University of Wisconsin System
SFS Business Process
W2 Reportable Fringes
Processing

Contents

W2 Reportable Fringes Processing Overview

Process Frequency	Monthly
Dependencies	W2 Transactions are loaded for review by each institution
Assumptions	W2 Tax Knowledge
Responsible Parties	Tax Staff at each Institution
Alternate Scenarios	NA

W2 Reportable Fringe Payments (expense and accounts payable transactions) made to employees (or on an employee's behalf) in SFS will need to be reported as W2 earnings to the employee. At the beginning of every calendar year, UWSA Tax Staff consult with Payroll to identify earnings codes and account codes that will be used to load/report W2 earnings.

Each month, W2 reportable payments made to employees through the Expense module and the Accounts Payable Module will be loaded into the W2 Bolt On. Transactions are loaded to the bolt on with either a W2 Status of Active or Review. The institutions will be notified by email after the load. Each Institution's Tax representative will have a set amount of time to update campus W2 transactions, resolve items that are in 'Review' status; make corrections to transactions submitted in previous months; and enter additional transactions (i.e.: expenses that do not meet the requirements for an accountable plan, foundation prepaid expense transactions, taxable travel reimbursements). Foundation payments should be entered in the SFS W2 Tax Processing Bolt-on a monthly basis.

After Institutions have notified UWSA Tax Staff that they have completed their review, the Tax Staff will revalidate the transactions. If the revalidation comes back clean, the UWSA tax staff will upload the file into the HRS system. HRS will withhold payroll taxes on these W2 reportable amounts.

Transactions that are loaded to the W2 Bolt on Monthly

- E-Re Estimated Withholding is an expense type that allows an estimated amount of FICA, Federal, and State tax withholding to be deducted at the time of the payment. The estimated tax is associated with account code 7060 and is loaded to the bolt on to be passed on to the service center. The estimated tax is offset on the next available payroll when actual tax withholding amounts are calculated.

- Payments that have a distribution line that includes any of the account codes 2180, 2181, 2863, 2864, 2880, 2881, 2883, 2884, and will be loaded to the bolt on. The payments will be loaded regardless of whether the payment is for an employee or not. Transactions that do not have a valid employee ID associated with it will be flagged for review. Transactions that have a valid

employee ID will be set with a status of Active when loaded. All transactions with an Active status at the time of HRS load will be reported.

- Relocation/Moving Expenses must be flagged with a business purpose equal to RELOCATION in the Expense Module. All lines on a Relocation expense report except prepaids will be loaded to the W2 Bolt-on regardless of what account codes are on the expense report, this includes travel reductions and the required estimated withholding tax entered on the expense report. University pre-paid expenses associated with the move must be manually added as tax reportable to the employee.

- Cancelled payments that meet the account code and/or the Relocation Business Purpose criteria will load to the bolt on. Each month any cancelled payments will load. The following scenarios can happen and will be loaded as described
    - Cancel/Reissue in same month – the original payment, cancellation of original payment and reissued payment will all be loaded where the net is the reissued payment. You will see a cancelled date to indicate the cancelled rows.
    - Cancel/Reissue across months – the original payment will be reported in one month, then the cancel/reissue occur in a subsequent month. Result – report the first payment, the cancel and reissue will net to zero in a future month so will not be duplicated or reported twice.
    - Cancel without reissue in same month – the original payment and the cancellation of original payment will load. The net will be zero so nothing will be reported.
    - Cancel without reissue across months – the original payment will be reported in one month, then the cancel will occur in a subsequent month. The subsequent month payment will be loaded and sent to Service Center as a negative – crediting back the employee for the cancelled payment.

Transactions that are not loaded to the W2 Bolt on Monthly

- Institutions can manually add W2 reportable transactions that are not loaded to the bolt on, including prepaids for moving expenses and foundation payments. Do not include compensatory cash awards to employees that must be payrolled in accordance with IRS regulations.

- University prepaids on expense reports are not loaded to the W2 bolt on. All lines on a Relocation expense report except prepaids will be loaded to the W2 Bolt-on regardless of what account codes are on the expense report. You will need to manually add reportable prepaids to the W2 Bolt On. You can run a query named SFS_W2_EX_PREPAID_ON_RELOC to identify the university pre-paid expenses associated with the move, it's based on approval date, which differs from the actual payment date. The system does not include a payment date for pre-paids.

