

Department of Accounts Payroll Bulletin

Calendar Year 2009

November 17, 2009

Volume 2009-21

PAYROLL PROCESSING - CALENDAR YEAR-END 2009

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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
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Introduction

This Payroll Bulletin addresses payroll and leave processing for calendar year-end 2009. 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

- 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 3.
 - During 2009 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 12.
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PAYROLL PROCESSING - CALENDAR YEAR-END 2009

Issues Requiring Special Attention, continued

Issues

Requiring Special Attention (continued)

- Review all items carried forward to your 2010 CIPPS Pending File. You may need to delete items applying only to 2009. 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, 2010, when DOA resets the year-to-date fields to zero.**
- **Remote print agencies must leave their remote-print printers on from December 31 through January 4, 2010.** Quarter-end and year-end reports will be processed and distributed to agencies during this time.

Key Dates

- **Thursday, December 17** – W-2 distribution form due to DOA.
- **Friday, December 18** – Non-Resident Alien Information due.
- **Tuesday, December 29** - Prior quarter adjustments due.
- **Wednesday, December 23** – Semi-monthly certification cut-off.
- **Thursday, December 24 through Friday, December 25** – Holiday
- **Tuesday, December 29** – Last day to certify Wage and Special pay runs with a December 31 check date.
- **Wednesday, December 30 – 12:00 p.m.** - Leave keying deadline for period 12/10-24/2009.
- **Wednesday, December 30** – 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 31 through January 4** – Leave remote printers on.
- **Thursday, December 31** – Payday for 12/10-24 pay period.
- **Friday, January 1** – Holiday
- **Friday, January 8** – Semi-monthly certification cut-off.
- **Friday, January 8** – Year End certifications due to DOA.
- **Wednesday, January 13** – Leave keying deadline for period 12/25/2009 - 1/9/2010. Calendar year-end leave processing.
- **Thursday, January 14** – Payday for 12/25-1/9 pay period.
- **Friday, January 15 through Monday, January 18** – Holiday
- **Tuesday, January 26** – Semi-monthly certification cut-off.
- **Wednesday, January 27** – Last day for W-2s to agencies.
- **Friday, January 29** – Leave keying deadline for period 1/10-24/2010.
- **Friday, January 29** – Last day to distribute W-2s to employees.
- **Monday, February 1** – Payday for 1/10-24 pay period.

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2009 Payroll Processing

**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 8) 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 deadlines identified below. Processing adjustments with CIPPS Manual Pay-sets are 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.

**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 12/23.
CIPPS Manual Pay-sets	Most effective if keyed prior to PE 12/24 certification, but may be entered through 12/30 by 11:00 am.
Year-end (Report 883) Adjustments	Friday, January 8 – 5:00 p.m.

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2009 Payroll Processing, Continued

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)	<p><u>Advantages:</u></p> <ul style="list-style-type: none"> • All refunds and collections processed through CIPPS (if employee receives regular pay). • Changes reflect on employee's 12/31 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. <p><u>Disadvantages:</u></p> <ul style="list-style-type: none"> • If paid adjustment, employee must receive a regular pay amount of at least .01 cent (or 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	<p><u>Advantages:</u></p> <ul style="list-style-type: none"> • YTD adjustments will reflect on Employees 12/31 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. <p><u>Disadvantages:</u></p> <ul style="list-style-type: none"> • 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.
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.	<p><u>Advantages:</u></p> <ul style="list-style-type: none"> • Changes reflect on employee's W-2. • Changes reflect on Agency's W-2 magnetic-media information returns. <p><u>Disadvantages:</u></p> <ul style="list-style-type: none"> • 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.

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2009 Payroll Processing, Continued

How to Process Manual Pay Sets and Void Checks

The following must be performed no later than Wednesday, December 30:

- 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 Wednesday, December 30 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

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2009 Payroll Processing, Continued

**How to Process
Void Checks
External to CIPPS**

For year-end processing, it is sometimes necessary to process 2009 VOID checks **external** to CIPPS. Agencies must complete the following procedures if it is necessary to void CY 2009 checks after 12/30/2009.

