Department of Accounts
Payroll Bulletin

Calendar Year 2011 | November 21, 2011 | Volume 2011-20

PAYROLL PROCESSING - CALENDAR YEAR-END 2011

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

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

Introduction

This Payroll Bulletin addresses payroll and leave processing for calendar year-end 2011. This bulletin includes 4 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.

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

Issues Requiring Special Attention

- Review all items in the CIPPS Pending File. You may need to delete items applying only to 2011.
- 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, 2012, when DOA resets the year-to-date fields to zero.**
- 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 2011 year-end closing, agencies will **not** submit reports 56, 880, or 881 to DOA. Agencies will certify year-to-date totals on Report 83. 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 11.
- **Remote print agencies must leave their remote-print printers on from December 29, 2011 through January 3, 2012.** Quarter-end and year-end reports will be processed and distributed to agencies during this time.

Continued on next page

PAYROLL PROCESSING - CALENDAR YEAR-END 2011

Key Dates

- **Friday, December 16** – W-2 distribution form due to DOA.
- **Friday, December 16** – Non-Resident Alien Information due.
- **Friday, December 16** - Prior quarter adjustments due.
- **Thursday, December 22** – Semi-monthly certification cut-off.
- **Friday, December 23 through Monday, December 26** – Holiday
- **Tuesday, December 27** – Last day to certify Wage and Special pay runs with a December 29th check date (30th is regular semi-monthly pay date).
- **Thursday, December 29 – 12:00 p.m.** - Leave keying deadline for period 12/10-24/2011. **Files close at noon.**
- **Thursday, December 29 – 12:00 p.m**. - Agencies can request stop payments of direct deposits and process edits, non-paid updates, manual pay sets, and voids. Last day to correct employee personal information (e.g. employee's new home address) for inclusion on W-2s. **Files close at noon.**
- **December 29 through January 3 –** Leave remote printers on.
- **Friday, December 30 –** Payday for 12/10-24 pay period.
- **Monday, January 2** – Holiday
- **Friday, January 6** – Semi-monthly certification cut-off.
- **Monday, January 9 –** Calendar Year End certifications due to DOA.
- **Wednesday, January 11 –** Leave keying deadline for period 12/25/2011 - 1/9/2012. Calendar year-end leave processing.
- **Thursday, January 12 –** Payday for 12/25-1/9 pay period.
- **Friday, January 13 through Monday, January 16 –** Holiday
- **Thursday, January 26 –** Semi-monthly certification cut-off.
- **Friday, January 27 –** Last day for W-2s to agencies.
- **Tuesday, January 31 –** Leave keying deadline for period 1/10-24/2012.
- **Tuesday, January 31 –** Last day to distribute W-2s to employees.
- **Wednesday, February 1 –** Payday for 1/10-24 pay period.

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 established deadlines. Processing adjustments with CIPPS Manual Pay-sets is 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.

Continued on next page

PAYROLL PROCESSING - CALENDAR YEAR-END 2011, continued

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 certification of pay period ending 12/24 (reflected on Report 10) or keyed by DOA on/before 12/16.
CIPPS Manual Pay-sets	Most effective if keyed prior to PE 12/24 certification, but may be entered through 12/29 by 11:00 am.
Year-end (Report 883) Adjustments	Monday, January 9 – 5:00 p.m.

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 if keyed prior to 12/24 certification. • 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 (one cent). • Terminated employees must be reactivated in order to properly process. • Special processing (page 5) 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, if submitted by certification. • 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.

Continued on next page

PAYROLL PROCESSING - CALENDAR YEAR-END 2011, continued

Adjustment Type Advantages & Disadvantages, continued

Adjust Type	Common Uses	Advantages/Disadvantages
Year-end (Report 883) Adjustments	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.

How to Process Manual Pay Sets and Void Checks

The following must be performed no later than 11:00 a.m. on Thursday, December 29:

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

A special "Dummy" payrun will be scheduled Thursday, 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 must 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 Cathy Gravatt at (804) 225-2386 or cathy.gravatt@doa.virginia.gov.	Agencies

Continued on next page

PAYROLL PROCESSING - CALENDAR YEAR-END 2011, continued

How to Process Void Checks External to CIPPS

For year-end processing, it is sometimes necessary to process 2011 VOID checks **external** to CIPPS. Agencies must complete the following procedures if it is necessary to void CY 2011 checks after 12/29/2011.

