Service Request 100740
HSA Contributions and CA Taxable Gross

Technical Specification

September 4, 2014
Prepared by Caroline Rider

Information Technology Services
Office of the President
University of California
## Version History

<table>
<thead>
<tr>
<th>Version #</th>
<th>Date</th>
<th>Revised By</th>
<th>Reason for Change</th>
</tr>
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<tbody>
<tr>
<td>1.0</td>
<td>08/15/2014</td>
<td>Caroline Rider</td>
<td>Initial draft</td>
</tr>
<tr>
<td>1.1</td>
<td>09/04/2014</td>
<td>Caroline Rider</td>
<td>Add reporting of local/city taxes</td>
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</table>


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1 Introduction

The Health Savings Account (HSA) employer contributions are not subject to Federal income tax or OASDI/Medicare, but are subject to California income tax. The employer contributions must be included with the California taxable gross that is reported on W-2s.

1.1.1 Service Request SR100740

SR100740 asks for the inclusion of the Health Savings Account (HSA) employer contribution on the W-2 in Box 16, State Wages, tips, etc. for California.

2 Background

Release 2089 introduced the HSA, associated with the Blue Shield Health Savings Plan (medical plan code SP). As part of the implementation, it was decided that the HSA employer contribution would be added to the California taxable gross at the end of the calendar year for Federal and California reporting, and the California tax withholding would be solely the responsibility of the employee.

3 Overview of System Modifications

3.1.1 W-2 Process

A new program (PPP607) will be developed that will:

- create a file of DA transactions to update the CA YTD and QTD taxable gross
- produce a reporting file

The run spec for PPP607 will allow for the specification of the batch number for the DA transactions and a maximum HSA employer contribution amount.

Employees will be selected if they have a non-zero YTD HSA employer contribution amount. Selected employees will be reported as exceptions only (no DA transactions) if they were subject to out-of-state income tax or had HSA amounts that are less than zero or greater than the maximum from the run spec.

The DA transactions will be processed in a compute to update the campus Calendar Year End/W-2 EDB; until the DA transactions are processed, PPP607 can be re-run as needed (to allow campus adjustment of the underlying EDB values). Once the DA transactions have updated the EDB, campuses can apply further adjustments to the new balances on the EDB.

4 Design Considerations

4.1 Assumptions and Dependencies

- The HSA employer contribution will be added to the CA YTD and QTD taxable grosses; no CA tax withholding will be taken.
- The new program will run against the prior year (frozen) EDB for its final run, but can be run earlier in the year against the current year EDB to identify exceptions.
- The DA transactions can be processed in the same prior year compute in which the PPP606 DA transactions are processed.
5 Testing Considerations

Testing should include:

- employees with negative, normal, or over-max HSA employer contribution amounts
- employees with out-of-state grosses and/or deductions and/or local/city deductions and/or withholding of 997

6 Mainframe Design

6.1 W-2 Process

6.1.1 COBOL Programs

6.1.1.1 PPP607 (new)

PPP607 creates DA transactions to update the California YTD and QTD taxable grosses with the YTD HSA employer contribution amount. It will also produce a reporting file identifying those employees as well as any employees with exceptions.

Validate the run spec:

- run spec ID must be PPP607-SPEC (MSG 60701)
- DA batch number must be numeric (MSG 60702)
- HSA maximum must be numeric (MSG 60703)

Employees are selected if the employee has a non-zero YTD HSA employer contribution (GTN 613, Y balance – see ‘HSA employer contribution’ Source in the table below).

