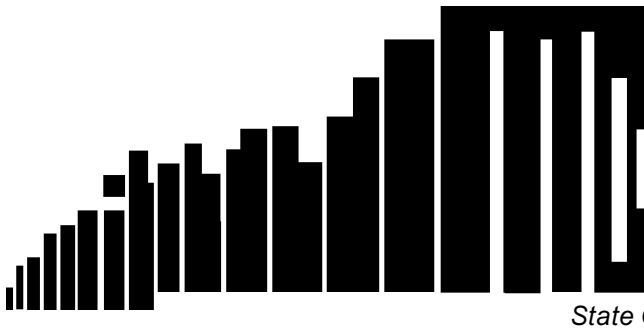


*Please distribute this informational release to all appropriate payroll or finance officials within your organization.*



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  
Bush Building  
403 Wapping St., Suite 101  
Frankfort, KY 40601  
502/564-3952

State Government Edition Winter 1999

## ***According to Doyle...***

The Division of Social Security wants to thank all the state payroll workers for their efforts in meeting the Commonwealth's wage reporting and FICA coverage responsibilities during 1999. As we prepare for the 2000, I want to offer a couple of reminders of how to make everyone's duties easier next year.

First, remember that when the commuting valuation rule is used for determining the value of personal use of an agency-provided vehicle, the following criteria—based on IRS regulation 1.61-21(f)(1)—must be met. The value of the commuting use of an employer-provided car is \$1.50 per one-way commute if:

- 1) The vehicle is owned or leased by the Commonwealth of Kentucky and is provided for use in the course of the agency's duties.
- 2) The agency requires the employee to commute in the vehicle for bona fide noncompensatory business reasons.
- 3) The agency has established a written policy forbidding the use of the vehicle for personal purposes of than commuting and "de minimis" personal use.
- 4) The employee does use the vehicle for any personal purpose except commuting and "de minimis" personal use.
- 5) The employee, required to use the vehicle for commuting, is not a "control employee" of the employer. A control employee of a governmental employer is an elected official or an employee whose annual compensation exceeds \$110,700 for 1999.

Second, to ensure our Forms W-2 are accurate, we suggest you cross check the quarterly earnings history report and the DOSS adjustment report with the appropriate manual pay documents of your agency. A simple rule to follow is that all transactions must be on the QEH and DOSS adjustment report and every transaction must have an original document supporting it.

Also, the Division of Social Security no longer uses a post office box. All postal and messenger mail must be addressed to the DOSS at the Bush Building, 403 Wapping Street, Suite 101, Frankfort, KY 40601 from now on.

*The staff of the Division of Social Security wishes everyone a happy holiday season and a trouble free Y2K.*

**Patrick L. Doyle**

Director, Division of Social Security

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*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.*

# 1999 Form W-2c Instructions

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:

The Division of Social Security  
Bush Building  
403 Wapping St., Suite 101  
Frankfort KY 40601

## Wage and Tax Adjustments

Income tax withheld from an employee cannot be adjusted after December 29, 1999. 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 SAS-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 SAS-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 Connie Eggen of this office for review.

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

# 1999 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 SAS-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 SAS-27 and ROPs this division has received will be run on December 22. It will include all the Forms SAS-27 and ROPs we have received throughout the year. Please make sure that the report includes ALL the Forms SAS-27 and ROPs your agency produced in 1999 and that these adjustments have been entered into the UPPS system.**



## Dates to Remember...

**December 20, 1999, Monday, close of business:** After this date all ROPs and/or Forms SAS-27 must have "1999" written at the top of the page to ensure they are processed against the 1999 file.

**December 21, 1999, Tuesday, close of business:** The last day for submission of a SAS-27 to the Personnel Cabinet to be included in 1999 wages.

**December 30, 1998, Thursday, close of business:** Cutoff for requests for refunds of 1999 withheld income tax must be received in Treasury. After that time, any income tax refunds will have to be done from 2000 funds and adjusted on the 2000 Employee Master File.

**January 4, 2000, Tuesday:** The one-line YTD wage report will be produced again--a second chance to review YTD figures for accuracy.

**January 7, 2000, Friday, close of business:** Any 1996 social security or medicare wage or tax adjustments must be received by the Division of Social Security.

**January 12, 2000, Wednesday, 1:00 p.m.:** The last day for adjustments. No adjustment updates will be run after this day.

**January 13, 2000, Thursday:** The target date for printing Forms W-2.

**January 24, 2000, 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 1999 year end instructions to all agencies that have paid any wages outside the UPPS system. Please contact *Connie Eggen* if you are such an agency and do not receive this transmittal.

## Also, don't forget...

**Be sure to enter the full five-digit company payroll number followed by "95-003" on all Forms SAS-27 and ROPs for employees paid via a personal service contract on UPPS.**

- If an employee's Form W-2 shows an incorrect address for the employee but all other information on the Form W-2 is correct, **do not** file Form W-2c merely to correct the address.

If, however, the address was incorrect on the Form W-2 furnished to the employee, **you must do one of the following:**

- Reissue Form W-2 with the incorrect address to the employee in an envelope showing the correct address.
- Issue a new Form W-2 containing all correct information, including the new address. Indicate "REISSUED STATEMENT" on the new copies. **Do not** send Copy A to the SSA or DOSS.

- Issue a Form W-2c to the employee showing the correct address in box b. **Do not** send Copy A to the SSA or DOSS.

- 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

## New on the Division of Social Security Web Site

<http://www.state.ky.us/agencies/finance/depts/ss/divss.htm>

The following items for the year 2000 are now available:

- Form W-4--Changes the amount of federal income tax withholding from wages
- Form W-5--Earned Income Credit advance payment certificate
- Circular E--Employer wage reporting instructions
- IRS Notice 1036--Early release of federal income tax and AEIC tables

# 2000 Social Security Facts and Figures

The wage base for social security in the year 2000 is \$76,200. The full amount of an employee's wages is taxable for Medicare purposes.

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

The election worker exclusion is adjusted each year to reflect changes in the economy. The SSA will announce the new threshold amount each fall.

<b>Social Security Tax</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Employee rate & Employer rate	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
Maximum wages *Projected maximum	\$62,700	\$65,400	\$68,400	\$72,600	\$76,200	* \$79,000
<b>Medicare Tax</b>						
Employee rate & Employer rate	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
<b>Miscellaneous Information</b>						
Earnings required for one quarter coverage	\$640	\$670	\$700	\$740	\$780	
Exempt amounts under annual earnings test:						
Under age 65	\$8,280	\$8,640	\$9,120	\$9,600	\$10,080	
Age 65-69	\$12,500	\$13,500	\$14,500	\$15,500	\$17,000	
No limit for those 70 and older	No limit	No limit	No limit	No limit	No limit	
Avg. monthly Social Security benefits for individuals	\$724	\$749	\$770	\$785	\$804	
Avg. monthly Social Security benefits for couples	\$1,220	\$1,261	\$1,293	\$1,316	\$1,348	
Annual increase in benefits	2.60%	2.90%	2.10%	1.30%	2.40%	
Government Control Employee	\$108,200	\$108,200	\$110,700	\$110,700		
Expiration of statute of limitations	4/15/2000	4/15/2001	4/15/2002	0/15/2003	4/15/2004	
Election worker exclusion	\$1,000/yr	\$1,000/yr	\$1000/yr	\$1,000/yr	\$1,100/yr	