- Enter any expenses that do not meet the requirements for an accountable plan. For example, expense reports submitted more than 90 days past the trip completion date without an exception. These will be included as taxable income to the employee. The following two queries can be used to help monitor this activity:
  - o SFS_EX_CAMPUS_NONTVL_90DAY
  - o SFS_EX_CAMPUS_TRVL_90DAY

- Payments made to UW employees by university support organizations, such as institution foundations, that are considered by the IRS to be university income to the recipients must be entered into the bolt-on. These payments include amounts for moving expenses, house hunting, temporary lodging expenses, non-overnight meals, spousal travel expenses, and club memberships. Do not include compensatory cash awards to employees that must be payrolled in accordance with IRS regulations. All source documents should be maintained at your institution's business office.

Process Detail

Monthly W2 Process Steps -Find W2 Reportable Transactions in Review Status

Institutions must review and act on each record that has been loaded with a *Review* status. The most common error messages requiring review are:

- **Invalid EMPLID**.
  This occurs when an expense report is created for a non-employee record (i.e. employee ID begins with "N").
  - o If the person has since become an employee, or is an employee of another UW institution, update the employee ID using the instructions for How to Open a Transaction Record for Editing.
  - o If the person will become an employee, but does not yet have an EMPLID, the record will need to be inactivated. Once the EMPLID has been issued, the record can be corrected with the EMPLID and submitted. Alternatively, the record can be manually entered the month it becomes available. An example of this scenario would be relocation expenses.
  - o If the person will never become an employee, for example a non-employee board member, the record should be inactivated and the transaction should be entered into the 1099-bolt-on if taxable. Taxable payments to 1099 reportable suppliers should be paid through AP on the appropriate account code.

- **Row without EMPLID *Suppliers Supplier Class is not E.**
  This occurs when an accounts payable (AP) transaction is created and paid to a Supplier not classified as an employee. Most often this may relate to an AP Payment made to a moving company on behalf of an employee. Payments made directly to moving companies are taxable to employees (use the relocation expense account code 2880/2881). When the transaction loads to the W2 Bolt On you will need to update it from the moving company into the employee's name.

- **Detail Amount is greater than the review limit set for that specific account.**

This occurs when amounts paid are greater than what the review limit is for the account code. Review limits are established to help identify potential errors. It also helps identify employees that could see a significant reduction in net pay related to the taxable fringe adjustment. In order to prevent hardship, it may be appropriate to spread out the payroll deductions over multiple pay periods. Please contact the System Administration Tax Reportable Fringe contact for details.

As of May 2019, the review limits are:

- **This expense is moving but business purpose is not set to Relocation. Review.**
  This occurs when an expense report has an account code/moving expense line, but the business purpose is not set to RELOCATION. You will need to review and add any other amounts on the expense report related to the relocation.

  You will review the transactions and determine if the record will need to be reported.

1. Login to SFS *Production* Online at https://www.wisconsin.edu/sfs/sfs-environments/
2. *Navigate to SFS Extensions >Tax Processing > Use > UW W2 Search*
   OR
   Navigate to Accounts Payable Work Center\Main Menu\Tax(W2)\UW W2 Search

3. **Enter** *Tax Year* (4 digits)
4. **Enter** *Month Code* (2 digits i.e. January = '01', February = '02', etc.)
5. **Select** your *Business Unit* (i.e. 'UWADM', 'UWMIL', 'UWSTP', etc.)
6. **Select** *W2 Status* = 'Review' (left blank you will receive a listing of all W2 Transactions for that month)
7. **Click** "Search"

8. The results are a listing of transactions to be reviewed. You will find information on the following tabs within the UW W2 Search page: Header , Detail , Comments and Error Messages .

a. **Header Tab**:
This tab includes the *View Detail* link taking you to the UW W2 Transaction page, where you can make changes. This tab also provides you with the Business Unit, EmplID and Employee Name associated with the transaction.

	View Detail	*Tax Year	*Month	Transaction Corrected	Empl ID	Supplier SetID	Supplier ID	*Support Organization	Employee Name	*Business Unit
1	View Detail	2019	May	No	NEJA0006			No	Johnson	UWEAU

b. **Detail Tab:**
   i. Document ID Column provides a link to the corresponding expense report or the accounts payable voucher page for ease of reviewing. When manually entering transactions, entering the exact document ID will enable a valid link to the expense or voucher page.
   ii. Source Transaction Column provides you with the type of transaction this is. Either an Expense (EX) Transaction or an Accounts Payable Voucher (AP) Transaction.

