

OFM Year End Information - 2009

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Remember, Year-End Happens All Year Long!

1. Key Dates

NOW:

Complete Year End Planning:

Look at lessons learned from 2008 and incorporate as needed

Complete an internal calendar that shows cutoffs for the following:

- Address changes (W-2's print correctly) (periodically ask employees to verify during the year)
- W-5: New forms for 2010

- Any documents that affect gross pay
- Account coding changes if applicable
- Cash allowances to be paid through payroll
- Commute Trip Allowance Requests
- Health/Life/LTD insurance changes

- Leave (all types) – including Leave without pay
- Miscellaneous deduction changes
- Overtime/Standby/Callback/Shift Differential hours
- Part-time employee hours
- Salary rate changes if applicable
- Travel – taxable issues
- Work location changes
- Moving Expenses
- Non-cash/taxable fringe benefits reporting
- New hires
- Settlement Issues
- Terminations
- Anything else as identified by the agency

Communicate with the following groups:

- Agency Human Resources Office
- Accounts Payable
- Executive Office
- Employees
- Department managers
- Travel desk
- Commute Trip Reduction Coordinator
- Other offices having payroll related business

Plan adequate staffing availability during the holidays

- Ensure proper staffing levels for December 10 - January 11

Key Dates (Continued)

Obtain, review, and have ready procedures for manual transactions

- Ahead of time, decide how your agency will process emergency payroll payments and understand procedures – be ready!
 - Manual emergency payroll Issues
 - Manual warrant cancellations
 - Manual Tax Deposits

Run Forms 941 and W-3 in HRMS each payday and:

- Reconcile deposits
- Balance 941 to W-2
- Check for amounts in Line 7c on the 941. Amounts here indicate employer deduction taken, but not employee deduction (example: non-cash on a terminated employee).
- This is not only a year end activity! **Do this throughout the year!**

Remind employees to submit amended Forms W-4 (if applicable):

- Per the IRS, remind employees to file an amended W-4 if their filing status, allowances, or exempt status has changed since the last time they filed a W-4. Do this by December 1.
- Be sure to tell employees that if there are no changes, there is no requirement to file a new W-4.

Remind employees who have a qualified/WA State registered domestic partner to review IRS Section 152 eligibility (this should take place throughout the year):

- For complete instructions, including forms, go to the following PEBB site:
<http://www.pebb.hca.wa.gov/documents/forms/2010/50-704.pdf>. Employees who want to add a qualified domestic partner would also go to this site.
- The Rates page on the PersPay site has been updated with the 2010 Tax Issues Related to PEBB Domestic Partners Insurance Information:
<http://www.perspay.hca.wa.gov/documents/rates/QDPTax2010.pdf>
- Q&A can be found here:
<http://www.fuzeqna.com/pebb/consumer/kbdetail.asp?kbid=703>

Verify that Accounts Payable has all Form 1099 data needed for amounts paid to the claimant of deceased employee's estates

Final Off Cycle Workbench for 12/24/09: Watch for HRMS communication!

December 24, 2009: PAYDAY!

Key Dates (Continued)

December 31, 2009: Forms W-5 expire.

- Eligible employees must file new forms.
- After Day 4 for the 12/10 payroll, you can run **HRMS report ZHR_RPTPY675** "Employees with EIC at Yearend" to find out which employees have had Advanced Earned Income Credit.

End 2009 and Beginning 2010: Be aware of employee health insurance premium collections between years (cannot be pretax, unless agency administrative error). *Be sure to communicate with affected employees!*

Prior to sending out 4th quarter 2009 IRS Form 941: Ensure that Forms 941, 941-X, W-2, and W-2c are in balance. Doing so will help avoid penalties from the IRS, SSA, or both.

Note: Once DOP has processed Forms W-2, this means a W-2c.

- **DON'T wait until the end of January to complete the 2009 reconciliation process!**
- **DO wait until the 941 filing deadline to file!** Why? Avoids a 941-X if you find a correction that needs to be made.

Items to be postmarked by January 29, 2010 (Friday):

- IRS Fourth Quarter, 2009 Form 941 (Employer's Federal Quarterly Tax Return). Note: Per IRS Publication 15 (<http://www.irs.gov/pub/irs-pdf/p15.pdf>), extra 10 days if you don't owe money.
- Forms W2 to employees

February 15, 2010: Exempt Forms W-4 expire.