<table>
<tr><th>Step</th><th colspan="2">Action</th></tr>
<tr><td>1.</td><td colspan="2">Do not write on or stamp the check "VOID."</td></tr>
<tr><td>2.</td><td colspan="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).</td></tr>
<tr><td>3.</td><td colspan="2">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.</td></tr>
<tr><td>4.</td><td colspan="2">Direct Deposit (all ACH DD deductions) - To retrieve money from the bank, contact Payroll Production at 371-8385, or 371-4883 or e-mail ach@doa.virginia.gov.
Direct Deposit funds must be retrieved within 5 days after the check date.</td></tr>
<tr><td>5.</td><td colspan="2">Prepare an IAT to the Department of Taxation for state tax withholdings. If reciprocal state taxes require adjustment, then your agency must request a refund on your Annual Reconciliation & Return to the reciprocal state.</td></tr>
<tr><td>6.</td><td colspan="2">Prepare a VRS 1501 FORM for retirement withholdings. If Optional Retirement Plan, request a refund from DOA.</td></tr>
<tr><td>7.</td><td colspan="2">Adjust employee records, as required, using year-end procedures, or request a corrected W-2 (form W-2C) if past the YE certification deadline.</td></tr>
<tr><td rowspan="10">8.</td><td colspan="2">Recover miscellaneous employee-level deductions through the following instructions. Refunds requested through DOA will be credited to the agency by CARS journal entry.</td></tr>
<tr><td>If deduction is…</td><td>Then…</td></tr>
<tr><td>Combined VA campaign</td><td>Request refund from the vendor.</td></tr>
<tr><td>Deferred Compensation</td><td>Request a refund from VRS. A 1099 may be issued by ING for the refunded amount.</td></tr>
<tr><td>DSS Child Support (Ded 001)</td><td>Request a refund from Department of Social Services.</td></tr>
<tr><td>Flexible Reimbursement Account</td><td>Request a refund from DHRM, Office of Health Benefits.</td></tr>
<tr><td>Garnishment Fees</td><td>Request a refund from DOA.</td></tr>
<tr><td>Health Care</td><td>Request a refund on the Health Care Certification.</td></tr>
<tr><td>Supplemental Insurance and Tax Sheltered Annuities</td><td>Request a refund from vendor(s).</td></tr>
<tr><td>Optional Group Life</td><td>Request a refund from Minnesota Life.</td></tr>
</table>

Continued on next page

PAYROLL PROCESSING - CALENDAR YEAR-END 2011, continued

Correct Reporting of Employee Social Security Numbers

Request and review the Report 808 to ensure payroll information is reported correctly to the IRS and SSA.

The Social Security Administration can fine agencies $100 for every incorrect social security number remitted for W-2 reporting.

To identify potentially incorrect social security numbers, Report 808, *VERIFICATION REPORT - USED TO VERIFY EMPLOYEE NAMES AND ADDRESSES PRIOR TO ISSUING W-2S,* displays for each individual employee the SSN, address, and withholding information. The information provided should be verified and if a discrepancy is identified, your agency should correct the CIPPS masterfile information prior to year-end certification (**NO LATER THAN 11:00 a.m. on 12/29/11**).

W-5 Forms No Longer Accepted

Effective January 1, 2011 the IRS eliminated the Advance Earned Income Credit (EITC). The requirement to notify employees who may qualify for the EIC on their tax return is accommodated by the information provided on the back of the W2, Part B.

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 2011 are:

Deferral Category	**457 Deferred Compensation Plan**	**403(b) Tax-Deferred Account**
Normal Annual Limit	$16,500	$16,500
Age 50 Catch-Up	$5,500	$5,500
457 Standard Catch-Up	$16,500	N/A
403(b) 15-Year Catch-Up	N/A	$3,000

NOTE: See Payroll Bulletin 2011-01 for more information on limits and exceptions.

http://www.doa.virginia.gov/Payroll/Payroll_Bulletins/2011/2011_01.pdf

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 (remember to account for those employees who are not 24 pay employees).