For each selected employee:

- select the employee PER, PCM, and PAY data – see Source in the table below
- if the other state code 1 is not blank, select the other state deduction 1 data – see ‘Other state deduction 1’ Source in the table below
- if the other state code 2 is not blank, select the other state deduction 2 data – see ‘Other state deduction 2’ Source in the table below
- if the other state code 3 is not blank, select the other state deduction 3 data – see ‘Other state deduction 3’ Source in the table below
- if any of the out-of-state grosses or deductions are non-zero, or the CA withholding allowances are 997, flag the employee as ‘other state activity’
- check for any city or local tax GTNs (where DBL.GTN_NUMBER = GTN.GTN_NUMBER and GTN.GTN_SET_INDICATOR = ‘5’); if there are any, flag the employee as ‘city/local taxes’
- if the HSA employer contribution is less than zero or greater than the maximum amount from the run spec, flag the employee as ‘HSA amount out of range’
- if the employee has no out of state activity, no city/local taxes, and the HSA amount is within range, write one DA transaction with the YTD HSA employer amount for data elements 5506 and 5547 and the sum of the two for the total, and flag the employee as ‘DA transaction created’
- write one reporting record

Inputs and Outputs
Input: Run specification – the record includes the DA transaction file batch number and the HSA maximum.

Output: report file – One record per selected employee. The file will be tab-delimited (value X’05’). The file will always include a header record with the run date and will also include tab-delimited column headers.

<table>
<thead>
<tr>
<th>Field</th>
<th>Length</th>
<th>Format</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee ID</td>
<td>9</td>
<td>X(9)</td>
<td>EMPLOYEE_ID</td>
</tr>
<tr>
<td>Employee name</td>
<td>26</td>
<td>X(26)</td>
<td>PER.EMPLOYEE_NAME</td>
</tr>
<tr>
<td>Employment status</td>
<td>1</td>
<td>X(1)</td>
<td>PER.EMP_STATUS</td>
</tr>
<tr>
<td>HSA employer contribution</td>
<td>9</td>
<td>-9(5).99</td>
<td>DBL.GTN_AMT, where DBL.GTN_NUMBER = ‘613’ and DBL.GTN_IND = ‘Y’ (EDB6613Y)</td>
</tr>
<tr>
<td>CA marital status</td>
<td>1</td>
<td>X(1)</td>
<td>PAY.STATE_TAX_MARITAL (EDB0130)</td>
</tr>
<tr>
<td>CA withholding allowances</td>
<td>3</td>
<td>9(3)</td>
<td>PAY.STATE_TAX_PERDED (EDB0131)</td>
</tr>
<tr>
<td>CA itemized deductions</td>
<td>3</td>
<td>9(3)</td>
<td>PAY.STATE_TAX_ITMDED (EDB0132)</td>
</tr>
<tr>
<td>CA YTD taxable gross</td>
<td>11</td>
<td>-9(7).99</td>
<td>PCM.YTD_SWT_GROSS (EDB5506) (does not include HSA)</td>
</tr>
<tr>
<td>CA QTD taxable gross</td>
<td>11</td>
<td>-9(7).99</td>
<td>PCM.QTD_SWT_GROSS (EDB5547) (does not include HSA)</td>
</tr>
<tr>
<td>Other state code 1</td>
<td>2</td>
<td>X(2)</td>
<td>PCM.YTD_OSWT_NAME_1 (EDB0416)</td>
</tr>
<tr>
<td>Other state taxable gross 1</td>
<td>11</td>
<td>-9(7).99</td>
<td>PCM.YTD_OSWT_GROSS_1 (EDB5512)</td>
</tr>
<tr>
<td>Other state deduction 1</td>
<td>9</td>
<td>-9(5).99</td>
<td>DBL.GTN_AMT, where DBL.GTN_NUMBER = GTN.GTN_NUMBER and GTN.GTN_SET_INDICATOR = ‘4’ and SUBSTR(GTN.GTN_DESCRIPTION,1,2) = PCM.YTD_OSWT_NAME_1 and DBL.GTN_IND = ‘Y’</td>
</tr>
<tr>
<td>Other state code 2</td>
<td>2</td>
<td>X(2)</td>
<td>PCM.YTD_OSWT_NAME_2 (EDB0417)</td>
</tr>
<tr>
<td>Other state taxable gross 2</td>
<td>11</td>
<td>-9(7).99</td>
<td>PCM.YTD_OSWT_GROSS_2 (EDB5540)</td>
</tr>
<tr>
<td>Other state deduction 2</td>
<td>9</td>
<td>-9(5).99</td>
<td>DBL.GTN_AMT, where DBL.GTN_NUMBER = GTN.GTN_NUMBER and GTN.GTN_SET_INDICATOR = ‘4’ and SUBSTR(GTN.GTN_DESCRIPTION,1,2) = PCM.YTD_OSWT_NAME_3 and DBL.GTN_IND = ‘Y’</td>
</tr>
<tr>
<td>Other state code 3</td>
<td>2</td>
<td>X(2)</td>
<td>PCM.YTD_OSWT_NAME_3 (EDB0418)</td>
</tr>
<tr>
<td>Other state taxable gross 3</td>
<td>11</td>
<td>-9(7).99</td>
<td>PCM.YTD_OSWT_GROSS_3 (EDB5551)</td>
</tr>
<tr>
<td>Other state deduction 3</td>
<td>9</td>
<td>-9(5).99</td>
<td>DBL.GTN_AMT, where DBL.GTN_NUMBER = GTN.GTN_NUMBER and GTN.GTN_SET_INDICATOR = ‘4’ and SUBSTR(GTN.GTN_DESCRIPTION,1,2) = PCM.YTD_OSWT_NAME_3 and DBL.GTN_IND = ‘Y’</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Table</th>
<th>1</th>
<th>X(1)</th>
<th>‘Y’ if true, blank if not</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA transaction created</td>
<td>1</td>
<td>X(1)</td>
<td>‘Y’ if true, blank if not</td>
</tr>
<tr>
<td>HSA amount out of range</td>
<td>1</td>
<td>X(1)</td>
<td>‘Y’ if true, blank if not</td>
</tr>
<tr>
<td>Other state activity</td>
<td>1</td>
<td>X(1)</td>
<td>‘Y’ if true, blank if not</td>
</tr>
<tr>
<td>City/local taxes</td>
<td>1</td>
<td>X(1)</td>
<td>‘Y’ if true, blank if not</td>
</tr>
</tbody>
</table>

