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TO: All Holders of the Financial Planning and Control Manual

NEW ACCOUNTING PROCEDURES

BULLETIN NUMBER: 295	November 17, 2003
SUBJECT: Calendar Year-End Procedures - Taxable Travel Reimbursements	

This supersedes New Accounting Procedures Bulletin number 292, issued November 18, 2002.

Attached is a copy of OSC Accounting Bulletin A-531 / P440, dated November 10, 2003. This bulletin details special year-end 2003 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:

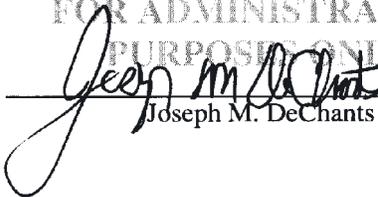
- Vouchers including taxable travel reimbursements paid between January 1, 2003 and December 12, 2003 will automatically be transferred to PayServ as taxable expenses and appropriate amounts will be withheld from payroll checks issued during calendar 2003.
- Taxable travel reimbursements paid between December 13, 2003 and December 31, 2003 will be added to calendar 2003 gross wages for W-2 purposes, but the associated taxes will not be withheld in calendar 2003.

- Early in calendar 2004, PayServ will process Social Security / Medicare tax deficiency deductions which apply to taxable reimbursements paid between December 13, 2003 and December 31, 2003. **To avoid under-withholding of income taxes for 2003, as well as deductions for Social Security and Medicare deficiencies in calendar 2004, district/administrative offices should refrain from making payments which include taxable travel reimbursements during the December 13 - 31, 2003 period.**
- Please ensure that all PCM corrections for calendar 2003 are completed by December 31, 2003.

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.

NYS UNIFIED COURT SYSTEM
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PURPOSES ONLY



Joseph M. DeChants

Accounting Bulletin

Bulletin No. A531/P440
November 10, 2003

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 Bulletins A520/P345.

Types of Taxable Payments Taxable travel reimbursements include:

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

Background

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.
- ⌘ 2003 maximum rate allowed by IRS for PCM is 36 cents per mile.
- ⌘ Current maximum Federal per diems for the continental US can be found on the Comptroller's website:
<http://www.osc.state.ny.us/agencies>

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 for more than one year.

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 Processing

Taxable travel reimbursement data is transferred from the Central Accounting System (CAS) to PayServ at month end, January through November.

This year, a special transfer from CAS to PayServ will be run on 12/12/03.

- ⚡ This transfer will include vouchers with taxable reimbursements paid from 12/1 through 12/12.
- ⚡ These reimbursements will appear as "Taxable Expense" on Institution payroll checks dated 12/24/03 and Administration payroll checks dated 12/31/03.
- ⚡ Appropriate amounts will be withheld from these payroll checks.

New Process for Year-End Taxable Travel Payments

Taxable travel payments paid by the CAS from 12/13 through 12/31 will be handled by a new automated process when transferred to PayServ. This new process will add these amounts to gross wages on the 2003 W-2. No taxes will be withheld in 2003 for these payments, nor will these payments be reflected on paychecks dated 12/24 or 12/31.

Collection of 2003 Social Security and Medicare tax deficiencies in 2004

In early 2004, the new PayServ process will initiate Social Security/Medicare tax deficiency deductions that apply to the 12/13 through 12/31 taxable reimbursements. Employees that have already paid the maximum 2003 Social Security amount will only have a Medicare tax deficiency deducted from a 2004 paycheck.

To avoid under withholding of income taxes for 2003 and subsequent deductions for Social Security and Medicare tax deficiencies in 2004, agencies should avoid payment of taxable travel reimbursements between 12/13 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 12/12 will be produced on 12/12 and distributed to agencies. The 12/31 report will list only taxable travel expenses paid in CAS from 12/13 through 12/31.

Example: The CAS issues Jane Doe a travel reimbursement check on 12/24/03, and \$99.00 of the payment is taxable. Jane's pay stub for 12/31/03 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 2004, the Social Security and Medicare tax will be calculated and withheld on the 2003 taxable expense of \$99.00. No Federal or NY State Income Taxes will be withheld.

PCM Corrections

All corrections to excess amount payments on the PCM file must be made by 12/31/03, so that the amounts on the PCM010 can be reconciled with the excess amounts reported on employees' 2003 W-2's.

Other corrections that agencies choose to make to the PCM file must

be made by 1/02/04 to be reflected on adjusted year-end reports.

Question

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