- Per IRS Publication 15, any Form W-4 previously given to you claiming exemption from withholding has expired.
- Begin withholding for any employee who previously claimed exemption from withholding, but has not given you a new Form W-4 for the current year.
 - If the employee does not give you a new Form W-4, withhold tax as if he or she is single, with zero withholding allowances.
 - However, if you have an earlier Form W-4 for this employee that is valid, withhold based on that earlier Form W-4.
- After Day 4 for the 12/10 payroll, you can run **HRMS report ZHR_RPTPY661** "Tax Exempt Status Report" to find out which employees are claiming exempt.

After Completing the Year-End Process

- Schedule a Year-End debriefing meeting to review successes and failures.
- Document lessons learned in 2009 in preparation for the next Year-End.

2. Internal Revenue Service

Taxable Fringe Benefits:

The 2009 IRS guide to Taxable Fringe Benefits can be viewed at the following web address: <http://www.irs.ustreas.gov/pub/irs-pdf/p15b.pdf>

In addition, the Taxable Fringe Benefits Guide, which is used in the IRS Taxable Fringe Benefit training can be viewed at:
http://www.irs.gov/pub/irs-tege/fringe_benefit_fslg.pdf

Items of note:

- Taxable travel – work with Accounts Payable
- Commute Trip Reduction payments
- Allowance payments
- QDP – rate changes (automatically updated)
- Special Accounting Rule for benefits provided in November/December (or a shorter period)

IRS Contact Information for Government Agencies:

- 1-877-829-5500
- <http://www.irs.gov/govt/fslg/>
- Washington's Federal, State, and Local Government contact
 - Clark Fletcher
 - Clark.M.Fletcher@irs.gov
 - (425) 489-4042 – however email is best

Deceased Employees – reporting rules

- IRS requirements:
 - **All payroll payments** made to a deceased employee (in the calendar year of death as well as future calendar years) are **not subject to federal income tax**.
 - With the **exception of sick leave buyouts**, all wage payments (pay, overtime, comp time, annual leave, etc.) to a deceased employee are **subject to social security and Medicare taxes in the calendar year of death, but not in subsequent years** (Excluding payments to employees who have reached their respective maximums). The earning period being processed is not relevant – only the actual pay date.
 - **Sick leave buyouts** made to deceased employees' survivors are **exempt from social security and Medicare taxes**.
 - The **claimant** of payouts made to the deceased employee receives a Form **1099-MISC**. **Gross Pay** is reported.

Internal Revenue Service (Continued)

Forms and Instructions:

- Form **W-2** (Wage and Tax Statement), Form **W-3** (Transmittal of Wage and Tax Statements) and instructions
- Forms **W-2c** (Corrected Wage and Tax Statement), Form **W-3c** (Transmittal of Corrected Wage and Tax Statements), (multiple copies) and instructions – Can register with the SSA and **submit on line:**
<http://www.ssa.gov/employer/>

Electronic W-2cs are strongly recommended.

Note: If submitting for 2009 in the first quarter of 2010, print, but do not submit, until April 2010.

- Form **941-X** (Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund)

The following website can be used to research any of the above mentioned forms and instructions as well as all other forms and instructions provided by the IRS: <http://www.irs.ustreas.gov/formspubs/index.html>

Overpayments Collected for Prior Years:

Per the IRS, wages repaid for prior years do not reduce the actual wages paid to an employee in the current tax year. The employee may claim the repayment on Form 1040.

The example below relates to Form W-2 Box 1 (Wages, Tips, and Other Compensation) only:

- Employee paid \$11,000 in 2009, \$1,000 of which was an overpayment
- Employee pays back the \$1,000 in 2010
- Employee paid \$15,000 in 2010
- Therefore:
 - 2009 Box 1 is \$11,000
 - 2010 Box 1 is \$15,000
 - Employee may take a deduction for \$1,000 in 2009 on their 1040.
 - Employer DOES NOT reduce 2010 wages to \$14,000

For further information, see IRS Publication 15 "Wage Repayments:"
<http://www.irs.ustreas.gov/pub/irs-pdf/p15.pdf>

3. Social Security Administration

The Social Security Administration (SSA) has updated its "Critical Links" document, which provides guidance to employers on correctly reporting names and social security numbers on Forms W-2 so that SSA can match each W-2 to the employee's lifelong earnings history. The "Critical Links" document can be found at: <http://www.ssa.gov/employer/critical.htm>

The SSA encourages:

- Employers to verify an employee's name and social security number (SSN) on the employee's W-4 form as part of the hiring process for tax withholding and reporting purposes.
- Employers to use the Social Security Number Verification Service (SSNVS) to verify social security numbers on-line. More information is available at <http://www.ssa.gov/employer/ssnv.htm>.
- Workers NOT to carry their SSN or social security card on them because of identity theft.

