

Department of Accounts

Payroll Bulletin

Calendar Year 2018

August 29, 2018

Volume 2018-10

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

✓ **Guidelines for Issuing Employee IDs
for New Hires**

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

Acting Director

Cathy C. McGill

Guidelines for Issuing Employee IDs for New Hires

New Procedures

Internal Revenue Code (IRC) 6721 allows the IRS to collect penalties from any employer that provides missing or incorrect W-2 information unless they can establish that the error was due to “reasonable cause”. Should the IRS have any concerns, we are required to present proper documentation to establish that the events were beyond our control and not a result of “willful neglect”. In an effort to prevent penalties and protect the interests of the Commonwealth, DOA, DHRM and VRS have collaboratively produced the required procedures in this announcement.

These procedures are separate from the I-9 and E-Verify process. Agencies should continue to follow the federal guidelines concerning those requirements.

Review of Social Security Card Required

IRC 3402 states that the employer has an obligation to request Form W-4 from a new employee. On or before the first day of employment the agency MUST present the employee with a W-4 form. Documenting this event satisfies our requirement to make an initial solicitation of the employee’s Social Security Number (SSN).

CIPPS agencies must request to see the employee’s Social Security Card. The employee is required to show their Social Security Card to the employer under IRS Regulation 31.6011 (b)-2. Someone at the agency must review the Social Security Card and verify that the name and the SSN matches what the employee has signed on the W-4. **Even though the W-4 only asks for the middle initial, have the employee write their name exactly as it appears on the card.** Agencies can keep a copy of the Social Security Card, but it is not required.

The signed W-4 on file is the source document for the employee’s full name and SSN. Please ensure that the name and SSN are entered in PMIS as shown on the W-4. Some errors are extremely difficult to correct and may require lengthy delays to resolve.

Resources available at the end of this document specify that employers can ask the employee to show their Social Security Card. This is an acceptable practice as long as we keep it separate from any requirements for the I-9 or E-Verify.

Continued on next page

Guidelines for Issuing Employee IDs for New Hires, continued

Reject Invalid W-4 Forms As mentioned in the previous section the W-4 form is required and will be our source document for the employee's name and SSN.

It is not the employer's responsibility to verify the accuracy of an employee's W-4, however the IRS can hold us accountable and impose penalties if the form is clearly invalid.

IRS Publication 15 describes situations that create an invalid W-4 form. DOA policy requires agencies to reject an invalid W-4 and continue withholding based on the prior W-4 filed by the employee. If no prior W-4 is on file withhold at the default "Single" and "0" allowances rate until the employee submits a valid W-4. Some examples of invalid W-4s include the following:

- Reject any W-4 that has missing or incomplete information.
- If box 4 of the W-4 is not marked and the name on the Social Security Card does not match the name used on the W-4.
- If the employee enters a number of allowances in box 5 of the W-4 and writes "Exempt" in box 7.
- The IRS does not allow us to withhold a flat percentage of withholding except in the case of "supplemental wages". There is no place to put a flat percentage on the W-4. If the employee attempts to request a flat percentage, it alters the official language of the form thereby making it invalid.
- The IRS does not allow an employee to withhold a flat dollar amount. Employees must enter the number of allowances in box 5 and request an additional flat dollar amount in box 6.
- Any alteration of any language on the W-4 form makes it invalid.
- If the employee indicates in any way that the information provided on the form is false on the date they give you the form, it is invalid.
- Reject the W-4 if the SSN has any of the following conditions:
 - The first three digits (former area number) as "000," "666," or in the 900 series.
 - The second group of two digits (former group number) as "00."
 - The third group of four digits (former serial number) as "0000."
 - DO NOT accept an ITIN in place of an SSN. The IRS issues ITIN numbers to resident and non-resident aliens who are NOT eligible for US employment.

Please see the instructions in the next section for employees that do not have a SSN at the time of employment.

Continued on next page

Guidelines for Issuing Employee IDs for New Hires, continued

Assigning Temporary Social Security Numbers

Employees that do not have a Social Security Card must show the card “promptly thereafter” (IRS Regulation 31.6011 (b)-2).

If an employee does not have a Social Security Card, CIPPS agencies must instruct them to complete SS-5 as soon as possible.

In the meantime, use the procedures below to request a temporary SSN. New procedures are in place due to the system conventions required by centralized agencies and third party administrators.

