YEAR – END BUSINESS (TAX REPORTING & PAYROLL PROCESSING)

The purpose of this communication is to provide SAO PeopleSoft business units/agencies with instructions and important processing dates for year-end tax reporting and payroll processing. Below are the main topics covered in this important year-end communication:

- Year- End Business (Tax Reporting and Payroll Processing)
- Final Wages/ Deductions for 2010
- Preparation for 2011
- W-4 Filing Reminders
- Personal Leave Election Reminders
- Advance Earned Income Credit Filing Affect
- Questions

YEAR- END BUSINESS

All agencies should perform the following procedures for year-end tax reporting and payroll processing:

- Ensure that all errors on the TXxxx0900 (Annual Error Listing) report are corrected by **January 7, 2011** to be included in Tax Year 2010 W-2s.

- Ensure that agency W-2 spreadsheet reflects all payroll totals for tax year 2010. This spreadsheet tool is located on the SAO website (Home > Systems > Human Capital Management > Payroll > Annual Processing) and should contain all W-2 box items applicable to the agency.

- Ensure that payroll and/or tax errors communicated to agencies by SAO are resolved by **January 7, 2011.**

- To promote accurate Form W-2 processing, employees should ensure that their personal information within PeopleSoft HCM is current. Specifically, employees should log on to Employee Self Service to confirm their home address, Social Security number, and other personal identification information.

- Employees should be advised to review their pay advice regularly to ensure that benefit deductions are in alignment with benefit elections. Questions/issues/concerns regarding payroll should be directed to the respective agency payroll managers.

W-2 Processing and Questions

The 2010 W-2 Processing details and calendar are posted on the SAO intranet for easy access. The processes are sorted in 4 easy to read sections, including W-2 Forms, W-2 Reporting, Available Query and Reissued W-2's. The calendar shows pertinent dates for producing reports needed in reconciling tax year 2010 W-2s.

Final Wages/Deductions for 2010

For semi-monthly and monthly employees, the HCM payroll confirmation will run on 12/27/10 for checks dated 12/31/10 reflecting the final employee compensation to be reported in tax year 2010. For weekly employees, the HCM payroll confirmation will run on 12/28/10 for checks dated 12/31/10 reflecting the final employee compensation to be reported in tax year 2010. The final remittance advice/check date will be dated 12/31/10. Direct Deposit and payroll information will be available to employees via Employee Self Service on 12/31/10.

Please continue to encourage employees to utilize direct deposit and go paperless to eliminate the need to print paper checks.

Reminder: Year-end balances on the pay stub may not match the W-2 values. If this is the case, the difference will be due to the agency having asked for a tax balance adjustment (e.g., FICA wage) to be processed.

PREPARATION FOR 2011

Year- end tax reports entitled TXxxx0103 and TXxxx0113 have successfully run, and are currently available by business unit/agency in Document Direct. These reports are sorted by Company, Mail Drop, and Employee Name. As discussed further below, these reports will assist department personnel with year-end tax reporting responsibilities.

W-4 Filing (Employees must file W-4 annually to Continue "Exempt" Status) Reminders

Employees must file a new W-4 form if they are making any changes to their withholding allowances, are claiming Exempt status, or if the employee changes their name with the Social Security Administration. The TXxxx0103 Report (W-4 Exempt) lists employees who claimed "Exempt" status from Federal Withholding Tax during tax year 2010. A new W-4 must be filed if the employees listed wish to continue claiming "Exempt" status from Federal Withholding Tax for the tax year 2011.

The deadline to continue with an EXEMPT status is 02/15/11. Failure to submit a new W-4 will result in tax withholdings being set at the Internal Revenue Service mandated single and zero allowances. For those employees that do not file a new W-4, business units/agencies must set the single and zero allowance rates for the payroll period beginning on 02/16/11.

Agencies should notify their employees of the consequences of not filing a new W-4 by the 2/15/11 deadline.

What should agencies do when entering the new W-4 in PeopleSoft HCM?

- Access the Federal Tax Data page (Payroll for North America, Employee Pay Data, Tax Information, Update Employee Tax Data)
- Click on the plus (+) mark, add a new effective dated row
- Set the radio button from "Notification Sent" to "None" and SAVE.

Personal Leave Election – Reminders

Employees who wish to convert eligible sick leave to personal leave (up to the 24 hour limit allowed) must do so through the Personal Leave Election page in Employee Self Service by close of business on Thursday, December 31, 2010. After this date, access to the Personal Leave Election page will be removed and no further updates will be allowed for the 2010 calendar year.

Please remind your employees to enter their 2010 personal leave conversion elections prior to December 31st. Also, please note that the personal leave hours converted during the current period must be used within the 2011 calendar year. Any unused balance at the end of calendar year 2011 will be deleted.

Advance Earned Income Credit (AEIC) Filing

The Advance Earned Income Credit has been eliminated for tax year 2011. However, individuals will still be able to claim the credit on their personal income tax return each year. For tax year 2011, this will eliminate Form W-5 and simplifies the completion of Form 941 each quarter.

What do agencies need to do?

Agencies should communicate this change to their employees. Utilizing the TXxxx0113 Report (W-5 Earned Income Credit), agency payroll managers will need to take action to terminate the AEIC election for all employees claiming AEIC in tax year 2010 by the first payroll confirm date in January. Terminate the AEIC in PeopleSoft Payroll/HCM by performing the following:

- Access the Federal Tax page (Payroll for North America, Employee Pay Data, Tax Information, Update Employee Tax Data)
- Click on the plus (+) mark and add a new effective dated row
- Set the radio button to 'Not Applicable' in the section "Earned Income Credit." The W-5 Processing Status should be set as 'None' and SAVE.

QUESTIONS: SAO Customer Service Center - HCM
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