

Year End 2015 and Beginning 2016

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Remember, Year-End Happens All Year Long!

1. Key Dates

NOW:

Complete Year End Planning:

Look at lessons learned from 2014 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)
- 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 and January

Be mindful that a severe weather event could occur during payroll processing

- Remember the 2012 ice storm!

Key Dates (Continued)

Obtain, review, and have ready procedures for manual transactions. What can you do to prevent these from occurring?

- Emergency payroll payments (updated November 2015 – new pick up location) – [OFM Payroll Resources Site](#)
- Manual ACH/warrant cancellations – [OFM Payroll Resources Site](#)
- Manual tax deposits - [OST EFTPS Instructions Site](#)

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

- Reconcile deposits
- Balance 941 to W-2
- Prior to filing Form 941:
 - Check for a balance due on Line 14 or an overpayment (refund) on Line 15. Additional research may be needed.
 - Check for errors and warnings in PU19.
- This is not only a year end activity! **Do this throughout the year!**

Remind employees to submit amended Forms W-4 (if applicable), review beneficiaries, and verify SSA records:

- 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.

Year-end is a great time for employees to review their beneficiaries for life insurance, retirement, deferred comp, and health savings account (HSA).

Also, remind employees to contact the SSA if they have had an event that would create a change of record.

If you have the Tax Reporter role, sign up for the HRMS Tax Reporter class.

Remind employees who will not be participating in a Consumer Directed Health Plan (CDHP) after 2015 to stop their HSA payroll deduction (if they have one).

Note: Employees cannot enroll in a CDHP/HSA if the employee or spouse/registered domestic partner enrolls in a Flexible Spending Account (FSA) in 2016, unless the FSA is a limited purpose FSA. *The PEBB FSA cannot be made limited purpose.*

Key Dates (Continued)

There are new Value-Based Purchasing plans offered by the Public Employees Benefits Board (PEBB) in 2016. The Health Care Authority (HCA) encourages employees to check them out and make an informed decision. For more information, go to the PEBB website at <http://www.hca.wa.gov/pebb/Pages/index.aspx>.

Not all employees need to reattest for a covered spouse or registered domestic partner in 2016. For more information, go to the PEBB surcharge site at http://www.hca.wa.gov/pebb/Pages/surcharge_spousal.aspx

Remind employees who have a 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 Public Employee Benefits Board (PEBB) site: www.hca.wa.gov/pebb/Pages/forms.aspx. Employees who want to add a registered domestic partner or the children of a registered domestic partner would also go to this site.
- The Rates page on the PersPay site will be updated with the 2016 Tax Issues Related to PEBB Domestic Partners Insurance Information: <http://www.hca.wa.gov/perspay/Pages/rates.aspx>
- Q&A can be found here: www.fuzeqna.com/pebb/ext/kb696-domestic-partners-section-152-do-i-have-to-resubmit-the-declaration-of-tax-status-form-every-year-after-adding?mode=searchresults&keyword=domestic+partner

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

- Use wage type 3102 for net pay – it accrues to general ledger 5145 (Due to Deceased Employees Estates).

Final Off Cycle Workbench for December 24, 2015: Watch for HRMS communication!

Thursday, December 24, 2015: PAYDAY!

End 2015 and Beginning 2016: Be aware of employee health insurance premium collections between years (cannot be pretax, unless agency administrative error – means a W-2 correction for 2015 – 2016 should not be affected). *Be sure to communicate with affected employees!*

Prior to sending out 4th quarter 2015 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 Consolidated Technology Services (CTS) has processed Forms W-2, this means a W-2c.*

Key Dates (Continued)

- **DON'T wait until the end of January to complete the 2015 reconciliation process! You should have reconciled all payrolls prior to December 24 already.**
- **DO wait until the 941 filing deadline to file!** Why? Avoids a 941-X if you find a correction that needs to be made to Form 941.

Items to be postmarked by February 1, 2016:

- IRS Fourth Quarter, 2015 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 W-2 to employees

February 15, 2016: 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.
 - If you have an earlier Form W-4 for this employee that is valid, withhold based on the 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.

TIP: Run this report after every payroll to make sure that:

- Employees listed on the report have a current exempt W-4 on file.
- Employees filing exempt are listed as "reportable" in HRMS. Why? Even though an employee turns in an exempt W-4, wages are still reportable in Box 1 of the W-2!

