

# *Department of Accounts*

## *Payroll Bulletin*

Calendar Year 2011

March 8, 2011

Volume 2011-06

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

- ✓ CIPPS Beginners Payroll Training
  - ✓ CIPPS Introductory Leave Training
  - ✓ Supplemental Tax Rates
  - ✓ Deferred Compensation and Annuity Update
  - ✓ Processing Tax-Deferred Deductions
  - ✓ Social Security Number Protection Act of 2010
- 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
- |                    |                       |
|--------------------|-----------------------|
| <b>Director</b>    | <b>Lora L. George</b> |
| Assistant Director | Cathy C. McGill       |

### **Agency Training Courses**

#### **CIPPS Introductory Training Courses**

The Department of Accounts will offer both the Interactive CIPPS Beginners Payroll and Beginners Leave Accounting training courses in **April 2011**. A brief description of the introductory training courses and related dates and location is outlined below. Please review the information and complete the registration (instructions below) for the course you or your staff would like to attend. In consideration of others in your agency who may want to attend training please distribute a copy of this Payroll Bulletin to your Human Resources and Fiscal Officers.

PLEASE NOTE THAT REGISTRATION PROCEDURES HAVE CHANGED! To sign up for this class, please go to <https://covkc.virginia.gov> and follow the instructions for registering. Go to **Learning Center > Course Information & Enrollment > Keyword: CIPPS**. **If for any reason you cannot attend either class after enrolling, be sure to remove your name so others may attend.**

#### **Registration Deadlines**

CIPPS Introductory Leave: register  
by **April 14, 2011**

CIPPS Beginners Payroll: register  
by **April 15, 2011**

#### **Contact**

For questions concerning registration for these training courses, please contact **Jane Kearney** at **804-225-3181**.

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## Agency Training Courses, continued

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### **Interactive CIPPS Beginners Payroll Training**

The Interactive CIPPS Beginners Payroll Training course accommodates agency personnel who have **no or limited CIPPS experience** and are directly responsible for processing payroll. The course will follow a lecture/on-line example format with the lecture focused on introductory-level CAPP topic material. **All attendees are required to bring a copy of the updated CAPP topics listed and a copy of the Introductory Payroll Training Manual.** Copies will not be provided. Due to its interactive on-line requirements this class will be held in the DOA Training Room and *is limited to 16 students*. Dress is casual.

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### **CIPPS Beginners Payroll**

**Course Length:** Lecture/ Example Completion/Online - Four full days (8:30 AM to 4:30 PM each day)

**Date Offered:** Lecture/Example Completion/ Online – **April 26 to 29, 2011**

**Course Locations:** DOA Training Room - 2<sup>nd</sup> Floor, Monroe Bldg.

**Targeted Audience:** Agency personnel who have not previously attended formal CIPPS Payroll training or would benefit from a review of this material *and* are directly responsible for processing payroll.

**All attendees are required to bring a copy of the listed CAPP topics and Introductory Payroll Training Manual (Modules 1 – 9, and PPTS) to this class.** CAPP and training manuals are available on-line at the DOA web site at [www.doa.virginia.gov](http://www.doa.virginia.gov) . To print training manual go to [http://www.doa.virginia.gov/Payroll/Training/CIPPS\\_Intro\\_Training/CIPPS\\_Training\\_Manual.cfm](http://www.doa.virginia.gov/Payroll/Training/CIPPS_Intro_Training/CIPPS_Training_Manual.cfm) . **Copies of CAPP and training manuals will not be provided.**

**Course Synopsis:**

- Day 1** - Payroll Administration, CIPPS Processing, Overview and New Hires/Employee Set-up
- Day 2** - Employee Masterfile Maintenance, Deduction Processing, and Time and Attendance
- Day 3** - Special Payments, Certification, and Special Payroll Processing
- Day 4** – Reports Review, and Manual Pay Processing

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## Agency Training Courses, continued

### CAPP Topics for CIPPS Beginners Payroll

**Attendees are required** to bring a copy of the following CAPP topics. Copies **will not be available** at training. *Be sure to bring the current versions from the web. The training manual is also found online on the DOA website and **will not** be furnished at training.*

