

Department of Accounts

Payroll Bulletin

Calendar Year 2012

July 11, 2012

Volume 2012-11

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

- ✓ **VRS Modernization Changes – Part 1 of a Series**
- ✓ **Retro Payments for Earnings Prior to 6/25/12**
- ✓ **U075 – Flex Reimbursement Account Error Report Runs Each Pay Period**
- ✓ **Deduction End Date for Plan Year 12 Flexible Reimbursements**
- ✓ **DGS Parking Rates**
- ✓ **Out of State Taxing Considerations**

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
Assistant Director Cathy C. McGill

VRS Modernization Changes – Part 1 of a Series

Overview

VRS has been working to streamline their systems and processes (VRS Modernization). As a result, they have announced new business processes and will launch the new myVRS Navigator system on October 1. (In conjunction with this effort a new VRS benefit reconciliation process will be developed. More information on this process will be provided in future bulletins.)

CIPPS will be modified to accommodate the new processing rules. These rules will change how and when retirement deductions are calculated and reconciled. A series of Payroll Bulletins will be presented over the next few weeks to help line agencies with the transition to the new rules.

New VRS Processing Rules

Retirement Deductions will be processed on a full-month basis, similar to Healthcare Deductions.

- Unless a new hire begins on the first working day of the month, retirement deductions do not begin until the following month.
- Retirement deductions for employees who terminate mid-month will be collected based on a full month of creditable compensation.
- Salary and status changes that occur mid-month will not affect the creditable compensation until the first of the following month.

Retirement Deductions in CIPPS will be calculated on a Contributions Base amount that will be entered on H10AS.

- Because Creditable Compensation is no longer in sync with the amount of pay received, a new special pay called “CONTBASE” will be entered on H10AS. This special pay will control the amount calculated for each retirement deduction.
- The Contributions Base will be updated by the PMIS to CIPPS interface according to the new retirement calculation rules.

Continued on next page

VRS Modernization Changes – Part 1 of a Series, cont.

**New VRS
Processing
Rules, cont.****Retirement Deductions for less than 12 Month Contract Employees will be deducted over the Contract Period as announced December 2011.**

- VRS will post creditable compensation during the month that it is earned, not paid. To support this change, regardless of the number of months a contract employee is paid, Retirement will be deducted during the contract period only at the amount of their true creditable compensation in CIPPS.
 - Creditable Compensation for mid-month Contract Start Dates will not begin until the first of the following month.
 - Creditable Compensation for mid-month Contract End Dates will continue through the end of the current month.
-

**Important
Effective
Dates****Effective Dates for New Retirement Processing Rules:**

- Less than 12 month Contract Employees with Contract Begin Dates between 8/10-24/12 – new Retirement Processing Rules take effect **8/10/12**
 - This rule applies to all employees who physically work less than 12 months of a year (Contract Length less than 12) regardless of the number of paychecks they receive in a year.
 - All other employees – new Retirement Processing Rules take effect **8/25/12**
-

**8/10-24/12
Transition
Period**

Retirement deductions will be processed as normal during the 8/10-24/12 pay period with the following exception:

- **For less than 12 month Contract Employees with Contract Begin Dates on or after 8/10/12 – no retirement deductions should be taken during the 8/10-24/12 pay period.** It does not matter how many paychecks these employees receive during the year.

By request, State Payroll Operations can perform a mass transaction to put a Deduction Begin Date of 8/25/12 on all retirement deductions during this period for these employees. This update will stop the deductions during the 8/10-24/12 period and they will automatically resume during the 8/25/12 period if the frequency for the deduction is “09”. For this request, agencies must be able to identify these employees by a specific frequency or organization code.

Retro Payments for Earnings Prior to 6/25/12

Special Pay 082 for Retro Adjustments for Prior Fiscal Year CIPPS has been updated with the new Retirement Rates effective 6/25/12. If you need to process a retro payment for a period prior to 6/25/12, do not take deductions directly from the Retro Payment (Special Pay 082) (use deduction indicator “9” instead of “7”). Use HTODA to collect the retirement deduction amounts for prior pay periods as shown in [Example Q1 of Payroll Bulletin 2011-12](#).

The Retirement Overrides spreadsheet located on DOA’s website found at the link below will help you to calculate retirement benefits for prior pay periods.

http://www.doa.virginia.gov/Payroll/Forms/Payroll_Forms_Main.cfm

U075, Flex Reimbursement Account Error Report Runs Each Pay Period

Generation of Report U075 Effective July 2012, the Flex Reimbursement Accounts Error Report (U075) will be created and available for review each pay day. The month-to-date value for the administrative fee (deduction 023) will be evaluated based upon the number of pays found on H0BUO. Those employees for whom the MTD amount does not appear to be correct will be listed. DHRM will receive a copy of this report and use it to contact agencies regarding the discrepancies.

Deduction End Date for Plan Year 12 Flexible Reimbursements

Delete Deduction End Date When using deductions 055, 056 or 057 to perform retroactive deduction processing for Plan Year 2012 Flexible Reimbursement accounts, you will be required to remove the Deduction End Date from the H0ZDC before processing.

DGS Parking Rates

Rate Increase Effective 7/10 The semi-monthly fee for employees utilizing the DGS Capitol Square area parking facilities will increase to \$24.50 effective with the July 10 to 24 payroll. DOA will perform a mass transaction to change deductions 028 and 037 accordingly.

Agencies occupying private sector leased or rental spaces in the metropolitan Richmond area, not including institutions of higher education, are required to charge a fee not less than that paid by employees utilizing DGS Capital Square area facilities. Please contact DOA if you would like to request a mass transaction to deduction 050 for your non-DGS parking deductions. Send your request to Cathy McGill at cathy.mcgill@doa.virginia.gov.

