

# Year End 2021 and Beginning 2022

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**Remember, Year-End Happens All Year Long!**

## **1. Key Dates**

### **NOW:**

#### **Complete Year End Planning:**

Look at lessons learned from 2020 and incorporate as needed

Complete an internal calendar that shows cutoffs for the following:

- Address changes (W-2's print correctly) (periodically ask employees to verify during the year)
- Any documents that affect gross pay
- Account coding changes if applicable
- Cash allowances to be paid through payroll
- Commute Trip Allowance Requests
- Health/Life/LTD insurance changes
  
- Leave (all types) – including Leave without pay
- Miscellaneous deduction changes
- Overtime/Standby/Callback/Shift Differential hours
- Part-time employee hours
- Salary rate changes if applicable
- Travel – taxable issues
- Work location changes
- Moving Expenses
- Non-cash/taxable fringe benefits reporting
  
- New hires
- Settlement Issues
- Terminations
- Anything else as identified by the agency

#### **Communicate with the following groups:**

- Agency Human Resources Office
- Accounts Payable
- Executive Office
- Employees
- Department managers
- Travel desk
- Field offices
- Commute Trip Reduction Coordinator
- Other offices having payroll related business

#### **Plan adequate staffing availability during the holidays**

- Ensure proper staffing levels for December and January

#### **Be mindful that a severe weather event could occur during payroll processing**

- Remember the 2012 and 2019 storms!

## **Key Dates (Continued)**

### **Obtain, review, and have ready procedures for manual transactions. What can you do to prevent these from occurring?**

- Emergency payroll payments – [OFM Payroll Resources Site](#)
- Manual ACH/warrant cancellations – [OFM Payroll Resources Site](#)
- Manual tax deposits - [OST Cash Management Forms and Instructions Site](#)

### **Run Forms 941 and W-3 in HRMS each payday and:**

- Reconcile deposits
- Balance 941 to W-2
- Prior to filing Form 941:
  - Check for a balance due on Line 14 or an overpayment (refund) on Line 15. Additional research may be needed.
  - Check for errors and warnings in PU19.
- This is not only a year-end activity! **Do this throughout the year!**

### **Remind employees to submit amended Forms W-4 (if applicable), review beneficiaries, and verify SSA records:**

- Per the IRS, remind employees to file an amended W-4 if their filing status, allowances, or exempt status has changed since the last time they filed a W-4. Do this by December 1. IRS Tax Withholding Estimator: <https://www.irs.gov/individuals/irs-withholding-estimator>
- Be sure to tell employees that if there are no changes, there is no requirement to file a new W-4.
- IRS Tax Withholding page: <https://www.irs.gov/individuals/employees/tax-withholding>

### **Encourage employees to use the IRS Tax Withholding Estimator:**

<https://apps.irs.gov/app/withholdingcalculator/>

### **Year-end is a great time for employees to review their beneficiaries for life insurance, retirement, deferred comp, and Health Savings Account (HSA).**

**Also, remind employees to contact the SSA if they have had an event that would create a change of record.**

**Remind employees who will not be participating in a Consumer Directed Health Plan (CDHP) after 2021 to stop their HSA payroll deduction (if they have one).**

**Note: Employees cannot enroll in a CDHP/HSA if the employee or spouse/registered domestic partner enrolls in a Flexible Spending Account (FSA) in 2022, unless the FSA is a limited purpose FSA. *PEBB offers a limited purpose FSA for 2022.***

## **Key Dates (Continued)**

**Not all employees need to re-attest for a covered spouse or registered domestic partner in 2022. For more information, go to the PEBB surcharge site at <http://www.hca.wa.gov/public-employee-benefits/employees/spousal-coverage-surcharge>.**

**Remind employees who have a non-qualified tax dependent to review IRS Section 152 eligibility (this should take place throughout the year):**

- For complete instructions, including forms, go to the following Public Employee Benefits Board (PEBB) site:  
<https://www.hca.wa.gov/assets/pebb/50-0704-pebb-declaration-tax-status-2022.pdf>. Employees who want to add a non-qualified tax dependent would also go to this site.
- The Rates page on the PersPay site will be updated with the 2022 Tax Issues Related to non-qualified tax dependents:  
<https://www.hca.wa.gov/assets/perspay/PEBB-NTQD-2022.pdf>

**Verify that Accounts Payable has all Form 1099-MISC data needed for amounts paid to the claimant of deceased employee's estates:**

- Use wage type 3102 for net pay – it accrues to general ledger 5145 (Due to Deceased Employees Estates).
- Forms 1099-MISC must be filed with the IRS by January 31, 2022. Be sure the preparer has the data in time to meet the deadline. If your agency is using Account Ability, be aware that there are internal deadlines as well.

