

Department of Accounts Payroll Bulletin

Calendar Year 2021

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2021 Calendar Year Payroll Operations and Leave Processing

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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 this bulletin, please send an email to payroll@doa.virginia.gov

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Introduction

This Payroll Bulletin addresses key **2021** calendar year payroll and leave processing issues. This bulletin should be distributed to and carefully reviewed by appropriate payroll, human resource and fiscal personnel within your agency.

Payroll Accounting

IRS Guidance

The Internal Revenue Service website is <https://www.irs.gov/>

Publication 15, Employer's Tax Guide and Publication 15-B, Employer's Supplemental Tax Guide are available on the Forms & Publications tab and should be reviewed every calendar year.

Social Security Tax Withholding

The maximum wage base for 2021 withholding will increase to **\$142,800** for OASDI (Old Age, Survivors, and Disability Insurance). The wage base for HI (Hospital Insurance) remains unlimited (i.e., all wages are HI taxable). Wages paid in excess of \$200,000 in 2021 will be subject to an extra 0.9% HI tax that will only be withheld from employees' wages. Employers will not pay the extra tax.

The OASDI tax rate will remain 6.2% each for employees and employers (\$8,853.60 each). For HI, the rate is 1.45% each for employees and employers, with the additional 0.9% for employees only on wages in excess of \$200,000.

When the maximum has been reached for an individual Employee Id Number within an agency, OASDI taxes will cease to be calculated and withheld. No agency action is required since CIPPS recognizes the OASDI maximum.

DOA monitors totals for employees with records at more than one CIPPS agency and will change the FICA status to "6" once the OASDI max has been reached. **Don't forget to change the FICA status from "6" back to a "4" for the new calendar year.** Report #825, FICA Status not Equal to 4 and Employee Status Equal 1 or 2, may be requested on HSRUT for review.

Payroll Accounting, continued

Exempt Status Employees who claim exempt from withholding on their W-4 during the prior year must complete a new W-4 form by February 16th to maintain their exempt status. If a newly completed W-4 form is not received by February 15th, immediately begin to withhold Federal income tax as if they had checked the box for Single or Married filing separately in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of the 2020 Form W-4. If the employee gives you a new Form W-4 claiming exemption from withholding after February 15, you may apply the exemption to future wages, but don't refund taxes withheld while the exempt status wasn't in place.

Agencies can request CIPPS report #823, **Employees with FIT Status Not Equal to 4, 5, or 6**, to identify employees with current exempt W-4s (FIT status "A").

IRS regulations stipulate which employees are eligible to file a W-4 Form with exempt status. Refer to Section 9 of Publication 15 (Circular E) for more information.

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

North Carolina Residents The Virginia Department of Taxation *Income Tax Withholding Guide for Employers* states that payments to nonresidents not covered under reciprocity for services performed in Virginia are subject to Virginia withholding.

North Carolina's *Income Tax Withholding Tables and Instructions for Employers* states "An employee who is a resident of this State is subject to North Carolina withholding on all of his wages, whether he works within or outside the State; except that, to prevent double withholding and to anticipate any allowable tax credit, North Carolina withholding is not required from wages paid to a resident for services performed in another state if that state requires the employer to withhold. Withholding does not relieve the employee of the obligation to file a North Carolina individual income tax return and pay any balance due after tax credit."

Therefore, North Carolina residents working in Virginia must pay employment taxes to Virginia and must complete a Virginia income tax return. Only those North Carolina resident employees who are physically working in North Carolina can be excluded from Virginia reporting and withholding.

Withholding for Other States Agencies that hire employees to telework from other states create a business presence (nexus) in those states and are required to research the withholding tax, unemployment insurance and workers compensation insurance implications associated with that employment.

It is imperative that accurate information regarding business and residence locations is entered on the H0BAD screen along with the necessary H0ATX screens. Notify SPO as soon as a tax account id has been received for the other state(s) so that the state tax information on the W-2s will be correct.

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Payroll Accounting, continued

Name Changes Employees requesting name changes in CIPPS should be reminded to notify the Social Security Administration (SSA) of the change immediately. Name changes for existing employees are part of the PMIS/CIPPS interface and changes to employee names should not be entered in PMIS until the employee provides a new SS card showing the changed name or documentation proving SSA notification. If the employee's name is changed in CIPPS but not with the SSA, the name will not match SSA records when DOA remits the W-2 file, possibly resulting in agency penalties that may be as much as \$250 per return. Refer to section 4 of Publication 15 (Circular E) for more information.