Out of State Taxing Considerations

U.S. State Tax Codes and Taxing Matrix

[CAPP Topic 50315, Page 15](#) contains guidance regarding Out of State Taxes. Below are some key points from that CAPP Topic explained and highlighted.

- **Do not assume the work state is Virginia simply because the employee who resides in another state is employed by your agency.** States typically use one of two different methods (physical presence vs. convenience/necessity test) to determine the taxability of remote workers (i.e., Tele-workers). Be sure to confirm the actual office location of the employee with Human Resources and withhold the employee's taxes as instructed by the appropriate state.
- **Certain states require local taxes and special local taxes in addition to the state withholdings.** We have posted a [U.S. State Tax Codes and Taxing Matrix](#) on our website to aid you in determining the proper tax withholdings required by state. This is merely a guide and line agencies should review the Employer Withholding Manuals of individual states to determine if certain exclusions apply to the individual employee.
- **Do not assume that the same federal taxing rules for pre-tax deductions apply to the state.** Certain states, such as Pennsylvania, do not always follow the federal taxing rules concerning the taxability of certain pay items. State Payroll Operations will make adjustments to CIPPS to allow for special cases in specific states and localities as we become aware of them. However, line agencies should also be aware of the individual reporting rules for the states they report to.
- **Employees who work in Virginia but reside in another State may be able to reduce their Virginia Withholdings up to 100% by using Form VA-4B.** Information on how to key Form VA-4B into CIPPS can be found further in this Bulletin.

If you have questions about how employees from other states should be reported or taxed, please call Shannon Gulasky at Shannon.gulasky@doa.virginia.gov or (804) 225-3065.

Continued on next page

Out of State Taxing Considerations, continued

Pennsylvania Withholding Rules Pennsylvania has special taxing rules for certain deductions and pay items. State Payroll Operations has modified CIPPS so that these items will be reported properly for W-2 purposes. Pennsylvania residents will print as a valid exception on Report U092 and U093 because:

- Imputed Life is non-taxable for Pennsylvania state and local taxes
- The following deductions are considered state and local taxable for Pennsylvania residents:
 - Dependent Care Accounts
 - Parking Deductions
 - Transportation Related Reimbursements
 - Mandatory Retirement Contributions
 - Deferred Compensation
 - Annuities

Further information can be found in the Employer Withholding for Pennsylvania Taxable Compensation Guide on their website at www.revenue.state.pa.us.

Pennsylvania Local Services Tax Residents of Pennsylvania should pay “Local Services Tax”. CIPPS will properly withhold this tax when a “4” is placed in the SP Local Status field on H0ATX. For more information regarding the “Local Services Tax”, please visit the Pennsylvania website at:

<http://www.newpa.com/get-local-gov-support/tax-information/local-services-tax>

Pennsylvania ACT-32 Reporting To aid in the reporting requirements for PA ACT-32, Report 411 can be requested on the HSRUP screen. Report 411 reflects the accumulated PA ACT-32 information. Local taxes withheld need to be submitted quarterly to the tax collector specified for the Political Subdivision using the Quarterly Remittance Form found at :

http://www.newpa.com/webfm_send/2040

Continue sending state taxes withheld from Pennsylvania residents to the Pennsylvania Department of Revenue per the submission schedule available on their website at:

http://www.portal.state.pa.us/portal/server.pt/community/employer_withholding/14495

Continued on next page

Out of State Taxing Considerations, continued

Form VA-4B As detailed on Page 15 of [CAPP Topic 50315](#), Virginia maintains reciprocal agreements with District of Columbia, Kentucky, Maryland, Pennsylvania, and West Virginia. Payments made to residents of non-reciprocity states are subject to Virginia taxation **when the work is performed in Virginia**. Eligible employees may elect to have up to 100% of their Virginia withholding reduced by submitting Form VA-4B to their employer. Form VA-4B can be found on the web at:

<http://www.tax.virginia.gov/taxforms/Business/Withholding%20Tax/VA-%204B.pdf>

To enter the Form VA-4B into CIPPS, please follow the steps below:

1. Complete Section B as instructed on the Form.
2. Establish an H0ATX record for state code "47" (Virginia) according to the VA-4 submitted by the employee. If the employee has not submitted Form VA-4, withhold at Single and Zero (0) exemptions.
3. Round the amount calculated on Line 3 of Section B of the Form to the nearest whole dollar.
4. Enter the rounded amount calculated in Step 3 in the "State Add. Amt/%" field as shown below. Precede the amount by a "--"(minus) sign.
5. Enter the State Status as "6".
6. When H0ATX is set up as shown below, CIPPS will calculate the Virginia withholdings and reduce it by the amount entered in the "Add. Amt/%" Field each pay period.

```

> GUH 230                                     ON H0ATX

          --EMPLOYEE STATE AND LOCAL TAX STATUS--

--- COMPANY--> 230 EMPLOYEE NUMBER--> 00999999900 COUNTRY CODE--> 001
TAX UNIT-> 001 STATE CODE-----> 47             LOCAL CODE-----> 0000
NAME> HOW TO          ENTER          FORM VA 4-B

STATE NO. EXEMPTION--> 0             STATE ADD. AMT/%--> -10
LOCAL NO. EXEMPTION--> 0             LOCAL ADD. AMT/%--> 0
STATE STATUS-----> 6             D.I. STATUS-----> 1
SIT MARITAL STATUS---> 1           LOCAL STATUS-----> 1
SP. LOCAL STATUS-----> 1         LOCAL NAME-----> _____
SD LOCAL STATUS-----> 1

```