**Final Off-Cycle Workbench for 2021:** December 15, 2021 is the last day for cancellations in HRMS.

**Thursday, December 23, 2021: PAYDAY!**

**End 2021 and Beginning 2022:** Be aware of employee health insurance premium collections between years (cannot be pretax, unless agency administrative error – means a W-2 correction for 2021 – 2022 should not be affected). *Be sure to communicate with affected employees!*

**Prior to sending out 4<sup>th</sup> quarter 2021 IRS Form 941:** Ensure that Forms 941, 941-X, W-2, and W-2c are in balance. Doing so will help avoid penalties from the IRS, SSA, or both. *Note: Once HRMS has processed Forms W-2, this means a W-2c.*

- **DON'T wait until the end of January to complete the 2021 reconciliation process! You should have reconciled all for 2021 already.**

## **Key Dates (Continued)**

- **DO wait until the 941 filing deadline to file!** Why? Avoids a 941-X if you find a correction for your 4<sup>th</sup> Quarter 2021 Form 941.

### **Items to be postmarked by Monday, January 31, 2022 :**

- IRS Fourth Quarter, 2021 Form 941 (Employer's Federal Quarterly Tax Return). Note: Per IRS Publication 15 (<http://www.irs.gov/pub/irs-pdf/p15.pdf>), extra 10 days if you don't owe money.
- Forms W-2 to employees.

### **February 15, 2022:** Exempt Forms W-4 expire.

- Per IRS Publication 15.
- Begin withholding for any employee who previously claimed exemption from withholding, but has not given you a new Form W-4 for the current year.
  - If the employee does not give you a new Form W-4, withhold tax as if he or she is Single or Married filing separately in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of the 2022 Form W-4.
  - If you have an earlier Form W-4 for this employee that is valid, withhold based on the earlier Form W-4.
- After Day 4 for the 12/10 payroll, you can run **HRMS report ZHR\_RPTPY661** "Tax Exempt Status Report" to find out which employees are claiming exempt.

**TIP:** Run this report after every payroll to make sure that:

- Employees listed on the report have a current exempt W-4 on file.
- Employees filing exempt are listed as "reportable" in HRMS. Why? Even though an employee turns in an exempt W-4, wages are still reportable in Box 1 of the W-2!

### **After Completing the Year-End Process**

- Schedule a Year-End debriefing meeting to review successes and failures.
- Document lessons learned in 2021 in preparation for the next Year-End.
- Go over the 2022 payroll calendar: Be aware of deadlines and paydates! Of special note are:
  - October 7 – Payday is early (bank holiday on following Monday)
  - December 23 – Payday is early (holiday is on a Friday)

### **Throughout the year, watch "effective dating" on Form W-4 changes**

- If you use a date that does not include a time period in the employees' tenure in your agency, you may affect another agency's payroll revolving account (035), causing an out of balance condition for both agencies.

### **Go to the HRMS Support Hub site and check out the year-end schedule!**

<https://support.hrms.wa.gov/resources/year-end-activities>

## **2. Internal Revenue Service**

### **Taxable Fringe Benefits:**

The IRS guide to Taxable Fringe Benefits can be viewed at the following web address: [https://www.irs.gov/pub/irs-pdf/p15b.pdf?\\_ga=1.14343934.873758405.1453249327](https://www.irs.gov/pub/irs-pdf/p15b.pdf?_ga=1.14343934.873758405.1453249327)

**Also, Publication 5137 – Fringe Benefit Guide – was updated earlier last year:** <https://www.irs.gov/pub/irs-pdf/p5137.pdf>

**Webinars for Tax-Exempt & Government Entities (includes a link to past webinars):** <https://www.irs.gov/government-entities/webinars-for-tax-exempt-government-entities>

Items of note:

- Taxable travel – work with Accounts Payable
  - Based on your agency’s policy, be sure to use the appropriate HRMS wage types to either:
    - Tax the value of the taxable travel (traveler was already reimbursed outside of the system) or
    - Reimburse and tax the taxable travel (traveler is reimbursed for taxable travel using HRMS)
- Commute Trip Reduction payments
- Allowance payments
- QDP – rate changes (automatically updated)
- Special Accounting Rule for benefits provided in November/December (or a shorter period)