You can verify up to 10 names/SSNs online and find out immediately if there is a mismatch. Go to www.ssa.gov/bsowelcome.htm and register for a PIN and password. Your activation code will be sent to your supervisor. Input the activation code to turn on SSNVS. Log into Business Services Online with your PIN and password and enter the SSNs for verification. <http://www.socialsecurity.gov/employer/critical.htm>

Reminder: Maximum Annual Leave Carryover Calendar Year End Leave jobs will process on January 14th. The maximum carryover is applied to the January 9th leave balance and then the leave accrual for the final pay period (12/25 through 1/9) is credited and available for use on the first day of the new leave year. This means that employees' Jan. 10th balances may exceed the maximum carryover limit.

Helpful Reminders

Some items that should be considered when beginning a new calendar year:

- Ensure all garnishments that have been satisfied due to a goal being reached are deactivated (frequency changed to 00).
 - **Review the pending file reports and delete transactions no longer required. Do not delete manual paysets.**
 - When entering a certification or edit request in 2021 with a pay period begin date with a 2020 value, you will receive a warning message stating "YEAR NOT SAME AS CURRENT YEAR." This is an informational message. You must hit the enter button again for the data on PYCTF/PYEDT to be accepted in the system.
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Payroll Deductions

Flex Reimbursement Accounts Flex accounts set up through the interface with BES use an end date instead of a goal as the means of turning off the deduction. DOA will **NOT** process any mass transactions at calendar year-end to change any fields related to the flex accounts on H0ZDC. If you manually set up accounts using a goal, you must review the deduction to ensure that the correct amount will be withheld for the remainder of the plan year (January through June deductions).

CVC Deduction #62 DOA will process a mass transaction at year-end to turn-off Deduction #062 (changes frequency from '09' to '00') and to change the Deduction #062 AMT/PCT and GOAL fields on H0ZDC to **all zeros**.

DHRM will provide a file the week of January 10th that will be used to establish CVC deductions for calendar year 2021. This file will be processed during the first week of January. Reports will be provided by DHRM and some manual entry may be required as well.

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Payroll Deductions, continued**Optional Life Update**

Reports U024 - Optional Group Life Premium Listing and U025 - Optional Group Life Errors were produced on December 30. CIPPS will be updated on January 4 with the new Optional Group Life rates. For questions regarding OGL, contact Joe Chang in the Richmond Branch Office of Securian Financial at 1-800-441-2258 x101 or via email at joseph.chang@securian.com or FAX 804-644-2460.

Qualified Benefit Plans

Employees of the Commonwealth who are employed by a college or university may use both the 457 Deferred Compensation/Roth Plan and a 403(b) Tax Deferred/Roth Account. The maximum limits on 457 and 403(b) plan elective deferrals remain the same for calendar year 2021:

Goals for the 457 Deferred Compensation Plan are no longer established per individual deduction in employee records since those who participate in the Hybrid plan may also have an additional voluntary deduction that is considered part of the 457 Plan (deduction 016). The Employee Voluntary Hybrid Contribution is linked with the existing 457 Deferred Comp contribution (deduction 038) and 457 Roth contribution (deduction 052) to ensure that the combined total does not exceed the annual maximum.*

| Deferral Category | 457 Deferred Compensation Plan | 403(b) Tax-Deferred Account |
|--------------------------|---------------------------------------|------------------------------------|
| Normal Annual Limit | \$19,500 (1)(5) | \$19,500 (1)(5) |
| Age 50 Catch-Up | \$6,500 (2) | \$6,500 (2)(5) |
| 457 Standard Catch-Up | \$19,500 (3)(5) | N/A |
| 403(b) 15-Year Catch-Up | N/A | \$3,000 (4)(5) |

- (1) Eligible participants may contribute the normal annual limit to both plans.
- (2) Eligible participants may contribute the Age 50 Catch-Up to both plans.
- (3) The 457 Standard Catch-Up may not be used in the same year that the 457 Age 50 Catch-Up is used. The 457 Standard Catch-Up can only be used in the three years preceding “normal retirement age” as designated on the Normal Retirement Age Election Form. The Standard Catch-Up plus the Normal Annual Limit results in a total possible deferral to the 457 Plan of **\$39,000 for 2021**.
- (4) The 403(b) 15-Year Catch-Up, the 403(b) age 50 Catch-Up and the 403(b) Normal Annual Limit can all be used in the same year for a total deferral of **\$29,000 in 2021**. (Note: there is a lifetime limit of \$15,000 on the 15-yr catch up.)
- (5) The 457 Standard Catch-Up and the 403(b) 15-Year Catch-Up may both be used in the same year. A participant in both plans could potentially defer **\$68,000 in 2021** if eligible for the full 403(b) 15-Year Catch-Up, 403(b) age 50 Catch-Up and the full 457 Standard Catch-Up.

Note: Questions concerning eligibility for Catch-Up contributions should be directed to the applicable Plan provider.

