


Volume No. 1—Policies and Procedures	TOPIC NO. 50315 – Cardinal
Section No. 50300 — Establish/Maintain Employee Profile Information	TOPIC EMPLOYEE TAX MAINTENANCE
	DATE June 2023

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Overview

Introduction Employee tax records are automatically created in Cardinal HCM when human resources creates the employee job data record during the new hire process. Tax records are then updated with information from the Form W-4 (Employee's Withholding Certificate) and applicable state withholding form, when the employee submits those forms to the company's payroll administrator.

This topic provides basic guidance on the collection and entry of employee tax data to ensure pay is taxed properly and in accordance with federal and state law.


Employees with multiple jobs within the same agency will have one tax record for both jobs. Employees with multiple jobs across agencies will have one tax record for each agency. Payroll administrators are responsible for completing the employee tax set up. Refer to the "Maintain Employee Tax Information" Job Aid for detailed instructions.

Responsibilities

HR Administrators HR Administrators:

- Confirm that the employee has a valid SSN; if not, follow the process provided in Cardinal job aid, HR351, Assigning and Monitoring Temporary SSNs before adding the new hire. Follow up with the employee to ensure that actual SSN is received within established deadlines and provide to DHRM/VRS as applicable.
- Ensure that the Tax Location code on the Payroll tab of the Job Data record accurately reflects the physical location where employee work will occur.
- Coordinate with Payroll Administrators to register for new state withholding and unemployment insurance accounts when employees work in states other than Virginia and the state record does not already exist for the agency.

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Responsibilities, continued

Payroll Administrators

Payroll Administrators:

- Ensure that employee withholding forms are entered promptly and accurately in the payroll system, considering local taxes that may also be required.
- Coordinate with HR Administrators to register for new state withholding and unemployment insurance accounts when employees work in states other than Virginia and the state record does not already exist for the agency.
- Notify DOA State Payroll Operations when new state records need to be added to the Company State Tax table and provide account numbers for the records.

Employees

Employees:

- Provide withholding forms as soon as possible upon new hire.
- Review taxes withheld from pay to ensure amounts are appropriate and reflect changes requested.

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Tax Withholding

Federal/State Tax Withholding Overview

Withholding amounts are automatically calculated in Cardinal HCM, based on information entered online from the employee's federal Form W-4 and state withholding forms.

Tax withholding is based on the following:

- Taxable wages
- Tax withholding tables
- Pay frequency – The tax withholding amount depends on the frequency the employee is paid. Pay frequencies included in the tax withholding tables are annual, monthly, semimonthly, biweekly, and weekly.
- Marital status and personal allowances – The tax withholding amount is decreased by the annual credits allowed for the standard deduction and personal allowances (where allowed). Employees indicate the standard deduction and/or personal allowances to which they are entitled on the Virginia Withholding Certificate (VA-4). Federal W4s submitted on or after January 1, 2020, no longer include an allowance based on number of exemptions, but include other fields which may be completed to increase or decrease the amount of tax withheld.
- Working State – State withholding is based on the state in which the employee physically works. See individual state websites for details regarding residency requirements and additional taxes (local) that may be required. Cardinal HCM establishes the work state tax data record based on the Tax Location Code on the Payroll tab of the Job Data record.

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Tax Withholding, Continued

Forms Overview

The employee's completed federal Form W-4 tells the employer:

- The employee's social security number (SSN)
- The employee's tax domicile address
- Whether to withhold at the single/married filing separately, head of household or married filing jointly/qualifying widower rate (Step 1(c))
- Whether to withhold at a higher rate because the employee holds more than one job (Step 2(c))
- How much to reduce tax withheld based on number of qualifying children under the age of 17 (Step 3)
- How much to increase tax withheld based on amount of other income (not from jobs) received (Step 4(a))
- How much to reduce tax withheld based on annualized itemized deductions reported on 1040-Schedule A (Step 4(b))
- Whether the employee wants any additional amount withheld (Step 4(c))
- Whether the employee is claiming exempt from withholding (indicated by writing the word "Exempt" in the space below Step 4(c))

The employee's completed state withholding form provides information regarding filing status, number of allowances, additional amount to withhold or if the employee claims an exemption from state withholding. There may be some differences state to state.

Newly hired employees are required to complete both forms within the first pay period of work, including transfers between agencies and rehires. If the employee does not furnish these forms timely, the employee's tax status will default to a marital status of "Single" and taxes will be withheld at the highest rate.