IRS Contact Information for Government Agencies:

- 1-877-829-5500
- <https://www.irs.gov/government-entities/tax-exempt-government-entities-division-at-a-glance>
- Washington’s Federal, State, and Local Government contact
  - Evajeon Galgana
  - [evajeon.c.galgana@irs.gov](mailto:evajeon.c.galgana@irs.gov)
  - (206) 946-3639 – (however, email is best)

## Internal Revenue Service (Continued)

### Deceased Employees – reporting rules

- IRS requirements:
  - **All payroll payments** made to a deceased employee (in the calendar year of death as well as future calendar years) are **not subject to federal income tax**.
  - With the **exception of sick leave buyouts**, all wage payments (pay, overtime, comp time, annual leave, etc.) to a deceased employee are **subject to social security and Medicare taxes in the calendar year of death, but not in subsequent years** (Excluding payments to employees who have reached their respective maximums). The earning period being processed is not relevant – only the actual pay date.
  - **Sick leave buyouts** made to deceased employees' survivors are **exempt from social security and Medicare taxes**.
  - The **claimant** of payouts made to the deceased employee receives a Form **1099-MISC**. Per previous conversations with the IRS, **Gross Pay** less deferrals are reported. Report in Box 3, "Other Income."

### Forms and Instructions:

- Form **W-2** (Wage and Tax Statement), Form **W-3** (Transmittal of Wage and Tax Statements) and instructions

Forms **W-2c** (Corrected Wage and Tax Statement), Form **W-3c** (Transmittal of Corrected Wage and Tax Statements), (multiple copies) and instructions – Can register with the SSA and **submit on line:**  
<http://www.ssa.gov/employer/>

***Electronic Forms W-2c are strongly recommended.***

- Form **941-X** (Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund)
- IRS definition of "administrative error:" <https://www.irs.gov/pub/irs-wd/201727008.pdf>

The following website can be used to research any of the above mentioned forms and instructions as well as all other forms and instructions provided by the IRS: <https://apps.irs.gov/app/picklist/list/formsPublications.html>



## **Internal Revenue Service (Continued)**

### **Overpayments Collected for Prior Years:**

Per the IRS, wages repaid for prior years do not reduce the actual wages paid to an employee in the current tax year.

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The example below relates to Form W-2 Box 1 (Wages, Tips, and Other Compensation) only:

- Employee paid \$31,000 in 2021, \$1,000 of which was an overpayment
  - Employee pays back the \$1,000 in 2022
  - Employee paid \$35,000 in 2022
  - Therefore:
    - 2021 Box 1 is \$31,000
    - 2022 Box 1 is \$35,000
    - Employee may take a deduction for \$1,000 in 2022 on their 1040.
    - Employer **DOES NOT** reduce 2022 wages to \$34,000
- 

For further information, see IRS Publication 15 "Wage Repayments:"

[https://www.irs.gov/pub/irs-pdf/p15.pdf?\\_ga=1.11678589.873758405.1453249327](https://www.irs.gov/pub/irs-pdf/p15.pdf?_ga=1.11678589.873758405.1453249327)

For repayments of income after for prior years, the employee will need to follow the procedure found in IRS Publication 525, Taxable and Nontaxable Income.

Refer to "Repayments:" <https://www.irs.gov/pub/irs-pdf/p525.pdf>

### **3. Social Security Administration**

The Social Security Administration (SSA) maintains the “Critical Links” document, which provides guidance to employers on correctly reporting names and social security numbers on Forms W-2 so that SSA can match each W-2 to the employee’s lifelong earnings history. The “Critical Links” page can be found at: <http://www.ssa.gov/employer/critical.htm>

The SSA encourages:

- Employers to verify an employee’s name and social security number (SSN) on the employee’s W-4 form as part of the hiring process for tax withholding and reporting purposes.
- Employers to use the Social Security Number Verification Service (SSNVS) to verify social security numbers on-line. More information is available at <http://www.ssa.gov/employer/ssnv.htm>.
- Workers NOT to carry their SSN or social security card on them because of identity theft.

The social security card ***cannot be a required*** document for purposes of proving the employee’s authorization to work in the U.S. under the immigration law (I-9).