CIPPS AGENCIES MAY NOT ASSIGN THEIR OWN TEMPORARY SSNS.

1. Instruct the employee to complete form SS-5. (<https://www.ssa.gov/forms/ss-5.pdf>)
2. Absent a true SSN, any W-4 they submit is invalid. Withhold at the higher “Single” and “0” allowance rate until they submit a valid W-4 with a true social.
3. Complete the [“Employee Temporary Number Request”](#) form found on our website and submit it to DHRM using the secure method instructed on the form.
4. If the Temporary Social is for a salaried employee, follow the instructions on the [“Employee Temporary Number Request”](#) to obtain a secondary Temporary SSN from VRS. Salaried employees CANNOT use myVRS until a valid SSN is obtained from the Social Security Administration. PMIS transactions will require manual input into myVRSNavigator until the permanent SSN is obtained.
5. If the employee does not receive a new Social Security Card before calendar year end, DOA must file the W-2 with “000-00-0000” as the social. The social security administration will not accept temporary socials when we file W-2s.
6. When the employee receives their Social Security Card, have them submit a new form W-4 to document the change. The agency should request to see the employee’s Social Security Card to validate the information on the W-4. Refer to the instructions on the [“Employee Temporary Number Request”](#) form to correct the SSN in PMIS/CIPPS and myVRSNavigator.
7. If the agency receives an error in PMIS preventing the correction of the SSN, complete the [“Social Security Number Correction”](#) form found on our website and submit it to DHRM using the secure method noted on the form.
8. DOA will work with CIPPS agencies to complete a W-2c in situations where the W-2 was previously filed using “000-00-0000” as the SSN.
9. The line agency MUST perform a second annual solicitation by December 31st of the second calendar year following employment when the employee fails to submit a valid SSN. To document the “second annual solicitation” send a W-4 along with a letter to the employee. Should a line agency receive a penalty notice from the IRS, they can seek a waiver by providing documentation for two annual solicitations for a valid SSN. The first annual solicitation is the W-4 form requested at the time the employee was hired.

Continued on next page

Guidelines for Issuing Employee IDs for New Hires, continued

Social Security Number Verification Service (SSNVS)

Optionally, CIPPS agencies can further validate the W-4 information using SSNVS, a free service from the SSA. Using this system, agencies can enter the employee's name, birth date and SSN and receive instant online validation. The W-4 does not contain the birth date but it is required to validate the information in SSNVS.

If there is no issue, the agency will receive confirmation that the information "Verified". The agency will receive an error in the following instances:

- SSN not in file (never issued by SSA)
- Name matches; DOB does not match.
- Name does not match; DOB not checked.
- SSN did not verify - other reason.
- Name matches, but SSN number marked as Deceased

Agencies should remember that there are differences between the SSA database and the IRS database. Errors may occur due to administrative issues with the SSA. Employers should read the handout entitled "Name and Social Security Number (SSN) No-Matches for EMPLOYERS" found at the link below from the U.S. Department of Justice for legal guidance in handling errors.

<https://www.justice.gov/sites/default/files/crt/legacy/2014/12/04/Employers.pdf>

Follow the specific procedures below when presented with an error from the SSNVS process:

1. Review the W-4 on file and correct any typographical errors. If the SSN was incorrect, update the SSN in PMIS (which will update CIPPS) and myVRSNavigator. If errors prevent the update in PMIS, complete the ["Social Security Number Correction"](#) form found on our website and submit it to DHRM at ihelp@dhrm.virginia.gov as instructed on the form.
2. Send a letter to the employee documenting the error received from the SSA. Provide the employee with a W-4 instructing them to complete a new one if the name or SSN does not match our records. Document the request to satisfy the requirements to prove "reasonable cause" if we are penalized. Provide them with a copy of the handout from the Department of Justice called "Name and Social Security Number (SSN) No-Matches Information for Employees" found at the link below: <https://www.justice.gov/sites/default/files/crt/legacy/2010/12/29/Employees.pdf>
3. If a line agency receives a penalty notice from the IRS for invalid SSN information, they will be able to seek a waiver if they can provide documentation that they made two annual solicitations to the employee after they received the error.
4. Receiving an error from the SSNVS DOES NOT make the current W-4 on file invalid. Continue withholding as specified on the W-4 unless it is invalid for other reasons.