After Completing the Year-End Process

- Schedule a Year-End debriefing meeting to review successes and failures.
- Document lessons learned in 2015 in preparation for the next Year-End.
- Go over the 2016 payroll calendar: Be aware of deadlines and paydates!
 - Note the October 7, 2016 paydate.

Throughout the year, watch "effective dating" on Form W-4 changes

- If you use a date that does not include a time period in the employees' tenure in your agency, you may affect another agency's payroll revolving account (035), causing an out of balance condition for both agencies.

Go to the HR site and check out the year-end schedule!

<http://hr.wa.gov/payroll/HRMS/YearEnd/Pages/default.aspx>

2. Internal Revenue Service

Taxable Fringe Benefits:

The 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 IRS Fringe Benefits Guide can be viewed at: <http://www.irs.gov/pub/irs-pdf/p5137.pdf> (Note: As of November 12, 2015, this publication has not been updated for 2015, but still provides great information)

Items of note:

- Taxable travel – work with Accounts Payable
 - Based on your agency's policy, be sure to use the appropriate HRMS wage types to either:
 - Tax the value of the taxable travel (traveler was already reimbursed outside of the system) or
 - Reimburse and tax the taxable travel (traveler is reimbursed for taxable travel using HRMS)
- 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/Government-Entities/Federal,-State-&-Local-Governments>
- Washington's Federal, State, and Local Government contact
 - Clark Fletcher
 - Clark.M.Fletcher@irs.gov
 - (425) 489-4042 – (however, email is best)

Internal Revenue Service (Continued)

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**. Per Clark Fletcher from the IRS, **Gross Pay** less deferrals are reported. Report in Box 3, "Other Income."

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 Forms W-2c are strongly recommended. Note: Per the SSA, if submitting for 2015 in the first quarter of 2016, print, but do not submit, until the SSA has processed the electronic file sent by CTS in January. Go to the above website or call the SSA in Seattle for verification.

- 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>

Internal Revenue Service (Continued)

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 \$21,000 in 2015, \$1,000 of which was an overpayment
 - Employee pays back the \$1,000 in 2016
 - Employee paid \$25,000 in 2016
 - Therefore:
 - 2015 Box 1 is \$21,000
 - 2016 Box 1 is \$25,000
 - Employee may take a deduction for \$1,000 in 2016 on their 1040.
 - Employer DOES NOT reduce 2016 wages to \$24,000
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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 (note: Effective June 25, 2011, social security numbers are assigned using the randomization method):

- Social Security Number Allocations – How SSN’s were assigned and a list of number areas by state (<http://www.ssa.gov/employer/stateweb.htm>).
- High Group List – : <http://www.ssa.gov/employer/ssnvhighgroup.htm>
- **Note: The above sites are no longer being updated – they are for historical and informational purposes only.**
- Social Security Number Randomization: <http://www.ssa.gov/employer/randomization.html>

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 \$260.00 for each incorrect Form W-2 (maximums apply – see the IRS Forms W-2/W-3 Instructions at <http://www.irs.gov/pub/irs-pdf/iw2w3.pdf>).

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.

Social Security Administration (Continued)

New for 2015: The SSA has announced that it will begin returning electronic and paper wage reports to employers that contain a W-2 with any of the following conditions (effective January 2015):

- Medicare wages and tips less than the sum of social security wages and social security tips on the W-2
- Social security tax is greater than zero and social security wages and social security tips equal to zero
- Medicare tax is greater than zero and Medicare wages and tips are equal to zero

See page iii of the 2015 Specifications for Filing Forms W-2 Electronically booklet (SSA Publication 42-007):

<https://www.socialsecurity.gov/employer/efw/15efw2.pdf> (Note: You may need to cut/past the link into your browser).

The SSA provides a helpful site called [Hints for Preventing Resubmission Notices from Social Security](#). Check it out!

Washington's SSA contact

- Armond Joseph
- Armond.Joseph@ssa.gov
- (425) 215-2229

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

State and local tax data needs to be reported on the employee's copy of the W-2 so that they can file state or local tax returns. However, the W-2 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 W-2 data to that entity. For example:

- Idaho does not require employers to send W-2 data electronically.
- Oregon requires W-2 data to be sent electronically.

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.

- You could pull, or suppress, the automated W-2 and provide one that includes all of the Boxes for other state taxes (see below).
- The automated system could provide the data automatically.
- The SSA does not recommend that you use the W-2-c route as it may create more confusion for the employee or their tax preparer.

