

OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES DCAR NEWSLETTER

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http://www.ok.gov/OSF/Comptroller/DCAR_Newsletters.html.

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PAYROLL

Employee Moving Expenses

Authorized payments of employee moving expenses under Title 74 O.S., Sec. 500.51 et seq, either directly or indirectly to an employee, may be taxable and/or reportable on the employee's W-2. Payments may be for qualified or nonqualified moving expense reimbursements and require close review to ensure proper reporting is completed.

Qualified moving expenses paid or reimbursed by an employer can be treated as an excludible fringe benefit to the employee. The exclusion only applies to the reimbursement of moving expenses that the employee could deduct if he or she had paid or incurred them without reimbursement. Please refer to IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits, and IRS Publication 521, Moving Expenses, for additional information. Qualified moving expense reimbursements paid directly to the employee are reported on Form W-2 only in box 12 with code "P". Qualified moving expenses paid by an employer directly to a third party on behalf of an employee (i.e. moving company) are not reportable on Form W-2.

Nonqualified moving expense reimbursements, paid directly to an employee or indirectly on behalf of an employee, are taxable to the employee and are included on Form W-2 in boxes 1, 3, 5, and 16 with the applicable taxes withheld and reported. No box 12 reporting is required for nonqualified moving expense reimbursements.

A common error occurs when employee moving expenses are paid through accounts payable without notifying agency payroll personnel. Agency business practices must ensure communication between the different departments. Good communication and procedures will allow for the correct reporting of all moving expense amounts as required by the IRS. When moving expenses are paid through accounts payable, please forward all relevant information to agency payroll personnel for inclusion on the employee's W-2 at year end as needed. Payroll personnel will need to review the information, and if taxable to the employee, process through payroll so that taxes are calculated and withheld and the amounts are reported on the W-2.

PeopleSoft Agencies: Process the taxable amount using the TRC Code of "MOVE," which will show as earnings code "MOV." The amount will be included as taxable income and will be taxed on the paycheck.

PACS (Legacy System) Agencies: Process the taxable amount as an additional amount subject to FICA using Trailer Code "0106." The amount will be included as taxable income and will be taxed on the paycheck as other additional FICA amounts are taxed.

Amounts determined only to be reportable on the employee's W-2 in box 12, will need to be forwarded to OMES, 2300 N. Lincoln Blvd., Room 122, Oklahoma City, OK 73105-4801, Attn: Lisa Raihl or Jean Hayes. Please include in the memo, the employee name, employee ID number, and amount to be included on the W-2 in box 12 with code "P".

For questions or more information, please contact Lisa Raihl at (405) 521-3258 or lisa.raihl@osf.ok.gov, or Jean Hayes at (405) 522-6300 or jean.hayes@osf.ok.gov.

Using State Vehicles to Commute

Title 47, O.S. Section 156.1, as amended, while forbidding the personal use of state-owned motor vehicles, permits the use of the vehicles for the commuting of designated employees.

The personal use of an employer-provided vehicle to commute constitutes a noncash taxable benefit to the employee even when the use of the vehicle is for the benefit of the employer. Excepted are qualified nonpersonal-use vehicles (any vehicle not likely to be used more than minimally for personal use because of its design). Please refer to IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits, for a list of vehicles generally included as qualified nonpersonal-use vehicles.

The employee can choose to have the value included as taxable income or pay the employer for personal use rather than having it treated as wages. When treating the value as wages, the imputed income is subject to FICA and income tax withholding. The valuation method is dependent on the employee status. Control employees (elected officials or employees whose compensation is at least as great as a Federal government employee at Executive Level V - for 2012; \$145,700) cannot use the commuting valuation rule (\$1.50 rule). All other employees can have the value computed using the Automobile Lease Valuation Rule, the Vehicle Cents-Per-Mile Rule, or the Commuting Rule (\$1.50 rule) subject to each rules requirements.

