

# Department of Accounts

## Payroll Bulletin

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

- ✓ **Deferred Comp/Annuity Deductions from Workers' Comp Benefits**
- ✓ **Imputed Life Manual Paysets**
- ✓ **Deferred Comp Auto Enrollment**
- ✓ **Wage Repayments**
- ✓ **Benefits Accounting Contacts**

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](mailto:cathy.mcgill@doa.virginia.gov)

State Payroll Operations

**Director**                      **Lora L. George**  
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### Deferred Comp/Annuity Deductions from WC/STD-WC Benefits

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**Deductions for DC and/or Pre-Tax Annuities Not Allowed from Workers' Comp/STD-WC Benefits**

Employee retirement plans (403(b), 401(a), 457) are employer-compensated payroll deducted plans. Workers' Compensation (002) and/or Short Term Disability Plan payments (062) for approved work-related disabilities are not employer payroll compensation; they are a benefit; therefore, they are not eligible for pre-tax retirement deductions/reductions. Also, payments from these retirement plans are generally distributed to employees post-tax. In addition, remember that there is no Cash Match if there is no employee contribution.

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### Imputed Life Manual Pay Sets

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**Imputed Life Manual Pay Sets for Employees Not Receiving Regular Pay**

The CIPPS vendor has informed us that in order for Imputed Life manual pay sets to process correctly (i.e., post Uncollected OASDI and HI), the employee has to be paid one cent as regular pay when processing the manual pay set. This will ensure that all accumulation fields are updated correctly, including uncollected OASDI and HI.

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### Deferred Compensation Auto Enrollment (Correction)

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**Refunds for Employees that Opt Out**

Refunds requested when an employee opts out during the first 90 days of automatic deferrals MUST always be done directly from VRS/Great West and not through payroll. Great West will send the employee a 1099 so no adjustment to the payroll records is needed. Also, the employer cash match is NOT refundable to the agency.

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## Wage Repayments

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### **From IRS Publication 15, Circular E**

If an employee repays the agency for wages received in error, do not offset the repayments against current-year wages unless the repayments are for amounts received in error in the current year.

**Repayment of current year wages.** If you receive repayments for wages paid during the current year, you should enter a non-paid manual payset to reduce the appropriate fields. If the amount of the overpayment was for the entire pay period, then the amount of the repayment should equal the net pay received by the employee for that pay period. Otherwise, you may also need to recover certain employee-paid deduction amounts. If you have any questions, please contact DOA.

**Repayment of prior year wages.** If you receive repayments for wages paid during a prior year, you must notify DOA and request a W-2c for the employee. DOA will generate a 941c to recover the Social Security and Medicare taxes. Do not correct wages (box 1 and box 16) for the amount paid in error. Federal and state taxable wages and withholding may not be adjusted because the wages were paid during a prior year.\* DOA will file Forms W-2c and W-3c with the SSA to correct social security and Medicare wages and taxes. Once the agency receives the W-2c, the original should be given to the employee and a copy retained by the agency.

**\*Note: The wages paid in error in the prior year remain taxable to the employee for that year. This is because the employee received and had use of those funds during that year. The employee is not entitled to file an amended return (Form 1040X) to recover the income tax on these wages. Instead, the employee is entitled to a deduction (or credit in some cases) for the repaid wages on his or her income tax return for the year of repayment. Employees should be advised to contact their tax professionals for advice.**

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## DOA Contacts

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### **Benefits Accounting**

Walt Roish retired effective April 1 after more than eighteen years of dedicated service to the Commonwealth and Department of Accounts. An updated contact list for Benefits Accounting is provided on the following page.

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***Payroll Operations – PR/Benefits Accounting***

<b>Name</b>	<b>Functional Area</b>	<b>E-mail</b>	<b>Phone (804 Area Code)</b>
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