The social security card *cannot be a required* document for purposes of proving the employee's authorization to work in the U.S. under the immigration law (I-9).

Knowing what social security numbers have been allocated will help you determine if a social security number is valid. The SSA has two guides that will help you make this determination:

- Social Security Number Allocations – How SSN's are assigned and a list of number areas by state (<http://www.ssa.gov/employer/stateweb.htm>).
- High Group List – This shows the SSN area group numbers that are in the process of being issued and is updated monthly: <http://www.ssa.gov/employer/ssnvhighgroup.htm>

IRS Penalties: If Form W-2 does not contain the employee's correct name or social security number, under the Internal Revenue Code, the employer "may be" penalized up to \$50.00 for each incorrect Form W-2.

Helpful Hint: If an employee has only one name, such as "Cher" or "Madonna" it would be considered the last name for W-2 reporting purposes.

4. Other State Withholding Tax (as provided by Social Security Administration)

The state and local tax data needs to be reported on the employee's copy of the W2 so that they can file state or local tax returns. However, the W2 file that the state sends to the SSA does not need to contain that information. The SSA does not read state and local tax data nor pass it on to anyone.

Depending upon the locality involved, agencies may need to send state or local W2 data to that entity.

- For example, Idaho requires employers to send W2 data to the State Tax Commission while Oregon does not ask for W2s, only W3-like summary information. Each state is slightly different so you need to check with those in which you have employees.

As far as the mechanics of getting the state and local tax data to the employee, agencies have many choices.

- At one extreme, you could pull, or suppress, the automated W2 and hand type one that includes all of the Boxes for other state taxes.
- The automated system could provide the data automatically.
- The SSA does not recommend that you use the W2-C route as it may create more confusion for the employee or their tax preparer.
- The volume of these items will dictate how you handle them.

No matter how you choose to give the state and local tax data to the employee, do not send that information to SSA.

Further instructions for 2009 W-2 & W-3 forms can be found at the following IRS web address: <http://www.irs.gov/pub/irs-pdf/iw2w3.pdf>

Tim Beard
Employer Services Liaison Officer
Social Security Administration-Seattle
(206) 615-2125
Tim.Beard@ssa.gov

If the other state wage and tax amounts are not included on the system generated Form W-2, you will need to reissue a Form W-2 to the employee. Duplicate Form W-2 templates can be found in the Payroll Resources site under Duplicate W-2's: <http://www.ofm.wa.gov/resources/payroll.asp>

5. Office of the State Treasurer

Journal vouchers to be sent to the OST for IRS payments (EFTPS) are due by **NOON** in order to process for next day settlement. In the event you require same-day tax transmission, please call the OST as soon as possible.

6. Office of Financial Management

Manual Processing Tasks

The following manual processing tasks can be found on OFM's website under the Administrative and Accounting Resources website (Payroll):

<http://www.ofm.wa.gov/resources/payroll.asp>

If you are unable to find what you need at this website you can contact Steve Nielson directly.

- Manual warrant cancellations
- Duplicate Forms W-2
- Emergency payroll payments
- Calendar Year End Information
- Wages Subject to Taxes
- Federal Tax Reconciliations
- Year End Reconciliations

Other items of interest in the Payroll Resources Site:

- Deceased Employees
- State Paydates, Federal Holidays, IRS \$100,000 Next Day Deposit Dates
- Overpayments
- Link to PPA Website
- IRS Materials

There are many other items in this site as well. Check it out!

Other sites:

OFM Home Page: <http://www.ofm.wa.gov>

State Administrative and Accounting Manual (SAAM) - Payroll = Chapter 25

<http://www.ofm.wa.gov/policy/default.asp>

7. Rates/Limits for 2009

Social Security Wage Base:

- \$106,800 in 2009 and
- **\$106,800 for 2010 (unchanged)**

The Tax Rate remains **6.2%**

Medicare Tax Rate remains **1.45%**. There is no maximum wage base for Medicare taxes.