All valuation methods are included in IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits. The most common method is the Commuting Rule (\$1.50 rule) for valuing employee use of an employer-provided vehicle. The employer must require the employee to use the vehicle for a business purpose; it cannot be voluntary on the employee's part. Personal use for commuting can be valued at \$1.50 each way between home and work. If more than one employee commutes in the vehicle, each rider has imputed taxable income. The taxable amount, if not paid by the employee, must be processed through payroll so that taxes are calculated and withheld and the amounts are reported on the W-2.

PeopleSoft Agencies: Process the taxable amount using the TRC Code of "CAR," which will show as earnings code "CAR." The amount will be included as taxable income and will be taxed on the paycheck.

PACS (Legacy System) Agencies: Process the taxable amount as an additional amount subject to FICA using Trailer Code "0104." The amount will be included as taxable income and will be taxed on the paycheck as other additional FICA amounts are taxed.

We highly recommend the vehicle usage be included in the employee's payroll each pay period (for the previous pay period, as needed). This will preclude a large sum being included in the employee's last pay of the calendar year which would result in a higher than normal amount of taxes withheld. Additionally, up-to-date reporting of vehicle usage will benefit the agency should the employee terminate during the year.

For more questions, please contact Lisa Raihl at (405) 521-3258, lisa.raihl@omes.ok.gov or Jean Hayes at (405) 522-6300, jean.hayes@omes.ok.gov.

Taxability of Gift Cards, Certificates, and Coupons

Giving gifts to employees is restricted and should only be given as part of a formal employee recognition program. See Oklahoma Statutes, Title 74, Sections 4121 and 4122. Furthermore, any gift cards, certificates, and coupons given to employees are to be included in the employee's taxable income.

These items are considered by the Internal Revenue Service to be cash or a cash equivalent and do not meet the requirements to be excludable as a de minimis fringe benefit.

Even when an employer provides gift cards, certificates, or coupons to purchase a turkey, ham, or other nominal value property, these are considered wages and are subject to income and employment taxes. This is true even when the card restricts the items purchased, the time to use the coupon, and any unused portion is forfeited. Cash equivalents do not meet the de minimis fringe benefit requirements.

PeopleSoft Agencies: Process the gift card amount using the TRC Code of "GIFT," which will show as earnings code "GFT." The amount will be included as taxable income and will be taxed on the paycheck.

PACS (Legacy System) Agencies: Process the gift card amount as an additional amount subject to FICA using Trailer Code "105." The amount will be included as taxable income and will be taxed on the paycheck as other additional FICA amounts are taxed.

Payroll Warrants Issued in Error

If for any reason a state agency receives a payroll warrant issued in error, the warrant should be returned as soon as possible to OMES for cancellation. Payroll warrants must be accompanied by an OSF Form PWC.

Warrants issued by the State Treasurer which, for any cause, remain outstanding or unpaid for a period of ninety (90) days shall be revoked and canceled under the provisions of Title 62, O.S., Section 34.80. For warrants canceled by statute the cash is transferred to the canceled warrant fund: agencies will not be refunded the value of the canceled warrants.

Payroll Stat Cancelled Warrants Not Eligible for Reissue

Agencies should be reviewing the PS Financials Payroll 36 Month Statutory Cancellation Report on a regular basis.

If there is a payroll warrant listed and the employee is entitled to the funds, please complete the OSF Form 20R and send the employees their due pay.

If there is a payroll warrant listed and the employee is not entitled to the funds, the issuing agency must notify the OMES. (Title 62, O.S., Section 34.80.) Notification should include the warrant number, warrant date, and must be signed by an agency approving authority. Please send notification to Transaction Processing stating that the warrant should not be reissued. In addition, the amounts must be removed from the employee's earning record. Please contact Lisa Raihl at (405) 521-3258, lisa.raihl@omes.ok.gov or Jean Hayes at (405) 522-6300, jean.hayes@omes.ok.gov.

