

Department of Accounts

Payroll Bulletin

Calendar Year 2012

November 9, 2012

Volume 2012-18

PAYROLL PROCESSING - CALENDAR YEAR-END 2012

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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

Assistant Director Cathy C. McGill

Introduction

This Payroll Bulletin addresses payroll and leave processing for calendar year-end 2012. This bulletin includes four 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

- Review all items in the CIPPS Pending File. You may need to delete items applying only to 2012. **DO NOT DELETE TRANSACTIONS RELATED TO MANUAL PAYSETS.** To remove the effect of these transactions, enter another manual payset identical to the first with the exception of the Adjustment Indicator (AI). Enter the opposite values in the AI field as originally entered. If a 'P' was used, enter an 'M'. If a '+' was used, enter a '-'.
- 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, 2013, when DOA resets the year-to-date fields to zero.**
- 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 pay period ending 12/24. See **Payroll Adjustments** subsection on Page 2.
- During 2012 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 11.
- **Remote print agencies must leave their remote-print printers on from December 27, 2012 through January 2, 2013.** Quarter-end and year-end reports will be processed and distributed to agencies during this time.

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Payroll Processing - Calendar Year-End 2012

Key Dates

- **Friday, December 14** – W-2 distribution form due to DOA.
- **Friday, December 14** – Non-Resident Alien Information due.
- **Friday, December 14** - Prior quarter adjustments due.
- **Thursday, December 20** – Semi-monthly certification cut-off.
- **Monday, December 24 through Tuesday, December 25** – Holiday
- **Wednesday, December 26** – Last day to certify Wage and Special pay runs; must have a December check date (28th is regular semi-monthly pay date).
- **Thursday, December 27 – 12:00 p.m.** Leave keying deadline for period 12/10-24/2012.
- **Thursday, December 27 – 12:00 p.m.** - 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 27 through January 2** – Leave remote printers on.
- **Friday, December 28** – Payday for 12/10-24 semi-monthly pay period.
- **Monday, December 31 through Tuesday, January 1** – Holiday
- **Thursday, January 10** – Semi-monthly certification cut-off.
- **Friday, January 11** – Calendar Year End certifications due to DOA.
- **Tuesday, January 15** – Leave keying deadline for period 12/25/2012 -1/9/2013. Calendar year-end leave processing.
- **Wednesday, January 16** – Payday for 12/25-1/9 pay period.
- **Friday, January 18 through Monday, January 21** – Holiday
- **Monday, January 28** – Semi-monthly certification cut-off.
- **Tuesday, January 29** – Last day for W-2s to agencies.
- **Thursday, January 31** – Leave keying deadline for period 1/10-24/2013.
- **Thursday, January 31** – Last day to distribute W-2s to employees.
- **Friday, February 1** – Payday for 1/10-24 pay period.

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 7) 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 established deadlines. Processing adjustments with CIPPS Manual Pay-sets is 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.

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Payroll Processing - Calendar Year-End 2012, continued

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 12/14.
CIPPS Manual Pay-sets	Most effective if keyed prior to PE 12/24 certification, but may be entered through 12/27 by 11:00 am.
Year-end (Report 883) Adjustments	Friday, January 11 – 5:00 p.m.

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 12/28 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 (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 12/28 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.

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Payroll Processing - Calendar Year-End 2012, continued

Adjustment Type Advantages & Disadvantages, continued

Adjust Type	Common Uses	Advantages/Disadvantages
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.	<u>Advantages:</u> <ul style="list-style-type: none"> • Changes reflect on employee's W-2. • Changes reflect on Agency's W-2 magnetic-media information returns. <u>Disadvantages:</u> <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.

How to Process Manual Pay Sets and Void Checks

The following must be performed no later than 11:00 a.m. on Thursday, December 27:

- 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 Thursday, December 27 to process manual pay sets and void checks. This procedure will correct an employee's record on the Report 883 (*CALENDAR YEAR-END EMPLOYEE DETAIL AUDIT LISTING*). 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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Payroll Processing - Calendar Year-End 2012, continued

How to Process Void Checks External to CIPPS For year-end processing, it is sometimes necessary to process 2012 VOID checks **externally** to CIPPS. Agencies must complete the following procedures if it is necessary to void CY 2012 checks after 12/27/2012.