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 to Reportline 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	EIC eliminated effective 01/01/2011. Identifies employees with FIT Status "7" that should have been changed.
844	YTD OASDI Tax - Employee not equal to employer.	Identifies employees who may have OASDI Tax withheld incorrectly. ***This report is invalid for calendar year 2011 due to the temporary change in the employee OASDI tax rate.***
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 2011.*
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 2011.*
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 2011.*
852	Incorrect Imputed Life	Identifies employees who may have imputed life (Special Pay 014) calculated incorrectly. It is essential this report be reviewed and corrective action taken prior to the final payroll certification of 2011. This report is generated each time payroll is certified.

* Contact Cathy Gravatt, Accountant Senior - Payroll Tax Accounting, at cathy.gravatt@doa.virginia.gov for procedural clarification if necessary.

Continued on next page

Miscellaneous Exception Reports, continued

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 and therefore the cash match will need to be deactivated (for periods with no contribution taken).
857	Annuity Excess Deduction Report	Identifies employees who may exceed the IRS deferral limit for Section 403(b) plans and therefore the cash match will need to be deactivated (for periods with no contribution taken).
860	List of Employees to be Purged at Year End Processing	Identifies employees with Employee Status “3” and YTD Gross equal to zero. These records will be deleted from the masterfile during calendar year end processing. See additional information in Year End Processing on page 12.
861	List of Employees Whose Status Should Be Changed to 3	Identifies employees with YTD Gross equal to zero. Employee status on H0BES should be updated to “3” so that these records can be deleted during calendar year end processing. See additional information in Year End Processing on page 12.
891	Employees with YTD Deceased Pay (Special Pay 054, 055)	Identifies employees who received Deceased Pay (Special Pay Codes 054, 055) during the calendar year.
915	YTD State taxable wages Different from Federal	Identifies Employees whose State taxable wages do not equal Federal taxable wages.
917	Deceased Pay Exception Report	To identify records marked as “Deceased” with no Deceased Pay or with Deceased Pay and not marked as “Deceased” on H0BES.
932	Employees with State Tax Codes other than Virginia	Identifies employees with state tax records for states other than Virginia.

Payroll Operations Calendar

December 2011

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1 Payday for semi-monthly salaried employees Deferred Comp Transaction Upload	2	3 9AM - CIPPS files open - no edits or payruns
4 9AM - CIPPS files open - no edits or payruns	5 TPA Upload	6 Deferred Comp Transaction Upload	7 CARS close	8	9	10 9AM - CIPPS files open - no edits or payruns
11 9AM - CIPPS files open - no edits or payruns	12 Semi-monthly salaried certification deadline Period #1 (11/25-12/09)	13	14	15 Leave keying deadline (11/25-12/09) TPA Upload	16 Payday for semi-monthly salaried employees Due to DOA: W2 Distribution Form; Prior Qtr Adj; Non-Resident Alien Info	17 9AM - CIPPS files open - no edits or payruns
18 9AM - CIPPS files open - no edits or payruns	19	20 Deferred Comp Transaction Upload	21	22 Semi-monthly salaried certification deadline Period #2 (12/10-12/24)	23 **State Holiday: Christmas**	24 9AM - CIPPS files open - no edits or payruns
25 9AM - CIPPS files open - no edits or payruns	26 **State Holiday: Christmas**	27	28	29 Leave keying deadline (12/10-12/24) FILES CLOSE AT NOON	30 FILES CLOSED FOR CYE Payday for semi-monthly salaried employees November Healthcare Cert Due	31