IRS Educational Assistance Plan Scheduled to Expire Dec. 31, 2012

Currently, employer-provided undergraduate and graduate assistance under Internal Revenue Code section 127 up to \$5,250 can be excluded from the wages of the employee, if certain requirements are met. The 2010 Tax Relief Act extended this educational assistance provision through Dec. 31, 2012 and we are quickly approaching the expiration date.

Agencies are reminded that as current law states, payments must be made by Dec. 31, 2012 in order for the amounts to be excluded from the employee's income. We will continue to monitor for any changes and notify agencies as information becomes available. For additional information on employer-provided educational assistance, please see IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits*.

SoonerSave Contributions to Employee Accounts

Employee deferrals and employer contributions must be remitted to OPERS in a timely manner to ensure participant amounts are posted and transferred to the selected investment options within 10 business days of the payday, end of payroll period, or process date, whichever is later.

OMES processes payments for SoonerSave amounts on confirmed payrolls on a weekly basis. This payment schedule far exceeds the requirements set forth in the plan and IRS rules. On many occasions contributions are posted to employee accounts on or before the actual pay date. Occasionally, and due to the payroll processing schedule of agencies, payments may post after the actual pay date.

Please remind employees that payments not showing on a quarterly statement may be due to the later processing of payroll and will show in the next quarterly statement. Employees are also encouraged to use the SoonerSave website to review and receive up to date information on their account. The following link for SoonerSave can be found at <http://www.opers.ok.gov/soonersave/> or you may go directly to the SoonerSave website at <http://www.soonersave.com>.

ACCOUNTING

Agencies Providing Services to Other Agencies

Annually, the Office of Management and Enterprise Services prepares a Statewide Cost Allocation Plan (SWCAP) which enables federally funded agencies to claim federal funds as reimbursement of state costs on the share of costs that are allocated to that agency but were incurred by another central service type agency. If your agency routinely provides unbilled services to other agencies those costs should be included in the SWCAP for allocation to federally funded agencies. Please e-mail Lynne Bajema lynne.bajema@omes.ok.gov or Steve Funck steve.funck@omes.ok.gov if all of the following are true:

- Your agency routinely performs services for other state agencies;
- You do not bill the other agencies for the services; and
- Your agency is not already including those costs in the SWCAP.

Schedule of Reimbursement- Mileage Rate Privately Owned Motor Vehicle (Exemption From the Trip Optimizer)

In general, per Oklahoma Statutes Title 74 Section 85.451 all agencies, boards, commissions or other entities organized within the executive department of state government must use the Trip Optimizer system to compute the optimum method and cost for travel by state employees where the travel will exceed one hundred (100) miles per day and the employee is not driving a state-owned or lease dedicated vehicle.

Enrolled House Bill No. 2647 amended the statute by adding the following verbiage:

E. State employees may be exempt from the reimbursement requirements of the Trip Optimizer system, provided the state employees utilize a personally owned vehicle and seek reimbursement according to the schedule referenced in subsection F of this section.

F. The Office of State Finance may publish a schedule of reimbursement rates for state employee travel. The schedule may apply to exemptions claimed under subsection E of this section. The schedule may categorize reimbursement rates by type of vehicle and shall not exceed standard mileage reimbursement rates as established by the Internal Revenue Service.

This exception is intended to be used only in extenuating circumstances. If the agency head does not grant an exception to using the Trip Optimizer, the employee should use the Trip Optimizer system and should be reimbursed at the lower rate for personal vehicle use.

When an exception is made, the Office of Management and Enterprise Services is categorizing all vehicles in a single class and will be applying the federal rate established by the Internal Revenue Service, currently set at \$0.555 per mile effective Jan. 1, 2012, and subject to change normally each January.

The authority for mileage reimbursement is Title 74, Section 500.4. - Mode of travel - Approval - Rate of reimbursement, and reads in part as follows:

B. Agency heads or their authorized designees may approve the use of motor vehicles for official travel within the State of Oklahoma. If available, agency owned motor vehicles or motor vehicles leased from the State Motor Pool, either on a full-time basis or for individual trips, shall be utilized for such travel. Reimbursement for use of privately owned motor vehicles may be authorized by the agency head.