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.	If Optional Retirement Plan, request a refund from DOA. If VRS, contact DOA for further instructions.	
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	Submit a Mistake of Fact to VRS to request refund. A 1099 may be issued to the employee by ING for the amount.
	DSS Child Support (Ded 001)	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).
Optional Group Life	Request a refund from Minnesota Life.	

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Payroll Processing - Calendar Year-End 2012, 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 \$100 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 11:00 a.m. on 12/27/12**).

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 2012 are:

Deferral Category	457 Deferred Compensation Plan	403(b) Tax-Deferred Account
Normal Annual Limit	\$17,000	\$17,000
Age 50 Catch-Up	\$5,500	\$5,500
457 Standard Catch-Up	\$17,000	N/A
403(b) 15-Year Catch-Up	N/A	\$3,000

NOTE: See Payroll Bulletin 2012-01 for more information on limits and exceptions.
http://www.doa.virginia.gov/Payroll/Payroll_Bulletins/2012/2012_01.pdf

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. Agencies should request the following reports (must be set up on Company header) no later than early December to ensure adequate time for review and correction. 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
844	YTD OASDI Tax - Employee not equal to employer.	Identifies employees who may have OASDI Tax withheld incorrectly. <i>This report is invalid for calendar year 2012 due to the temporary change in the employee OASDI tax rate.</i>
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 2012.*
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 2012.*
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 2012.*
855	Deferred Compensation Excess Deduction Report	Identifies employees who may exceed the IRS deferral limit for Section 457 plans and therefore the cash match will need to be deactivated (for periods with no contribution taken).
857	Annuity Excess Deduction Report	Identifies employees who may exceed the IRS deferral limit for Section 403(b) plans and therefore the cash match will need to be deactivated (for periods with no contribution taken).
858	Uncollected FICA	Identifies employees who may have uncollected FICA. Uncollected FICA is allowable only in cases where imputed life or tips are reported for employees with no pay. All other uncollected FICA must be investigated and collected from employees.
860	List of Employees to be Purged at Year End Processing	Identifies employees with Employee Status "3" and YTD Gross equal to zero. These records will be deleted from the masterfile during calendar year end processing. See additional information in Year End Processing on page 12.
861	List of Employees Whose Status Should Be Changed to 3	Identifies employees with YTD Gross equal to zero. Employee status on HOBES should be updated to "3" so that these records can be deleted during calendar year end processing. See additional information in Year End Processing on page 12.

* 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
891	Employees with YTD Deceased Pay (Special Pay 054, 055)	Identifies employees who received Deceased Pay (Special Pay Codes 054, 055) during the calendar year.
912	CIPPS Employees Who Have Reached the Maximum Social Security Wage Base	Identifies employees who reached the maximum OASDI withholding amount during the calendar year. Should be used before certification of first pay in new calendar year to ensure OASDI taxes are withheld.
915	YTD State taxable wages Different from Federal	Identifies Employees whose State taxable wages do not equal Federal taxable wages.

Payroll Operations Calendar

December 2012

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1 9AM - CIPPS files open - no edits or payruns
2 9AM - CIPPS files open - no edits or payruns	3 TPA Upload Deferred Comp Transaction Upload	4	5	6 Deferred Comp Transaction Upload	7	8 9AM - CIPPS files open - no edits or payruns
9 9AM - CIPPS files open - no edits or payruns	10 Semi-monthly salaried certification deadline Period #1 (11/25-12/09)	11	12	13 Leave keying deadline (11/25-12/09) TPA Upload	14 Payday for semi-monthly salaried employees Due to DOA: W2 Distribution Form; Prior Qtr Adj; Non-Resident Alien Info	15 9AM - CIPPS files open - no edits or payruns
16 9AM - CIPPS files open - no edits or payruns	17 Deferred Comp Transaction Upload	18	19	20 Semi-monthly salaried certification deadline Period #2 (12/10-12/24)	21	22 9AM - CIPPS files open - no edits or payruns
23 9AM - CIPPS files open - no edits or payruns	24 State Holiday: Christmas Eve	25 State Holiday: Christmas	26 Last day to certify wage or special for December check date	27 FILES CLOSE AT NOON FOR CYE Leave keying deadline (12/10-12/24)	28 FILES CLOSED FOR CYE Payday for semi-monthly salaried employees November Healthcare Cert Due	29 FILES CLOSED FOR CYE
30 FILES CLOSED FOR CYE	31 State Holiday: New Year's Eve FILES CLOSED FOR CYE					

