. In the past users could update the H0ZDC screen directly to override normal deduction processing for those deductions. The added protections on H0ZDC that prevent the corruption of those deductions have made it necessary to use HUD01 transactions instead.

Special handling is required for Retirement Deduction Overrides. Please refer to [Payroll Bulletin 2011-12](#) for processing options specific to Retirement Deductions.

The following guidelines are provided to aid you in processing overrides for healthcare and other deductions when special payments are used. If you encounter a situation that is not covered, please call State Payroll Operations for further instructions.

Continued on next page

Deduction Override Processing, contd.

Deduction Overrides with Special Payments Keyed as Regular Payments on HUC01

If you the following conditions are met you may key the special pay on screen HUC01. HUD01 transactions (8XX) will process accordingly.

- The item can be taxed according to the tax tables (no supplemental taxing available for this method)
- You are not using Special Pay (002) Worker's Compensation or Special Pay (055) Deceased Pay Prior Year
- You do not want the employee to receive the Automatic Regular Pay on HOBID (any additional regular pay must be keyed on HUA03)
- You are certifying this payroll using PayType "3" on the PYCTF screen.

REMINDER:

- If you are using PayType "3" on the PYCTF screen and this is *not* the regularly scheduled payrun for that company, you **MUST** place the employees you are paying in a separate pay frequency. After the pay processes remember to return the employee(s) to the original frequency.

Deduction Overrides with Special Payments Combined with Regular Pay on HUE01

If the following conditions are met you may key the special pay on screen HUE01 and combine it with regular pay. Deduction overrides will process on the Special Payment amount combined with the Regular Pay.

- The item can be combined and taxed with regular pay according to the tax tables (aggregated method)
- You used a "5" as the Tax Indicator on HUE01
- You used a "0" as the Check Indicator on HUE01 (this payment will be combined **with** regular pay)
- You used a "0" as the Deduction Indicator on HUE01
- You did not key "From" and "To" dates on HUE01
- You are certifying this payroll using PayType "3" on the PYCTF screen

REMINDER:

- If you are using PayType "3" on the PYCTF screen and this is *not* the regularly scheduled payrun for that company, you **MUST** place the employees you are paying in a separate pay frequency. After the pay processes remember to return the employee(s) to the original frequency.

Continued on next page

Deduction Override Processing, contd.

Deduction Overrides on Non Taxable Special Payments Not Combined with Regular Pay on HUE01

Certain Non-Taxable Special Pays such as Worker's Compensation (002) and Deceased Pay Prior Year (055) will not process on HUC01. If you need to pay Non-Taxable Special Payments and there is no regular pay, you **MUST** key a penny (.01) of regular pay using HUA03 to process any HUD01 transactions (8XX).

- You used a non-taxable Special Pay such as Worker's Compensation (002) or Deceased Pay Prior Year (055)
- You used a "0" as the Tax Indicator on HUE01
- You used a "0" as the Check Indicator on HUE01 (this is necessary to pull the penny transaction through)
- The employee is on Non-Auto Status on HOBID and is not receiving any other regular payments (700 transactions)
- You are not using Special Pay 075 or Special Pay 076 – these special pays do not work without Regular Pay
- You used a "0" as the Deduction Indicator on HUE01
- You did not key "From" and "To" dates on HUE01
- You are certifying this payroll using PayType "3" on the PYCTF screen

REMINDERS:

- If you are using PayType "3" on the PYCTF screen and this is *not* the regularly scheduled payrun for that company, you **MUST** place the employees you are paying in a separate pay frequency. After the pay processes remember to return the employee(s) to the original frequency.
- Do not process Retirement and Retiree Credit overrides on Special Pay (002) Worker's Compensation **UNLESS** there are additional funds paid in conjunction such as VSDP or Regular Pay. Group Life and LTD should be allowed to process. [See Payroll Bulletin 2011-13.](#)
- Do not process **ANY** Retirement, Retiree Credit, Group Insurance or LTD overrides on Special Pay (055) Deceased Pay Prior Year. Use HMCU1 to turn those deductions off with "LT". [See Payroll Bulletin 2011-12.](#)

Continued on next page

Deduction Override Processing, contd.

Controlling Deductions with HUE01 Deduction Indicator on Special Payments Not Combined with Regular Pay

If the following conditions are met you may key the special pay on screen HUE01. HUD01 Deduction Overrides (8XX) **DO NOT** process on special payments that are not combined with Regular Pay. Use this method only if the Deduction Indicators provided on HUE01 handle your deduction processing needs.

- The item can be taxed at the supplemental rate or taxed according to the tax tables
- You are not using Special Pay 075 or Special Pay 076 (these special payments do not work without regular pay)
- You used a “5” or a “0” as the Tax Indicator on HUE01
- You used a “1”, “2” or “3” as the Check Indicator on HUE01
- If either of the following Deduction Indicators on HUE01 apply:
 - “0” – Take All Deductions on H0ZDC
 - “7” – Take Percentage Deductions Only on H0ZDC (you must use a “1” as the Check Indicator to use this)
 - “8” – Take no Deductions on H0ZDC
 - “9” – Take Direct Deposit Deductions only
- You are certifying this payroll using PayType “3” or PayType “9” on the PYCTF screen

For additional help see the chart below for a listing of standard deductions and how they process based on the **deduction indicator** used:

Deduction Numbers	Special Pay No.	Deduction Indicators			
		“0”	“7”	“8”	“9”
Retirement and Retiree Credit: 009, 011, 012, 014, 017, 043, 105, 109, 111, 114, 115, 116, 117, 127	Creditable Compensation Special Pays: 001, 002, 061, 062, 063, 081, 082	Y	Y	N	N
Retirement and Retiree Credit: 009, 011, 012, 014, 017, 043, 105, 109, 111, 114, 115, 116, 117, 127	Non Creditable Compensation Special Pays	N	N	N	N
Group Life and LTD: 102, 120, 104, 106, 136, 144	ALL	Y	N	N	N
Fixed Direct Deposits: 159, 160, 163, 164, 167, 168	ALL	Y	N	N	Y
Net Direct Deposits: 169, 170	ALL	Y	Y	N	Y
Garnishments on H0ZDC that use a percentage	ALL	Y	Y	N	N
All other deductions including healthcare and garnishments with fixed amounts	ALL	Y	N	N	N