Service Request 100288
2013 W-2 Changes

Technical Specification

November 19, 2013 (DRAFT)
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Version History

Version #	Date	Revised By	Reason for Change
1.0	10/16/13	Maxine Gerber	Initial Draft
1.1	11/19/2013	Maxine Gerber	Added changes for reporting medicare taxes for over $200,000 wages.

Table of Contents

1 Introduction

Every tax year, a service request(s) is submitted to support changes in Form W-2 and/or in other IRS and/or SSA requirements. For tax year 2013, following changes are being requested to support the W-2 processing at UC.

1.1.1 Service Request SR100288

Service request 100288 requests for changes in the printed Form W-2 and in the SSA electronic file to satisfy current IRS and SSA requirements. This includes the following changes:

- Modify the SSA file with new fields.
- Modify logic for setting qualified pension indicator to include new retirement codes.
- Modify OGL forms with tax year 2013.
- Modify the process which limits the reporting of medicare taxes based on the medicare tax rate to take into account the higher tax rate for earnings over $200,000.

2 Background

The annual W-2 reporting process performs all functions related to the generation of employee W-2 forms, reporting to the Internal Revenue Service and reporting W-2 information for the campus.

The W-2 processing at UC produces of several output components:

- Electronic SSA File
- Online W-2 Interface File (OW2)
- Printed Form W-2
- W-2 Reports

The changes for the 2013 W-2 are detailed in the succeeding sections.

3 Overview of System Modifications

3.1.1 W-2 Process

3.1.1.1 W-2 Processing

- The logic for setting the employee's qualified pension indicator must be changed to include the new 2013 Tier Retirement Codes.
- The logic to limit the medicare tax reported based on the medicare tax rate must be modified to take into account the higher tax rate for earnings over $200,000.

3.1.1.2 Electronic SSA File

- The electronic SSA file specification has changed. Programming changes detailed in the sections below.
- The record layout on the UCOP payroll web page will be modified to conform to the new layout.
- The footnote in the record layout on the UCOP payroll web page will be modified to include the new retirement codes.

3.1.1.3 Printed Form W-2

1. The W-2 Formdefs and W-2 Pagedefs need to be updated to change the label from ‘2012’ to ‘2013’.

4 Testing Considerations

The test data needs to include employees with a mix of the various items that can appear on the W-2 and/or be reported to SSA.

The test data should include employees earning over $200,000.

Supplementary testing using the SSA software, Accuwage, is recommended. “It allows you to check W-2 (Wage and Tax Statement) and W-2c (W-2 correction) reports for correctness before you send them to Social Security”.

In particular, Accuwage should be used to verify that the campus contact email address contained in campus-customized copylib member CPWSXTRC to ensure that it meets the SSA’s new, stricter rules.

Additional information may be found at http://www.socialsecurity.gov/employer/accuwage/index.html

5 Mainframe Design

5.1 W-2 Processing

5.1.1 Cobol Programs

5.1.1.1 PPTAXEDB

- PPTAXEDB generates the extracts for W-2 and/or UI processing and selected control and error reports. The logic for setting the employee’s qualified pension indicator must be changed to include the new 2013 Tier Retirement Codes.
- The logic to limit the medicare tax based on the medicare tax rate must be modified to take into account the higher tax rate for earnings over $200,000.

WORKING-STORAGE

1. Under OASDI-MEDICARE-WORK-FIELDS, add the following, to store the value of system parameter 204

```
05  MED-TAX-PERCENT-OVER200K          PIC S9(05)V9(04) COMP-3.
05  MED-TAX-RATE-OVER200K                      REDEFINES
    MED-TAX-PERCENT-OVER200K                    PIC S9(03)V9(06) COMP-3.
```

2. The system paramaeter interface allows for 3 additional parameters. Change this to 4.

```
01  SYSTEM-PARAMETER-INTERFACE.      COPY CPWSXSPI.
    SKIP2
    05  ADDL-PARMS                   OCCURS 3.
```

```
        10  ADDL-PARM-NO             PIC S9(3)      COMP-3.
        10  ADDL-PARM-VALUE          PIC S9(5)V9999 COMP-3.
```

