

Institutions of Higher Education – Separation Project

November 10, 2015 Q & A Session – Project Update and Other Info

Script Highlights

Opening (opening slide)

[Lisa Raihl] We had another great turnout for the last session, on October 28th, about 105 attendees based on the roll call results. We have published everything through the October 28th webinar on the website this includes the PowerPoints and notes for the sessions. We have also published the October 14th webinar on the website along with the PowerPoint and notes too. The FAQ's have been updated to include information through the October 14th session. A notification was sent out on October 30th with a link to the document. We will continue to update the website and FAQs for the sessions and will send updates as they become available.

The November 3rd training session also had a great turnout. 126 people either attended in person or video conferenced in. We are working on getting the recording put out on the website and will let you know when it is available.

The OTC sent out their informational packets to the institutions, you should have received this by now. If you have not, please contact Jerry Leonard, his number again is 405-521-3242 and his email address is jleonard@tax.ok.gov.

(Slide 1)

In this session, we will be giving you a project update along with a reminder of important dates. We will then get into the general requirements of federal tax payments. After that, the Treasurer's Office will discuss the remote print testing and then we'll move on to the open forum part of the session.

(Slide 2-3)

At this time, I'm going to turn the session over to Brad Madore, Application Services Director; he will provide us with an update on the separation project. (Script for this section not available.)

(Slide 4)

[Lisa Raihl] On November 16th we need to have the ACES and Participant Maintenance OST security forms along with the OMES Form 301. The 301 security form for Financials was updated and a notification went out on October 16th with the updated form.

November 30th we need the 301JE security form. This form is available on the designated area of the website.

Friday, December 4th is the deadline for submitting the final direct deposit load files if you will be loading employee banking information in the OST banking system. To complete testing through OST, we need direct deposit files now from those that indicated they will be loading banking data and will be sending in "E" Pay Type entries on the 500 Misc file; this data is going into the OST test environment. When submitting the file to us, you will use the current FTP process to place the file on the USS secure server (just like you are FTPing payroll files today). Once it's there, we will need to be notified so the file can be loaded to the OST banking system. When your file is ready to be loaded, please email Ayana Wilkins, and provide the file name and date transferred. If you have any changes in banking information and need to provide an updated file, you will need to send this in by December 4th. We will load the final direct deposit files into the OST banking system production environment on Monday December 7th.

December 10th is the Go Live date. Programming will be in Production and institutions can begin processing any 2016 payrolls as needed.

January 2, 2016 we will be completing the mass termination of employees as discussed in the October 14th session.

As always, please send all information to: Ayana.Wilkins@omes.ok.gov

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The following dates relate to the ACA reporting.

December 1st is the due date for submitting test files for the ACA data. This is to test the file formats you have created to make sure they are correct before submitting actual data.

By December 7th, we will need a file from each institution listing employees requiring a 1095-C form.

By December 11th, we will have determined those employees who have reporting obligations from multiple agencies or institutions. We will create a file for each institution that will list employees identified so you can begin identifying the reporting requirements to send back to us.

By December 18th, we need to have files from all the institutions for the multiple agency/institution employees. On that file, we will also need other employees if you'd like for us to complete your form 1095-C printing.

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January 11th to the 18th of 2016 we expect to complete the printing of all the 1095-C forms we'll be doing. We'll hold them until all year end forms are ready to be distributed.

February 19, 2016 is the deadline for getting us any corrections for forms we printed and for getting us the IRS file for reporting of 1095-C information if you did your own printing of the forms. We also need the employee counts for the authoritative 1094-C by this date from all institutions. We are working on how the employee counts will be sent to us and this will be provided at a later date.

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On to the federal tax payments - listed are five reading items.

The first is IRS Publication 15(Circular E), Employer's Tax Guide which is all about tax responsibilities as an employer. It explains the requirements for withholding, depositing, reporting, paying, and correcting employment taxes. It also explains the forms you must give to your employees, those your employees must give to you, and those you must send to the IRS and SSA. The publication also has tax tables so you can manually calculate the taxes to withhold from an employee. This is always a good way to 'test' your system. Manually calculating a paycheck and comparing to what the system calculated can provide a level of comfort that your system is set up correctly.

