

To-Be Process Review Workshop

Human Resources

Taxes

Location: ROSS Building

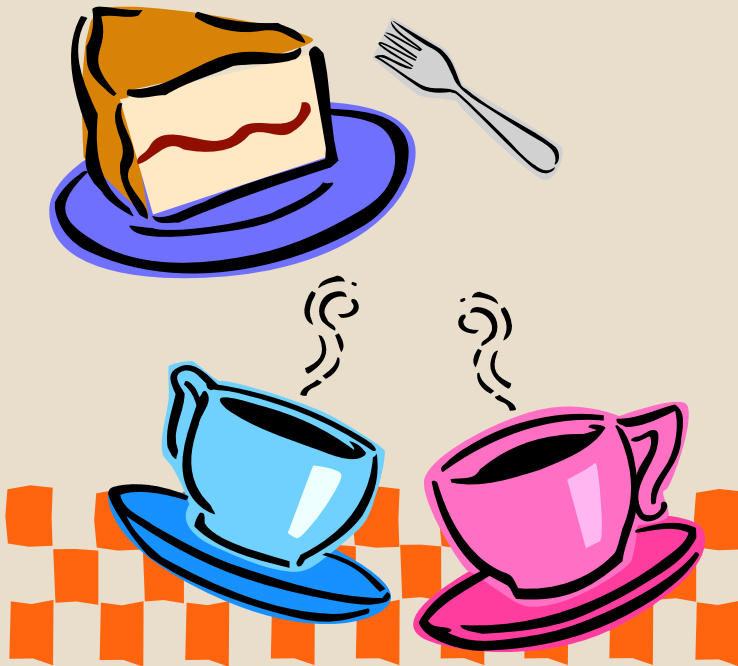
Room: 130

Time: 8:00 am - 12:00 pm

Date: 9/19/05

Workshop Logistics

- Tent Cards
- Rest Rooms
- Break
- Parking Lot



Workshop Agenda

1. Introduction
2. Tax Discussion
3. Capture Issues in the
"Parking Lot"
4. Discuss Next Steps
5. Adjourn



Tax Reporting in SAP

Taxes in SAP

- Master Data Infotypes
- International Tax Infotypes
- Tax Wage Types
- BSI Tax Factory
- Tax Infotype Reports
- Quarterly Tax Reports
- Year End Tax Reports
- How to Handle New States

Master Data Infotypes




- Infotype 0207 – Residence Tax Area
- Infotype 0208 – Work Tax Area
- Infotype 0209 – Unemployment State
- Infotype 0210 – Withholding Info W4/W5
- Infotype 0234 – Add. Withh. Info.
- Infotype 0235 – Other Taxes

Infotype 0207 – Residence Tax Area

- Stores the lowest tax authority level where the employee resides
 - Eg. Employee resides in West Lafayette therefore tax area set to Tippecanoe County
 - Eg. Employee resides in Los Angeles, CA therefore tax area set to California
 - Eg. Employee resides in San Francisco, CA therefore tax area set to San Francisco (special San Francisco tax)
- All other higher level taxes will default (Federal and State)
- Employee will enter residence tax area in ESS, or it will default IN

Infotype 0207 – Residence Tax Area – SAP

Create Residence Tax Area

Pers. No. Pers.Assgn

Name SSN

Los Angeles Active
 Beverly Hills Salaried staff US:Semi-Monthly - US

Start to

Resident data

Tax area Tippecanoe

Tax Authorities in Area




Tax..	Description	T..	Description
FED	Federal	A	Federal
IN	Indiana	B	State
IN1Y	Tippecanoe	C	County

Infotype 0208 – Work Tax Area

- Stores the lowest tax authority level where the employee works
- All other higher level taxes will default (Federal and State)
- Reciprocity agreements will look at residence and work state to determine taxability
- Work tax area will default based off of Personnel Area in the Enterprise Structure

Infotype 0208 - Work Tax Area - SAP

Create Work Tax Area

Pers. No. Pers.Assgn

Name SSN

Los Angeles Active
 Beverly Hills Salaried staff US:Semi-Monthly - US

Start to

Work tax data

Tax Area Tippecanoe
 Allocation %

Tax Authorities in Area

Tax..	Description	T..	Description
IN	Indiana	B	State
IN1Y	Tippecanoe	C	County

Infotype 0209 – Unemployment State

- Stores the state the employee should have unemployment calculated for and the worksite where the employee works

Infotype 0209 - Unemployment State - SAP

Create Unemployment State



Pers. No.	700797	Pers.Assgn	00700797 Specialist Active	
Name	Alissa Fitzgibbons	SSN	234-79-2474	
	Los Angeles	Active		
	Beverly Hills	Salaried staff	US:Semi-Monthly - US	
Start	01/01/2005	to	12/31/9999	

Unemployment data




Tax authority	IN	Indiana
Worksite	01	West Lafayette



Infotype 0210 – Withholding Info W4/W5

- Stores all information that would be filled in on the Federal W-4 or IN WH-4
- Will also include W-5 information for Earned Income Credit
- Will also include if employee should be exempt for Federal or State withholding taxes