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 2016 W-2 & W-3 forms can be found at the following IRS web address: <http://www.irs.gov/pub/irs-pdf/iw2w3.pdf>

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 (be careful – all previously completed boxes should match the reissued Form W-2!).

Agencies using HRMS can include other state wage and tax information by following HRMS procedures.

Agencies not using HRMS can include other state wage and tax information by updating (but not sending) the Form W-2 found on SSA's Business Services Online website at <http://www.ssa.gov/employer/>.

5. EFTPS Payments Not Made Through HRMS

Journal vouchers to be sent to the Office of the State Treasurer (OST) for IRS payments (EFTPS) are due by **11:30am** 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.

Here is the link to the OST site: <http://www.tre.wa.gov/> Hover on "For State Agencies," then "Accounting." Click on "Transfer JVs" or Transfer JVs Form."

Note: In order for the deposit to show on the HRMS generated IRS Forms 941/Schedule B, agencies still have to go in to HRMS and enter it. Use transaction code PU19.

6. Office of Financial Management

Manual Processing Tasks

The following manual processing tasks can be found on OFM's website in the Accounting page under "Find Administrative & Accounting Resources" (Payroll): <http://www.ofm.wa.gov/resources/payroll.asp>

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

- Manual warrant cancellations
- Emergency payroll payments
- Federal tax Reconciliations
- Year-end reconciliations

Other items of interest in the Payroll Resources Site:

- Calendar year-end information
- Deceased employees
- State paydates, federal holidays, IRS \$100,000 next day deposit dates
- ACH authorization form
- Payroll card information
- Garnishments and Reconciliation
- Overpayments
- Settlement payments attributable to wages
- Comp time cash-out for terminating employees
- Mid-Period transfer template
- PPA Website

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

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 2016

Social Security Wage Base:

- \$118,500 in 2015 and
- **\$118,500 for 2016 (no change)**

The employee and employer tax rates remain at **6.2% each** (12.4% total).

Note: For employees that are at or near the max that transfer in to your agency from another HRMS agency, follow HRMS procedures to ensure that Social Security will not be deducted when the employee maxes out for the year (the state of Washington is one employer for Social Security purposes).

The employee and employer **Medicare Tax Rates** remains at **1.45% each** (2.90% total). **See note below.** There is no maximum wage base for Medicare taxes.

Note: Employers must withhold an additional 0.9% from wages paid to an employee that exceed \$200,000 during the year (regardless of the employee's filing status). This makes the effective *employee* Medicare tax rate **2.35% on wages over \$200,000.**

Supplemental Withholding Rate (for supplemental wages less than \$1 Million):

- 25% in 2015 and
- **25% for 2016 (39.6% for supplemental wages over \$1 million)**

Election Worker exclusion threshold for applicable states:

- \$1,600 in 2015 and
- **\$1,700 for 2016**

POV Mileage Rate:

- \$0.575 per mile in 2015 and
- **\$0.54 for 2016**

Qualified Transportation Fringe Benefit Limits:

- Qualified parking provided by an employer to an employee:
 - \$250/mo in 2015 and
 - **\$255/mo for 2016**
- Combined Commuter Highway Vehicle Transportation, Transit Passes and Vanpool Privileges:
 - \$250/mo in 2015 (*retroactively increased from \$130/mo – PATH Act*) and **\$255/mo for 2016**

Rates/Limits for 2016 (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)
 - \$18,000 in 2015 and
 - **\$18,000 for 2016 (unchanged)**

Flexible Spending Accounts:

- \$2,500/yr. maximum in 2015 and
- **\$2,500 for 2016 (\$240 minimum) (remains the same)**
- **Remember, use or lose!**
- Note: The IRS limit increased to \$2,550 in 2015, but PEBB decided to continue with a \$2,500 limit for 2015 and 2016. PEBB will re-assess for 2017.

Health Savings Accounts:

- **Individual:**
 - \$3,350/yr. maximum in 2015 and
 - **\$3,350/yr. maximum for 2016 (unchanged)**
- **Family** (Employee + one or more family members enrolled in the Consumer Directed Health Plan (CDHP)):
 - \$6,650/yr. maximum in 2015
 - **\$6,750/yr. maximum for 2016**
- **Note:** The above limits include the employer's annual contributions (\$700.08 for an individual, \$1,400.04 for a family)
- Members ages 55 and older may contribute up to \$1,000 more annually (in addition to the limits above)
- Note: The \$125 wellness incentive counts towards the yearly limit! Employees should take this amount, as well as the employer's annual contributions, into account when figuring out any of their own contributions.