January 2013

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1 State Holiday: New Year's Day	2	3 TPA Upload	4	5 9AM - CIPPS files open - no edits or payruns
6 9AM - CIPPS files open - no edits or payruns	7 Deferred Comp Transaction Upload	8	9	10 Semi-monthly salaried certification Period #1 (12/25-01/09)	11 CYE Cert Due	12 9AM - CIPPS files open - no edits or payruns
13 9AM - CIPPS files open - no edits or payruns	14	15 Leave keying deadline (12/25-01/09)	16 Payday for semi-monthly salaried employees Deferred Comp Transaction Upload	17 TPA Upload	18 State Holiday: Lee-Jackson Day	19 9AM - CIPPS files open - no edits or payruns
20 9AM - CIPPS files open - no edits or payruns	21 State Holiday: M L King, Jr. Day	22	23	24	25	26 9AM - CIPPS files open - no edits or payruns
27 9AM - CIPPS files open - no edits or payruns	28 Semi-monthly salaried certification deadline Period #2 (01/10-01/24) Deferred Comp Transaction Upload	29	30	31 Leave keying Deadline (01/10-01/24) December Healthcare Cert Due		

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 attachment at end of the bulletin), 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 *adjusted* employee totals and the *adjusted totals* page of Report 83. The Report 883 total **must** also be included to assist in balancing and for W-2 counts. Do not submit the amount of the correction. **The agency Fiscal Officer must sign Report 83.**
- 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, corrected amounts should be provided to VEC. You can either mark up the hard copy Report U057 showing the correction and fax it to Chris Loftus at 804-692-0945 or email the correction information to loftusc@bls.gov No adjustments should be included on Reports 83 and 883.

Return the following to DOA by Friday, 5:00 PM, January 11, 2013

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 attachment at end of bulletin). ➤ Final total page of Reports 83 containing adjusted with agency Fiscal Officer signature, 2012 YEAR-END CERTIFICATION form (see attachment at end of bulletin), signed by the agency Fiscal Officer, and the Report 883 total page showing the W-2 counts. ➤ W-2s will be generated after all adjustments have been processed and balanced to the certified Reports 83 and 883 total pages.
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.

You will be contacted when W-2s for your agency are ready. Please do not call DOA asking when they will be ready.

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 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 attachment at end of bulletin) 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 27 through January 2. To ensure that remote-print agencies receive these reports, ensure that your remote-print printers are left on during this period.

Deductions Generally – Flex and CVC

All deduction year-to-date accumulators will be set to zero during calendar year-end processing. 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 2013 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 during calendar year-end processing.

Combined Virginia Campaign (CVC) deductions will be deactivated during calendar year-end processing and the goal and amount fields will be "zeroed out." Turn on the deduction and enter the 2013 deduction and goal amounts before processing the first payroll in January.

Additional information on deductions will be included in the 2013 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 available 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 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 15, 2013.

DOA will provide agencies with 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 on November 29 and December 13. Individuals listed will have a warning message on their earnings notices dated 12/14 and 12/28 stating that annual leave may be lost if not used by January 9, 2013.
- The Report U028 generated for leave as of 11/24 around 11/30/12 **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 1/15/13. 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 12/13/12 **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 15:

- 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 load.

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
Shannon Gulasky	Shannon.gulasky@doa.virginia.gov	(804) 225-3065
Martha Laster	Martha.Laster@doa.virginia.gov	(804) 225-2382

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 has more than one Employee ID Number in CIPPS.

Your employer copy of the W-2 will reside in Payline. 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 payroll taxes for other states are responsible for filing their own state reconciliations and information returns. Additional Employer Copies of the 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.

Distribution

Complete the W-2 DISTRIBUTION FORM (see attachment at end of the bulletin) and FAX it to J.R. Rodgers by December 14 at (804) 225-3499.