Output: DA transaction file (see [http://payroll.ucop.edu/forms/upay640c.pdf](http://payroll.ucop.edu/forms/upay640c.pdf) for the layout); it will be used for the CA YTD gross (5506) and CA QTD gross (5547); sign and balance indicators are blank.

Program PPP606 can be used as a starting point for the formatting of the output files.

**WORKING-STORAGE**
As needed to support the processing outlined above.

**PROCEDURE DIVISION**
As needed to support the processing outlined above.

### 6.1.2 UPAY Forms

#### 6.1.2.1 UPAY935 – PPP607 RUN SPECIFICATION (new)

UPAY935 form will be the run specification card used by program PPP607. It will include:

- 1 – 11: constant PPP607 SPEC
- 12 – 13: DA transaction batch number
- 14 – 20: HSA maximum, format 99999V99

UPAY933 can be used as a starting point for this form.

### 6.1.3 Control Table Updates

#### 6.1.3.1 CTL Database

UPAY forms are included with the requirements document and will contain detailed CTL update transactions. These will be keyed by the programmer and applied to the CTL database by running program PPP004.

#### 6.1.3.1.1 System Messages Table

The Systems Messages Table contains the message text, severity, and reporting requirements for error and warning messages.

Add any necessary 607nn messages:

- 60701: OPER - SPECIFICATION CARD HAS INVALID PROGRAM ID (batch severity 8)
- 60702: OPER - SPECIFICATION CARD HAS INVALID BATCH NUMBER (batch severity 8)
- 60703: OPER - SPECIFICATION CARD HAS INVALID HSA MAXIMUM (batch severity 8)
6.1.4 JCL Changes

6.1.4.1 PPP607 (new)

Sample JCL will be provided for PPP607.

7 Unit Testing Requirements

See section 5, Testing Considerations.