Election Worker exclusion threshold for applicable states:

- \$1,500 in 2009 and
- **\$1,500 for 2010 (unchanged)**

POV Mileage Rate:

- **\$0.550 per mile as of January 1, 2009**

Advance Earned Income Credit:

- Single Employee - Maximum Adjusted Gross Income Less Than:
 - \$35,463 in 2009 and
 - **\$35,535 for 2010**
- Married Filing Jointly – Maximum Adjusted Gross Income Less Than:
 - \$40,463 in 2009 and
 - **\$40,545 for 2010**
- Maximum EIC Payment:
 - \$1,826 in 2009 and
 - **\$1,830 for 2010**

Qualified Transportation Fringe Benefit Limits:

- Employer Provided Parking:
 - \$230/mo. in 2009 and
 - **\$230/mo. in 2010 (unchanged)**
- Combined Commuter Highway Vehicle Transportation, Transit Passes and Vanpool Privileges:
 - \$230/mo effective 3/1/09 and
 - **\$230/mo in 2010 (unchanged)**

Rates/Limits for 2009 (continued)

Limitations on Exclusions for Elective Deferrals Under:

- IRS Section 403(b); Non-Profit Employers and Public Schools and IRS Section 457 (State and Local Governments and Tax Exempts)
 - \$16,500 in 2009 and
 - **\$16,500 for 2010 (unchanged)**

Flexible Spending Accounts:

- \$3,600/yr. maximum in 2009 and
- **\$3,600 in 2010 (\$240 minimum) (unchanged)**
- **Remember, use or lose!**

The rates listed above are based on information supplied by the American Payroll Association and HCA. The IRS and SSA are the final authority on rates and limits.

Compensation Limits for Retirement Contributions (per DRS):

- \$220,000 in 2006
- \$225,000 in 2007
- \$230,000 in 2008
- \$245,000 in 2009 and
- **\$245,000 for 2010 (unchanged)**

8. IRS Form 941-X

- **No more 941c!**
- *Stand alone – can file any time*
 - Can get refunds or make payments
- How are corrections made?
 - Total corrected amount, less
 - Amount originally reported, equals
 - Difference
- Fill-in Form: <http://www.irs.gov/pub/irs-pdf/f941x.pdf>
- Instructions: <http://www.irs.gov/pub/irs-pdf/i941x.pdf>
- **Columns 3 and 4: Use minus sign not brackets!**
- OFM recommends asking for a refund rather than applying to the next quarter.

9. Contact Information – OFM, OST, and DOP

When You Need Help

OFM - Office of Financial Management

Contact us for any accounting-related concern or problem, plus anything where help is needed in regard to a payroll issue other than HRMS system concerns or OST-related issues. OFM will try to assist agencies on whatever issues that come up.

Steve Nielson: (360) 664-7681 steve.nielson@ofm.wa.gov
Fax: (360) 664-3388

Pam Johnson
(3rd Party Vendors) (360) 664-7740 pam.johnson@ofm.wa.gov

AFRS Help Line (360) 664-7725 afrshelpdesk@ofm.wa.gov

OST - Office of State Treasurer

Tax payments not made through HRMS/OFM

Cindy Doughty: (360) 902-8908 cindy.doughty@tre.wa.gov
Shawn Myers: (360) 902-8906 shawn.myers@tre.wa.gov
Michael Zehner: (360) 902-8909 michael.zehner@tre.wa.gov
Fax: (360) 704-5155

Payroll direct deposit:

Lesa Williams: (360) 902-8911 lesa.williams@tre.wa.gov
Michael Zehner: (360) 902-8909 michael.zehner@tre.wa.gov
Jackie Biss: (360) 902-8914 jackie.biss@tre.wa.gov
Fax: (360) 902-8945

Payroll warrants:

Ed LeRiche (360) 902-8989 ed.leriche@tre.wa.gov
Jim Gallagher (360) 802-8987 jim.gallagher@tre.wa.gov
Mary Ann Johnson: (360) 902-8985 maryann.johnson@tre.wa.gov
Fax: (360) 664-2292

ISD - Dept of Personnel Information Services Division

Call For: Processing schedules; HRMS questions.

DOP Service Center: (360) 664-6400 servicecenter@dop.wa.gov
Fax: (360) 438-7530