Step	Action	
1.	Do not write on or stamp the check "VOID."	
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).	
3.	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.	
4.	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.	
5.	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.	
6.	Prepare a VRS 1501 FORM for retirement withholdings. If Optional Retirement Plan, request a refund from DOA.	
7.	Adjust employee records, as required, using year-end procedures, or request a corrected W-2 (form W-2C) if past the YE certification deadline.	
8.	Recover miscellaneous employee-level deductions through the following instructions. Refunds requested through DOA will be credited to the agency by CARS journal entry.	
	If deduction is...	Then...
	Combined VA campaign	Request refund from the vendor.
	Deferred Compensation	Request a refund from VRS. A 1099 may be issued by ING for the refunded amount.
	DSS Child Support (Ded. 01)	Request a refund from Department of Social Services.
	Flexible Reimbursement Account	Request a refund from DHRM, Office of Health Benefits.
	Garnishment Fees	Request a refund from DOA.
	Health Care	Request a refund on the Health Care Certification.
	Supplemental Insurance and Tax Sheltered Annuities	Request a refund from vendor(s).
	U. S. Savings Bonds	Request a refund from DOA.
Optional Group Life	Request a refund from Minnesota Life.	

W-5 Forms

W-5 Forms (*Earned Income Credit Advance Payment Certificate*) expire December 31. Employees who want to continue receiving advance payments of the earned income credit (EIC) **must** complete a new W-5 FORM before the first payroll of the new calendar year is certified. Report 806, *Employees Currently Receiving Earned Income Credit*, lists the participating employees.

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2009 Payroll Processing, 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 \$50 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 12/30/09**).

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 2009 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 2009-01 for more information on limits and exceptions.

http://www.doa.virginia.gov/Payroll/Payroll_Bulletins/2009/2009_01.doc

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 manually, by DOA, 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	Identify employees requiring a new W-5 form to continue advance EIC in 2010.
809	Employees with Zero Social Security Numbers	Employees on this list must be corrected prior to issuing W-2s.
843	Statutory Indicator Checked	Identify Employees who may have the W-2 Statutory Employee Indicator Checked. Note: DOA will override this indicator unless otherwise requested in writing.
844	YTD OASDI Tax - Employee not equal to employer.	Identifies employees who may have OASDI Tax withheld incorrectly. It is essential this report be reviewed and corrective action taken prior to the final payroll certification of 2009.*
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 2009.*
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 2009.*
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 2009.*
852	Incorrect Imputed Life	Identifies employees who may have imputed life (Special Pay 14) calculated incorrectly. It is essential this report be reviewed and corrective action taken prior to the final payroll certification of 2009.

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

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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.
857	Annuity Excess Deduction Report	Identifies employees who may exceed the IRS deferral limit for Section 403(b) plans.
915	YTD State taxable wages Different from Federal	Identifies Employees whose State taxable wages do not equal Federal taxable wages.
917	DECEASED PAY EXECEPTION REPORT	To identify potential incorrect coding for deceased employees.

Payroll Operations Calendar

December 2009

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1 Payday for semimonthly salaried employees Deferred Comp Transaction Upload	2	3	4 Deferred Comp Transaction Upload	5
6	7	8	9	10 Semimonthly salaried certification Period 1-(11/25-12/09)	11	12
13	14	15 Leave keying deadline (11/25-12/09) Lose/use leave Report	16 Payday for semimonthly salaried employees	17 W-2-distribution form due to DOA	18 Tax Treaty Information Due Deferred Comp Transaction Upload	19
20	21	22	23 Semimonthly salaried certification Period 2-(12/10-12/24)	24 State Holiday: Christmas	25 State Holiday: Christmas	26
27	28	29 Last day to certify special or wage payrolls for a Dec 31st check date. Deadline for prior quarter (manual) adjustments	30 Leave keying deadline (12/10-12/24) <u>Last day to process 2009 manual pay-sets, edits non-paid updates, voids and stop payments of direct deposit earnings</u> Files open for keying updates only. No Pay certifications allowed. CIPPS close at 12PM	31 Payday for semimonthly salaried employees November 2009 Healthcare certification due FILES CLOSED – CYE Processing	Leave remote printers on Dec 31 to Jan 4 to receive Year-end reports	