Compensation Limits for Retirement Contributions:

- \$265,000 in 2015 and
- **\$265,000 for 2016 (unchanged)**

The rates and limits listed above are based on information supplied by the American Payroll Association, the Health Care Authority, and OFM. The IRS and SSA are the final authority on rates and limits.

8. Affordable Care Act

W-2 Reporting of Cost of Employer Provided Health Coverage

The federal Affordable Care Act (ACA) requires employers to report the total cost of employer sponsored health coverage on employees' Forms W-2.

- Effective for 2012 and later Forms W-2
- Reported in Box 12 using code DD
- Provides information to the employee
- **Note:** The cost of employer provided health insurance does **not equal employee premiums + state share.**
 - The amount shown on the W-2 will be the amount paid to health insurance providers by HCA. The amounts can differ. Examples: Single vs. family, one provider vs. another.
 - This means that the amount shown on the earnings statement will differ from the amount on the W-2.
- **Remember!**
 - Be sure that employee premiums and state share are recorded properly for all employees, especially:
 - New employees
 - Terminating employees
 - Employees on leave without pay
 - When processing ER medical cost (wage type 2550), be sure to *also use wage type 2575 (insurance provider cost)*.
 - Failing to do so will cause inaccurate reporting on Box 12 DD.
- Reconciling your health insurance general ledger (account 035, GL 5181) will help you find discrepancies!
- Utilize the new HRMS Health Care Activity Report.
 - ZHR_RPTBNN36
 - Use Tax Reporter File Format

Affordable Care Act (Continued)

New for Year-End 2015! New Employee and Employer Reporting Requirements

IRS Form 1095-C: Employer-Provided Health Insurance and Coverage

IRS Form 1094-C: Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns

- The 1095-C is the detail, and the 1094-C is the summary (think W-2 and W-3).
- What type of information is to be reported?
 - 1095-C
 - Employee and employer name, address, ID numbers, etc.
 - Type of health insurance offered to the employee, employee's spouse, and dependents *by month*.
 - Each covered individual's name, SSN (or date of birth if SSN isn't available), and which months were covered.
 - And more!
 - 1094-C
 - Employer's name, EIN, address, contact person.
 - Number of Forms 1095-C
 - Full-time employee count *by month*.
 - Total employee count *by month*.
 - And more!
- The Health Care Authority is working with CTS (as well as the other 7 higher education payroll systems) on data compilation for reporting to the IRS.
 - More information, including links to the IRS forms and instructions, can be found on HCA's ACA Guidance site:
<http://www.hca.wa.gov/perspay/Pages/ACA.aspx>
- HCA will be sending out an email that can be forwarded to employees in early January.
- HCA is working on a FAQ document that will be completed after open enrollment.

9. Contact Information – OFM, OST, and CTS

When You Need Help

OFM - Office of Financial Management

Contact OFM 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) 725-0226 steve.nielson@ofm.wa.gov

Heidi Algieri: (360) 725-0182 heidi.algieri@ofm.wa.gov

OST - Office of State Treasurer

Tax payments not made through HRMS/OFM

Cindy Doughty:	(360) 902-8908	EFTJV@tre.wa.gov
Ryan Pitroff:	(360) 902-8917	EFTJV@tre.wa.gov
Lesa Williams	(360) 902-8911	EFTJV@tre.wa.gov
Fax:	(360) 704-5155	

Payroll direct deposit:

Lesa Williams:	(360) 902-8911	EFTJV@tre.wa.gov
Kristy Sartain:	(360) 902-8909	EFTJV@tre.wa.gov
Ryan Pitroff	(360) 902-8917	EFTJV@tre.wa.gov
Cindy Doughty	(360) 902-8908	EFTJV@tre.wa.gov
Fax:	(360) 902-8945	

Payroll warrants:

Warrant Division	(360) 902-8994	WarrantInquiry@tre.wa.gov
Mary Ann Johnson:	(360) 902-8985	WarrantInquiry@tre.wa.gov
Fax:	(360) 664-2292	

CTS - Consolidated Technology Services

Processing schedules; HRMS questions:

Solutions Center:	(360) 407-9100	solutionscenter@watech.wa.gov
	(855) 928-3214	(855-WaTech1) toll free

Payroll Vendors (3rd party payments)

Payee Help Desk	(360) 407-8180	payeehelpdesk@watech.wa.gov
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