Publication 15-A, Employer's Supplemental Tax Guide, has additional information that supplements the basic information provided in Publication 15.

Along with these two publications, Publication 15-B, Employer's Tax Guide to Fringe Benefits, contains information on the employment tax treatment of fringe benefits; you should find this to be very useful.

One of my favorites is Publication 5137, The Fringe Benefits Guide. This was created to provide governmental entities with a basic reference guide to Federal tax rules relating to employee fringe benefits and reporting. It is designed to help individuals responsible for determining the correct tax treatment of employee fringe benefits and the appropriate withholding and reporting procedures for them. The guide includes references to the Internal Revenue Code Sections, Regulations, and Revenue Rulings, which tells you exactly where the item is located amongst all their rules. It is fairly easy to read and understand.

Lastly, is Publication 963, Federal-State Reference Guide, which addresses items such as determination of worker status, social security and Medicare coverage employment tax laws and other tax issues.

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The Federal, State, and Local Governments part of the IRS website contains information about other related tax topics and upcoming events. I have shown the IRS page on this slide and highlighted two items. At the top, 'subscriptions' is highlighted; you can get to this link from the basic www.irs.gov site but I wanted to highlight it to show where you can go to subscribe to all things needed such as tax tips, newswire, guidewire, e-news, quick alerts, FATCA, retirement plans, and FSLG news. You can also just subscribe to the FSLG news through the other highlighted link. Select the link and then on the next page, at the bottom of the news list is the subscription link. When you subscribe to the FSLG news, you will

receive information pertaining to outreach events (conferences and seminars), compensation and benefits issues, information return reporting, news and reminders from the SSA and recent tax law changes.

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All of this information will be very useful in helping you determine the proper reporting and taxing of wages, fringe benefits, and other items. We are going to jump back to Publication 15(Circular E), Employer's Tax Guide. Page 25 begins the discussion on depositing federal employment taxes.

(Slide 10)

For wages payments reportable on form W-2, an employer must deposit federal income tax withheld and both the employee and employer social security and Medicare taxes. These are also referred to as '941 taxes'. Some of you might have other income tax withholdings that are not related to the payments reported on form W-2. If you have retirees with amounts withheld or do backup withholding from 1099 reportable payments, you would have '945 taxes'. If you have nonresident aliens reportable on form 1042-S, you may have income tax withholdings commonly referred to as '1042 taxes'. The type of tax refers to the form the amounts are reported on. Today, we will be discussing the 941 taxes. For those that have 945 or 1042 tax reporting requirements, please refer to those forms and publications for deposit and reporting rules.

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The IRS has two deposit schedules for 941 taxes, monthly and semi-weekly. The deposit schedules are for determining when your 941 employment taxes must be paid, when a deposit is due after a tax liability arises (for example, when you have a payday). The terms do not refer to how often you pay your employees, they identify which set of deposit rules you must follow. Before the beginning of each calendar year, you must determine which of the two deposit schedules you are required to use. The deposit schedule you must use is based on the total tax liability you reported on Form 941 during a lookback period. Your deposit schedule is not determined by how often or when you pay your employees or make deposits.

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For Form 941 filers, the deposit schedule for a calendar year is determined from the total taxes reported on Forms 941, line 10, in a 4-quarter lookback period. The lookback period begins July 1st and ends June 30th. If you reported \$50,000 or less of taxes for the lookback period, you are a monthly schedule depositor. If you reported more than \$50,000, you are a semiweekly schedule depositor.

The table shown in the example is straight from Publicatoin 15. So, if based on my 941 forms for the periods listed (3rd and 4th quarters of 2013 and 1st and 2nd quarters of 2014), my total tax liability was

greater than \$50,000, then I would be a semiweekly depositor beginning January 2015. If the total tax liability was less than \$50,000, then I would be a monthly depositor beginning January 2015.