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Tax Withholding, Continued

Employee's Withholding Certificate – W-4

The W-4 is the source document for the employee's name and social security number to appear on the W-2 (Wage and Tax Statement). It is not the employer's responsibility to verify the accuracy of the W-4; however, the IRS can hold the employer accountable and impose penalties if the form is clearly invalid.

IRS Publication 15 describes situations that make a W-4 form invalid. DOA policy requires companies to reject an invalid W-4 and continue withholding based on the prior W-4 filed by the employee. If no prior W-4 is on file, withhold at the default "Single/Multiple Job" rate until the employee submits a valid W-4. Some examples of things that make a W-4 invalid are:

- Missing or incomplete information
- The name on the Social Security Card does not match the W-4 name/number
- Step 2(c) is checked or Steps 3 or 4 have amounts in them, but the space below Step 4 says "Exempt"
- Alteration of any language or corrections on the form
- Indication that any information provided on the form is false

The IRS does not allow a flat percentage of withholding except in the case of "supplemental wages." There is no place to put a flat percentage on the W-4. If the employee attempts to request a flat percentage, it alters the official language of the form thereby making it invalid. Additionally, the IRS does not allow an employee to withhold a flat dollar amount. Employees must request an additional flat dollar amount in Step 4(c).

Reject the W-4 if the SSN has any of the following conditions:

- The first three digits are "000," "666," or in the 900 series.
- The second group of two digits is "00."
- The third group of four digits is "0000."

DO NOT accept an Individual Taxpayer Identification Number (ITIN) in place of an SSN. The IRS issues ITIN numbers to resident and non-resident aliens who are NOT eligible for US employment.

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Tax Withholding, Continued

Resident and Nonresident Aliens

The taxation and reporting requirements for income earned by foreign citizens (aliens) working in the U.S. depend on whether the employee is a resident or nonresident alien. Generally, resident aliens are taxed on their worldwide income, which means they are subject to federal and state income tax withholdings to the same extent as U.S. citizens. Nonresident aliens, however, are taxed only on their income from U.S. sources, with some exceptions. Nonresident aliens are subject to the same federal income tax withholding as resident aliens depending on the source income, visa status or income treaties between the United States and the resident country.

In either case, employees are required to provide the employer with a completed Form W-4. When completing a Form W-4, a nonresident alien must claim ‘single’ regardless of the marital status. If Form W-4 is not submitted, the employee should be entered as ‘single/multiple jobs’.

For more details on resident and nonresident alien taxation, see IRS Publication 519, US Tax Guide for aliens.

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Social Security Numbers

Employees With No Social Security Card

Employees who do not have a Social Security Card must show the card “promptly thereafter” (IRS Regulation 31.6011 (b)-2).

Employees must have a social security number recorded in Cardinal. Until a card is issued, follow the procedures in the Assigning Temporary Social Security Numbers section of this topic to request a temporary SSN. These procedures are in place due to the system conventions required by centralized agencies and third party administrators. Employees (e.g., Foreign Nationals) must submit an SS-5 Application for a Social Security card to the Social Security Administration if they do not have a Social Security Number (SSN). Refer to Cardinal job aid, HR351, Assigning and Monitoring Temporary SSNs, for detailed instructions on requesting and tracking temporary SSNs.


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Social Security Numbers, Continued

Assigning Temporary Social Security Numbers

To assign an employee a temporary SSN:

1. Have the employee complete form SS-5.
(<https://www.ssa.gov/forms/ss-5.pdf>)
2. Absent a true SSN, any W-4 submitted by the employee is invalid. Withhold at the higher “Single” and “Multiple Jobs” rate until a valid W-4 with a true SSN has been received.
3. If the employee does not receive a new Social Security Card before calendar year end, DOA must file the W-2 with “000-00-0000” as the social security number. The Social Security Administration will not accept temporary social security numbers when W-2s are filed. DOA will work with agencies to complete a W-2c in situations where the W-2 was previously filed using “000-00-0000” as the SSN.
4. Employee should submit a valid W-4 with assigned SSN when card has been received. The agency should request to see the employee’s Social Security Card to validate the information on the W-4.
5. Agency HR Administrator follows process identified in Cardinal job aid, HR351, Assigning and Monitoring Temporary SSNs to update HCM with the real SSN.
6. The agency MUST perform a second annual solicitation by December 31 of the second calendar year following employment when the employee fails to submit a valid SSN. To document the “second annual solicitation”, send a W-4 along with a letter to the employee. Should a line agency receive a penalty notice from the IRS, a waiver can be requested by providing documentation for two annual solicitations for a valid SSN. The first annual solicitation is the W-4 form requested at the time the employee was hired.

