



NEW YORK STATE
Unified Court System

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TO: All Holders of the Financial Planning and Control Manual

NEW ACCOUNTING PROCEDURES

BULLETIN NUMBER: 298	November 18, 2004
SUBJECT: Calendar Year-End Procedures - Taxable Travel Reimbursements	

This supersedes New Accounting Procedures Bulletin number 295, issued November 17, 2003.

Attached is a copy of OSC Accounting Bulletin A-542/P518, dated November 18, 2004. This bulletin details special year-end 2004 processing procedures which OSC will follow to facilitate the preparation and distribution of W-2 tax statements. Highlights of these new procedures are as follows:

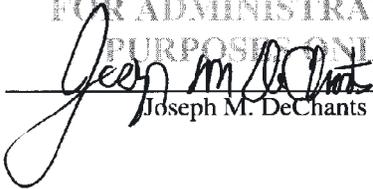
- Vouchers including taxable travel reimbursements paid between January 1, 2004 and November 30, 2004 have been automatically transferred to PayServ at month end as taxable expenses and appropriate amounts have been withheld from payroll checks issued during calendar 2004.
- For taxable travel reimbursements paid between December 1, 2004 and December 10, 2004, a special transfer from CAS to PayServ will be run on December 10th and appropriate amounts will be withheld from payroll checks dated 12/29/04.
- Taxable travel reimbursements paid between December 11, 2004 and December 31, 2004 will be added to calendar 2004 gross wages for W-2 purposes, but the associated taxes will not be withheld in calendar 2004.
- Early in calendar 2005, PayServ will process Social Security / Medicare tax deficiency deductions which apply to taxable reimbursements paid between December 11, 2004 and December 31, 2004.

To avoid under-withholding of income taxes for 2004, as well as deductions for Social Security and Medicare deficiencies in calendar 2005, district/administrative offices should refrain from making payments which include taxable travel reimbursements during the December 11 - 31, 2004 period.

- Please ensure that all PCM corrections for calendar 2004 are completed by December 31, 2004.

Please ensure distribution of this bulletin to all personnel within your respective jurisdictions who may be responsible for the processing of, or the monitoring of internal control procedures relating to, financial transactions processed via the Central Accounting System.

Thank you for your cooperation.

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Accounting Bulletin

Bulletin No. A542/P518
November 18, 2004

Year-End Procedure for Taxable Travel Reimbursements

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Purpose To update calendar year-end procedures relating to taxable travel reimbursements in order for the State to comply with IRS reporting requirements. This Bulletin replaces Bulletin A531/P440.

Background Taxable travel reimbursements include:

- Excess Personal Car Mileage (PCM) Reimbursements
- Excess Per Diem Payments
- Non-Overnight Meal Allowances
- Employee payments taxable under the IRS One-Year Rule

Excess PCM and Per Diem Amounts:

- IRS rules relating to employee business expense reimbursements require withholding and W-2 reporting on any excess amounts paid.
- "Excess amount" is the portion that is greater than the applicable Federal rate and not substantiated by receipts.
- 2004 maximum rate allowed by IRS for PCM is 37.5 cents per mile.
- Current maximum Federal per diems for the continental US can be found under the [NYS Travel Guidelines](#).

Non-Overnight Meal Allowances

- IRS requires employers to report and withhold income and employment taxes from meal allowances for non-overnight travel (day trips).

One-Year Rule

- IRS requires employers to report travel reimbursements and withhold income and employment taxes if employment away from home at a single location is realistically expected to last more than one year.

Further explanations of rules for excess PCM, Per Diem Amounts, Non-Overnight Meal Allowances and One-Year Rule can be found in the [Accounting Controls and Special Procedures Manual, Volume XI, Section 8](#).

CAS/PayServ Taxable travel reimbursement data is transferred from the Central

Processing Accounting System (CAS) to PayServ at month end, January through November.

For 2004, a special transfer from CAS to PayServ will be run on 12/10/04.

- This transfer will include vouchers with taxable reimbursements **paid by the CAS** from 12/1 through 12/10.
- These reimbursements will appear as "Taxable Expense" on Institution payroll checks dated 12/23/04 and Administration payroll checks dated 12/29/04.
- Appropriate amounts will be withheld from these payroll checks.

Process for Year-End Taxable Travel Payments Taxable travel payments paid by the CAS from 12/11 through 12/31 will be handled by an automated process when transferred to PayServ after 12/31. This process will add these amounts to gross wages on 2004 W-2's. No taxes will be withheld in 2004 for these payments, nor will these payments be reflected on paychecks dated 12/23 or 12/29.

In early 2005, PayServ will initiate Social Security/Medicare tax deficiency deductions that apply to the 12/11 through 12/31 taxable reimbursements. Employees that have already paid the maximum 2004 Social Security amount will only have a Medicare tax deficiency deducted from a 2005 paycheck.

To avoid under withholding of income taxes for 2004 and subsequent deductions for Social Security and Medicare tax deficiencies in 2005, agencies should avoid payment of taxable travel reimbursements between 12/11 and 12/31.

CAS Reports A special VOU943, Listing of Taxable Employee Travel Payments by Agency, for all taxable travel reimbursements made by the CAS between 12/1 and 12/10 will be produced on 12/10 and distributed to agencies. The 12/31 report will list only taxable travel expenses paid by the CAS from 12/11 through 12/31.

Example: The CAS issues Jane Doe a travel reimbursement check on 12/24/04, and \$99.00 of the payment is taxable. Jane's pay stub for 12/29/04 shows year-to-date gross wages of \$63,000. The 12/31 VOU943 will show an IRS amount of \$99.00 for Jane Doe. Jane's W-2 will show gross wages of \$63,099. In early 2005, the Social Security and Medicare tax will be calculated and withheld on the 2004 taxable expense of \$99.00. No Federal or State income taxes will be withheld.

PCM Corrections All corrections to excess amount payments on the PCM file must be

made by 12/31/04, so that the amounts on the PCM010 can be reconciled with the excess amounts reported on employees' 2004 W-2's.

Other corrections that agencies choose to make to the PCM file must be made by 1/07/05 to be reflected on adjusted year-end reports.

Questions

- Direct Payroll or W-2 questions on this bulletin to Rowena Fuller at rfuller@osc.state.ny.us or (518) 474-6223.
- Direct other questions to the Accounting Information Center at AcctSys@osc.state.ny.us or (518) 473-1170.