



Payroll and IRS Issues Affecting All Agencies

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Today's Topics

- Transit and parking benefits
- Changes to IRS Forms W-2 and 1099 filing
- Safe harbor for de minimis errors on information returns and payee statements
- Correcting payroll errors on Day 4
- HRMS Health Care Activity Report

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Today's Topics

- Shared leave returns to former employees
- Reconciling Account 035
- Payroll training offered by OFM
- Employee email remittance advices (travel and other non-payroll reimbursements)

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IRS Changes (PATH Act)

Consolidated Appropriations Act, 2016 signed into law on December 18, 2015

- Combined several pieces of legislation including the **Protecting Americans from Tax Hikes Act of 2015 (PATH Act)**
- The PATH Act includes changes that will affect Payroll and Accounts Payable

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PATH Act

Transit and Parking Benefits

- Until the Act was passed, the excludable amounts were:
 - \$130/mo. For mass transit and vanpool
 - \$250 for parking
- For 2015, retroactively increased the mass transit and vanpool benefit exclusion to \$250/mo. – making both amount the same.
 - The Internal Revenue code was amended to state both amounts will always be equal.
- For 2016, the amounts for both transit/vanpool and parking are \$255/mo.

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PATH Act

Transit and Parking Benefits

- For more information, refer to IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits
- <https://www.irs.gov/pub/irs-pdf/p15b.pdf>

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PATH Act

Changes to IRS Forms W-2 and 1099 Filing

- For forms filed with the Internal Revenue Service (IRS) and Social Security Administration (SSA)
- Effective for 2016 (filed in 2017)
- Why the change?
 - The IRS is increasing efforts to reduce tax refund fraud.

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PATH Act

Form W-2 Filing with the SSA

- Current deadline to file is March 31
- New deadline: **January 31!**
- Good news – the Human Resource Management System (HRMS) is already in compliance!
 - The file is already being sent to the SSA in January
 - There should not be a change related to year-end processing for payroll offices.

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Even so: Reconcile, reconcile, reconcile!

Agencies should run Forms 941 and W-3 each payday and

- Reconcile deposits
- Balance Form 941 to W-2
- Doing so will avoid IRS penalties
- Payroll reconciliation tools can be found on the Reconciliation page of Statewide Accounting's Payroll Resources site:
<http://www.ofm.wa.gov/resources/payroll/reconciliation.asp>
 - Federal tax deposit reconciliation
 - Year-end balancing reconciliation
 - Year-end information
- For more information, refer to the IRS General Instructions for Forms W-2 and W-3: <https://www.irs.gov/pub/irs-pdf/iw2w3.pdf>

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PATH Act

Form 1099-MISC filing with the IRS

- Current deadline to file is March 31
- As with Forms W-2, the new deadline for Forms that contain information in Box 7 (nonemployee compensation) will be **January 31!**
- This will be a change to the current process*
 - For agencies that use the Account Ability application offered by Consolidated Technology Services, the filing date will be moved up from March
 - **This means that agencies will most likely need to finalize their reporting data sooner**

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PATH Act

Reconcile, reconcile, reconcile (sooner)!

- Don't wait until January
 - Reconcile throughout the year
 - Take corrective action throughout the year
 - Reserve January for:
 - Final review and
 - Corrections based on the review
 - For more information, refer to the IRS Instructions for Form 1099-MISC:
<https://www.irs.gov/pub/irs-pdf/i1099misc.pdf>

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PATH Act

Safe harbor for de minimis errors on information returns a payee statements

- For the first time, Forms W-2 and 1099 with incorrect dollar amounts may fall under a safe harbor for certain de minimis errors.
- The limits are:
 - <\$25 for tax withheld
 - <\$100 for other boxes
- What does this mean?

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PATH Act

If the safe harbor applies, you will not have to correct the form and it will be treated as having been filed with all of the correct required information.

- The safe harbor is effective for new filings beginning January 2016.
- The safe harbor does not apply if the payee elects to have you issue a corrected W-2 or 1099.**
 - In that case, a corrected form must be filed with the corrected payee statement furnished to the recipient (same process as today).
- The safe harbor does not apply for corrections to 2015 and prior (use current process).
- Watch for further guidance from the IRS.

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PATH Act

Safe harbor for de minimis errors on information returns a payee statements

- For more information, refer to the following IRS Publications:
 - General Instructions for Forms W-2 and W-3:
<https://www.irs.gov/pub/irs-pdf/iw2w3.pdf>
 - General Instructions for Certain Information Returns (1099):
<https://www.irs.gov/pub/irs-pdf/i1099qi.pdf>

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Correcting Payroll Errors on Day 4

A new process has been created for accounting data that is interfaced to AFRS from HRMS

- Errors will be available on the AFRS IN.3 screen during the day of Day 4.
- Agencies will have the opportunity to fix and release errors so that they will process that night along with the payroll transactions that had no errors.
- Effective with the April 10, 2016 payroll.
- Errors not corrected will continue to show on the IN.3 screen until corrected and released (same process as today).