	Document ID	Source Transaction	*UW Detail Amount	Name 1	Empl ID	*Payment Date	*Account	Earnings Code	*W2 Status	Item Number
1	00691884	EX	$15.00	Johnson	NEJA0006	05/08/2019	2864	XML	Review	1

c. **Comments Tab:**
   Description Column
   i. For *expense transactions* the description will be the *Business Purpose* entered on the expense transaction. This is particularly useful in identifying the transactions that are flagged as a Relocation Business Purpose.

      NOTE: All lines on a Relocation expense report except prepaids will be loaded to the W2 Bolt-on regardless of what account codes are on the expense report. University pre-paid expenses associated with a move must be manually added as tax reportable to the employee.

   ii. For *accounts payable* transactions, the Invoice Line Description will be included here.

	*Description	Explanation
1	Business	

d. **Error Messages Tab**:
W2 Status will give you status. All items in 'review' status must be reviewed and changed to 'active' or 'inactive' status. Transactions in 'active' status will be W2 reportable. Payments in 'inactive' status will not be reported.

		Personalize	Find	View All	🔳	🖼	First ◀ 1 of 1 ▶ Last
Header	Detail	Comments	**Error Messages**	🏭		
	W2 Status	Employee Name	Error Message
1	Review ⌄	Johnson	*Invalid EMPLID

How to Inactivate a Transaction – Record will not be Reported

Inactivated records will not be reported. You can change the W2 Status FROM active or review TO inactive on records that have been loaded. Navigate to the Error Messages tab and change the W2 Status to "Inactive". This will inactivate the transaction and the transaction will not be sent to HRS to be reported on the employee's payroll account.

1. Navigate to the UW W2 Search Page. Enter Criteria and Select Search

2. **Select** the ┌ Error Messages ┐ Tab

3. **Select** 'Inactive' in the *W2 Status* column to inactivate the record. When inactivating a record, you are indicating that you do not want the record reported.

4. After inactivating all the records, you do not want reported, select the 'search' button to refresh the page.

UW W2 Search

1. *Enter Search Criteria -->*

Tax Year:	2019	*Display Educational Expenses Sent:	No ⌄	Validation
Month Code:	05 🔍	*UW Support Organization:	All ⌄	Validate Refresh Status
Empl ID:	🔍	*Correction W2 Indicator:	All ⌄	Instance: Run Status:
Any part of Employee Name:			
Business Unit:	UWW ⌄		
W2 Status:	Review ⌄		
Account/Earn Code:	Account ⌄ 🔍		

2. *Click on Search -->* Search

3. *Click a row for Employee's detail transactions*

		Personalize	Find	View All	🔳	🖼	First ◀ 1-2 of 2 ▶ Last
Header	Detail	Comments	Error Messages	🏭		
	W2 Status	Employee Name	Error Message
1	Inactive ⌄	Swanson Kathryn	*Invalid EMPLID
2		Watkins Jamie	*Invalid EMPLID

Active
Inactive
Rdy to Snd
Review
Sent

How to Open a Transaction Record for Editing

1. Navigate to the UW W2 Search Page. Enter Criteria and Select Search
2. Select the Header Tab

	View Detail	*Tax Year	*Month	Transaction Corrected	Empl ID	Supplier SetID	Supplier ID	*Support Organization	Employee Name	*Business Unit
1	View Detail	2019	May	No	NEJA0006			No	Johnson	UWEAU

Personalize | Find | View All | 🖼 | 📊   First ⓪ 1 of 1 ⓪ Last

3. Select the *View Detail* Link, this will take you to the UW W2 Transaction page
4. To change the employee on the transaction, **select** the *Lookup Employee Supplier* button. This will open the Employee/Supplier Search Page.