PROCEDURE DIVISION

1. In section 40000-W2-EXTRACT SECTION, under “*----> SET QUALIFIED PENSION INDICATOR”, modify the logic to include RET-ELIG-CODEs of W, 6 and A.
2. In section 12000-LOAD-PARAMETERS, the program obtains MED-TAX-PERCENT from system parameter 11 (MEDICR-PRCNT in CPWSXIC2). Add code to obtain MED-TAX-PERCENT-OVER200K from system parameter 204.
3. In section 42000-CHECK-OASDI-MEDICARE, the following code calculates EXPECTED based on the employee’s gross and MED-TAX-RATE:

```
*----> CHECK MEDICARE TAX ACTUAL VS EXPECTED
     MOVE ZERO TO EXCESS.
     IF TXW2-EMP-MED-GROSS NOT < ZERO
         COMPUTE EXPECTED ROUNDED = TXW2-EMP-MED-GROSS
                                  * MED-TAX-RATE
```

This should be changed to the following:

```
*----> CHECK MEDICARE TAX ACTUAL VS EXPECTED
     MOVE ZERO TO EXCESS.
     IF TXW2-EMP-MED-GROSS NOT < ZERO
        IF TXW2-EMP-MED-GROSS > 200000
           COMPUTE EXPECTED ROUNDED =
               (200000 * MED-TAX-RATE) +
               ((TXW2-EMP-MED-GROSS – 200000) * MED-TAX-RATE-OVER200K)
        ELSE
           COMPUTE EXPECTED ROUNDED = TXW2-EMP-MED-GROSS
                                  * MED-TAX-RATE
         END-IF
```

5.1.1.2 PPTAXW2T

PPTAXW2T produces the Federal W-2 reporting file.

In section 23000-INIT-E-RECORD, add code to populate the new employer contact fields (see CPWSXTP changes below), using the same data being used to populate the RA-SUBMITR contact information fields (in 21000-BUILD-A-RECORD).

5.1.2 Copy Members

5.1.2.1 CPWSTXTP

CPWSTXTP defines the record layouts for tax reporting files sent to the state and federal government.
The RE record layout will be modified to include the following new fields, using the filler at the end of the record, and resizing the filler.

- Employer Contact Name (positions 222-248)

- Employer Contact Phone Number (positions 249-263)
- Employer Contact Phone Extension (positions 264-268)
- Employer Contact Fax Number (positions 269-278)
- Employer Contact E-Mail (positions 279-318)

5.1.3 OGL, PageDef and FormDef Source Files

5.1.3.1 W22013 (new)

This is the OGL pre-assembled source for the 2013 W-2. Copy this from the 2012 file in release 2053 and change 2012 to 2013.

5.1.3.2 F1W22013 (new)

This is the OGL FormDef for the 2013 W-2. Copy this from the 2012 file in release 2053 and change 2012 to 2013.

5.1.3.3 P1W22013 (new)

This is the OGL PageDef for the 2013 W-2. Copy this from the 2012 file in release 2053 and change 2012 to 2013.

6 Unit Testing Requirements

1. Select employees with RET-ELIG-CODE (in PPPBEN) equal to W, 6 and A. Verify that these employees have their qualified pension indicator set to 1. This can be verified in the following outputs:
   - On the printed W-2 in box 12, retirement plan = X
   - In the OW2 output file, DR-EMP-QUAL-PENS-IND = 1.
   - In the SSA file

2. Select employees with total medicare wages over $200,000. Perform a before and after test.
   - On the printed W-2 (box 6) and SSA file (RW record position 243-253), verify that the reported medicare tax amount matches the employee's YTD tax amount from the PPPDBL table for GTN number 009.
   - In the before test, the following message probably appeared in the REPTOUT job output:

   60-108 TAX EXTRACT: EMPLOYEE MEDICARE TAX OVER EXPECTED – REDUCED
   After the correction, the message should go away, unless there's still an excess.
   - In the before test, the following message probably appeared in report PPP6019:

   *** MEDICARE DED OVER MAX; MAX REPORTED
   After the correction, the message should go away, unless there's still an excess.

3. Verify that the printed W-2 says '2013'.

4. Verify that RE records on the SSA file contains the new fields, and that they're populated with the same data as on the RA records.

5. Test SSA file through Accuwage. Ensure that the contact email address passes the new edits.