**IRS Penalties:** If Form W-2 does not contain the employee’s correct name or social security number, under the Internal Revenue Code, the employer “may be” penalized up to \$280.00 for each incorrect Form W-2 (maximums apply – see the IRS Forms W-2/W-3 Instructions at <http://www.irs.gov/pub/irs-pdf/iw2w3.pdf>).

**Helpful Hint:** If an employee has only one name, it would be considered the last name for W-2 reporting purposes.

The SSA returns electronic and paper wage reports to employers that contain a W-2 with any of the following conditions:

- Medicare wages and tips less than the sum of social security wages and social security tips on the W-2
- Social security tax is greater than zero and social security wages and social security tips equal to zero
- Medicare tax is greater than zero and Medicare wages and tips are equal to zero

See page ii of the 2020 Specifications for Filing Forms W-2 Electronically booklet (SSA Publication 42-007):

[https://www.ssa.gov/employer/efw/20efw2.pdf?\\_ga=2.100422046.1498023528.1604786588-1121433462.1604786588](https://www.ssa.gov/employer/efw/20efw2.pdf?_ga=2.100422046.1498023528.1604786588-1121433462.1604786588) (Note: You may need to cut/past the link into your browser).

## **Social Security Administration (Continued)**

The SSA provides a helpful site called [Hints for Preventing Resubmission Notices from Social Security](#). Check it out!

Washington's SSA contacts:

- Armond Joseph
- [SEA.RO.CPS.ESLO@ssa.gov](mailto:SEA.RO.CPS.ESLO@ssa.gov)
- (425) 215-2229
  
- Stephanie Winker
- [SEA.RO.CPS.ESLO@ssa.gov](mailto:SEA.RO.CPS.ESLO@ssa.gov)
- (425) 215-2677

#### **4. Other State Withholding Tax (as provided by Social Security Administration)**

State and local tax data needs to be reported on the employee's copy of the W-2 so that they can file state or local tax returns. However, the W-2 file that the state sends to the SSA does not need to contain that information. The SSA does not read state and local tax data nor pass it on to anyone.

Depending upon the locality involved, agencies may need to send state or local W-2 data to that entity. For example, Oregon requires W-2 data to be sent electronically.

Each state is slightly different rules and regulations so you need to check with those in which you have employees.

Further instructions for 2021 W-2 & W-3 forms can be found at the following IRS web address: <http://www.irs.gov/pub/irs-pdf/iw2w3.pdf>

*Agencies using HRMS can include other state wage and tax information by following HRMS procedures.*

- *For other state's income taxes to be reported on employees' Forms W-2, a state ID is required.*
- *HRMS must have the state's ID number in the system.*
- *For state ID numbers that are not presently in HRMS, complete a State ID Number Form and send it to HRMS by December 10, 2021: Refer to the OFM Service Notification sent on October 28, 2021.*

*Agencies not using HRMS can include other state wage and tax information by updating (but not sending) the Form W-2 found on SSA's Business Services Online website at <http://www.ssa.gov/employer/>.*

## **5. EFTPS Payments Not Made Through HRMS**

Journal vouchers to be sent to the Office of the State Treasurer (OST) for IRS payments (EFTPS) are due by **11:30am** in order to process for next day settlement. In the event you require same-day tax transmission, the wire must be at OST by **11:00am**.

Links to the EFTPS instructions and the EFTPS form are available at <https://tre.wa.gov/> on the cash management page:

<https://www.tre.wa.gov/partners/for-state-agencies/cash-management/forms-and-instructions/>

**Note:** In order for the deposit to show on the HRMS generated IRS Forms 941/Schedule B, agencies still have to go in to HRMS and enter it. Use transaction code **PU19**.

It's always a good idea for your Accounting Office to review what signatures are on file with OST. Doing so will ensure that your agency has the right people in place for year-and and beyond. *This is especially important due to the large number of agencies still working remotely and the increased time it takes to get new authorized signers added for your agency.*

## **6. Office of Financial Management (OFM)**

### **Manual Processing Tasks**

The following manual processing tasks can be found on OFM's website in the Accounting page under "Find Administrative & Accounting Resources" (Payroll):  
<http://www.ofm.wa.gov/resources/payroll.asp>

If you are unable to find what you need at this website, contact Elizabeth Smith.