Infotype 0210 – Withholding Info W4/W5 – SAP (Federal)

Create Withholding Info W4/W5 US

Pers. No. Pers.Assgn  

Name SSN

Los Angeles Active
Beverly Hills Salaried staff US:Semi-Monthly - US

Start to

Status

Tax authority Federal Tax level Federal

Filing Status Single

Exemptions

Allowances

Tax Exempt Indicator IRS mandates

Withholding adjustments

Add.withholding USD


Default formula PERCENTAGE M... Alternative formula

W-5 filing status

EIC status

Infotype 0210 – Withholding Info W4/W5 – SAP (Indiana)

Create Withholding Info W4/W5 US



Name SSN

Los Angeles Active
Beverly Hills Salaried staff US:Semi-Monthly - US

Start to

Status

Tax authority Indiana Tax level State

Filing Status Single

Exemptions

Allowances Exemption amount

Additional allowance Additional exemption amount USD

Personal allowance

Dependent allowance

Tax exempt indicator IRS mandates

Withholding adjustments

Additional withholding USD

Default formula WITHHOLDING FOR Alternate formula

Earned Income Credit filing status


EIC status

Infotype 0234 – Add. Withh. Info.

- Stores information regarding override tax amount or percentage for Federal or State withholding taxes
- Also will store different supplemental taxation method overrides

Infotype 0234 - Add. Withh. Info. - SAP

Create Add. Withh. Info. US

Pers. No.	<input type="text" value="700797"/>	Pers.Assgn	
Name	<input type="text" value="Alissa Fitzgibbons"/>	SSN	<input type="text" value="234"/>
	<input type="text" value="Los Angeles"/>		<input type="text" value="Active"/>
	<input type="text" value="Beverly Hills"/>		<input type="text" value="Salaried staff"/>
Start	<input type="text" value="10/26/2003"/>	to	<input type="text" value="12/31/9999"/>

Overrides

Tax authority	<input type="text" value="FED"/>	Federal
Supplemental method	<input type="text"/>	
Override amount	<input type="text"/>	
Override percentage	<input type="text"/>	
Empl.override group	<input type="text"/>	

Infotype 0235 – Other Taxes

- Stores all taxes (other than withholding) and whether the employee is exempt from paying that tax
- Includes both Federal and State taxes

Infotype 0235 - Other Taxes - SAP

Create Other Taxes US

Pers. No. Pers.Assgn

Name SSN

Los Angeles Active
 Beverly Hills Salaried staff US:Semi-Monthly - US

Start to

Tax type exceptions

Tax authority Federal Tax level Federal

Other Taxes

T...	Description	D	Form...	Text	Exempt
02	Earned Income Credit Payme...	1			
03	Employee Social Security Tax	1			R
04	Employer Social Security Tax	1			R
05	Employee Medicare Tax	1			
06	Employer Medicare Tax	1			
10	Employer Unemployment Tax	1			

R – Exempt but Reportable

International Tax Infotypes

- Infotype 0048 – Visa Status
- Infotype 0094 – Residence Status
- Infotype 0556 – Tax Treaty

Infotype 0048 – Visa Status

- Stores information about the visa and the days the person is in the US
- Determines the correct tax status for the employee
- Information is stored for nonresident aliens on two subtypes US01 (Visa information) and US02 (I-94 records)



Infotype 0048 - Visa Status - SAP


General data	
Residence status	US01
Permission number	
Expiration Date	
Date of issue	
By	
Entry date	
Passport number	

Infotype 0094 - Residence Status

- Stores the resident status of the employee
- The field Residence Status is used to determine the tax residence status for an employee
- Only employees with Alien as their Residence Status will have the substantial presence test check and visa status check carried out to determine if a reduced tax rate may apply

Infotype 0094 - Residence Status - SAP

Personal identification	
Residence status	A Alien 
ID type	AE Alien Registration Receipt Cd. 
Issuing Authority	<input type="text"/>
ID number	<input type="text"/>
Issuing date	<input type="text"/>
Expiry date	<input type="text"/>


Employment verification	
Work Permit	KA Temporary Work Permit 
Issuing Authority	<input type="text"/>
Work permit number	<input type="text"/>
Issuing date	<input type="text"/>
Expiry of WP	<input type="text"/>

Infotype 0556 – Tax Treaty

- Two subtypes are maintained
 - 8233 – Compensatory earnings
 - 1001 – Non-compensatory earnings
- The amount of exempt earnings will default based on the tax country and the visa status

Infotype 0556 - Tax Treaty - SAP

Tax Treaty	
Payment type	1001
Treaty country	CN

Form 1001	
Treaty group	Form 1001 - Non Comp only 
Treaty expiry date	01/01/2005
Exempt	<input checked="" type="radio"/> Amount <input type="radio"/> All <input type="radio"/> Nothing
	7000 USD
Treaty Article	1234567890

Tax Withholding Rates for Nonresident Aliens

- 0% - Tax Exempt
- 14% - Reduced Scholarship Rate
 - Scholarships/Fellowships for F, J, M, and Q visa holders
- 25% - Standard Supplemental Rate
- 30% - Standard Scholarship Rate
 - Scholarships/Fellowships for all other visa holders, independent personal services, all other services
- Standard Graduated Rates
 - Compensation for employees

