



Social Security Coverage and Reporting

<http://sssa.ky.gov>

...leading the way

The Debate Continues...the Future of Social Security

We are obviously watching the debate in Washington over what will happen to Social Security and how it will affect state and local government employees. Two interesting proposals that are being batted around in Washington are: 1) Cover all government employees for Social Security, and 2) modify the Social Security wage maximum.

Not all state and local government employees are covered under a Section 218 agreement for Social Security. Teachers, some police and firefighter positions, special districts, and a few cities and counties are not included in Social Security. There are considerations being discussed that would remove that provision and simply make everyone (including current employees) participate in Social Security.

The 2005 maximum for Social Security (6.2%) contributions is \$90,000. Under the current law, employees and employers only contribute up to the \$90,000 maximum. Any wages above

SSA Garnishment Wages to Employers

On or about April 15, 2005, the Social Security Administration will begin administrative wage garnishment orders to collect delinquent debts owed by former beneficiaries of the Social Security and Supplemental Security Income (SSI) programs. Wage garnishment is a process in which an employer withholds up to 15% from an employee's disposable wages and pays that money to the employee's creditor until the debt is paid, or otherwise resolved.

Administrative wage garnishment is authorized by the Debt Collection Improvement Act of 1996 and does not require a court order. **It is important to note that an employer who does not comply with the wage garnishment order can become liable for any amounts that should have been withheld from the worker's pay as well as punitive damages.**

Social Security will send a notice to employers each month explaining the status of the debt. If employers have any questions when they receive a

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\$90,000 for 2005 are exempt for Social Security purposes. There are proposals to modify the maximum wages for Social Security purposes which of course would mean a continuation of the employer and employee contributions. (Note: Currently, the Medicare Tax of 1.45% is assessed on all taxable wages).

As we receive any changes to the current situation concerning Social Security, we will be posting that information on our web site. So be sure to check for the latest breaking news.

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wage garnishment order, they should contact Social Security at the telephone number shown on the order.

**The Social Security Coverage & Reporting
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New Form Required

A new law requires state and local government employers to provide a statement to employees hired on or after January 1, 2005 in a position not covered by social security. The statement explains how a pension from that job could affect future social security benefits.

Form SSA-1945 is the document that employers should use to meet the requirements of this law. Such employers must:

- 1) Give the statement to a non-covered employee prior to the start of employment.
- 2) Get the employee's signature on the form.
- 3) Submit a copy of the signed form to the retirement system where the employee has coverage.

Attention Education Agencies -

Those employers with new employees who are members of the Kentucky Teachers Retirement System should **obtain a copy of the required form on the KTRS web site**. This link to KTRS also contains form instructions.

2005 Form 941 Update

The IRS has updated Form 941 and Form 941b for Tax Year 2005. There have been no changes to Form 941c. You can access these forms on our web site.

Attention State Payroll Officers

The reorganization effective July 1, 2004 eliminated several Cabinet and Department numbers. To make things easier for W-2 purposes, we maintained the old numbers throughout the remainder of 2004. However, effective January 1, 2005, the old numbers are no longer valid. Therefore, do not send in manual pay documents with the old numbers.

Other situations that are occurring with manual pay documents that are causing problems are:

- Employee's social security number is incorrect or missing.
- Cabinet/Department number is missing or incorrect.
- Refunds are not marked as to whom to make the checks payable.
- Calculations from gross to taxable wages are incorrect making the social security wage and tax incorrect.

Agencies that have submitted SAS-27's or refunds on payroll in the first quarter should have received their first report from our office. This report is produced for informational purposes only. Please check the report against all manual pays submitted to assure we have received each document. Please double check to make certain that all documents on the report belong to your agency.

The Personnel Payroll Branch is now updating the quarterly history report

(PERQEHSS) twice a month. This has been a big asset to us and we encourage payroll officers to check the report after each payroll to verify that manual pay documents were updated correctly.

If you have any questions regarding these payroll issues, feel free to contact Connie Eggen in our office.

Cash Equivalent Gift Certificates are Now Taxable Wages

Due to an American Airlines, Inc. court case, the IRS now considers cash equivalent gift certificates as cash. This means cash equivalent gift certificates are no longer considered a nontaxable De Minimis Fringe Benefit. This is a major change in IRS position and the IRS has changed the Fringe Benefit guide to comply with this issue.

According to IRS sources, if an agency is ever questioned on the issue in an audit or compliance check, the entities should be able to rely on the training materials to provide them with reasonable cause so that they will not be subject to penalties.

Note: A cash equivalent gift certificate is defined as an item that can be converted to cash. An example of this would be a department store gift certificate that could be used for anything.

Restricted gift certificates limited to specific non-cash items such as a holiday turkey or coffee drinks are still considered a nontaxable De Minimis Fringe Benefit.

New Look....New Address

Our web site has a new look and new address. We are also increasing the information you need to keep up with new forms and new laws.

Our new address is <http://finance.ky.gov/ourcabinet/caboff/OOC/dlgs/ssa.htm>

Here is our suggestion. Go to <http://ssa.ky.gov> and you will be redirected to our new address. Then book mark this new page in your favorites.

If you need to get in touch with us through the mail, you can reach us at the following address:

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Frankfort KY 40602-0639

The Commonwealth of Kentucky does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the providing of services and will provide, upon request, reasonable accommodation including auxiliary aids and services necessary to afford individuals with disabilities an equal opportunity to participate in all programs and activities.

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