- Manual warrant cancellations
- Emergency payroll payments
- Federal tax Reconciliations
- Year-end reconciliations

### **Other items of interest in the Payroll Resources Site:**

- IRS/SSA materials (forms and publications)
- Deceased employees
- State paydates, federal holidays, IRS \$100,000 next day deposit dates
- ACH authorization form
- Payroll card information
- Garnishments and Overpayments
- Reconciliation
- Settlement payments attributable to wages
- Comp time cash-out for terminating employees
- Mid-Period transfer template
- PPA Website
- There are many other items in this site as well. Check it out!

OFM Home Page: <http://www.ofm.wa.gov>

State Administrative and Accounting Manual (SAAM) - Payroll = Chapter 25

<http://www.ofm.wa.gov/policy/default.asp>

### **COVID-19 accounting resources:**

<https://www.ofm.wa.gov/accounting/administrative-accounting-resources/covid-19-accounting-resources>

Active Payroll/HR items:

- Federal student loan garnishments effective through January 31, 2022

## **7. Rates/Limits for 2022**

### **Social Security Wage Base:**

- \$142,800 in 2021 and
- **\$147,000 for 2022**

The employee and employer tax rates remain at **6.2% each** (12.4% total).

**Note:** For employees that are at or near the max that transfer in to your agency from another HRMS agency, follow [HRMS procedures](#) to ensure that Social Security will not be deducted when the employee maxes out for the year (the state of Washington is one employer for Social Security purposes).

The employee and employer **Medicare Tax Rates** remains at **1.45% each** (2.90% total). **See note below.** There is no maximum wage base for Medicare taxes.

**Note:** Employers must withhold an additional 0.9% from wages paid to an employee that exceed \$200,000 during the year (regardless of the employee's filing status). This makes the effective *employee* Medicare tax rate **2.35% on wages over \$200,000.**

### **Supplemental Withholding Rate (for supplemental wages less than \$1 Million):**

- 22% in 2021 and
- **22% for 2022** (\_37% for supplemental wages over \$1 million)

### **Election Worker exclusion threshold for applicable states:**

- \$2,000 in 2021 and
- **\$2,000 for 2022**

### **POV Mileage Rate:**

- \$0.560 per mile max in 2021 and
- \$0.585 per mile max through June 30, 2022
- **\$0.625 per mile max effective July 1, 2022** (refer to SAAM subsections [10.90.20](#) and [10.10.10.b.](#))

### **Qualified Transportation Fringe Benefit Limits:**

- Qualified parking provided by an employer to an employee:
  - \$270/mo in 2021 and **\$280/mo for 2022**
- Combined Commuter Highway Vehicle Transportation, Transit Passes and Vanpool Privileges:

- \$270/mo in 2021 and **\$280/mo for 2022**



## Rates/Limits for 2022 (Continued)

### Limitations on Exclusions for Elective Deferrals Under:

- **IRS Section 403(b); Non-Profit Employers and Public Schools and IRS Section 457** (State and Local Governments and Tax Exempts)
  - \$19,500 in 2021 and
  - **\$20,500 for 2022**

### Flexible Spending Accounts:

- \$2,750/yr. maximum (PEBB is \$2,750, IRS is \$2,750) in 2021 and
- **\$2,750/yr. for 2022 (\$120 minimum)**
- **Remember, use or lose!**
- **Grace period through March 15, 2022 for 2021 FSA. Beginning in 2022, there will be a carryover option into 2023.**

### Health Savings Accounts:

- **Individual contribution limit:**
  - \$3,600/yr. maximum in 2021 and
  - **\$3,650/yr. maximum for 2022**
- **Family contribution limit** (Employee + one or more family members enrolled in the Consumer Directed Health Plan (CDHP)):
  - \$7,200/yr. maximum in 2021 and
  - **\$7,300/yr. maximum for 2022**
- **Note:** The above limits include the employer's annual contributions (\$700.08 for an individual, \$1,400.04 for a family)
- Members ages 55 and older may contribute up to \$1,000 more annually (in addition to the limits above)
- Note: The \$125 wellness incentive counts towards the yearly limit! Employees should take this amount, as well as the employer's annual contributions, into account when figuring out any of their own contributions.

