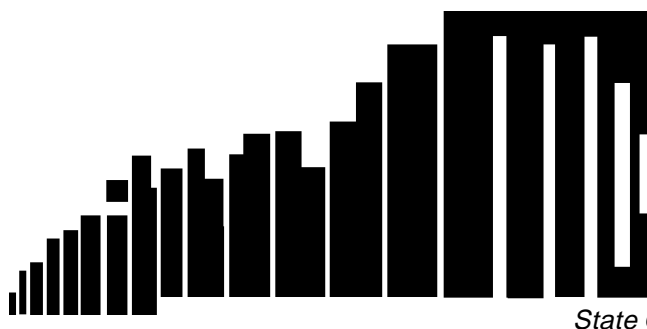


Please distribute this informational release to all appropriate payroll or finance officials within your organization.



Paul E. Patton, Governor
John P. McCarty, Secretary

Edgar C. Ross, Controller
Patrick L. Doyle, Division Director

Division of Social Security

Finance & Administration Cabinet
Division of Social Security
P.O. Box 557
Frankfort, KY 40601
502/564-3952

State Government Edition

Winter 1998

According to Doyle...

The Division of Social Security wants to thank everyone who attended one of our 27 *Public Payroll '98* seminars. Beginning with the first session in Lebanon on September 29 through the last in Louisville on November 19, about a thousand payroll officials representing about 800 Kentucky public employers came to a seminar.

The agenda of the seminar covered a wide range of federal and state employment tax issues. The DOSS representatives, Daryl Dunagan and Darlene Pennington, and Steve Seithers from the SSA discussed social security and medicare benefit, coverage and reporting issues. Mitch Childress of the IRS addressed such topics as the employer/employee relationship (to withhold or not to withhold) and reporting fringe benefits such as employer provided vehicles, uniforms and non-overnight travel. Dr. Eugene Harrell of the Office of the State Treasurer covered local taxes and garnishments. The Personnel Cabinet's Jim Looney discussed the Commonwealth's payroll system. All in all, there was a lot of information presented at the seminars for those who were able to attend. I would very be interested to hear your comments on the sessions.

1999 is almost here and the DOSS is ready. On our web site (<http://www.state.ky.us/agencies/finance/depts/ss/divss.htm>) we have the 1999 Form W-4, the 1999 Form W-5 (for AEIC) and Circular E which contains the 1999 tax tables. You can down load this material a heckuva lot quicker than trying to call the IRS this time of the year. We are also ready to assist you with any matters involving the IRS and the SSA--just give us a call **(502/564-3952)**.

Ah...this time of the year...great food, giving, great food, receiving, great food, moments of reflection, great food...On behalf the DOSS staff--Betty Oberlin, Jim Clarke, Darlene and Daryl--I wish everyone a happy holiday season and a successful 1999.

Patrick L. Doyle

Director, Division of Social Security



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.

1998 Forms W-2 and W-3 Corrections

Once a Form W-2 has been filed with the Social Security Administration, any corrections must be made on Form W-2c and Form W-3c. Both forms are available from the Division of Social Security (DOSS).

If the only correction is to the employee's name or social security number, file only a Form W-2c. If the employee has a name change, the employee must notify the SSA and request a new social security card.

Form W-3c is used to accompany Copy A of a Form W-2c sent to the DOSS. Separate Forms W-3c must be used for each type of Form W-2 being corrected and must accompany a single form W-2c, as well as with multiple Forms W-2c.

Forms W-2c and W-3c must be filed with the DOSS. **Disregard any instructions to file the W-2c/W-3c with the Social Security Administration at Wilkes-Barre DOC.**

Send Copy A of Form W-2c and the original of Form W-3c to:

Messenger Mail:

Bush Bldg., Suite 101
403 Wapping St

Postal Mail:

PO Box 557
Frankfort KY 40602-0557

Wage and Tax Adjustments

Income tax withheld from an employee cannot be adjusted after December 29, 1998. Adjustment can, however, still be made to social security and medicare wages and taxes, as explained below. If less than the correct amount of social security and medicare is withheld, the agency must collect the underpayment from the employee and prepare a Form DOA-27 to pay the employer share. A Form W-2c must be filed to ensure an adjustment is made to the employee's social security and/or medicare wages. Send the Forms W-2c and W-3c, employee's payment and a copy of Form DOA-27 to the DOSS.

