

Department of Accounts

Payroll Bulletin

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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

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New Tax Laws for Employees who Live and Work in Pennsylvania

PA – ACT 32

PA – ACT 32 which becomes 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 <http://www.newpa.com/node/6710> . After reviewing this information, contact Shannon Gulasky at Shannon.gulasky@doa.virginia.gov to obtain instructions to properly establish the employee’s tax screens to ensure you are in compliance.

HMCU1 Membership Type “E”

Membership Type “E” turns off Healthcare Deductions

CIPPS was recently updated to prohibit changes in frequency for health care deductions on H0ZDC. If you key an “E” in the Membership Type indicator on HMCU1, the frequency will change to “00” for deductions 024 (Premium Conversion) and 026 (Agency Health) on H0ZDC.

Health Insurance Plan Awards/Incentives are Taxable Income

Weight Watchers and COVA Connect

Through the Commonwealth's health care plan some awards/incentives for various health-related achievements or practices have been provided to employees. Generally these are in the form of gift cards or a refund check for a portion of Weight Watchers dues. These awards/incentives have ultimately been "paid for" by the Health Insurance Fund. The value of these items is taxable income to the employee as there is an employment relationship between the employee and the plan that is providing these awards/incentives.

The Department of Human Resource Management will be placing a report (report titled W2-2011-Adjustments-00nnn-12022011.xls (where nnn = agency number) in your agency's HuRMan folder within the next couple of days listing those employees who have received such awards/incentives and the value. You will be required to process a Special Pay 049, NC AWDS, transaction in the amount of the value reported for each employee listed as soon as possible but no later than the December 30, 2011 pay day. If the employee has terminated, DOA will charge the agency for the employee portion of OASDI/HI and you will need to contact that employee to request reimbursement.

If reimbursement is not received, the amount of taxes paid for on behalf of the employee will become taxable income to the employee for 2011. If identified prior to calendar-year-end, enter a special pay transaction for Special Pay 071, ER PD TX, for the amount of the OASDI and HI tax paid on behalf of the employee. If not identified prior to calendar-year-end mark ups on the Calendar Year End Report 883 will be required.

DHRM will process an IAT transaction to reimburse the agency for the OASDI and HI taxes incurred by the employer (not to include any paid on behalf of the employee). The current default coding used for the automated health care reconciliation will be provided to DHRM for use on these IATs.

Revised Calculation for Imputed Income

**Calculation Uses
Number of Pays**

According to the IRS, Imputed Income should be calculated for each month of Group Life Insurance coverage. CIPPS automatically calculates Imputed Life for each month that an employee is receiving pay. However, when an employee receives less than 24 pays a year, agencies must manually calculate a prorated amount of Imputed Life (SP 014) for entry to H10AS to collect the full annual amount during the reduced pay schedule of the employee.

Effective January 1, 2012 the PMIS to CIPPS interface will prorate the Imputed Life Amount for Special Pay 14 on H10AS according to the number of pays (pay schedule) recorded in PMIS.

In addition, CIPPS will prorate the Imputed Life amount on H10AS when a salary change is keyed manually on H0BID or H0BSC according to the number of pays the employee receives. If the Number of Pays field is blank on H0BUO at the time of the update, CIPPS will assume 24 pays. Likewise, if a change is made to the Number of Pays field on H0BUO, the Imputed Life amount on H10AS will adjust accordingly.

If you have any questions about this change, please call Shannon Gulasky at (804) 225-3065

Collection of VRS Benefit Amounts over Contract Period

**Upcoming Change
to Collection
Process for VRS
Benefits**

Due to the Modernization project the Virginia Retirement System (VRS) has announced a change in the method by which creditable compensation is calculated and posted to members' records. This change impacts those employees who have a contract length of less than 12 months and who receive the contract payments beyond the work period (e.g., 9-month faculty paid over 24 pay periods).

VRS is now calculating and posting creditable compensation to the member account over the contract period instead of over the extended payroll period. The current practice of collecting VRS benefit contributions over the payroll period causes "deferred contributions" to accumulate during the non-work periods. Effective with the implementation of myVRS Navigator, VRS Benefits will be calculated over the Contract Period for CIPPS agencies as opposed to over the extended pay schedule thereby eliminating "deferred contributions."

Additional details will be provided in a Payroll Bulletin closer to the implementation date of myVRS Navigator.