
TAX RECORD SET UP (PAY-W004)

Sacramento City Unified School District

1.0 SCOPE:

- 1.1 This work instruction is applied to set up a tax record for an employee.

2.0 RESPONSIBILITY:

- 2.1 Lead Payroll Technician
- 2.2 Fiscal Services Technician I

The online version of this procedure is official. Therefore, all printed versions of this document are unofficial copies.

3.0 APPROVAL AUTHORITY:

- 3.1 Supervisor IV, Payroll Services

Authorized Signature on File

4.0 DEFINITIONS:

- 4.1 Employees must have a tax record set up to ensure correct payroll taxes are withheld from their paychecks.
- 4.2 IRS – Internal Revenue Service
- 4.3 EDD - Employment Development Department
- 4.4 FTB – Franchise Tax Board
- 4.5 STRS - State Teachers Retirement System

5.0 WORK INSTRUCTION:

5.1 TAX SET UP

Each employee must complete a DE 4 (State Withholding Allowance Certificate) and a W-4 (Federal Withholding Allowance Certificate). If an employee claims 10 or more withholdings or exempt status on either one of these forms, a copy needs to be given to the Fiscal Services Tech I to keep in an alphabetical file. The exempt certificate expires on February 15th of the following year. If a new Form W-4/DE 4 is not received by February 15th of the new year claiming exempt from tax withholding, the employee will be set up at the single rate with zero allowances. Withholding will continue at this rate until the employee submits a new Form W-4/DE 4. Employment tax regulations require the employer to send FTB a copy of any new Form DE 4 that claims (a) more than 10 withholding allowances or (b) exempt from withholding and the employee's wages would normally be more than \$200 per week. You must submit a copy of this form to Franchise Tax Board (FTB) by fax or mail to the address shown below. Retain the original Form DE 4.

Franchise Tax Board
W-4 Unit MS F-180
PO Box 2952
Sacramento CA 95812-2952
Fax: (916) 843-1094

- 5.1.1 Sign into Escape, selecting the Payroll module, then Pay Cycle.

TAX RECORD SET UP (PAY-W004)

Sacramento City Unified School District

- 5.1.2 Search for an employee by last name hitting <F9> or by SSN hitting <F10> and hit <enter> to select the employee.
- 5.1.3 Hit <Enter> to go into employee's detail screen.
- 5.1.4 Hit <Ctrl P> to go into the employee's payroll set up records screen.
- 5.1.5 Hit <Alt A> to bring up the "Add" menu.
- 5.1.6 Select "Add a Tax Record."
- 5.1.7 Enter effective date. The effective date should be the first day of the month in which work is being reported. The effective date should **not** be the first day of the month the employee is being paid if the earnings are for work performed the previous month. In that case, it should be the first day of the previous month.
- 5.1.8 Enter number of exemptions.
- 5.1.9 Enter filing status, i.e., single, married.
- 5.1.10 Hit <F3> to save record.
- 5.1.11 Hit <F3> to go back into employee's detail screen.
- 5.1.12 Hit <Esc> to exit employee's record.

5.2 STRS Employee Tax Record Set Up

- 5.2.3 Complete steps 5.1.1-5.1.9 above.
- 5.2.4 Open the STRS add on record to check membership status of the employee.
 - 5.2.4.1 If the employee is a member, this will be indicated with a "1" in the Membership Type field of the STRS add on. If they are a member, **remove** the "Y" in the OASDI field of the tax record.
 - 5.2.4.2 If the employee is not a member, this will be indicated with a "2" in the Membership Type field of the STRS add on. If they are not a member, **do not remove** the "Y" in the OASDI field of the tax record.
 - 5.2.4.3 Go back into employee's tax record set up and complete as indicated above in 5.2.2.1 or 5.2.2.2.
 - 5.2.4.4 Hit <F3> to save.
 - 5.2.4.5 Hit <F3> to go back into employee's detail screen.
 - 5.2.4.6 Hit <Esc> to exit employee's record.

5.3 Student Tax Record Set Up

- 5.3.3 Search for an employee by last name hitting <F9> or by SSN hitting <F10> and hit <Enter> to select the employee.

TAX RECORD SET UP (PAY-W004)

Sacramento City Unified School District

- 5.3.4 Hit <Enter> to go into employee's detail screen.
- 5.3.5 Hit <Ctrl P> to go into the employee's payroll set up records screen.
- 5.3.6 Hit <Alt A> to bring up the "Add" menu.
- 5.3.7 Select "Add a Tax Record."
- 5.3.8 Enter effective date. The effective date should be the first day of the month in which work is being reported. The effective date should **not** be the first day of the month the employee is being paid if the earnings are for work performed the previous month. In that case, it should be the first day of the previous month.
- 5.3.9 Enter number of exemptions.
- 5.3.10 Enter filing status, i.e., single, married.
- 5.3.11 Take out all Y's except in the W/C field, as students are exempt from Social Security, Medicare, and unemployment.
- 5.3.12 <F3> to save.
- 5.3.13 Hit <F3> to go back into employee's detail screen.
- 5.3.14 Hit <Esc> to exit employee's record.

5.4 Form W-5 – Advanced Earned Income Credit

- 5.4.3 Employees that submit a Form W-5 requesting advanced payment of earned income credit are required to submit a new Form W-5 each year as they expire each December 31st.
- 5.4.4 Access employee's payroll set-up screen.
- 5.4.5 Open the Tax set-up screen and enter an ending date of the last day of the previous month.
- 5.4.6 Copy over the record using <F4> and the system will default to the first day of the current month.
- 5.4.7 All tax record information will stay the same except you will enter a "E" in the AEIC field.
- 5.4.8 Hit <F3> to save.

5.5 Setting up tax set-up from employee that you do not receive tax withholding forms for:

- 5.5.3 In the event that you do not receive tax withholding forms for employees, follow the above processes, but default to S/O until you receive tax forms.

5.6 Changes in withholding notices from IRS/FTB:

TAX RECORD SET UP (PAY-W004)

Sacramento City Unified School District

- 5.6.3 When the IRS/FTB declines a filing status for an employee they will send a letter to the District's Payroll Services Department informing us that we are required to change the employee's withholding to S/0 until further notice from the IRS/FTB. We cannot process new tax withholding forms received from the employee until notified from the IRS.

5.7 Processing of questionable withholding forms received in the department:

- 5.7.3 Any tax withholding forms received for processing believed to be questionable should be returned to employee along with the District's memorandum of tax form processing.

6.0 ASSOCIATED DOCUMENTS:

- 5.8 Federal W-4 Withholding form
- 5.9 State DE-4 Withholding form
- 5.10 Federal W-5 form
- 5.11 Notice from IRS
- 5.12 Notice from FTB
- 5.13 District memorandum of tax form processing

7.0 RECORD RETENTION TABLE:

<u>Identification</u>	<u>Storage</u>	<u>Retention</u>	<u>Disposition</u>	<u>Protection</u>
Federal W-4 Withholding Form, State DE-4 Withholding Form, Federal W-5 Form, Notice from IRS, Notice from FTB, District memorandum of tax form processing	File cabinet in office	Two years, current and previous fiscal year. After two years, sent to warehouse.	None. Must keep all payroll records per Internal Audit Department.	Secured Work Area

8.0 REVISION HISTORY:

<u>Date:</u>	<u>Rev.</u>	<u>Description of Revision:</u>
11/01/04	A	Initial Release
07/16/07	B	Add instructions 5.1.1 and correction to Identification in Record Retention Table

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