

Calendar Year End Payroll Processing

Prepared by:

District Business & Advisory Services

Judy Kershaw



2015

compensation. If you have such a situation, use the attached IRS Pub 15-B to calculate the reportable amount. Enter this Figure on the employee's PD Screen.

Special Group-Term Life Insurance

Employer-paid group term life insurance **for dependents** need not be reported if the policy face value of coverage does not exceed \$2,000. If the value is in excess of \$2,000 and the premiums are paid by the employer, then the cost of the entire policy (no \$2,000 exclusion) is reportable as compensation. Spouses and dependent children under the age of 25 qualify as dependents.

If the age of the dependent is unknown, then the age of the employee is used. Enter this Figure on the employee's PD Screen.

Mileage, Travel and Related Items

a) Mileage Reimbursements

Mileage reimbursements are those made at a **per mile** rate contingent on submission of claims by employees. Typically a claim shows the destination and distance, purpose or explanation, and a per mile rate of reimbursement. If mileage is reimbursed at a rate greater than the Federal maximum rate per mile, it is considered taxable compensation. The taxable amounts are computed as the reimbursement rate in excess of the Federal maximum. This amount is entered on the employee's PD Screen.

b) Travel Allowances

If employees are given travel allowances without being required to account adequately for those expenses, those payments must be shown as reportable compensation.

If the payments were made using type TRVN, Travel Pay, then no further adjustments are needed. All travel allowances so paid will be included automatically on the 2015 W-2 form.

If you have not used the TRVN pay type stated above, enter those travel payments on the employee's PD Screen.

Other Year End Tax Considerations - Not to be included in Figure A

Membership/Professional Dues

The cost of professional dues paid by an employer, which would be deductible as a business expense on an employee's tax return if paid by the employee, qualifies as a "working condition fringe benefit" and is excludable from (being reported as) income. The cost of memberships, which are primarily of personal benefit, may be reportable. Consult with a tax counsel as is necessary.

Workers Compensation/Disability

Workers' Compensation/Disability (WC/Disability) is not taxable for OASDI and Medicare purposes.

- The Taxable Earnings Amount will be **correct** if the district processes WC/disability payments to employees by giving the WC/Disability checks to the employees and docking their regular warrants the amount of the WC/disability payment.
- The Taxable Earnings Amounts will be **incorrect** if employees endorse their WC/Disability checks over to the district and then receive their regular pay without being docked for the amount of the WC/disability check. The OASDI and Medicare must be refunded to the employee.

Exempt W-4 Forms

If an employee claims exempt from withholding on the W-4 form, income tax will not be withheld from the earnings. **The employee may not claim "exempt" unless they did not owe tax in the previous year and do not expect to owe taxes in the current year. Students are not automatically exempt from withholding.**

An employee who has claimed "exempt" from withholding as of December 31st **is required to complete a new W-4 form on or before February 15th of the following calendar year.** If the employee does not comply with this requirement, federal income tax must be withheld at the single exemption with no allowances, beginning with wages paid on or after February 16th. The district should continue to withhold at this rate until the employee submits a new W-4 form.

Canceled/Manual Warrants

As in previous years **ALL** warrants to be cancelled for the 2015 calendar year must be received by DBAS before staff leaves for the holiday break, by **10:00 a.m. on Friday, December 23, 2015.** Failure to meet this deadline will result in the District preparing W-2C forms for the affected employee(s). Please call Ann Redd at (408) 453-6593 if you have any concerns regarding the deadline.

Employee Wage Verification

Negative annual wages must be corrected during the last calendar year payroll processing. Run a pre-list and verify if earnings for the calendar year are negative. If so, determine the rationale and correct the totals if possible.

Employee Social Security Verification

Districts reporting incorrect social security numbers will be rejected when the file is submitted to the Internal Revenue Service. It is the district's responsibility to verify the employee's social security number upon employment.

Employee Address Verification

It is the district's responsibility to verify that all employees have a United States address. Addresses out of the country will be rejected.

W-2 C Form Preparation

Districts may need to prepare manual supplemental W-2C forms if any additional Third Party, Workers Compensation or State Disability statements were received after the year's final payroll processing deadline. Please be advised that the district will be responsible for any penalties or interest incurred for not reporting these wages within the time they were earned. W-2Cs must be printed using the official printed IRS forms that can be ordered from the IRS website (www.irs.gov forms and publications section), or any office supply store. DBAS will not supply additional forms. All W-2C totals in each field must match the consolidated total on the W-3 transmittal.

Please note: The IRS will levy a \$50.00 penalty per W-2 for failure to file an official printed IRS Form. **Do not use** a form which has been downloaded or photocopied. A W-2C form must be prepared even if all sick pay is nontaxable.

The following distribution must be used for supplemental W-2C form:

- Copy A, copy 1 and a photocopy to DBAS, Mail Code 252, **by February 5, 2016**
- Retain copy D (employer's copy) for the district

Figure A – Instructions for adding Taxable Fringe Benefits

Select *Employee Maintenance* from the QCC main menu

Search for employee (by social security number, name, etc.)


Select employee from the list and open the *Deductions (PD)* screen

Click  Add Ded to add deduction

Under the deduction schedule (*DS*) field enter the number 1, indicating a one-time deduction

Enter 8999 in the next field, *Code*

Enter the taxable amount of Fringe Benefit Compensation (\$50 is used in the example below) in the *Employee* field. All taxable Fringe Benefit Compensation may be consolidated into one entry or in multiple lines by applicable type.

Finally, save your work by clicking  .



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Lr	D:	Cod	Code Name	Plan	Employee	Employer
1	12	3025	DIS STANDARD		005	0.00
2	12	2512	DEN DELTA DENTAL PLAN	MNC		0.00
3	12	4515	EYE MEDICAL EYE SVCS		014	0.00
4	12	4515	EYE MEDICAL EYE SVCS	MNC		0.00
5	12	6064	LIF STANDARD INSURANCE	MNC		0.00
6	12	6556	MED CONCERN/EAP INS		002	0.00
7	12	6061	LIF MUTUAL OF OMAHA		002	0.00
8	12	3033	DIS K/A-CROWN-COE SELF		002	0.00
9	12	3034	DIS KEENAN &		001	0.00
10	12	6618	MED KAISER HIGH	MNC		0.00
11	01	8999	EXCESS GROUP LIFE INS			5d

The system will select which contributions will be taken based on the employee's normal (NML) pay line and Statutory Deduction Profile. For example, if the employee was a teacher subject only to Medicare, according to the employee's Statutory Deduction Profile, then only the Medicare contribution would be taken from the employee's pay. Please note that even if the employee is not subject to both OASDI and Medicare, an entry still needs to be made. This will allow the system to automatically update the Federal and State Taxable Earnings.

Important Reminder: Since you need earnings to deduct taxes, you must process the adjustments on a payroll. If all required input is not completed by the final December payroll, you will be responsible to issue supplemental W-2's or W-2 C forms.