Payroll Operations Calendar

January 2010

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1 State Holiday NEW YEAR CIPPS files open- no edits or pay runs	2
3	4 Deferred Comp Transaction Upload	5	6	7 Deferred Comp Transaction Upload	8 CYE Certifications Due to DOA Semimonthly salaried certification Period 1-(12/25-1/09)	9
10	11	12	13 Leave keying deadline (12/25-1/09)	14 Payday for semimonthly salaried employees	15 State Holiday LEE –JACKSON DAY CIPPS files open- no edits or pay runs	16
17	18 State Holiday MARTIN LUTHER KING, JR DAY CIPPS files open- no edits or pay runs	19	20	21 Deferred Comp Transaction Upload	22 Deferred Comp Transaction Upload	23
24	25	26 Semimonthly salaried certification Period 2-(1/10-1/24)	27 Last day for W-2s to be to be distributed to agencies	28	29 Leave keying deadline (1/10-1/24) December 2009 Healthcare certification due Last day to distribute W-2s to employees	30
31						

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 26, 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 Friday, 5:00 PM, January 8, 2010

If you...	Remit the following...
Have manual adjustments,	<ul style="list-style-type: none"> ➤ Original pages of Report 883 reflecting employees who require manual adjustments. ➤ Employee File Adjustment Form (See Page 26.) ➤ Final total page of Reports 83 containing adjusted with agency Fiscal Officer signature, 2009 YEAR-END CERTIFICATION form (see page 27), signed by the agency Fiscal Officer, and the Report 883 total page showing the W-2 counts. ➤ After year-end adjustments have been processed, you will receive revised year-end audit reports (83/883) that reflect the requested changes. W-2s will be generated after all adjustments have been processed and balanced to the certified Reports 83 and 883 total pages. DO NOT return these corrected copies of Reports 83 and 883 to DOA.
Do not have manual adjustments	<ul style="list-style-type: none"> ➤ 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.

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Year-End Processing 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 26) 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 31 through January 4**. To ensure that remote-print agencies receive these reports, **ensure that your remote-print printers are left on during this period.**

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Year-End Processing Year-End Processing, Continued

Deductions Generally – Flex and CVC

All deduction year-to-date accumulators will be set to zero on December 31. 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 2010 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 on December 31.**

Combined Virginia Campaign (CVC) deductions will be deactivated on December 31 and the goal and amount fields will be “zeroed out.” **Turn on the deduction and enter the 2010 deduction and goal amounts before processing the first payroll in January.**

Additional information on deductions will be included in the **2010 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 distributed 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.

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Year-End Processing Year-End Processing, Continued

**Schedule of
Major Payroll
Events in
January 2010**

The Payroll Bulletin that provides Calendar Year 2010 payroll operating information, including the January through May 2010 Payroll Operations Calendar, will be distributed to agencies in December 2009. An interim list of major payroll events occurring in January 2010 follows. All dates listed are final completion dates. Data will be processed as DOA receives it.

	Day of Week	Event
1/8	Friday	Certification Deadline for salaried semi-monthly, 12/25/09-01/09/10, Check date 01/14/10.
1/8	Friday	2009 W-2 Audit Reports (83 & 883) due from agencies by 5:00 p.m.
1/13	Wednesday	Leave keying deadline for 12/25 - 1/9 pay period and cut-off for Leave year-end.
1/14	Thursday	Payday
1/15	Friday	State Holiday
1/18	Monday	State Holiday
1/26	Tuesday	Certification Deadline for salaried semi-monthly, 01/10/09-01/24/10, Check date 02/01/2010.
1/27	Wednesday	Last day employee W-2s are sent to agencies.
1/29	Friday	Leave Keying Deadline, Period 01/10/09-01/24/10.
1/29	Friday	Last day for agencies to deliver or postmark W-2s to employees.
2/1	Monday	Payday

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 13, 2010.

DOA will provide agencies 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 12/31 stating that annual leave may be lost if not used by January 9, 2010.
- The Report U028 generated for leave as of 11/24 around 11/30/09 **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 1/13/10. 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 12/15/09 **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 13:

- 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 occur.