If more than the correct amount of social security and medicare is withheld, the excess must be returned to the employee. A receipt (Request for Refund on Payroll) with the date and amount of repayment is required. If the over collection of social security and medicare is for a prior calendar year, the agency must obtain a written statement from the employee stating that the employee has not and will not claim a refund or credit of the over payment. Obtain a copy of this certification statement (Form DOSS-1) from the DOSS. A Form W-2c must be filed to ensure an adjustment is made to the employee's social security and/or medicare wages. Send the Forms W-2c, W-3c, certification statement and Request for Refund on Payroll to the DOSS.

DOSS will review forms W-2c prior to distribution to employees to ensure proper form preparation. FAX a copy to Darlene Pennington of this office for review.

Please address any questions concerning the W-2 correction process to Darlene Pennington by phone at 502/564-3952, by fax at 502/564-2124 or by E-mail.

Completion of ROP is Critical

The Request for Refund on Payroll (ROP) is completed by an agency to request a refund on money either withheld in error or when an original paycheck is redeposited. A refund can be obtained for federal income tax withheld, employee and/or employer social security taxes, employee and/or employer medicare taxes, retirement contributions, etc.

See the UPPS Payroll Manual for instructions on completing the form. An ROP that involves only social security and/or medicare can be sent directly to the Division of Social Security. Forms W-2c, W-3c and, when required, Form DOSS-1 must be completed, attached to the ROP and sent to the DOSS for any refund that involves a previous calendar year.

The DOSS requires certain fields on the ROP to be completed. Special note should be given to the following fields: Company Number/Department Name, Payment Type and Social Security Number.

DOA-27 Assistance

The DOA-27 payroll voucher is completed by a requesting agency and submitted to the Division of Accounts of the Finance and Administration Cabinet, through the Personnel Cabinet. The voucher is used to process immediate salary payments such as payments when an employee did not appear on the regular UPPS payroll, termination of employment payments, back pay for prior years and payment to non UPPS state employees who are subject to employment taxes, for example --some personal service contractors.

The DOSS requires certain fields on the DOA-27 to be completed. Special note should be given to the following fields; Company Payroll Number, Payment Type and Social Security Number. Agencies should insure that all personnel involved in Form DOA-27 preparation adhere to these requirements.

Dates to Remember...

December 21, 1998, Monday, close of business: After this date all ROPs and/or Forms DOA-27 must have "1998" written at the top of the page to ensure they are processed against the 1998 file.

December 22, 1998, Tuesday, close of business: The last day for submission of a DOA-27 to the Personnel Cabinet to be included in 1998 wages.

December 29, 1998, Tuesday, close of business: Cutoff for requests for refunds of 1998 withheld income tax must be received in Treasury. After that time, any income tax refunds will have to be done from 1999 funds and adjusted on the 1999 Employee Master File.

January 4, 1999, Monday: The one-line YTD wage report will be produced again--a second chance to review YTD figures for accuracy.

January 8, 1999, Friday, close of business: Any 1995 social security or medicare wage or tax adjustments must be received by the Division of Social Security.

January 13, 1999, Wednesday, 1:00 p.m.: The last day for adjustments. No adjustment updates will be run after this day.

January 14, 1999, Thursday: The target date for printing Forms W-2.

January 25, 1999, Monday: The due date for all non-UPPS Forms W-2 to be returned to the Division of Social Security.

Attention: Non-UPPS Agencies!

The Division of Social Security will mail, on December 15, the 1998 year end instructions to all Agencies that have paid any wages outside the UPPS system. Please contact *Darlene Pennington* if you are such an agency and do not receive this transmittal.

Darlene should also be notified if an agency has converted payments previously designated as non -UPPS to the UPPS system.

Also, don't forget...

- Personal service contract holders who have been determined to be employees for federal employment tax purposes can be paid on the UPPS system. UPPS processing allows agencies to avoid manual processing for Forms DOA-27 and W-2. Agencies are responsible for determining if personal service contract holders are employees for federal employment tax purposes. The DOSS is available to assist in such determinations.