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HRMS Health Care Activity Report

A new reconciliation tool has been available since late 2015

- Research Account 035, GL 5181 activity (insurance deductions payable)
- Research provider cost of health care for Form W-2 reporting
- The report merges HRMS and PAY1 data
- Available in calendar month snapshots
- Data from January 2014 forward is available

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Health Care Activity Report

Benefits of the report – 035, GL 5181

- View one or several months at a time
- Can view activity for all employees, one employee, or only those who have a difference between HRMS and PAY1
- Both employee and employer contributions are displayed
- Exportable to Excel

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Health Care Activity Report 035 GL5181 Activity Report

| PAY1 EE Contrib | HRMS EE Contrib | EE Contrib Difference | PAY1 PEBB | HRMS PEBB | PEBB Fund Difference | PAY1 Tobacco | HRMS Tobacco | Tobacco Difference | PAY1 SPDP | HRMS SPDP | SPDP Difference |
|-----------------|-----------------|-----------------------|-----------|-----------|----------------------|--------------|--------------|--------------------|-----------|-----------|-----------------|
| 224.00 | (112.00) | 112.00 | 840.00 | (420.00) | 420.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 65.00 | (70.00) | (5.00) | 662.00 | (331.00) | 331.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 147.00 | (58.00) | 89.00 | 662.00 | (662.00) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 50.00 | 50.00 |



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Health Care Activity Report

Benefits of the report – Provider Cost

- View one or several months at a time
- Can view activity for all employees, one employee, or only those who have a difference between HRMS and PAY1
- Both employee and employer contributions are displayed
- Exportable to Excel and HRMS

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Health Care Activity Report Provider Cost Activity Report

| Pay1 ProvCost | HRMS ProvCost | HRMS Provider Cost Tax Adjustments | ProvCost Difference | PAY1 ER HSA | HRMS ER HSA | HRMS ER HSA Contribution Tax Adj | ER HSA Difference |
|---------------|---------------|------------------------------------|---------------------|-------------|-------------|----------------------------------|-------------------|
| 1,507.13 | 1,507.13 | 0.00 | 0.00 | 241.67 | 116.67 | 0.00 | 125.00 |
| 1,010.25 | 1,010.25 | 0.00 | 0.00 | 241.67 | 116.67 | 0.00 | 125.00 |
| 1,009.68 | 1,525.27 | 0.00 | (515.55) | 241.67 | 116.67 | 0.00 | 125.00 |



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Shared leave returns and former employees

Per OFM State HR:

- Vacation leave is not returned to former employees, either retired or resigned (left state service)
- Sick leave is only returned if the employee has resigned (not retired)
 - Only if within the 5 year limit
- Dollars are still transferred

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Reconciling the State Payroll Revolving Account (035)

This reconciliation is a necessary internal control procedure to:

- Ensure accuracy/reliability of accounting data;
- Safeguard agency assets;
- Promote operational efficiency; and
- Comply with SAAM 25.20.10.d

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Reconciling the State Payroll Revolving Account (035)

The reconciliation will catch items such as:

- Amounts accrued in GL 5124 are paid out (zero balance)
- Employee/Employer costs of health insurance are reconciled to HCA reports
- Amounts paid to L&I are correct
- Writs of garnishment are properly accrued and court orders to pay are carried out

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Reconciling the State Payroll Revolving Account (035)

The reconciliation will catch items such as:

- Retirement arrears collected are sent to DRS
- Amounts due claimants of deceased employee wages are accrued and paid out (once all required documents are received)
- And more!

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Reconciling the State Payroll Revolving Account (035)

For your balances to be considered reconciled, the reconciliation process has to be complete.

- That means that all reconciling items identified have been researched and appropriately resolved including recorded in AFRS, if applicable.

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Payroll training offered by OFM

Payroll

- Accounting for Payroll
- Payroll Revolving Account Reconciliation
- Health Insurance Reconciliation
- Internal Control: Payroll

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Other training opportunities

The following classes may also be of interest:

- In-Process Report Training
- GL Reconciliation: Basics

Also, important topics are covered at Personnel/Payroll Association meetings

- Next meeting: May 24, 2016 9:00 @ OB-2
- <http://www.ofm.wa.gov/accounting/ppa.asp>

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Employee Email Remittance Advices (travel and other non-payroll Reimbursements)

New process effective April, 2016

- Notification of reimbursement will be via the email address on file in Employee Self Service (ESS) if:
 - The employee is paid electronically by HRMS
 - The AFRS employee vendor record contains the following:
 - Employee EFT field = Y (yes)
 - Vendor Type = 1 (employee)
 - Employee SSN is present in the TIN field (links to HRMS)

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Employee Email Remittance Advices (travel and other non-payroll Reimbursements)

To participate in this new AFRS feature, each agency must provide an email address for undeliverable emails.

- When an undeliverable email is received, it is the agency's responsibility to:
 - Notify the employee of the reimbursement
 - Work with the employee to get his/her email address updated.

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Questions?

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