Payroll Operations Calendar

January 2012

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 9AM - CIPPS files open - no edits or payruns	2 **State Holiday: New Years**	3 Deferred Comp Transaction Upload TPA Upload	4	5	6 Semi-monthly salaried certification Period #1 (12/25-01/09) Deferred Comp Transaction Upload	7 9AM - CIPPS files open - no edits or payruns
8 9AM - CIPPS files open - no edits or payruns	9 **CYE Cert Due**	10	11 Leave keying deadline (12/25-01/09)	12 Payday for semi-monthly salaried employees	13 **State Holiday: Lee-Jackson Day**	14 9AM - CIPPS files open - no edits or payruns
15 9AM - CIPPS files open - no edits or payruns	16 **State Holiday: M L King, Jr. Day**	17	18	19 TPA Upload	20 Deferred Comp Transaction Upload	21 9AM – CIPPS files open – no edits or payruns
22 9AM – CIPPS files open – no edits or payruns	23	24 Deferred Comp Transaction Upload	25	26 Semi-monthly salaried certification deadline Period #2 (01/10-01/24)	27	28 9AM - CIPPS files open - no edits or payruns
29 9AM - CIPPS files open - no edits or payruns	30	31 Leave keying Deadline (01/10-01/24) December Healthcare Cert Due				

Year-End Processing

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 23, 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 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 Monday, 5:00 PM, January 9, 2012

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 23.) ➢ Final total page of Reports 83 containing adjusted with agency Fiscal Officer signature, 2011 YEAR-END CERTIFICATION form (see page 27), signed by the agency Fiscal Officer, and the Report 883 total page showing the W-2 counts. ➢ W-2s will be generated after all adjustments have been processed and balanced to the certified Reports 83 and 883 total pages.
Do not have manual adjustments	➢ Completed Year-End Certification form and Final total pages of Report 83 both containing the agency Fiscal Officer signature as well as the final page of Report 883.

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

Continued on next page

Year-End Processing, continued

Non-Resident Aliens - Form 1042 Preparation

Nonresident Aliens (NRAs) should be issued W-2s. Due to the severe complexity of tax treaty laws, DOA highly recommends that agencies not offer tax treaty benefits to their non-US citizens. Only if your agency is offering tax treaty benefits would you need to make certain adjustments to those employees' records at year end. If you are not offering treaty benefits, then those NRAs on your payroll should receive W-2s just like all of your other employees. No adjustments would be required at year end. In very limited cases, certain NRAs are FICA exempt. These should be identified and adjusted immediately prior to year end.

Tax Treaty processing

Agencies must adhere to the following guidelines regarding tax treaties. For each employee that received the benefits of a tax treaty, you will need to complete the Employee File Adjustment Form (See Page 23) to reduce the employee's W-2 by the tax treaty amount that will be reported manually on a 1042-S form. Each agency is responsible for completing their own 1042 and 1042-S forms and submitting them in accordance with established deadlines to the IRS.

Turn On Remote Printers

Quarter-end reports (56/880/881) and year-end reports (83/883) will be generated from December 29 through January 3. To ensure that remote-print agencies receive these reports, ensure that your remote-print printers are left on during this period.

Deductions Generally – Flex and CVC

All deduction year-to-date accumulators will be set to zero during calendar year-end processing. 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 2012 since it may automatically reactivate depending on how it was established.

Due to a July to June plan year for Flexible Spending Accounts, only the year-to-date amounts will be zeroed during calendar year-end processing.

Combined Virginia Campaign (CVC) deductions will be deactivated during calendar year-end processing and the goal and amount fields will be "zeroed out." Turn on the deduction and enter the 2012 deduction and goal amounts before processing the first payroll in January.

Additional information on deductions will be included in the 2012 Payroll Operations Payroll Bulletin to be issued in December.

Terminated Employee Records

Report 860, CIPPS Employees to be Purged at Year-End Processing, identifies those employees who will be purged at the end of December.

At year-end all employee records with an employment status of 3 and year-to-date gross equal to zero will be purged.

Employee Records to be Terminated

Report 861, *CIPPS Employees Whose Status Should Be Changed to a '3'*, identifies those employees that have not received a payment through CIPPS in the current calendar year. Whenever practical, these employees must be terminated in CIPPS immediately. This report will be available the first week of December, and agencies will have until March 31st to either terminate the listed employees or to contact DOA providing a list of which records not to terminate and a supporting disposition.

Any employees not terminated and explanation not received by March 31st **will be** terminated by DOA and the agency could be listed in the Quarterly Report for non-compliance.

Continued on next page

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, 2012.

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

- Report U028 will be generated around November 30 and December 15. 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, 2012.

- The Report U028 generated for leave as of 11/24 around 11/30/11 **will only reflect accruals for two pay periods (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 1/11/12. 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 12/15/11 **will reflect the accruals for the remaining two pay periods** (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.

