

# *Department of Accounts*

## *Payroll Bulletin*

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

- ✓ **Special Processing for Prior Year FICA Tax Adjustments**
- ✓ **Misc Insurance & Annuities Focus Meeting**

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

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## **Special Processing for Prior Year FICA Tax Adjustments**

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### **DO NOT PROCESS PRIOR YEAR FICA TAX ADJUSTMENTS THROUGH CIPPS**

#### **FICA Tax Adjustments**

FICA taxes in CIPPS automatically adjust when an employee is paid according to the respective FICA taxable fields and the current calendar year tax rate. In 2011 the Employee OASDI Tax Rate changed from 6.2% to 4.2%. If you refund FICA for an adjustment from 2010 in calendar year 2011, the employee OASDI taxes will only be adjusted by 4.2% instead of the correct rate of 6.2%.

Prior year FICA Tax Adjustments can be caused by:

- FICA Pre-Tax Deductions collected in prior years that are refunded in 2011
- FICA Non-Taxable Special Payments adjusted for prior calendar years during 2011.

Please review the examples provided below for more information.

#### **Prior year FICA Tax Adjustments must be made via a W-2C.**

Once the W-2C is processed, a refund or charge for the employer and employee portions of FICA will be processed on a 941x and submitted to the agency. It is the agency's responsibility to refund or charge the employee for the employee portion outside of CIPPS.

If you have any questions, please contact Denise Halderman at 371-8912.

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## Special Processing for Prior Year FICA Tax Adjustments, cont.

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### FICA Tax Adjustment Examples

#### **Premium Conversion Examples**

**Example 1:** In 2011 you discover that an employee overpaid healthcare premiums in 2010. In order to process the refund with the correct FICA Tax Rate:

- Calculate 7.65% of the amount due the employee.
- Process an “X” batch check through CARS for the amount of the healthcare refund **minus** the FICA Tax that the employee owes for the refund.
- Send a W-2C to Denise Halderman
- Calculate the FICA tax due to the IRS (employer plus employee tax) and process payment through EFTPS. See CAPP Topic 20319 for further instructions on processing EFTPS.

**Example 2:** In 2011 you discover that an employee underpaid premiums for 2010. The additional amount owed can be processed through CIPPS in 2011, as usual, since the premiums are being paid in 2011.

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#### **Worker’s Compensation Example**

In 2011 you receive a check for Worker’s Comp Benefits from 2010. The employee was paid taxable VSDP Benefits while waiting for the Worker’s Comp approval.

To properly adjust the employee’s record:

- Send a W-2C to Denise Halderman
  - When Denise completes the 941x for the W-2C the agency will be refunded for both the employee and employer share of FICA.
  - The agency should calculate the amount due the employee (Half of the refunded tax received or 7.65% of the Worker’s Comp Benefit amount).
  - The agency should process an “X” batch check through CARS for the FICA tax refund to the employee.
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#### **Imputed Life Example**

In 2011 you discover that an employee on Involuntary Separation during 2010 was not being reported for Imputed Life during 2010. To properly adjust the employee’s record:

- Send a W-2C to Denise Halderman
- Calculate the FICA tax due to the IRS (employer share only) and process payment through EFTPS. See CAPP Topic 20319 for further instructions on processing EFTPS.
- Imputed Life is the only valid reason for uncollected FICA of the employee’s share; therefore, do not include the employee’s portion in the payment to IRS.

**FEEL FREE TO CONTACT US IF YOU HAVE A QUESTION ABOUT  
ADJUSTING PRIOR YEAR FICA TAXES.**

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## Miscellaneous Insurance & Annuities Focus Group

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### **Focus Group Meeting**

There will be a Miscellaneous Insurance & Annuities Focus Group Meeting on Thursday, February 24, 2011. The meeting provides a forum for interested Benefit and Payroll Administrators to meet with representatives from FBMC to discuss issues and /or changes in procedures associated with the administration of voluntary supplemental insurance, annuities (403(b)), and cash match (401(a)) products provided through the Virginia Provider Network. Rosemary Cardenas of FBMC will be available. An agenda will be provided at a later time. The meeting will be held in Conference Room E of the Monroe Building at 9:30 am. We have also made arrangements for you to join us via teleconference if you are unable to come to Richmond.

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### **Registration**

If you plan to attend the meeting, **in person or by teleconference**, please send an email to Cathy McGill at [cathy.mcgill@doa.virginia.gov](mailto:cathy.mcgill@doa.virginia.gov) no later than February 18, 2011. Instructions on how to join the teleconference will be sent to you upon registration.

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