Substantial Presence Test (SPT)

- Used to determine the taxation status of an individual
- Non-Resident alien rules for taxation only apply only if SPT does not determine an employee to be a resident
- For those non-US citizens who meet the SPT, the “residency starting date” is the first day of the calendar year in which the individual met the test

Tax Wage Types

/3xx – Total Gross Taxable

/4xx – Tax

/6xx – Taxable Gross after pre-tax limits,
prior to annual limits

/7xx – Reportable Taxable Earnings

Tax Types

- 01 – Withholding
- 02 – Earned Income Credit
- 03 – Social Security Employee
- 04 – Social Security Employer
- 05 – Medicare Employee
- 06 – Medicare Employer
- 10 – Unemployment

Tax Wage Types

/301 – Total Gross
Taxable Withholding

/401 – Withholding Tax

/601 – Taxable Gross
Withholding

/701 – Reportable
Taxable Withholding

/303 – Total Gross
Taxable Social
Security

/403 – Social Security
Tax

/603 – Taxable Gross
Social Security

/703 – Reportable
Taxable Social
Security

BSI Tax Factory

- All taxes withheld are calculated in BSI Tax Factory
- Reportable earnings sent to BSI with appropriate residence and work tax areas
- Reciprocity agreements all in BSI Tax Factory
- Amount of tax to be withheld (/4xx) is calculated in BSI Tax Factory and is returned to SAP Payroll
- Tax Update Bulletins provided by BSI for updating tax regulation changes

Tax Infotype Reports

- Exemption Expiration Report
- W – 4 Withholding Allowance Report
- Tax Infotype Summary

Exemption Expiration Report

- Most jurisdictions do not allow employees' tax exemptions to be automatically renewed
- Used to determine which employees' tax exemptions, entered in Infotype 0210 (W-4 Withholding Info), are due to expire soon

Exemption Expiration Report – SAP

Exemption Expiration Report



Tax Jurisdiction			
Per. No.	Employee name	Employee SSN	Expiration
FED			
100142	Steven McBride	145551212	12/31/9999
NY			
100003	Larry Myers	555445555	12/31/9999

W – 4 Withholding Allowance Report

- This report checks employees' Infotype 0210 W-4 Withholding Info records to find cases where employees have claimed more allowances than allowed by that tax authority

W - 4 Withholding Allowance Report - SAP

Tax Jurisdiction Allowance Threshold						
Per. no.	Employee Name	Employee SSN	Effective date	Claimed Status	Claimed	Allow
FED		10				
109102	Samantha Houston	397856499	01/01/2004	01		23

Tax Infotype Summary

- Provides a summary of all tax infotypes and related data for each employee specified for a set period of time
- Can drill-down to view individual infotype

Tax Infotype Summary - SAP

Tax Infotype Summary

Unemployment State

From	to	Tax authority
10/26/2003	12/31/9999	CA California

Residence Tax Area

From	to	Res. tax area
10/26/2003	12/31/9999	CA

Work Tax Area

From	to	Tax authority	All. perc.
10/26/2003	12/31/9999	CA	100.00

Withholding Info W4/W5 US

From	to	Tx. Aut.	Mar. status	Add. amount	# Ex.
10/26/2003	12/31/9999	FED	Single	0.00	01

Quarterly Tax Reports

- Form 941
- SUI Wage Reporting
- Multiple Worksite Reporting

Form 941

- Reports taxable wages for withholding, social security, medicare
 - Also reports taxes withheld, and deposits
- Integrates with Accounts Payable to report deposits made to IRS
- Report cannot be directly submitted to IRS
 - Needs to be transcribed onto official 941

SUI Wage Reporting

- Reports unemployment wages and unemployment tax by individual for each quarter
- SAP delivers both paper and electronic format

Multiple Worksite Reporting

- Reports unemployment wages and taxes for each worksite
- Also provides number of employees working at each worksite for each month within the quarter
- SAP delivers both paper and electronic format

Year End Reporting

- W-2's
- W-2c's
- 1042-S's

W-2's

- SAP delivers both all necessary paper forms and federal and state W-2 files
- Only configuration required is to map University defined wage types to W-2 boxes
 - SAP delivers all other functionality
- Can reprint lost W-2's with "Duplicate" printed on them
- W-2's printed on 2-up, 2-down perforated paper
 - Front is blank and back of paper has pre-printed instructions

W-2c's

- Only generated in manual check adjustments (off-cycles) done after original W-2 file is processed

1042-S's

- Used to report all employee compensation payments that are exempt for taxation under a treaty
- Used to report all non-compensation payments made to a nonresident alien regardless of whether tax is withheld or the payment is exempt

How to Handle New States

- Need to apply for EIN number from state
- Need to determine if any other state tax types are required
- Need to determine how pre-tax deductions should be handled for the state
- Need to determine if necessary local (city, school district) taxes are required
- Configuration will need to be set up in SAP
- Need to test all configuration and calculations prior to tax being set up in production
- Need to determine how W-2 reporting will be handled
 - Paper, or electronic file