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.
- Yearly allocations of VSDP leave will load.

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 may 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 Rodgers	john.rodgers@doa.virginia.gov	(804) 225-3079
Shannon Gulasky	Shannon.gulasky@doa.virginia.gov	(804) 225-3065
Martha Laster	Martha.Laster@doa.virginia.gov	(804) 225-2382

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 reside in Payline, and agency personnel must have masking to access the W-2 information. Please refer to the following link for information on Payline and Masking:

http://www.doa.virginia.gov/Payroll/Payline/Payline_Main.cfm

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-2s will be provided for this purpose. Please be aware of the specific filing deadlines in each individual state.

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.

Distribution

Complete the W-2 DISTRIBUTION FORM (See Page 26) and FAX it to J.R. Rodgers by December 16 at (804) 786-9201.

This form is divided 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 Forms, continued

W-2 Changes

Note the following regarding W-2 changes after 12/29:

- 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 2011 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.**

Agencies have two options when employees request that you issue duplicate W-2s:

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.
2	Use Payline Masking to print the employee a replacement W-2.

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

W-2 Forms, continued

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 2011 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 your quarter and 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

Health Insurance Reporting

DOA and DHRM-Health Benefits are working on a way to include the costs of employees' health coverage as required by the IRS on the W-2s for calendar year 2012. This information is not required for calendar year 2011.

Continued on next page

W-2 Forms, continued

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	Employee's social security number	Self-explanatory.
b	Employer's Identification Number	Employer's Federal Employer Identification Number (FEIN).
c	Employer's Name, Address, and Zip Code	Self-explanatory.
d	Control Number	Assigned during the printing process and provides a count of all W-2s printed and a reference number in the event an employee receives more than one W-2. (OPTIONAL)
e & f	Employee's Identification Number, Organizational Code, Name, Address, and Zip Code	Self-explanatory.
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 $106,800.
4	Social Security Tax Withheld	Amount of OASDI tax withheld. Maximum is $6,621.60.
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 <u>may</u> 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 Forms, continued

W-2 Form Content Descriptions (continued)

<table>
<tr><th>Field</th><th>Title</th><th>Description</th></tr>
<tr><td rowspan="2">12, cont.</td><td>Multi-purpose:

M

N

P</td><td>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</td></tr>
<tr><td colspan="2">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.</td></tr>
<tr><td>13</td><td colspan="2">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.</td></tr>
<tr><td>14</td><td>Other</td><td>Company Car – Special Pay 07 – Co. Car</td></tr>
<tr><td>15</td><td>State</td><td>Two-character abbreviation of the state and the employer’s identification number.</td></tr>
<tr><td>16</td><td>State Wages, Tips, Etc.</td><td>Amount of state taxable wages. This can include imputed life and may also include any company-paid DI tax.</td></tr>
<tr><td>17</td><td>State Income Tax</td><td>Amount of state income tax withheld</td></tr>
<tr><td>18</td><td>Locality Name</td><td>Name of the local taxing entity.</td></tr>
<tr><td>19</td><td>Local Wages, Tips, Etc.</td><td>Amount of local taxable wages. (Note: For Maryland these amounts are reported with State.)</td></tr>
<tr><td>20</td><td>Local Income Tax</td><td>Amount of local income tax. (Note: For Maryland these amounts are reported with State Tax.)</td></tr>
</table>

Contact Information

Department of Accounts - Payroll and Leave Contacts
CIPPS 2011 Calendar Year-End

Name and Title	Functional Area	E-mail
Lora George Director - State Payroll Operations	General Information	Lora.george@doa.virginia.gov
Cathy McGill Assistant Director – State Payroll Operations	General Information	Cathy.Mcgill@doa.virginia.gov
Denise Halderman Supervisor - Benefits Accounting	941 processing,	Denise.halderman@doa.virginia.gov
Cathy Gravatt Accountant Senior - Payroll Tax Accounting	941 processing, Voids	Cathy.gravatt@doa.virginia.gov
John (JR) Rodgers Year End Coordinator	Year-end adjustments, manual updates, W-2 distribution, reissued W-2s	John.rodgers@doa.virginia.gov

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 Number

- FAX information to 225-3499 for questions related to year-end processing, W-2 distribution and 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.
880 – Employee Quarterly Tax Report #1	Tax information by tax unit, country, state, local, establishment, and employee number for prior quarter (4th quarter 2011) 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 2011) 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 01/10/09 to 01/09/10.	
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 15 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.
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.

