

STATE CONTROLLER'S OFFICE
PERSONNEL AND PAYROLL SERVICES DIVISION
P.O. BOX 942850
SACRAMENTO, CA 94250-5878

DATE: November 29, 2021 PAYROLL LETTER #21-019

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: Jil Barraza, Chief
Personnel and Payroll Services Division

RE: SPECIAL ACCOUNTING PERIOD FOR NON-CASH FRINGE BENEFITS

The Internal Revenue Service (IRS) allows employers to adopt a Special Accounting Period (SAP) for reporting **non-cash**, taxable fringe benefit values. SAP allows employers to report values received late in previous calendar year as income in the following tax year. The SAP helps to reduce late reporting and the issuance of corrected Forms W-2. This also results in employees filing fewer amended income tax returns.

For employees receiving non-cash values in November 2021, the Personnel and Payroll Services Division (PPSD) must receive the Form STD. 676V by December 10, 2021. This will ensure the taxable gross and Social Security/Medicare amounts for non-cash values will be reported on the 2021 Form W-2. If received after December 10, 2021, a corrected Form W-2 may issue.

GENERAL INFORMATION

This letter provides reporting instructions for **non-cash**, taxable fringe benefit values that employees receive in December 2021. It also includes a sample of an employee notification letter to employees regarding SAP provisions. Please refer to Payroll Procedures Manual (PPM) Section N-175 and Payroll Letter # 21-015 for 2021 reporting cutoff dates.

SPECIAL REPORTING INSTRUCTIONS

Complete the **Form STD. 676V Non-USPS Adjustment Request--Values (Fringe Benefit/Employee Business Expense)** using PPM Section N-172.2 procedures. When completing column 9 (Issue Date), enter 01/01/22 for all non-cash values that employees receive during December 2021. The 2021 Form W-2 will reflect these non-cash values.

NOTE: Fringe benefits reported for November will not have Federal and State income taxes withheld from the December warrant. See PPM Section Z Attachment N-2 for additional information on the fringe benefit processing under the SAP.

MANDATORY EMPLOYEE NOTIFICATION

The Internal Revenue Service requires employers (agencies and campuses) to:

- Notify affected employees of SAP reporting provisions;

- Instruct employees to use the same SAP (for value based benefits received December 2020 through November 2021) when filing personal income tax returns; and
- Notify employees of the SAP no sooner than the receipt of the last paycheck of the calendar year and no later than release of the employee’s Form W-2.

NOTE: Agencies/Campuses are encouraged to use the attached sample notification letter to fulfill the mandated reporting requirements.

REMINDER

The State’s goal is that all employers (agencies and campuses) comply with employment tax regulations for federal and state. This requires each agency or campus to report Fringe Benefits/Employee Business Expenses (FB/EBEs) in a timely, accurate, and comprehensive basis. Accurate reporting means proper completion of reporting documents. Comprehensive reporting means that your agency or campus reports all applicable FB/EBEs that are provided to employees, as defined in the PPM Section N-120 – 175 and corresponding Payroll Letters. By complying with these requirements, your agency or campus prevents fines, penalties and assessments levied by tax authorities. Complying with these requirements may prevent costs stemming from retroactivity and corrected Forms W-2.

For additional questions regarding this letter, please use the following contact information:

<u>SUBJECT AREA</u>	<u>CONTACT</u>	<u>TELEPHONE NUMBER/EMAIL</u>
General Payroll Procedures	Statewide Customer Contact Center	(916) 372-7200
W-2 Reporting Information		ppsdw2miscded@sco.ca.gov
Duplicate or Replacement Form	W-2 Duplicate W-2 Unit	(916) 445-2847
Affordable Care Act (ACA) Email 1095-C Reporting Information	ACA Support Team ACA Support Team	acasupport@sco.ca.gov
HR Suggestions Email Inbox (All HR Staff)	Personnel and Payroll Services Division	PPSDHRSuggestions@sco.ca.gov
CSU Email Inbox	Personnel and Payroll Services Division	PPSDCSUInquiry@sco.ca.gov
CS Escalation Email Inbox (HR Supervisors and Managers)	Personnel and Payroll Services Division	PPSDOps@sco.ca.gov
Cal Employee Connect Feedback Email Cal Employee Connect Email		connectfeedback@sco.ca.gov connecthelp@sco.ca.gov
California Leave Accounting System (CLAS) Email		Clas@sco.ca.gov

ConnectHR Email

connecthrhelp@sco.ca.gov

Management Information Retrieval System (MIRS) Email

PPSDmirs@sco.ca.gov

SCO Key Initiatives:

- [Cal Employee Connect Project](#)
- [California State Payroll System Project](#)

JEB:AR:JO:STSP

ATTACHMENT—SAMPLE LETTER TO EMPLOYEES IMPACTED BY SAP

January 4, 2022

Dear State Employee,

The Internal Revenue Service (IRS) allows employers to adopt a Special Accounting Period (SAP) for reporting **non-cash**, taxable fringe benefit values. The SAP allows employers to report values received late in one calendar year as income in the following tax year. The SAP reduces late reporting, issuing corrected Forms W-2 and employees filing amended income tax returns.

In January 1996, the State Controller's Office adopted a December through November SAP calendar. Your 2021 Form W-2 will show non-cash values reported by your employing agency or campus that you received in December 2020-November 2021.

NON-CASH, TAXABLE FRINGE BENEFITS

Under the SAP, the following non-cash taxable values are affected:

- | | |
|---|---|
| Personal Use of State Aircraft | Loan Assumption Program |
| Incentives Provided by Third Parties | Loan Forgiveness Program |
| Lottery Sales Recognition | Long Term Travel: Meals and or Lodging |
| Merit Award Program (non-cash) | Long Term Travel: Airfare Long Term Travel |
| Miscellaneous Incentive Program (non-cash) | Long Term Travel: Car Rental Long Term Travel |
| Rideshare Incentive Award Program | Meals: Medical Officer of the Day |
| Personal Use of State Vehicle | Meals: Overtime Meal (Meal Tickets) |
| Vehicles Provided By Third Parties | Out-Placement |
| Educational Assistance | Professional/Non-Professional Dues |
| Electronic Devices | Scholarships: CSU Fee Waiver Program |
| Executive Housing Expense | Tickets |
| Reimbursement Plans | Discount Travel/Transit Pass (non-cash) |
| Employer Provided State Housing | Car/Vanpool |
| Group-Term Life Insurance (Legislators) | Commuter Highway Vehicle |
| Group-Term Life Insurance (Non-Legislators) | Employer Provided Parking |
| Forgivable Loan/Doctoral Incentive Program | Uniform Allowance |

IRS REQUIREMENTS

The IRS **requires** that employees use the same accounting period (December through November) when filing tax returns. Employees who itemized deductions related to non-cash, taxable values received in December 2021 would report these values in the following tax year (2022).

QUESTIONS

If you have any questions regarding the SAP, please contact your Human Resources or Accounting Office. **Contact your tax advisor or the IRS regarding tax-filing questions.**