Section	Topic No	Topic	Section	Topic No	Topic
50100	50105	CIPPS Intro	50500	50505	Time and Attendance
	50110	CIPPS Navigation		50510	Unpaid Leaves of Absences/Overpayments
	50115	Menu/Link		50515	Special Payments
	50120	Automated Changes		50530	Void Payments
	50125	Programmatic Data	50600	50605	Tax and Deduction Adjustments
	50130	Batch Processing/Balancing	50700	50705	Employee and Tax Masterfile Updates
	50135	Pending File	50800	50805	Certification Overview
50300	50305	New Employee Adds	50800	50810	Pre-Certification Activities
	50310	Rehires and Employee Data		50815	Payroll Certification
	50315	Employee Tax Maintenance		50820	Post-Certification Activities
	50320	Terminations	50090	50905	Monthly Reconciliation
50400	50405	Court-ordered Withholdings	50090	50910	Quarterly Reconciliation and Certification
	50410	Retirement – VRS and ORP		50915	Cal. Year-end Recon and Certification
	50415	Retirement – Salary Reduction Plans			
50420	50420	Retirement – Cash Match Plans			
	50425	Group and Optional Group Life Insurance			
	50430	Health Insurance			
	50435	Flexible Spending Accounts			
	50445	Direct Deposit			
	50450	Parking/Transportation			
	50455	Misc Employee Deductions			

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**Agency Training Courses, continued**

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**CIPPS  
Introductory  
Leave****Course Length:** One full day (8:30 AM to 4:30 PM)**Dates Offered:** April 25, 2011**Course Location:** DOA Training Room - Second Floor, Monroe Building**Targeted Audience:** Agency personnel who have not previously attended formal CIPPS Leave training and are directly responsible for Leave Accounting.**Targeted Audience:** **Attendees are required to bring with them a copy of the CAPP Manual, Volume 1, function #40000, Leave Accounting, CAPP topic #50110, CIPPS Navigation and the CIPPS leave training manual.** CAPP and training manuals (including reports manual) are available on-line at the DOA web site at [www.doa.virginia.gov](http://www.doa.virginia.gov) . **Copies will not be available in class.** To print the training manual go to [http://www.doa.virginia.gov/Payroll/Training/Leave\\_Intro\\_Training/LEAVE\\_Intro\\_Training\\_Manual.cfm](http://www.doa.virginia.gov/Payroll/Training/Leave_Intro_Training/LEAVE_Intro_Training_Manual.cfm).**Course Synopsis:** Employee Set-up and Maintenance of Employee Leave Data  
Online Entry of Leave Activity  
Online Entry of Maintenance of Employees' Leave Balances  
Leave Accounting Reports Review and Reconciliation

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## Supplemental Tax Rates

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### IRS Regulations on Taxing Supplemental Payments.

IRS guidelines on taxing supplemental payments provide for supplemental taxing and aggregate taxing. Aggregate taxing requires that regular pay and the supplemental pay be added together and then the combined total applied to the tax tables. ***There is no provision in these regulations to apply the tax tables on the supplemental payment alone.***

Publication 15, Employer's Tax Guide, states:

“Supplemental wages identified separately from regular wages. If you pay supplemental wages separately (or combine them in a single payment and specify the amount of each), the federal income tax withholding method depends partly on whether you withhold income tax from your employee's regular wages.

1. If you withheld income tax from an employee's regular wages in the current or immediately preceding calendar year, you can use one of the following methods for the supplemental wages.
  - a. Withhold a flat 25% (no other percentage allowed).

If the supplemental wages are paid concurrently with regular wages, add the supplemental wages to the concurrently paid regular wages. If there are no concurrently paid regular wages, add the supplemental wages to alternatively, either the regular wages paid or to be paid for the current payroll period or the regular wages paid for the preceding payroll period. **Figure the income tax withholding as if the total of the regular wages and supplemental wages is a single payment.** *(This means annualizing which puts each individual in a very high tax bracket.)* “Subtract the tax withheld from the regular wages. Withhold the remaining tax from the supplemental wages. If there were other payments of supplemental wages paid during the payroll period made before the current payment of supplemental wages, aggregate all the payments of supplemental wages paid during the payroll period with the regular wages paid during the payroll period, calculate the tax on the total, subtract the tax already withheld from the regular wages and the previous supplemental wage payments, and withhold the remaining tax.”