UW W2 Transaction

*Tax Year 2019 *Month May

Lookup Employee/Suppli

*Business Unit UWEAU   *UW Support Organization No
Document ID 00691884   Empl ID NEJA0006   Johnson All
Item Number 1   Supplier   Supplier ID
                 SetID

*Payment Date 05/08/2019
*Account 2864   Day Trip Meals (Tax) -OutState
Earnings Code XML   Tax Fr - Meals/Lodging
*W2 Amt $15.00
*Description Business
*W2 Status Review
Explanation
Error Message   *Invalid EMPLID

💾 Save

Supplier Search Page   ✕

Help

1. Enter Search Criteria
-->
   Any part of EmplID:
   Any part of Employee Name: JOHNSON A
   Supplier SetID   UWEAU and SHARE
   Any part of Supplier ID

2. Click on Search -->   Search

3. Click on Employee Name to select

Personalize | Find | View 10 | 🖼 | 📊   First ◄ 1-18 of 18 ► Last

	SetID	Supplier ID	Empl ID	Employee Name
1	UWEAU		00530831	JOHNSON
2	UWEAU		00541342	JOHNSON
3	UWEAU		00542833	JOHNSO
4	UWEAU		00606910	JOHNS
5	UWEAU		00703131	JOHNSON AI
6	UWEAU		00715345	JOHNSO
7	UWEAU		00739215	JOHNSON A
8	UWEAU		00754001	JOHNSON

5. Enter any part of the EmplID or Employee Name
6. Enter the Supplier SetID or Institution employing the employee. (i.e. UWADM, UWMSN, UWGBY, etc)
7. Select the Search button,
8. Find and select the correct employee name/link in the list

9. Change the W2 Status to Active
10. Select the SAVE button to save the transaction

Examples of Transactions that May Need Updating

1. AP Transactions to moving companies for relocation expenses. These transactions are typically loaded as a review item with an error message stating "Row without EMPLID *Suppliers Supplier Class is not E". Payments made directly to moving companies are taxable to employees (these use the relocation expense account code 2880 or 2881). Update the record by inserting the correct employee using the Lookup button.

2. Expense transactions coded with a relocation account code. Transactions that have a moving expense account code (2880, 2881, 2883, 2884) will be loaded to the bolt on. These transactions will load as a review item if the expense report's business purpose is not flagged as relocation. The error message you will see states "This expense is moving but business purpose is not set to Relocation". Review the full expense report by selecting the document ID link. Determine if the record is reportable and mark the record as active. Another step is required, as you should review and add any other row on the expense report that was not loaded in the bolt on. See "adding W2 Reportable Transactions"

3. Expense transactions paid to employees before an EmplID was established. For example relocation expenses paid prior to the employee set up in HRS. Update the record by inserting the correct employee using the Lookup button.

How to Add W2 Reportable Transactions
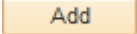
When adding records, you must add in the current month. If you try to add a transaction to a month that has already been sent to payroll, you will receive an error.

Navigate to the Accounts Payable Work Center > Main Tab > Tax (W2) > UW W2 Transaction page

   OR

Navigator > SFS Extensions >Tax Processing > Use > UW W2 Transaction

1. **Enter** *UW Tax Year*
2. **Select** *Month*
3. **Enter** or **select** *Business Unit*
4. **Click** Add

If you try to add a transaction to a month that has already been sent to payroll, you will receive an error.

Message

Tax Year and Month already sent to HRS. (32500,58)

Since the W2 file for the specified Tax Year and Month has already been sent to HRS additional entries for the Tax Year and Month are not allowed.

OK

5. **Select** a *Month* that has not been previously sent
6. **Click** Add
7. **Select** Lookup Employee/Supplier to input transactions. You cannot key in the EmplID in the field, this ensures the employee number is valid.
8. **Enter** *Any part of EmplID* or *Employee Name* or *Supplier ID*
9. **Click** Search
10. **Select** the link associated with the correct *Employee Name*.

11. The *EmplID* and *Supplier Name, if applicable,* will be populated on the UW W2 Transaction page
12. **Enter** *Voucher ID or Expense Report ID, 8 char maximum. An exact Document ID For records without a Voucher ID or expense report ID, you may enter 99999999 or any other combination with up to 8 characters.*
13. **Enter** *Payment Date*
14. **Enter** or **select** *Account*
15. *Earnings Code will auto-populate based on the account entered*
16. **Enter** *W2 Amount*
17. **Enter** *Description*
18. **Select** *W2 Status (Active status will be reported)*
19. **Enter** *Explanation*
20. **Click** ![Save button]

Adding Support Organization Reportable Payments

1. Follow similar instructions to adding a transaction, however, **select** 'Yes' for the *UW Support Organization.*
2. Refer to the Tax Reportable Reimbursements to Employees from University Support Organizations procedures document.