## **Rates/Limits for 2022 (Continued)**

### **Compensation Limits for Retirement Contributions:**

- \$290,000 in 2021 and
- **\$305,000 for 2022**

### **Contribution Limits for the Deferred Compensation Program:**

- \$19,500 in 2021 and
- **\$20,500 in 2022**

### **Catch-up options for participants age 50 and older:**

- \$26,000 in 2021 and
- **\$27,000 in 2022**

### **Special Catch-up limit for participants nearing retirement:**

- \$39,000 in 2021
- **\$41,000 in 2022**

***The rates and limits listed above are based on information supplied by the American Payroll Association, the Health Care Authority, and OFM. The IRS and SSA are the final authority on rates and limits.***

## **8. Affordable Care Act**

### **W-2 Reporting of Cost of Employer Provided Health Coverage**

The federal Affordable Care Act (ACA) requires employers to report the total cost of employer sponsored health coverage on employees' Forms W-2.

- Effective for 2012 and later Forms W-2
- Reported in Box 12 using code DD
- Provides information to the employee
- **Note:** The cost of employer provided health insurance does **not equal employee premiums + state share.**
  - The amount shown on the W-2 will be the amount paid to health insurance providers by HCA. The amounts can differ. Examples: Single vs. family, one provider vs. another.
  - This means that the amount shown on the earnings statement will differ from the amount on the W-2.
- **Remember!**
  - Be sure that employee premiums and state share are recorded properly for all employees, especially:
    - New employees
    - Terminating employees
    - Employees on leave without pay
  - When processing ER medical cost (wage type 2550), be sure to *also use wage type 2575 (insurance provider cost).*
    - Failing to do so will cause inaccurate reporting on Box 12 DD.
- Reconciling your health insurance general ledger (account 035, GL 5181) will help you find discrepancies!
- Utilize the HRMS Health Care Activity Report.
  - ZHR\_RPTBNN36
  - Use Tax Reporter File Format

## Affordable Care Act (Continued)

### Employee and Employer Reporting Requirements

**IRS Form 1095-C:** Employer-Provided Health Insurance Offer and Coverage

**IRS Form 1094-C:** Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns

- Who prepares Forms 1095-C and 1094-C?
- HCA is designated by the governor to prepare forms for all state agencies and higher education institutions.
- The 1095-C is the detail, and the 1094-C is the summary (think W-2 and W-3).
  - The forms and instructions are virtually unchanged.
- What type of information is to be reported?
  - 1095-C
    - Employee and employer name, address, ID numbers, etc.
    - Whether or not good, affordable health insurance was offered to the employee, employee's spouse, and dependents *by month*.
    - For self-insured (Uniform Medical Plan) enrollees only, each covered individual's name, SSN (or date of birth if SSN isn't available), and which months were covered.
    - And more!
  - 1094-C
    - Employer's name, EIN, address, contact person.
    - Number of Forms 1095-C
    - Full-time employee count *by month*.
    - Total employee count *by month*.
    - And more!
- The Health Care Authority works with HRMS (as well as the other 7 higher education payroll systems) on data compilation for reporting to the IRS.
- **2021 forms will be postmarked by February 28, 2022.** HCA is requesting a 30-day extension of this year's January 31, 2022 deadline (as allowed by IRS regulations). If the extension is approved as expected, the February mailing date will reduce the number of corrected Forms 1095-C for employees. If the 30-day extension is not approved by IRS, Forms will be mailed by the end of January.
- - Why is the employer (your agency) the contact for retirees?
    - IRS identifies the employer as the plan sponsor responsible for reporting self-insured coverage for former employees (like retirees).
    - Retirees in Uniform Medical Plan will receive a Form 1095-C from the employer
    - Retirees in other plans will receive a Form 1095-B directly from the plan.
    - Questions can be directed to PEBB.

## **Affordable Care Act (Continued)**

- Questions can be directed to PEBB via FUZE, or contact the 1095 team directly:
  - General email: [ACA1095-C@hca.wa.gov](mailto:ACA1095-C@hca.wa.gov)
  - James Koch: [James.Koch@hca.wa.gov](mailto:James.Koch@hca.wa.gov)
  - Tyla Nguyen: [Hue.Nguyen@hca.wa.gov](mailto:Hue.Nguyen@hca.wa.gov)
- For further information, refer to the following HCA/PEBB resources (which will be updated before 2021 Forms 1095-C are mailed):
  - ACA Guidance page: <http://www.hca.wa.gov/perspay/affordable-care-act>
    - See document "IRS Form 1095-C: FAQ for Issuance of IRS Form 1095-C"
    - See document "Guidance: Decoding Form 1095-C"

### **9. Taxing the Value of Amazon.com Gift Cards (SmartHealth)**

Each month, HRMS will automatically be taxing the value of the \$25 Amazon gift card for active employees who have qualified for the gift card through SmartHealth.