Continued on next page

Guidelines for Issuing Employee IDs for New Hires, continued

W-4 Requirements for Non Resident Aliens

Refer to IRS Notice 1392 for specific instructions regarding Non-Resident Alien (NRA) completion of the W-4.

Agencies can identify their NRA population by those employees that selected “An Alien Authorized to Work Until” box on the I-9 form.

Agencies should provide a copy of IRS Notice 1392 to their NRAs. NRAs are subject to special Form W-4 rules. W-4’s for qualifying NRAs need to consider the following:

- NRA’s CANNOT claim exempt from federal income tax withholding.
- NRA’s can only claim “Single” with “1” regardless. (some exclusions apply for certain countries)
- They MUST write “NRA” above the dotted line on Line 6 of the W-4.

To invoke proper taxing for qualifying NRA’s in CIPPS, the H0BAD should have the following:

- change the resident country to 901
- enter a FIT marital status of 1
- enter a 1 for the number of exemptions claimed

Agencies should read the Non-Resident Alien section of Publication 15 for more information.

Submit a New W-4 for Name Changes

Employees who change their name should submit a new W-4 form. The line agency should review the new Social Security Card and update the name in PMIS. If the Social Security Card does not match the name on the W-4, the employee must check the box on line 4 of the W-4 or the form is invalid. They should call the number shown in box 4 to request a replacement card.

As stated previously, the W-4 is our source document for the employee’s name and SSN. Use the W-4 as the source document when keying the name change into the agency Human Resource System (i.e., PMIS).

Three Types of Social Security Cards

The SSA issues three types of Social Security Cards:

- 1 – Social Security Card without notes – valid and acceptable for employment
- 2 – Social Security Card with notes - “VALID FOR WORK ONLY WITH DHS AUTHORIZATION”. These cards are issued only on a temporary basis.
- 3 – Social Security Card with notes – “NOT VALID FOR EMPLOYMENT”. According to the Circular E (Pub 15), “A SOCIAL SECURITY NUMBER ISSUED WITH THIS LEGEND DOESN’T PERMIT EMPLOYMENT.”

Continued on next page

Guidelines for Issuing Employee IDs for New Hires, continued

Other Reminders

Publication 15 requires employers to make the following notifications to their employees annually by the date shown below:

- February 28 – request a new W-4 from exempt employees
- March 1 – claiming exemption from withholding expires. If an employee has not re-submitted a new W-4 form to claim exempt in the new calendar year, begin withholding at the “Single” and “0” rate
- December 1 – remind **ALL** employees to submit a new W-4 if their marital status or withholding allowances have changed or will change for the new calendar year.

Compliance Monitoring

As stated in the preceding section, line agency use of the SSNVS process is optional. However, State Payroll Operations (SPO) will send an electronic file to the SSNVS service quarterly. SPO will report any errors received to the line agency.

If we send an error to the line agency, follow the same procedures outlined in the preceding section of this bulletin entitled “**Social Security Number Verification Service (SSNVS)**”.

Beginning in March 2019, the SSA will begin sending letters to employers when the name submitted for the W-2 does not match the social provided. The letter will encourage employers to ensure the accuracy of wage reporting for its employees.

SPO will also monitor the volume and reasons submitted by the CIPPS agencies on “Social Security Number Correction” form. SPO will report excessive carelessness and non-compliance on the Comptroller’s Quarterly Report.

Reference Links

Internal Revenue Code (IRC) 6721:

[http://uscode.house.gov/view.xhtml?req=\(title:26%20section:6721%20edition:prelim\)](http://uscode.house.gov/view.xhtml?req=(title:26%20section:6721%20edition:prelim))

Internal Revenue Code (IRC) 3402:

<https://www.gpo.gov/fdsys/pkg/USCODE-2010-title26/pdf/USCODE-2010-title26-subtitleC-chap24-sec3402.pdf>

IRS Reasonable Cause Regulations & Requirements for Missing and Incorrect Name/TINs:

<https://www.irs.gov/pub/irs-pdf/p1586.pdf>

Supplemental Form W-4 Instructions for Non-Resident Aliens IRS Notice 1392:

<https://www.irs.gov/pub/irs-pdf/n1392.pdf>

U.S. Department of Justice Frequency Asked Questions:

<https://www.justice.gov/crt/frequently-asked-questions-faqs>

IRS Publication 15:

<https://www.irs.gov/pub/irs-pdf/p15.pdf>