BEATRICE CARDONA  WEN TANG
HAI DOAN   BARBARA VANDEN BORRE
RENATA ELLIS

Re: Release: 1721
Service Requests: 81561
Error Reports: 2039
Programs: PPP400, PPFDNTAX, PPNETCLC, PPEY101, PPRCOPT1, PPRCOPT2, PPOROVPY
Copy Members: CPLNKNET, CPLNKFED
Include Members: None
DDL Members: None
Bind Members: None
CICS Maps: None
Forms: None
Table Updates: System Parameter Table
Urgency: Dated Mandated

This release addresses the following Service Request:

**Service Request 81561**

Service Request 81561 requests that the way that Federal withholding Tax is calculated for nonresident alien employees be changed.

**Background**

Service Request 81561 provides the following background for this project:

“The Internal Revenue Service (IRS) issued new rules (Notice 2005-76) for determining the amount of Federal withholding tax employers must withhold from salaries and wages paid to nonresident alien (NRA) employees employed in the United States. Because certain NRA employees were experiencing over withholding of income tax on their wages for services performed within the United States, the IRS reconsidered the requirements for determining the amount of income tax to be withheld under section 3402 from the wages of nonresident alien employees. These new rules are designed to provide for withholding on the wages of a NRA employee that more closely approximates the income tax liability of the NRA. The changes also include new rules for NRA employees in completing Form W-4, Employee’s Withholding Allowance Certificate.”

**Current Process**

The requirements in Service Request 81561 ask that the Payroll/Personnel System (PPS) be modified to eliminate the current method of establishing a special NRA Federal Withholding Tax (FWT) deduction (currently $33.10 per month) for employees with Citizenship Status Code of ‘N’ or “A”. This special NRA FWT deduction is deducted in the compute in addition to the regular FWT deduction from the Federal Tax Table.
Proposed Process

Instead, PPS should use the new method prescribed by the IRS to calculate the appropriate FWT for nonresident alien employees. This method involves basing the lookup in the Federal Tax Table on a calculated amount that is equal to the employee’s Federal Taxable Gross plus a fixed amount determined by primary pay cycle. Currently, these amounts are:

- $221.00 – Monthly
- $102.00 – Biweekly
- $110.00 – Semi-monthly

The requirements specify that the new calculation method must be put in place with the first pay cycle with a 2007 check date. Due to time constraints presented by calendar year end processing, the requested modifications are being released in two phases to allow campuses to install the needed modifications prior to the end of the year. The first phase of the project will include:

- The updates to assign three new System Parameter numbers to record the additional amounts to be used in the calculation of the FWT for NRA employees
- Modifications to the compute to pass the appropriate additional value from the System Parameter Table, add that amount to the Federal Withholding Taxable Gross, and look up the Federal Tax based on the calculated value
- Equivalent modifications to the Rush Check and Overpayment process to calculate the FWT for NRA employees
- Modifications to Calendar Year End maintenance to initialize the G-balance for existing NRA deduction GTN 301.

Note: Temporary code will be added to the compute to look at the Check Date, so that the new calculation will not be done for any pay cycle where the check date is prior to January 1, 2007.

The second phase of the project will include:

- The updates to the EDB maintenance process to remove logic for the establishment of the NRA tax in GTN 301 (Note that an update to System Parameter 074 will be supplied with year end transactions, so no deductions will be established in 2007; changes to the EDB maintenance programs are therefore for maintenance only).
- Modifications to on-line CICS screens and web EDB Inquiry to remove the display of the NRA tax GTN and amount

Error Report 2039

In Release 1676, Include member PPVZEUD was changed. However, it was recently discovered that several programs were omitted in the installation instructions. This omission could cause several programs to abend. Programs PPWOVPY, PPORCNCL, PPORRVSL, PPWCNCL, and PPWRVSL have been added to the list of programs that need to be compiled without logic changes for this release.

Programs:

PPP400
Program PPP400 is the main driver program responsible for calculating payroll deductions and net pay. PPP400 was modified to pass the 3 new system parameters and check date via linkage to program PPNETCLC.

PPNETCLC
Program PPNETCLC controls which sub-routine is called to perform specific functions. Program PPNETCLC was modified so the check date and the 3 new system parameters are moved from copylib CPLNKNET to copylib CPLNKFED before program PPFEDTAX is called.

PPFEDTAX
The purpose of program PPFEDTAX is to calculate an employee Federal withholding amount. This program was modified to select employees containing an “A” or “N” in their Citizenship status field (EDB0109) for additional processing.
PPRCOPT1
PPRCOPT1 is the main driver program that calculations payroll deductions and net pay for the Rush Checks process. It was modified to pass the three new parameters along with the processing check date and the employee’s pay schedule via the linkage (CPLNKNET) for usage in Program PPNETCLC.

PPRCOPT2
PPRCOPT2 allows for the modeling of Rush Checks. Program PPRCOPT2 was modified to pass the three new parameters along with the processing check date and the employee’s pay schedule via the linkage (CPLNKNET) for usage in Program PPNETCLC.

PPOROVPY
Program PPOROVPY is responsible for generating Overpayment transactions. PPOROVY has been modified so the check date and the 3 new system parameters are moved to copylib CPLNKFED before calling PPFEDTAX directly to calculate federal withholding tax.

PPEY101
Program PPEY101 is responsible for resetting default values for several nonresident alien consistency edits at year end. It has been modified to set the G-balance for GTN 301 to zero for 2007.

Copylibs:
CPLNKNET
Several programs use copylib CPLNKNET to pass employee information into program PPNETCLC. The copylib has been expanded to support this release by adding the Check date and 3 new system parameters.

CPLNKFED
CPLNKFED is the copylib that is used to pass the necessary information to PPFEDTAX to calculate the Federal Withholding Tax. It has been expanded to support this release by adding the Check date and 3 new system parameters.

Test Plan
A separate Test Plan document is provided for this release.

Installation Instructions
Refer to the Installation Instructions document.

Timing of Installation
The installation of this release is date mandated. This release must be installed before any check dated in January 2007; but campuses are strongly encouraged to install this release as soon as possible due to calendar year end processing time constraints.

As usual, campuses are encouraged to install this release in as timely a fashion as possible and in the normal numeric sequence.

If there are any questions, please send electronic mail to Robert.Glaser@ucop.edu, or call (510) 987-0454.

Robert Glaser