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## Deferred Comp and Annuity System Update

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### Deferred Comp and Annuity System Update

DOA implemented a system update, provided by the CIPPS software developer, on February 8, 2011 to correctly calculate and withhold required taxes on deferred compensation. Previously CIPPS did not withhold the full amount of OASDI and HI taxes when deferring compensation if the amount of the deferral (e.g., deductions 038 and 039) did not provide sufficient “net” pay to collect the taxes. This resulted in uncollected FICA for those particular employees which had to be collected after the fact.

The update calculates the amount of OASDI and HI on the gross payment and if, after deducting all required taxes, there is insufficient net pay to withhold the **full** deferral, **none** of deferral will be withheld. In cases where CIPPS rejects the full deferral Payroll Officers **must not reduce** deferral amounts as established via interface with ING. Employees must contact ING and choose an amount that ensures adequate net pay after taking required deductions and taxes.

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## Processing Tax-Deferred Deductions

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### **New Tool to assist in calculating “100%” deferral of income.**

Often an employee may request that 100% of a supplemental payment, such as leave payouts, be deferred. However, due to the requirements to collect taxes 100% of the payment cannot actually be deferred. To assist in determining the maximum amount of pay that can be deferred, and remain in compliance with IRS regulations, a new Excel spreadsheet entitled “Maximum Deferral Calculation Spreadsheets for Special Pays” has been posted to our website at <http://www.doa.virginia.gov/Payroll/Forms/Maxdeferral.xls>. This workbook provides spreadsheets to evaluate the effect of supplemental taxing vs. aggregate taxing and calculate the maximum amount that can be deferred. Due to possible rounding variances, a “buffer” amount is taken into account in the spreadsheet which will result in a small residual net pay.

When processing special pay(s) without regular pay, such as final leave payouts, be sure to take the following actions:

1. Change the employee timecard status to non-auto on H0BID
  2. On H0ZDC, turn off any deductions that should not be withheld, and
  3. Leave all deductions that should be withheld active to include any child support or garnishments as well as net direct deposit.
  4. Use the Supplemental Tax spreadsheet to determine the maximum deferral amount and enter into deduction 038 or 039 on H0ZDC. (As no regular pay is being processed, you cannot use a deduction override.)
  5. On the Special Pay transaction(s), use tax, check, and deduction indicators of zero.
  6. On the Payroll Register Report 10, you should see one check, one set of deductions (if any), and a direct deposit of any residual net pay.
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### **Limitations of using 100% of Net Pay on H0ZDC to Defer Income**

In some circumstances deductions to defer income may be established as 100% of net pay on H0ZDC; however, there are system limitations which must be considered. The processing order designed by the software vendor is Pretax Deductions, then Taxes, and then Post Tax Deductions. Net Pay is defined as the “Current Net Pay” that was available at the time the deduction was processed. If an agency sets up the deferred compensation amount (deduction number 038) as 100% of Net Pay on H0ZDC instead of a flat dollar amount, none of the deductions that process after deduction 38 will calculate. In this example, the possible deductions missed include:

- All Pretax Deductions with a deduction number higher than 38
- Every Post Tax Deduction (including Child Supports, Garnishments, Due Agency, and fixed Direct Deposit amounts for the VA Employee Loan Program)

NOTE: Taxes process correctly because of the system update mentioned above.

Therefore it is highly discouraged to establish a Deferred Compensation or Annuity deduction in this manner. Use of the calculation spreadsheet previously mentioned to determine maximum amount of deferral and ensure there is enough residual pay to collect taxes and other required deductions is strongly recommended.

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## Social Security Number Protection Act of 2010

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### **SSN not allowed on checks**

Congress recently passed the Social Security Number Protection Act of 2010. This Act prohibits Governmental Agencies (Federal, State, or local agency) from using Social Security Numbers or any derivative (i.e. - last 4 digits) on checks issued for payment. Effective immediately, do not include social security numbers on any payments set up on H0901 screen.