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:

<u>Name</u>	<u>E-mail</u>	<u>Phone</u>
John Rodgers	john.rodgers@doa.virginia.gov	(804) 225-3079

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 28) and FAX it to J.R. Rodgers by December 17 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:

- 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 2009 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.**

When employees request that you issue duplicate W-2s, agencies have 2 options:

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
<i>Special Pay 03 (Moving & Relocation Nontaxable)</i>	<i>Excluded</i> from wages (Box 1), but included in Box 12 with label of P.
<i>Special Pay 04 (Moving & Relocation Taxable)</i>	<i>Included</i> 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 <i>(Special Pay 54 - current year)</i>	<ul style="list-style-type: none"> 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 2009 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 <u>not</u> be made to "the estate of..." with the deceased employee's SSN.
Deceased Pay Two <i>(Special Pay 55 - prior year)</i>	<ul style="list-style-type: none"> Excluded from your quarter and year-end reports. Wages paid <i>in the calendar year after death</i> 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

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)

Field	Title	Description
12, cont.	Multi-purpose:	Box <u>may</u> contain the following required items with labels assigned by IRS:
	M	Uncollected OASDI on Group Term Life Insurance Coverage over \$50,000
	N	Uncollected HI on Group Term Life Insurance Coverage over \$50,000
	P	Excludable moving expense reimbursements Special Pay 03 -Moving and Relocation Nontaxable
<p>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.</p>		
13		<p>This box contains checkboxes that are marked with an X if they apply.</p> <p><i>STATUTORY EMPLOYEE</i> - 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.</p> <p><i>RETIREMENT PLAN</i> - 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.)</p> <p><i>THIRD PARTY SICK PAY</i> - Not applicable.</p>
14	Other	<i>Company Car</i> – Special Pay 07 – Co. Car
15	State	Two-character abbreviation of the state and the employer's identification number.
16	State Wages, Tips, Etc.	Amount of state taxable wages. This can include imputed life and may also include any company-paid DI tax.
17	State Income Tax	Amount of state income tax withheld
18	Locality Name	Name of the local taxing entity.
19	Local Wages, Tips, Etc.	Amount of local taxable wages. (Note: For Maryland these amounts are reported with State.)
20	Local Income Tax	Amount of local income tax. (Note: For Maryland these amounts are reported with State Tax.)

Contact Information

Department of Accounts - Payroll and Leave Contacts CIPPS 2009 Calendar Year-End

Name and Title	Functional Area	E-mail
Lora George Director - State Payroll Operations	General Information	Lora.george@doa.virginia.gov
Ervin L. Farmer Payroll Analyst	Year-end adjustments, Leave, agency payroll and procedural support	Ervin.farmer@doa.virginia.gov
Cathy Gravatt Accountant Senior - Payroll Tax Accounting	941 processing, Voids	Cathy.gravatt@doa.virginia.gov
Cathy McGill Assistant Director – State Payroll Operations	General Information	Cathy.Mcgill@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 Numbers

- FAX information to 786-9201 for questions related to year-end processing or W-2 distribution.
 - FAX information to 225-3499 for 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 (4 th quarter 2009) 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 (4 th quarter 2009) 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.
853 – Non-Resident Alien Tax Report	QTD and YTD tax information for all non-resident aliens.	Review to ensure employees are properly classified and should be dropped from year-end files.
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.

Summary of Quarter and Year-to-Date Reports

Optional Reports

Report	Description	Agencies Use Report to...
806 – Employees Currently Receiving Earned Income Credit (EIC)	Identifies employees who may need to file a new W-5 FORM.	Used to change employee's FIT Status to '4' at year end.
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
- 2009 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.

2009 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, 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.

Page 1 of 2

2009 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.**

Differences exist and are valid **OR,**
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 2009.

Agency Fiscal Officer Signature

Date

Printed name

Phone #

Due Friday, January 8, 2010

Page 2 of 2

W-2 Distribution Form
FOR CALENDAR YEAR ENDING DECEMBER 31, 2009

Company Name: _____ Number: _____

Agency Fiscal Officer Signature: _____ Date: _____

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



DISTRIBUTION

Please indicate the method that you want W-2s to be distributed to your agency.

Pick Up at DOA _____ UPS _____

Payroll Service Bureau Pick Up and Distribution _____



SORT ORDER

Standard (*alphabetical within organization code*) _____ Agency (*alphabetical within agency*) _____



AGENCY CONTACT

Name _____ FAX # _____ Phone # _____

Email Address _____

Other Information

Payroll Service Bureau Contact _____



FAX by December 17 to:

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