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. (UPS will not be provided to agencies with the Richmond Metropolitan area.) 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 after 12/27:

- 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 2012 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 time frame in which duplicate W-2s must be reissued. **Agencies must maintain copies of reissued W-2s for 4 years.**

Agencies have three options when employees request that you issue duplicate W-2s:

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.
3	Counsel employees on the use of Payline to print their own replacement

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 from wages (Box 1), but included in Box 12 with label of P.</i>
<i>Special Pay 04 (Moving & Relocation Taxable)</i>	<i>Included in wages (Box 1) and in Box 14 (other).</i>

Continued on next page

W-2 Forms, continued

Deceased Worker's Wages

Report 891 (*Employees With YTD Deceased Pay*) provides a listing of 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
<p>Deceased Pay 1 – Dec-Curr (<i>Special Pay 54 - current year</i>)</p>	<ul style="list-style-type: none"> • These amounts will not be included in Federal and State 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 2012 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.
<p>Deceased Pay 2 – Dec-Prior (<i>Special Pay 55 - prior year</i>)</p>	<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 014) amounts	C
Uncollected Social Security (OASDI) amounts	M
Uncollected Medicare (HI) amounts	N
Excludable Moving & Relocation expense amounts	P
Cost of employer-sponsored health coverage	DD

Please note: Employee-paid member contributions (401(a)(17) plan) are not reported on the W-2.

Health Insurance Reporting

DHRM Office of Health Benefits will provide DOA with the amount of health care costs to be reported on the W-2s for calendar year 2012. This amount will be reflected in Box 12 with a code of DD.

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 \$110,100.
4	Social Security Tax Withheld	Amount of OASDI tax withheld. Maximum is \$4,624.20
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	Tips subject to OASDI tax.
8	Allocated Tips	Tips allocated to the employee.
9	Not Used	Not used. Should be blank.
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:	Box <u>may</u> contain the following required items with labels assigned by IRS:
	C	Group Term Insurance Coverage over \$50,000 (Special Pay 14 - Imputed Life)
	E	Section 403(b) plans (Deduction 39 - Annuities)
	G	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
	DD	Cost of employer-sponsored health coverage
<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 2012 Calendar Year-End

Name and Title	Functional Area	E-mail
Lora George Director - State Payroll Operations	General Information	Lora.george@doa.virginia.gov
Cathy McGill Assistant Director – State Payroll Operations	General Information	Cathy.Mcgill@doa.virginia.gov
Denise Halderman Supervisor - Benefits Accounting	941 processing,	Denise.halderman@doa.virginia.gov
Cathy Gravatt Accountant Senior - Payroll Tax Accounting	941 processing, Voids	Cathy.gravatt@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 Number

- FAX information to 225-3499 for questions related to year-end processing, W-2 distribution and 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 2012) 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 2012) 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 01/10/12 to 01/09/13.	
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, report corrected total to VEC (see page 11).
U090 – FIPS Code Error Report	If any amounts are shown, these figures must be added to the totals reported to VEC (see page 11). Additionally, employee records should be corrected in CIPPS.	Use in conjunction with U057.
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.

Continued on next page

Summary of Quarter and Year-to-Date Reports, continued

Optional Reports

Report	Description	Agencies Use Report to...
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
- 2012 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	EE PD RET	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) 225-3499

REPORT THE CORRECT AMOUNT, NOT THE AMOUNT OF THE ADJUSTMENT.

2012 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, Housing, 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.

2012 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.**

OR

Differences exist and are valid

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 2012.

Agency Fiscal Officer Signature

Date

Printed name

Phone #

Due Friday, January 11, 2013

W-2 Distribution Form
FOR CALENDAR YEAR ENDING DECEMBER 31, 2012

Company Name: _____

Number: _____

Agency Fiscal Officer Signature: _____

Date: _____

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



SORT ORDER
(YOU MUST CHOOSE ONE)

Alphabetical within Organization code (Default) _____

Alphabetical within Agency _____



DISTRIBUTION

Non-Payroll Service Bureau Agencies NOT in the Richmond area - please indicate the method that you want W-2s to be distributed to your agency. (You must pick your W-2s up from DOA if you are in the Richmond area.).

Pick Up at DOA _____

UPS _____

Payroll Service Bureau (PSB) Distribution - Please note that the Payroll Service Bureau will initially pick up W-2s for agencies serviced by the Bureau, **but you must choose one of the following** :

_____ PSB bulk ship to Agency Central Office for agency distribution

_____ Agency Courier will pick up from PSB for agency distribution

_____ PSB mail W-2s directly to employees (**Agency will be charged for postage**)



AGENCY CONTACT

Name _____

FAX # _____

Phone # _____

Email Address _____

Other Information



FAX by December 14 to:

J.R. Rodgers, Year-End Coordinator
(804) 225-3499