C. Reimbursement for authorized use of privately owned motor vehicles shall be made using the amount prescribed by the Internal Revenue Code of 1986, as amended, or rules, procedures or other action by the Internal Revenue Service, for use in determining the standard mileage rate allowed for a business expense deduction. Distances for which reimbursement for use of privately owned motor vehicles is claimed shall not exceed distances set forth in the latest Transportation Commission road map. Vicinity travel on official business shall be entered on travel claims as a separate item.

The Office of Management and Enterprise Services considers those vouchers submitted for mileage reimbursement to have met the "agency head's" approval for use of the privately owned motor vehicle, when supported by the approving officer's signature authorizing the payment.

Quarterly 1099 Transaction Report

It is time for all agencies to run and print the 1099 Transaction Report in PeopleSoft for the third quarter of 2012 (July through September) or you may choose January through September.

The report path is: Accounts Payable --> Reports --> Payments --> Misc Tax Information Report
Be sure to specify your agency number and the desired date range. Please review this report and provide any changes or additional vendor information with documentation to the Office of Management and

Enterprise Services, 2300 N Lincoln Blvd Room 122, Oklahoma City, OK 73105, on or before **Friday, October 12, 2012.**

The proper vendor name, TIN and 1099 address along with the 1099 Flag are our primary concerns. All vendors that need to receive a 1099 should have a 'Y' in the 1099 Flag column. If it shows an 'N' and the vendor needs a 1099, please note the change to a 'Y'. If a 1099 Flag is 'N' there is no need to submit a change of address since they will not receive a 1099.

The preferred way of submitting any corrections to our office is to print the report and write the corrections on the report. Please use a color of ink other than black and return the register by mail or interagency mail. If there are just a few corrections, they may be sent via e-mail or by fax to (405) 521-3902. Questions or comments regarding this matter should be directed to Beth Brox at (405) 522-1099 or beth.brox@omes.ok.gov.

TRAINING

Upcoming Local Training/CPE

Preparing for Year-End and 2013

Oct. 26, 2012

Presented by the American Payroll Association
Tulsa, OK

Preparing for Year-End and 2013 brings you up to date on the latest changes in legislation and regulations that affect the close of 2012 and the beginning of 2013. Year-end processing tips, fringe benefit taxation and reporting, implementing new tax laws and regulations. Good for payroll, human resources, systems, accounting and finance professionals responsible for payroll operations and involved in year-end processing. For more information, please visit <http://www.americanpayroll.org/product/7/60>.

HCM Forum Training

The next HCM Forum Training is tentatively scheduled for Wednesday Oct. 17, 2012, with two sessions offered at 9-11 a.m. and 1-3 p.m.

Agencies are highly encouraged to allow all Human Resource and Payroll personnel the opportunity to attend the HCM Forums. The forums are presented by the CORE team with additional information provided by DCAR. The forums include important information related to updates, changes, and reporting. Details and agenda will be sent out a week prior to the training via the OSF HelpDesk and GoGov Notification system. To sign up for notifications, please follow the link: <http://www.ok.gov/triton/modules/oknotify/index.php?id=65> and sign up for the notification groups you wish to join.

Cost Principles for State and Local Government Training

The Oklahoma City AGA Chapter is offering training on Nov. 13-14, 2012, regarding Cost Principles for State and Local Government. The cost to attend the training is \$250 and you will earn 16 CPE hours.

Some of the topics that will be discussed in the training include hierarchy of rules, selected items of cost, and reasons for developing federal costs principles. Training will be held at the Jim Thorpe Building, OPM Training Center, 2501 N. Lincoln Blvd., Oklahoma City, OK. 73105.

To register: Send an email to AGAOKC@cox.net and request a registration form for the Cost Principles for State and Local Government. Complete the form and mail your registration form and payment to: AGA-Oklahoma City Chapter, PO Box 10672, Midwest City, OK 73140, or e-mail your registration to AGAOKC@cox.net