Continued on next page

Summary of Quarter and Year-to-Date Reports, continued

Optional Reports

Report	Description	Agencies Use Report to…
806 – Employees Currently Receiving Earned Income Credit (EIC)	Identify employees still set up with AEITC and contact for new W-4s. EIC eliminated effective 01/01/2012.	Used to correct employee's FIT Status from "7" to "4".
808 – Verification Report	Used to verify employee name and address prior to issuing W-2s.	Verify accuracy of employee's names and addresses.
873 – Automatic Special Pay #05- Reportable Meals	Lists year-to-date amounts for verification.	Verify accuracy.

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

Attachments

Attachments

The following attachments are to be used in the Year-End Process.

- Employee File Adjustment Form
- 2011 Year-End Certification
- W-2 Distribution Form

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.

= =

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

REPORT THE CORRECT AMOUNT, NOT THE AMOUNT OF THE ADJUSTMENT.

2011 YEAR-END CERTIFICATION

Company Name: ________________________________ Number: ____________

---

1. **We certify that we have reconciled our Year-to-Date (YTD) Report 83/883 totals by one of the following methods (check one 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. **Status of differences (check one box):**

☐ 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. Valid explanations are attached to the adjustment sheet for processing purposes.

---

3. ☐ We certify that all non-paid/non-cash items for the year have been entered. Examples include: Reportable Meals, Housing, Personal Use of State Vehicles, Taxable Tuition, Telework Expenses, Moving & Relocation Expenses, Gift Cards, etc.

4. ☐ We certify that we have reviewed each Report 831 created during the year, and certify that we are in compliance with state policies regarding mandated direct deposit and elimination of earnings notice print.

5. ☐ We certify that we are in compliance with state policies regarding elimination of earning notices print.

6. ☐ We certify that the pending file has been reviewed and all prior year transactions which should be removed have been deleted.

2011 YEAR-END CERTIFICATION

Company Name: ________________________________ **Number: ____________**

7.. **Federal and State Wage Verification (check one, attach explanation of differences):**

☐ No differences between total FIT Taxable Wages and total SIT Taxable Wages – **there should be no differences between FIT Taxable and SIT Taxable for any VA resident.**

OR

☐ Differences exist and are valid

FIT Taxable: ____________________________

SIT Taxable: ____________________________

DIFFERENCE: ____________________________

8. ☐ **Certification of Taxable Wage Totals**:

We certify that the attached Report 83/883 accurately reflects the total taxable wages paid, and associated tax withholdings for employees of this agency/company in 2011.

______________________________________ ________________

Agency Fiscal Officer Signature Date

______________________________________ ________________

Printed name Phone #

Due Monday, January 9, 2012

W-2 Distribution Form

FOR CALENDAR YEAR ENDING DECEMBER 31, 2011

Company Name: ___________________________________ **Number**: ________________

Agency Fiscal Officer Signature: ____________________________ **Date**: ___________________

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

SORT ORDER

(YOU MUST CHOOSE ONE)

*Alphabetical within O**rganization** code (Default)* ________ *Alphabetical within Agency* _________

DISTRIBUTION

Non-Payroll Service Bureau Agencies please indicate the method that you want W-2s to be distributed to your agency.

Pick Up at DOA _____________ **UPS** ____________________

Payroll Service Bureau (PSB) Distribution - Please note that the Payroll Service Bureau will initially pick up W-2s for agencies serviced by the Bureau, **but you must choose one of the following** :

_____ PSB bulk ship to Agency Central Office for agency distribution

_____ Agency Courier will pick up from PSB for agency distribution

_____ PSB mail W-2s directly to employees (**Agency will be charged for postage**)

AGENCY CONTACT

Name ___________________________ FAX # ___________ Phone # ________________

Email Address ____________________________

Other Information

____

____

FAX by December 16 to:

J.R. Rodgers, Year-End Coordinator
(804) 225-3499