

# OFFICE OF STATE FINANCE

## DCAR NEWSLETTER

Brenda Bolander, State Comptroller  
Steve Funck, Deputy State Comptroller

*Volume 21, Number 5*

*FY-2011*

*Dec. 20, 2010*

The last issue of the DCAR Newsletter, Volume 21, Number 4, was issued on Dec. 6, 2010. The DCAR Newsletter is available on the OSF website at [http://www.ok.gov/OSF/Comptroller/DCAR\\_Newsletters.html](http://www.ok.gov/OSF/Comptroller/DCAR_Newsletters.html).

OSF HelpDesk (PeopleSoft questions)	405.521.2444	<a href="mailto:helpdesk@osf.ok.gov">helpdesk@osf.ok.gov</a>
Transaction Processing: Steve Wilson	405.521.4679	<a href="mailto:steve.wilson@osf.ok.gov">steve.wilson@osf.ok.gov</a>
Payroll Processing: Elsa Kunnel	405.521.6178	<a href="mailto:elsa.kunnel@osf.ok.gov">elsa.kunnel@osf.ok.gov</a>
AP Manager: Patricia Garcia	405.522.6855	<a href="mailto:patricia.garcia@osf.ok.gov">patricia.garcia@osf.ok.gov</a>
Vendor Maintenance: Julie Dvorak	405.522.1749	<a href="mailto:julie.dvorak@osf.ok.gov">julie.dvorak@osf.ok.gov</a>
Accounting: Jennie Pratt	405.521.6160	<a href="mailto:jennie.pratt@osf.ok.gov">jennie.pratt@osf.ok.gov</a>
General Ledger: Dan Thomason	405.522.4992	<a href="mailto:dan.thomason@osf.ok.gov">dan.thomason@osf.ok.gov</a>
Payroll: Lisa Raihl	405.521.3258	<a href="mailto:lisa.raihl@osf.ok.gov">lisa.raihl@osf.ok.gov</a>
Financial Reporting Unit: Deric Berousek	405.521.3298	<a href="mailto:deric.berousek@osf.ok.gov">deric.berousek@osf.ok.gov</a>
ARRA: Steve Funck	405.521.3231	<a href="mailto:steve.funck@osf.ok.gov">steve.funck@osf.ok.gov</a>

### **TABLE OF CONTENTS**

#### PAYROLL

Tax Relief Act of 2010

2

## PAYROLL

### *Tax Relief Act of 2010*

President Obama has signed H.R. 4853, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Tax Relief Act of 2010) into law on December 17, 2010. The following provisions will affect agencies and employees.

#### Social Security and Medicare Taxes for 2011

- For wages paid during 2011, the employee tax rate for social security has been reduced to 4.2% from 6.2%. The employer rate continues to be 6.2%. The social security wage base limit remains at \$106,800 for 2011. For employees, the maximum social security tax will be \$4,485.60 and the employer maximum will be \$6,621.60. There is no wage base limit for Medicare and the Medicare tax rate remains at 1.45% each for employees and employers.
- For the State PeopleSoft system, tax changes will be implemented as soon as they are received and have been tested. We anticipate the changes will be in place for the first payroll of 2011.
- For institutions of higher education on the legacy payroll accounting system (PACS), changes will be implemented for the social security tax changes over the holiday break. Payrolls for 2011 uploaded to the PAC system will need to have the social security tax rate change in place; otherwise, payroll claims will error when edit checking.
- The decrease in the employee social security tax rate is applicable only for wages paid in calendar year 2011. For wages paid in 2012, the rate is scheduled to increase back up to 6.2%. Please notify your employees of this change, making them aware that the rate decrease is only temporary.
  - As an alternative to receiving this money in net pay, employees might consider investing the amount in a SoonerSave account or other personal retirement plan. Employees should consult with their tax advisors.

#### Income Tax Withholding Tables

IRS Notice 1036 has been released and contains the percentage method tables for federal income tax withholding from wages paid in 2011. Employers should implement the new withholding tables as soon as possible but not later than Jan. 31, 2011. The 2010 withholding tables can be used until the 2011 withholding tables have been implemented.

- For the State PeopleSoft system, tax changes will be implemented as soon as they are received and have been tested. We anticipate the changes will be in place for the first payroll of 2011.
- For institutions of higher education on the legacy payroll accounting system (PACS), changes should be implemented to the payroll systems as soon as possible but not later than January 31, 2011.

#### IRS Forms and Publications

The IRS will be posting Publication 15 (Circular E), Employer's Tax Guide (for use in 2011) and Form W-4 (2011), Employee's Withholding Allowance Certificate, within the next few days. Please go to <http://www.irs.gov> to watch for availability.

### HIRE Act

The Hiring Incentives to Restore Employment (HIRE) Act does not apply for wages paid after Dec. 31, 2010. The HIRE Act provided relief from the employer share of FICA (social security) tax on wages paid by a qualified employer to a qualified individual from March 19, 2010 through Dec. 31, 2010. Under the act, a 'qualified employer' included Oklahoma colleges and universities.

- Higher education institutions need to update computer programs, as applicable, to submit both shares of FICA tax beginning January 1, 2011. If left unchanged, payroll claims will error when edit checking.
- For the higher education institutions whose payroll programming was not changed to accommodate the HIRE Act provisions and the new FICA code, all claims for reimbursement of the employer's share of FICA tax must be submitted to OSF no later than Dec. 22, 2010. Reimbursement requests will not be accepted after this date. The HIRE Act provisions expire at the end of 2010; therefore, all reimbursements must be processed during this calendar year.

### Making Work Pay Credit

For 2009 and 2010, the Making Work Pay (MWP) provision of the American Recovery and Reinvestment Act provided a refundable income tax credit of up to \$400 for single individuals and \$800 for married taxpayers filing joint returns. The credit was paid out through reduced federal income tax withholdings during 2009 and 2010. The MWP credit expires on Dec. 31, 2010 and the 2011 withholding tax tables reflect this change.

Please notify your employees of this change, and that they may see a decrease in their pay because of this change. Employees may determine a change is necessary for 2011 withholdings. A new Form W-4 can be completed and submit to human resources so that the withholding amount can be changed to fit their needs.

For additional help, please have them talk with their tax advisor or visit the IRS website at <http://www.irs.gov>, Publication 919, How Do I Adjust My Tax Withholding? or use the "Withholding Calculator" provided on the website.

### Employer-Provided Educational Assistance

Employer-provided undergraduate and graduate assistance under Internal Revenue Code section 127 has been extended for two years, through Dec. 31, 2012. Educational assistance provided up to \$5,250 can be excluded from an employee's income. For additional information, please see IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits.

### Other Provisions

The law contains other provisions and extensions of other items that were set to expire on Dec. 31, 2010 or during 2011. For additional information, please visit THOMAS (Library of Congress) at: <http://thomas.loc.gov> for the Tax Relief Act.

\*\*\*\*\*