



Office of the State Comptroller

PAYROLL BULLETIN

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| Subject Year-End Procedures for Taxable Travel Reimbursements | Bulletin No. P-920/A-396 |
| | Date November 1, 1996 |
| INTRODUCTION | <p>This bulletin replaces Bulletin A377/P869. It updates calendar year-end procedures relating to taxable travel reimbursements in order for the State to comply with IRS reporting requirements. Taxable travel reimbursements include Excess PCM Reimbursements, Excess Per Diem Payments, Non-Overnight Meal Allowances and payments to employees taxable under the IRS One-Year Rule.</p> <p><u>Excess PCM and Per Diem Amounts</u> - IRS rules relating to employee business expense reimbursements require withholding and W-2 reporting on any excess amounts paid. The "excess amount" is the portion greater than the applicable Federal rate and not substantiated by receipts. The 1996 maximum rate allowed by IRS for PCM is 31 cents per mile. Appendixes C and D in the Travel Reimbursement Manual provide the current maximum Federal per diems for the continental US.</p> <p><u>Non-Overnight Meal Allowances</u> - The IRS requires employers to report and withhold income and employment taxes from meal allowances for non-overnight travel (day trips).</p> <p>Explanations of rules for excess PCM, Per Diem Amounts and Non-Overnight Meal Allowances can be found in the Controls and Special Procedures Manual, Volume XI, Section 8.</p> <p><u>One-Year Rule</u> - The 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. A detailed explanation of the One-Year Rule can be found in the Controls and Special Procedures Manual, Volume XI, Section 8.</p> |
| YEAR-END PROCESS - Payments December 1-6 | <p>Agencies may process travel vouchers including taxable travel reimbursements anytime throughout the year. The CAS will process year-end payments as follows.</p> <p>Taxable travel reimbursement data is transferred from the CAS to the Payroll System at month end, January through November. This year, a special transfer from the CAS to the Payroll System will be run on December 6, 1996. This transfer will include vouchers with taxable reimbursements paid</p> |

from December 1 through December 6. These reimbursements will appear as taxable expense (TXE) on Institution payroll checks dated 12/19/96 and Administration payroll checks dated 12/24/96. Appropriate amounts will be withheld for these payments.

- Payments After
December 6

Taxable travel reimbursements paid from December 7 through December 31 will be included as income on the employee's 1996 W-2, but Federal and State income taxes will not be withheld. A Social Security/Medicare tax deficiency will be deducted from the employee's paycheck in January, 1997 (unless the employee has already paid the maximum 1996 social security amount). Wage and tax reporting for 1997 will not be affected.

PAYROLL/CAS
REPORTS

Agencies will receive a taxable expense transaction listing with their salary registers.

Agencies will receive a special VOU943, Listing of Taxable Employee Travel Payments by Agency, for the December 6, 1996 transfer. This report will print at agency printers. Agencies without printers will receive this report through the mail.

Agencies will receive the monthly VOU943 for December, but it will contain only the taxable expense transactions paid after December 6.

The VOU943 reports should be used to confirm taxable amounts paid during the month. If OSC receives notification of a fine levied by IRS for inaccurate or incomplete reporting of taxable amounts, the fine will be charged to the responsible agency.

PCM CORRECTIONS All corrections to excess amount payments on the PCM file must be made by 12/31/96, so that the amounts on the PCM010 can be reconciled with the excess amounts reported on the employee's 1996 W-2. Other corrections that agencies choose to make to the PCM file must be made by 1/10/97 to be reflected on adjusted year-end reports.

PAYROLL YEAR-
END W-2
ADJUSTMENT
PROCEDURE

In order for additions or adjustments to be included on W-2's for 1996, OSC must receive them by January 3, 1997 for Institution and Administrative payrolls. The agency payroll office should send a letter explaining all corrections to:

Office of the State Comptroller
Payroll Deduction Section
AESOB 8th Floor
Albany, NY 12236

Direct payroll questions on this bulletin to Bob Phelan at (518) 473-1989. Direct other questions to the Accounting Information Center at (518) 473-1170.