

OFFICE OF STATE FINANCE

DCAR NEWSLETTER

Volume 12, Number 4

FY-2002

December 14, 2001

The last issue of the DCAR Newsletter, Volume 12, Number 3, was issued on November 19, 2001. If you did not receive a copy of our last issue, consult your agency's finance officer or notify Norcetta Whitfield of OSF at 405-521-6203.

Questions or comments about information contained in this publication should be addressed to those noted in the article or the following Division of Central Accounting & Reporting (DCAR) staff members:

Transaction Processing: Steve Wilson 405-521-4679 steve.wilson@osf.state.ok.us

Accounting & Financial Reporting: Jennie Pratt 405-521-3258 jennie.pratt@osf.state.ok.us

ICS or EDT Transmission: Jennie Pratt

ICS or EDT User IDs: Elsa Kunnel 405-521-6178 elsa.kunnel@osf.state.ok.us

TABLE OF CONTENTS

Employee Recognition Awards and Benefit Program - Reporting/Taxation

Lapse Fund Dates

Reminder: New Withholding Certificates may be required (Form W-4)

End of Calendar Year 2001 - Payroll Dates Revised

Employee Recognition Awards and Benefit Program - Reporting/Taxation

This is a follow up to an article in DCAR Newsletter Volume 12, Number 2, dated October 9, 2001, concerning two pieces of legislation dealing with awards and benefit programs based on employee productivity and exceptional performance/recommendations.

That article did not include the complete information necessary for the reporting and taxation requirements of such awards. We are providing additional information on cash awards and addressing the issue of reporting and taxation of "noncash" awards.

Cash Awards (processed through the payroll system and typically subject to tax withholdings) - Includes "Cash" payments, Gift Certificates, and U. S. Savings Bonds (value at date of award, normally purchase price). Cash payments are processed on the payroll using the regular payroll object of expenditure code and with appropriate taxes withheld. The value (at time of purchase) of gift certificates and savings bonds must be shown as "Additional Gross Subject to FICA" on the payroll. (See OSF Procedures Manual, Section 390, Fringe Benefit Reporting.) The tax liability procedures listed in subsection F of Section 390, will apply to the gift certificates and savings bonds.

Noncash Awards - In determining the reporting/taxation of noncash awards we have to consider the 'de minimis' value of such benefits. Research of IRS tax guidelines show where a noncash award worth \$100 is not a de minimis fringe benefit. Therefore, any noncash awards with a value of \$100 or more will be considered reportable and taxable. As referenced in the paragraph above, the value of such noncash awards must also be shown as

"Additional Gross Subject to FICA" on the payroll. Alternatively, any noncash awards with a value of less than \$100 will not be considered reportable and taxable.

For your reference, description of the laws are as following:

Senate Bill 571 - Authorizes the Administrator of the Office of Personnel Management to establish an on-the-job employee performance recognition program which encourages outstanding job performance and productivity. Recognition awards are presented to individuals or members of work units having exceptional job performance records or for other significant contributions to the operation of the agency. Agencies are also authorized to establish an employee benefit program for cash awards.

- The awards may consist of distinctive wearing apparel, service pins, plaques, writing pins, or other distinguished awards of a value not exceeding \$150 per award. Such awards to be presented at a formal or informal ceremony or banquet. (Note: Such ceremony or banquet would not be a State expense.)

- The agency's benefit program shall not exceed \$5,000 per fiscal year, for cash awards.

NOTE: Rules for this program are forthcoming from the Office of Personnel Management.

House Bill 1332 - Authorizes recognition awards to employees whose exceptional recommendations result in improved productivity or agency cost savings.

- The awards include distinctive wearing apparel, service pins, or United States Saving Bonds, the value of which shall not exceed \$100 in value per award.

Lapse Fund Dates

Some appropriated funds (primarily 130, 131 and 100) had lapse dates late in November. These funds were not lapsed with the November 15 lapsing. The lapsing process for those funds will be run on December 17, 2001.

OSF will lapse the outstanding encumbrances and available budget of continuing funds (2000 accounts) on January 11, 2002. Agencies have been notified of the accounts that will be lapsed in the standard OSF month end report, Lapse Fund Advance Notice – Continuing Funds. Please contact your OSF Budget Analyst if you have questions regarding the lapse of these funds.

Reminder: New Withholding certificates may be required (Form W-4)

An employee who certified to his or her employer on Form W-4 (Employee's Withholding Allowance Certificate) that the employee had no income tax liability for 2000 and anticipated no income tax liability for 2001 was entitled to an exemption from withholding for 2001. This exemption is effective until February 14, 2002, and must be renewed at that time if conditions remain the same. However, if the employee expects to incur income tax liability in 2002, a new Form W-4 must be given to the employer by December 1, 2001.

In addition the loss of an exemption that affects withholding at the beginning of the next taxable year,

such as a divorce or the loss of a dependent, should be reflected by an amended certificate on or before December 1. If the change occurs in December, the new certificate must be furnished within 10 days of the day on which the change occurs.

End of Calendar Year 2001 -- Payroll Dates Revised

Due to additional changes to be made in the OPM Agency Payroll system and OSF's payroll schedule, the previously issued calendar has been modified. Changes to the previously issued calendar are noted in italics:

Payroll - End of Calendar Year 2001:

December 21, 2001: December 21, 2001 at 12:00 noon will be the latest that OSF will process EFT (direct deposit) cancellations for pay dates in calendar year 2001.

December 26, 2001 - OPM Agency Payroll system will be down from 5:00 pm on *December 26, 2001* through 12:00 noon January 2, 2002. Please note that OPM's IMS will be available for updates during this period (except *on the morning of January 2nd, IMS will be shut down also*). Also note that longevity payrolls cannot be run before January 2, 2002 due to rate changes in unemployment and FICA for year 2002.

December 27, 2001: Last day OSF will process payrolls for calendar year 2001. All payrolls must be in to OSF by 2:00 pm. The electronic payroll system will close at 2:00 pm for the transfer of payroll. Any payrolls received but not processed will be voided out of the system and must be resubmitted on/after January 2, 2002 with new claim numbers and new rates.

January 1, 2002: OSF payroll system will be down for end of year processing and payroll changes. On January 2, 2002, at 12:00 noon, OSF will begin processing payroll.

January 10, 2002: Payroll warrant cancellations for calendar 2001 must be received at OSF by 3:00 pm on January 10, 2002. Any 2001 payroll cancellations received after January 10, 2002 will require a corrected W-2. Please note that payroll cancellations for 2002 issued payrolls may not be submitted until on/after January 11, 2002.