IRS Publication 15-B, page 9 De Minimis (Minimal) Benefits requires gift cards be taxed: <https://www.irs.gov/pub/irs-pdf/p15b.pdf>.

Employees were notified that the gift card is taxable when they accepted the gift from SmartHealth. The taxable amount will be included in gross earnings on their W-2.

Refer to page 30 of Publication 15-B for the IRS Special Accounting Rule.

For further information, go to the [Smart Health Wellness](#) website.

***Note: The Amazon.com gift card will not be offered after December 31, 2021.***

## **10. All Moving Expense Payments Are Now Taxable**

All employer provided moving expenses are taxable ([Public Law 115-97](#)). Effective January 1, 2018, payments to employees or to vendors on behalf of employees are to be included as taxable income on IRS Form W-2 of affected employees.

For further information, refer to:

- [IRS Publication 15-B](#). "Reminders," page 2, "Moving expense reimbursements."
- <https://www.irs.gov/pub/irs-pdf/iw2w3.pdf>.
  - "Moving expenses," page 11.

## **11. IRS Issues Updated Guidance on Reporting Qualified Sick and Family Leave Wages Paid (COVID-19 Wage Types)**

IRS [Notice 2021-53](#) provides updated guidance to employers clarifying the reporting requirements of qualified sick leave wages and qualified family leave wages paid to employees under the Families First Coronavirus Response Act. Only eligible employers are required to report these amounts either on Form W-2, Box 14, or on a separate statement.

### **What does my agency need to do?**

Nothing at this time if you are an HRMS agency. OFM is aware of the change and is working to ensure the 2021 W2s comply with the guidance. Non-HRMS agencies should follow the IRS guidance to ensure proper reporting.

## **12. Revised IRS Form 941 Included in the HRMS Stacks Upgrade**

IRS Form 941, with a revision date of June 2021 will be included in the annual HRMS stacks upgrade in mid-December 2021.

### **13. Electronic IRS Form W-2 Project**

OFM has completed the first phase of this project to allow employees to view their W-2 electronically!

- Current goals:
  - 2021 Forms W-2
    - Allow employees to view a pdf version in MyPortal.
    - Current goal is by mid-January, 2022.
    - Paper copies will still be mailed to all employees
  - 2022 Forms W-2
    - Allow employees who opt in to view the Form electronically.
    - Employees who opt in will not receive a paper W-2 in the mail. Per IRS rules, employees must opt in to go fully electronic.
    - Employees who do not opt in will receive a paper W-2 in the mail.

### **14. Paid Family and Medical Leave (PFML)**

Refer to [SSB 5975](#) and ESD's website: <https://esd.wa.gov/paid-family-medical-leave>.

All agencies are participating.

Premiums are currently 0.4% (includes both employee and employer costs). Employees are currently paying 63.33% of the total premium and employers are paying 36.67%. Agencies with fewer than 50 employees (as determined by ESD) do not owe employer costs.

**Effective January 1, 2022** the premium rate will be **0.6%** (includes both employee and employer costs). Employees will pay approximately 73% of the total premium and employers will pay about 27%.

General Ledger code for use in Account 035 (State Payroll Revolving Account): **5180.**

Subobject for employer costs: **BK.**

Pay ESD the amount invoiced by ESD each quarter.

Move rounding amounts back to the operating account.

Refer to the [Rounding Differences Between ESD Invoice and Accruals in 035 5180](#) document on the Payroll Resources website.

## **15. Long Term Support Services (LTSS)**

Refer to [Chapter 50B.04 RCW](#) and the WA Cares website:  
<https://wacaresfund.wa.gov/>

### **Premiums for employees are effective January 1, 2022.**

- Premiums are currently 0.58% of wages. For the typical worker earning \$52,075, it is \$302/year.
- Unlike Paid Family and Medical Leave (PFML) deductions, there will not be a maximum limit on the amount of wages subject to LTSS.
- Refer to [RCW 50B.04.080](#)

General Ledger code for use in Account 035 (State Payroll Revolving Account):  
**5183.**

- There are no *employer* premiums for LTSS, so we **do not need a subject for LTSS.**

FAQ's for Employees located on the State HR website:

<https://ofm.wa.gov/state-human-resources/hr-projects/long-term-services-and-supports-ltsswa-cares-fund-employee-premium>

Employer Q & A located on the Payroll Resources website:

<https://ofm.wa.gov/state-human-resources/hr-projects/long-term-services-and-supports-ltsswa-cares-fund-employee-premium>



## **16. Out of State Telework**

There are many things to consider when authorizing an employee to telework from a residence or office outside Washington state. A multi-agency workgroup has developed guidance on this topic. The guidance is intended to be supportive and flexible for your HR and Payroll offices as you address the challenges.