Adding Non-accountable Plan Reportable Payments

1. Follow similar instructions to adding a transaction, using the NONA account code.
2. *Refer to the* Requirements for an Accountable Plan Related to Expenses Submitted Beyond 90 Days *procedures document.*
3. Any E-Re Estimated tax entered on an expense report will automatically load to the bolt on.

UW W2 Transaction

*Tax Year 2019 *Month May   Lookup Employee/Suppli

*Business Unit UWMIL   *UW Support Organization Yes
Document ID 00000000   Empl ID 00008620   SMI
Item Number 1   Supplier   Supplier ID
                             SetID

*Payment Date 05/20/2019
                                              Oprid   00583219
*Account NONA   Nonaccountable Plan Reimburse
                                                          05/24/2019
Earnings Code XNA   Tax Fr - Nonaccountable Plan   2:39:07PM

*W2 Amt   ance

*Description

*W2 Status Active

Explanation

Save   Add

> If this is a Non-accountable plan reimbursement, mark the Account as a NONA. The UW reimburses under an accountable plan, however, on an exception basis expenses submitted beyond 90 days are treated as having been reimbursed under a Non-accountable plan and included in taxable income.

How to Correct Previously Sent Transactions

You can correct a previously sent transactions. The most common scenario would be having to reverse what was originally reported.

It is NOT recommended to correct a previously *inactivated* records. If changes are needed to an inactive record, refer to the "How to ADD a W2 Reportable Transactions" section of this guide to add the transaction.

Navigation: SFS Extensions >Tax Processing > Use > UW W2 Search

Search for record <u>during the year and month</u> the record was 'Sent'

1. **Enter** *Tax Year*
2. **Enter** *Month*
3. **Enter** *Business Unit*
4. **Enter** any additional information (i.e. employee ID, Any Part of Employee Name)
5. **Select** *W2 Status* 'Sent'
6. **Select** the *View Detail* link for the record you would like to correct. This will open a new window to the UW W2 Transaction page.

7. **Click** the Correction button. This will reveal the Correction section in the lower portion of the page.

8. **Enter** your corrections under the Corrections section.
9. **Enter** Account Number
10. **Enter** Amount - If removing the amount, enter a negative dollar amount
11. **Enter** Description **–** Indicate this is a correction and add any additional useful information here.
12. **Click** [Save]

How to Validate Corrected Transactions

You will need to Validate the corrections for the current month you are processing after you have made all your corrections.

Navigation: SFS Extensions >Tax Processing > Use > UW W2 Search

1. **Enter** the month you entered the correction. In this example, the sent transaction was in March (03), but the correction was made in May. You must **select** '09' - September to validate the correction. (If you select the month the original transaction was sent, you will not be able to validate. You must **select** a month for transactions that have not been sent yet).
2. **Click** the Validate button
3. **Click** the Refresh Status button until you receive a *Run Status* of 'Success'

4. Navigate to the UW W2 Search page to search for the transaction to confirm correction was processed

5. **Select** the *View Detail* link to see the correction was processed

6. **Select** the 'corrected W2 Transaction' link and it will show you the month of the correction.

Other Search Options

Navigation: SFS Extensions >Tax Processing > Use > UW W2 Search

-   **Enter** *EmplID. Or any other criteria)*
-   **Leave** *Business Unit* 'blank' to see if an employee has transactions on multiple institutions

W2 Support

Technical support contact   uwsaproblemsolvers@uwsa.edu

Tax support contacts   taxreporting@uwsa.edu

Revision History

Author	Version	Date	Description of Change
Laura Parman	1.0	5/08/2019	Updated for 9.2 Upgrade. Also changes made to W2 bolt on to include Expense Transactions with Relocation Business Purpose.
Laura Parman	1.1	5/09/2019	Added Review Limits on page 3
Lisa Fransee	1.1	5/17/2019	Final Review
Laura Parman	1.1	5/27/2019	Updated Document ID field references
Lisa Fransee	1.1	4/02/2020	Updated for E-Re Estimated Tax
Laura Parman	1.1	1/8/2021	Added reference to cancellations are now loading and removed reference to correcting a previously inactivated transaction.