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Process Pay Period Tax Payments

State Payroll Operations (SPO) Responsibilities

SPO monitors and manages the pay period tax payments by:

- Remitting payments and processing reports for Federal taxes, as well as taxes for all states (with the exception of Local taxes to Pennsylvania).
- Reviewing the Tax Deposit Summary which ties back to the Federal Automated Deposit (FAD) Extract submitted to Truist for tax payments.
- Creating an inter-agency journal entry for the VA taxes.
- Creating a journal entry to post Pennsylvania local taxes to the agency Payroll Suspense account for Other State Taxes.
- Working with Truist or Tax authority, related to Federal or VA taxes, if there are payment discrepancies.
- Reaching out to agencies as needed.

Agency Responsibilities

Agencies play a very important role in employee tax maintenance and management by:

- Registering for withholding and state unemployment insurance accounts as soon as possible.
- Providing account numbers for other states to DOA SPO promptly.
- Submitting required periodic tax reports for states other than Virginia.
- Running and reviewing the Tax Remittance Report for tax payments due to other states and reconciling with reports provided by DOA SPO.
- Remitting Local taxes to Pennsylvania.
- Working with the other state or local tax authority if there are payment discrepancies.
- Monitoring temporary SSNs.
- Providing quarterly certifications to DOA SPO that all taxable wages and taxes have been withheld and reported correctly.

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Reciprocal Taxes

Reciprocal Tax Agreements

Virginia currently has reciprocity agreements with District of Columbia, Kentucky, Maryland, Pennsylvania, and West Virginia. In order for the reciprocity agreements with Maryland, West Virginia, and Pennsylvania to apply, the Virginia source income must be subject to taxation by the employee's state of residence. Agencies are encouraged to register, withhold, and report taxes for these states.

Recent guidance from the Department of Taxation indicates Virginia tax should be withheld if Maryland, West Virginia, or Pennsylvania tax is not withheld. The employee still has the option of reducing Virginia withholdings by filing form VA-4b, "Virginia Employee's Withholding Income Tax Credit for Income Taxes Paid To Another State." Information and links to all states is available in the "Out of State Payroll Tax Information" spreadsheet located on the DOA State Payroll Operations website under Important Documents.

Non-reciprocity States

If agency employees reside and work in other states (such as external auditors or teleworkers operating outside VA) the employee's income is subject to taxation in accordance with the rules of the prevailing work state. Virginia tax would not be withheld or reported in such special cases. In addition to establishing withholding accounts in those work states, agencies must also research and apply for unemployment accounts as applicable.

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Reciprocal Taxes, continued

PA – ACT 32 PA – ACT 32 became effective January 1, 2012, and requires that local taxes be withheld at the higher tax rate of either the political subdivision (PSD) of the employee's home or work location. A Residency Certification Form must be completed by each employee who lives and works in Pennsylvania, and maintained in the employee's payroll file. Review the information available on ACT 32 on the Pennsylvania website at <https://dced.pa.gov/local-government/local-income-tax-information/>

Submit a copy of the Residency Certification Form to DOA SPO when a new locality needs to be established in HCM. SPO will provide guidance on the correct establishment of the Pennsylvania Local Tax records.

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Internal Control

Internal Control

Agencies are responsible for ensuring that employees complete both federal and state withholding forms. Withhold the allowances claimed by the employee on Form W-4 and withhold any additional amount requested on the forms, both federal and state withholding certificates. Agencies must ensure that all reciprocal tax agreements are honored and that taxes are withheld and reported for these states.

Records Retention


Time Period

IRS documents and records should be retained for at least 4 years. All other payroll documents and records should be retained for a period of 5 years or until audited whichever is later.

Contacts

DOA Contact

Director, State Payroll Operations
Voice: (804) 225-2245
E-mail: Payroll@doa.virginia.gov

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Subject Cross References

References

Refer to suggested job aids and training information for data entry and processing on the Cardinal website: <http://www.cardinalproject.virginia.gov/>.

The following can be found on the Cardinal Website, under Learning – Course Materials:

HR351 Cardinal Employee Data Setup and Maintenance
PY381 Agency Payroll Management

Suggested Additional Resources

The following can be found on the Cardinal Website, under Learning – Job Aids:

HR 351 Monitoring Temporary SSNs
PY 381 Maintain Employee Tax Information