The posted information addresses:

1. Reasons why an agency may want to consider approving request to work outside the state, and
2. Provides guidance on how to manage out-of-state tax and benefit compliance issues, especially for Oregon and Idaho-based workers.

The state has a clear interest in investing workforce funding inside the state of Washington. However, there may be some exceptional circumstances where a state agency decides to allow a state employee to move out of the state of Washington and maintain employment, or even when an agency needs to recruit from beyond Washington's borders. **This guidance attempts to balance the critical goals of finding and retaining the best, most qualified candidates to perform the important work of our state government, while prioritizing the reinvestment of taxpayer dollars back into our Washington state communities.**

**Out-of-State Telework Guidance and Resources:** <https://ofm.wa.gov/state-human-resources/remote-work-resources/out-state-telework-guidance-and-resources>

## **16. Out of State Telework (Continued)**

Areas of consideration include, but not limited to:

- Taxes
  - State and local
  - Unemployment
  - Workers' Compensation
  - Paid Family and Medical Leave
- Wage and Hour law
- Safety requirements of the other state
- Non-discrimination laws
  - Pay equity, disability accommodation, pregnancy accommodation, etc.
- How to handle time zone differences
- Medical and dental insurance
- Privacy laws
  - If you record sessions or monitor employees, ensure this does not violate laws of other states
- International
  - Require a US bank account?
  - Currency conversion
- Authorization to work out of state
  - Written agreement that describes expectations
- Travel to Washington
  - Commute vs travel
  - SAAM requirements

## 17. Contact Information – OFM and OST

# When You Need Help

## ***OFM – Statewide Accounting***

**Contact OFM for any accounting-related problem or concern**, plus anything where help is needed in regard to a payroll issue other than HRMS system concerns or OST-related issues.

**Elizabeth Smith:** (360) 725-0226 [elizabeth.smith@ofm.wa.gov](mailto:elizabeth.smith@ofm.wa.gov)

**Heidi Algieri:** (360) 725-0182 [heidi.algieri@ofm.wa.gov](mailto:heidi.algieri@ofm.wa.gov)

## ***OST - Office of the State Treasurer***

**Tax payments not made through HRMS/OFM (email is preferred):**

**Cindy Doughty:** (360) 902-8908 [EFTJV@tre.wa.gov](mailto:EFTJV@tre.wa.gov)  
**Ryan Pitroff:** (360) 902-8917 [EFTJV@tre.wa.gov](mailto:EFTJV@tre.wa.gov)  
**Lesa Williams** (360) 902-8911 [EFTJV@tre.wa.gov](mailto:EFTJV@tre.wa.gov)  
**Fax:** (360) 704-5155

**Payroll direct deposit (email is preferred):**

**Lesa Williams:** (360) 902-8911 [lesa.williams@tre.wa.gov](mailto:lesa.williams@tre.wa.gov)  
**Kristy Sartain:** (360) 902-8909 [kristy.sartain@tre.wa.gov](mailto:kristy.sartain@tre.wa.gov)  
**Ryan Pitroff** (360) 902-8917 [ryan.pitroff@tre.wa.gov](mailto:ryan.pitroff@tre.wa.gov)

**Payroll warrants (email is preferred):**

**Warrant Division** (360) 902-8994 [WarrantInquiry@tre.wa.gov](mailto:WarrantInquiry@tre.wa.gov)  
**Donelle Lotton:** (360) 902-8986 [WarrantInquiry@tre.wa.gov](mailto:WarrantInquiry@tre.wa.gov)

## ***OFM – Information Technology Services***

**Processing schedules; HRMS questions:**

**OFM Help Desk:** (360) 407-9100 [HereToHelp@ofm.wa.gov](mailto:HereToHelp@ofm.wa.gov)  
(855) 928-3241 toll free

**Payroll Vendors (3<sup>rd</sup> party payments)**

**Payee Help Desk** (360) 407-8180 [payeeregistration@ofm.wa.gov](mailto:payeeregistration@ofm.wa.gov)