- State agencies are responsible for reporting the value of any personal use of a state-provided vehicle (added to taxable wages) to the UPPS system. Be sure these transactions are entered in UPPS before the last 1998 paycheck is issued in order for appropriate withholding can be made.

- The state copy for Forms W-2c are to be mailed to:
Kentucky Revenue Cabinet
Division of Compliance and Taxpayer Assistance
P.O. Box 181, Station 57
Frankfort, KY 40602

1998 Reconciliation

Each state agency is responsible for reconciling the wages paid during the year to the Form W-2 printed for each employee. Insure that all manual pay updates, especially for Forms DOA-27 and Requests for Refund on Payroll, are reflected in the wage and tax amounts printed on the Form W-2. Verify that the manual pay update has processed correctly by ensuring the update is reflected on the employee's Quarterly Earnings History.

The Division of Social Security reconciles the amount of social security and medicare wages and taxes that it has received and processed throughout the year to the wage and tax amounts on Forms W-2 for each agency. DOSS will notify each agency which is required to verify and correct any reporting or payment discrepancies.

The fourth quarter report of the Forms DOA-27 and ROPs this division has received will be run on December 23. It will include all the Forms DOA-27 and ROPs we have received throughout the year. Please make sure that the report includes ALL the Forms DOA-27 and ROPs your agency produced in 1998 and that these adjustments have been entered into the UPPS system.

1999 Social Security Facts and Figures

Social Security Tax Information	1995	1996	1997	1998	1999	2000
Employee & Employer rate	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
Maximum wages	\$61,200	\$62,700	\$65,400	\$68,400	\$72,600	
*Projected Maximum						*\$73,800
* The maximum wages subject to social security for the next calendar year are calculated and announced by the Social Security Administration each fall.						
Medicare Tax Information	1995	1996	1997	1998	1999	2000
Employee & Employer rate	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
**Maximum wages	Total	earnings	are	taxable	for	medicare
** Public Law 103-82 repealed the medicare wage base, effective January 1, 1994.						
Social Security Benefit Information	1995	1996	1997	1998	1999	2000
Earnings required for one quarter coverage	\$630	\$640	\$670	\$700	\$740	
Exempt amounts under annual earnings test						
Under age 65	\$8,160	\$8,280	\$8,640	\$9,120	\$9,600	
Age 65-69	\$11,280	\$12,500	\$13,500	\$14,500	\$15,500	\$17,000
70 and older	No limit	No limit	No limit	No limit	No limit	No limit
Avg. monthly SS benefit for individuals	\$702	\$724	\$749	\$770	\$780	
Avg. monthly SS benefit for couples	\$1,184	\$1,220	\$1,261	\$1,293	\$1,310	
Annual increase in benefits	2.80%	2.60%	2.90%	2.10%	1.30%	
Social security benefit information for the next calendar year are calculated and announced by the Social Security Administration each fall.						
Other Employer Information	1995	1996	1997	1998	1999	2000
Government Control Employee	\$108,200	\$108,200	\$108,200	\$110,700		
Expiration of statute of limitations	4/15/99	4/15/00	4/15/01	4/15/02	4/15/03	4/15/04
Election worker exclusion	\$1,000/yr	\$1,000/yr	\$1,000/yr	\$1,000/yr	\$1,000/yr	***
*** The election worker exclusion will be adjusted each year, after 1999, to reflect the changes in wages in the economy. SSA will announce the new threshold amount each fall.						

FICA Tax Rates and Wage Bases

The 1999 wage base for social security withholding is \$72,600. The full wage amount is taxable for Medicare purposes.

The social security tax rate is 6.2 percent on the employee's taxable wages up to a maximum that is established by the Social Security Administration each year. The medicare tax rate is 1.45 percent on the employee's taxable wages. Medicare wages paid prior to January 1, 1994 are subject to a maximum wage base established by the Social Security Administration. The total taxable wages paid on and after January 1, 1994, are subject to the 1.45 percent medicare withholding.

Because the maximums for social security and medicare are different, Forms W-2, W-3 and 941 require employers to report social security wages and taxes separately from medicare taxes and wages. Refer to the chart above for the current and projected wage maximums.