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For 2016, if we apply the lookback period, based on July 1, 2014 through June 30, 2015, what was the total liability on your Forms 941, Line 10? Since you didn't pay wages under your employer identification number, you had no Forms 941 filed so you had zero liability during the lookback period. The liability amount was less than \$50,000 so you would be a monthly depositor, at least to begin with, this could change and we'll address that here in a minute. The question now is, how do you really want to deposit your employment taxes? Do you want to use the monthly depositor schedule or do you want to use the semiweekly depositor scheduler? If you are monthly, you can deposit more often than is required.

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There are timing differences between the two types of depositors. A monthly depositor deposits taxes on payments made during a month by the 15th day of the following month. For example, if your institution only pays a monthly payroll on January 29, 2016, you would calculate the taxes due and pay by February 15, 2016 to be considered timely. If you pay biweekly payrolls on January 8th and 22nd, you would calculate the taxes due for both payrolls and pay by February 15, 2016 to be considered timely. So, for all payrolls with check issue dates in January 2016, the total taxes must be paid by February 15, 2016 as a monthly scheduled depositor.

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A semiweekly depositor pays taxes more frequently (because the liability is greater, the IRS wants the funds faster). If you pay a payroll on Friday January 15th, the taxes are due by Wednesday January 20th. If you pay a payroll on Tuesday January 19th, the taxes are due by Friday January 22nd. Semiweekly depositors have 3 business days to make a timely deposit. Also, do not combine payments for payrolls that cross quarters. If you paid payroll on March 31st and then another one on April 1st, you must make two different payments because the amounts are for two different quarters. Both deposits are still due on the same day. If you pay them together, you may end up with an overpayment or underpayment depending on what quarter you select when the payment is made.

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The table shown here is taken directly from Publication 15 and the calendar is shown for reference for you to determine tax due dates based on payroll dates and so you can see the due dates based on the examples provided in the last couple of slides.

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Deposits can only be made on business days. Weekends and Holidays cannot be used to make tax deposits. Deposits are considered timely made if paid by the next business day. For example, if a deposit

is required to be made on Monday January 18, 2016 and this is a legal holiday, the deposit will be considered timely made if it is made by the following Tuesday, January 19, 2016.

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What does the IRS consider a 'legal holiday'? The list of legal holidays is included in Publication 15 and the publication is updated each year so please make sure you always reference the current year's version. Legal holidays are all the normal ones, New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day (although not a State holiday, it is a Federal holiday), Veteran's Day, Thanksgiving Day, and Christmas Day. The publication will list the observed day for each holiday.

In addition to federal holidays, Oklahoma has a couple other holidays, the Friday after Thanksgiving and a fluctuating extra day for Christmas depending on what day of the week Christmas falls on. Occasionally, the Governor will authorize another State holiday by executive order. For more information on State authorized holidays, please refer to State Statute 25, section 82.1.

Every year, OST sends out a Valid EFT Date Calendar to agency CFOs. The calendar lists all holidays, both federal and state. EFT items cannot be made effective for any listed holiday, ACES will give you an error if you try to schedule a payment effective for a holiday. Also, the ACES system is down on holidays so you can't go in and try and schedule any payments at all.

(Slide 19)

Just when it's clear as mud, the IRS says, "Well, there's an exception to the deposit rules". If you accumulate \$100,000 or more on any day during a deposit period, you must deposit the taxes by the next business day, regardless of whether you are considered a monthly or semiweekly depositor. If you were a monthly scheduled depositor and had an accumulated liability of \$100,000 or more, you now become a semiweekly depositor for the rest of the current calendar year and for the following calendar year.

Always refer to the most recent version of the publication for anything and everything related to federal tax withholdings and tax payments.

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Section 9 of the publication discusses withholding of federal taxes from an employee's paycheck. You should already be familiar with the requirements in this section. Although your payroll systems calculate the tax withholdings for you, this section provides the information the programming is based upon.