* The “Goal” field will only contain an amount that equates to any limit above the standard limit for under age 50 in the lowest numbered active applicable deduction (See Bulletin #2016-14). Therefore only those 50 or over or in catch-up will have an amount in the Goal field.

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Payroll Deductions, continued

Student Loan Garnishments The deferment of student loans managed by the federal government will expire at the end of January. Employers should receive notices in February to begin withholding again.

Misc. Deduction TPA Processing Schedule The calendar year 2021 cut-off date schedule governing new enrollment and change processing for the miscellaneous insurance and annuity third party administrator (FBMC) can be found on the website at <https://www.doa.virginia.gov/reference/payroll/pdf/2021-TPA-Calendar.pdf>

Year-End Leave Processing

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 14, 2021.

At close of business January 14:

- 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 an active SDP recipient indicator. Agencies interested in requesting this report should submit a request to payroll@doa.virginia.gov to have their CIPPS Company Header updated prior to using the on-line request (HSRUP).

FFCRA and PHEL Leave As of today, the federal requirement for employers to provide additional leave and family medical leave for absences related to COVID-19 is set to expire as of 12/31/2020. FFRCA-A and FFCRA-B should not be granted to employees beyond 12/31.

The state-provided PHEL leave maximum will reset with the new leave calendar year.

Leave Questions Direct questions or comments regarding leave to payroll@doa.virginia.gov

Payroll and Leave Contact Personnel

Communication Guidance Address all processing questions to the individuals listed. Contact the appropriate DOA personnel to ensure accurate and consistent responses. Use E-mail and FAX to avoid “telephone tag” and provide all necessary relevant information. This will significantly reduce the amount of time it takes DOA personnel to address questions or concerns. **Review your CIPPS broadcast screen (MCIP) throughout the day for important messages.**

Payroll Operations – CIPPS Assistance

| Name | Functional Area | E-mail | Phone (804 Area Code) |
|------------------------|---|--|--------------------------|
| Valerie Dunmars Hurdle | Payroll Accounting; Employee Masterfile Maintenance; Compliance Assurance | Valerie.dunmars@doa.virginia.gov | 786-0227 |

Payroll Operations – PR/Benefits Accounting

| Name | Functional Area | E-mail | Phone (804 Area Code) |
|---------------------|---|--|--------------------------|
| Tiffany Harris | 941s; Employee Masterfile Maintenance; CIPPS Adjustments; OGL; TIAA | Tiffany.harris@doa.virginia.gov | 225-2386 |
| Cathy Royal | CIPPS/PMIS Audit; DSS; CVC; VPEP; VEST; Misc Ins & Annuities/Annuity Cash Match; CIPPS Security | catherine.royal@doa.virginia.gov | 225-2390 |
| Trenika Satterwhite | Healthcare Reconciliations; Deferred Compensation/Deferred Compensation Cash Match; Hybrid Retirement; ICMA ORPPA & ORPHE | Trenika.satterwhite@doa.virginia.gov | 225-2246 |

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Payroll and Leave Contact Personnel, continued

Payroll Operations - Production

| Name | Functional Area | E-mail | Phone (804 Area Code) |
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| Marvin Simon | Direct Deposit & Stop Payments; Void Checks; Deposit Certificates; Report Distribution/Recovery; AD-HOC Reports/U1's; Stop Payments-Void Earnings Notices; Gross Pay Differences | Marvin.simon@doa.virginia.gov | 371-4883 |
| Cathy Gravatt | Direct Deposit & Stop Payments; Void Checks; Deposit Certificates; Report Distribution/Recovery; AD-HOC Reports/U1's; Stop Payments-Void Earnings Notices; Gross Pay Differences | Cathy.gravatt@doa.virginia.gov | 371-8385 |

Payroll Operations - Management

| Name | Functional Area | E-mail | Phone (804 Area Code) |
|------------------|--|--|--------------------------|
| Carmelita Holmes | General Information, Production and Benefit Accounting Support | Carmelita.holmes@doa.virginia.gov | 371-7800 |
| Cathy McGill | General Information, Production and Benefit Accounting Support | cathy.mcgill@doa.virginia.gov | 225-2245 |

Payroll Operations General

- FAX (804) 225-3499
- payroll@doa.virginia.gov

Production and Certification Schedules

2021 Schedules The Production Calendar for January was included in the #2020-18, CYE Bulletin on December 1. Please note there is a correction to the information provided – the leave cut-off date for the pay period of January 10 – January 24 is Friday, January 29, instead of Thursday, January 28.

A full Production Calendar for 2021 will be provided in January. Salary and Wage Certification calendars are available on the DOA State Payroll Operations website: <https://www.doa.virginia.gov/reference/payroll/>