(Slide 21)

Okay, so we know how to withhold and we know how to deposit, the next question I'm guessing will be how much do we deposit? You are required to deposit all amounts withheld for social security, Medicare, and federal income taxes along with the employer's share of social security and Medicare taxes. Your

payroll system probably provides you with some type of report listing the taxable wages and taxes for a payroll. This information can be used to figure out how much you must deposit. The report shown here is a monthly report from our system. Let's pretend this agency only pays at the end of the month. The amounts on this report can be used to calculate the 941 taxes due. Add up the amounts withheld and the total 941 taxes due are \$179.34. This amount due is assuming a perfect scenario, where the taxes equal the amount due based on the wages paid. Some of you may be familiar with the tax error report we send out, it lists employees whose taxes withheld don't calculate out based on the taxable wages. Please be aware of this going forward yourselves. If you have taxable wages without having taxes withheld, the taxes are still due and must be paid. If the employer pays all the taxes, then you'll just have to collect the taxes back from the employee later.

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This slide shows another report from our system that shows the check date and the total 941 taxes. You'll need to look around in your system to see what is available to you. If nothing else, you can always track wages and taxes in an Excel spreadsheet.

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After the end of each quarter, the IRS Form 941 must be completed and submitted to the IRS. The form provides the IRS the wage and tax information that relates to the deposits made for the quarter. If you are a semiweekly depositor, then the Schedule B to Form 941 must also be completed. The schedule B reports your tax liability for the dates wages were paid. You report here the liability amounts, not the deposit amounts. The next two slides show examples of the forms.

(Slide 24)

Here is a partial look at the Form 941. You can find both the form and the instructions on the IRS website.

(Slide 25)

Here is a partial look at the Schedule B. This too, along with the instructions is on the IRS website.

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Questions?

(Slide 27)

We don't want you walking away from today's session, or any session for that matter, and relying solely on the information presented. Reporting requirements change constantly, whether it is the IRS, the state, or even the retirement systems. Always refer to the most recent publication, rules, or requirements for that subject and always do as they instruct.

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Diedra O'Neil is here and she is going to talk next about testing the remote check print process and a couple of items regarding the 500 Misc test file.

[Diedra O'Neil] OST has tested a few of the 500 Misc files that have been submitted and we wanted to bring a couple of things to the attention of agencies who have not submitted test files.

Firstly, it is strongly recommended and preferred by OST that agencies submit pay types for both EFT and warrants. This will allow for thorough testing of not only your file formats, but also the configurations in our systems for payment generation.

Secondly, we want to remind agencies the participant ID is the main piece of information used by OST to research the status of electronic payments and retrieve trace numbers from the banking systems. For this reason, it is important to be consistent with your participant ID formatting. Participant IDs are left justified. Spaces at the beginning or in the middle of participant IDs are discouraged as it can be difficult to determine how many space are in the ID number. This can hinder the research process.

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We are going to move into an update on what remote printing agencies can expect for testing. As we've discussed in previous sessions, if you currently receive a Paybase file from OST and print your miscellaneous/AP warrants in-house, your payroll warrants will be included in the same print file. The check stock you use for AP warrants will also be used for your payroll warrants.

Upon receiving and processing your test file through the OST system, we will generate a Paybase print file for remote print agencies. However, for security reasons OST will be modifying the data in the print file. Check amounts will be changed to \$0.00. This will cause the words "VOID" and "NON-NEGOTIABLE" to be printed across the face of the check. The purpose behind this is to allow agencies to test the layout of the warrants, but to mitigate some of the risk associated with printing these test checks. Controls should also be implemented on the agency side to ensure these test checks are properly destroyed and not inadvertently distributed.

Reports will be provided during testing so agencies can validate the correct dollar amounts were processed for each warrant.

Finally, anything sent to OST with a pay type of "P" will be sent back to your office in the Paybase print file. For this reason, you may want to limit the number of "P" type entries you send in your test file so only a small number of test checks are generated.

(Slide 30)

[Lisa Raihl] That concludes the structured part of this session; we're going to open up the phone line now for the open forum. Does anyone have any questions or comments or testing experiences you'd like to share?

(Slide 31)

If you have any questions after the session today, please email to: Ayana.Wilkins@omes.ok.gov

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Our next get together will be on November 23rd from 2 – 5 pm. We will provide a project update and see how the testing is going. Most of the testing should be complete by this time. Remember, testing runs through the 25th of November.

After that, we will meet again on December 9th. This is the day before Go Live so we'll give you an update and once again discuss the ACA reporting.