Lesson 2: Employee Payroll Tax Data

Scenario

In this lesson, the SHARP trainer, Hall, will show the newly hired Payroll Processor, Kelly, how to maintain an employee’s tax data in SHARP.
Lesson Objectives

After completing this lesson, you will be able to:

- Understand payroll taxes
- Know which taxes can be updated through Employee Self Service
- Understand what taxes are processed through Worklist
- Update employee payroll tax data on the Employee Tax Data page
- Learn Employee Tax Distribution
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- **Lesson Topics**
  In this lesson you will learn about the following topics. Click **Home** (at the lower left corner) at any time to return to this menu. Click each topic name to navigate to that topic.

  - **Topic 1:** Employee Tax Data Overview
  - **Topic 2:** The Annual W-4 Tax Exemption Renewal Process
  - **Topic 3:** Entering Employee Tax Data
  - **Topic 4:** Payroll Tax Distribution
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Employee Tax Data Overview - 1

When an employee is first hired by the State of Kansas, two or more tax forms may be required from the employee to establish the employee’s federal and state withholding information such as marital status, number of allowances, exempt status, etc.

The employee’s tax data in SHARP is established based upon the information provided by the employee’s tax forms. SHARP uses the tax data to calculate the employee’s paychecks and taxes.
The W-4 tax form is required to establish an employee’s federal tax withholding, such as marital status, number of allowances, and exempt status. The W-4 form can be found on the IRS website at http://www.irs.gov/.

Each employee who is claiming a withholding exemption in the current calendar year must submit a new form to continue the tax exemption status by the December deadline for the next calendar year. Agencies will be informed of the annual deadline through an informational circular.

When calculating taxes for the paycheck, SHARP uses the Effective Dated row on the employee's tax data record that is closest to, but not greater than the paycheck date for the pay period being calculated. Adjustments for prior periods will use the tax data effective as of the check date of the off-cycle payroll in which the adjustment is processed.
Employee Tax Data Overview - 3

Employees can request a W-2 (Wage and Tax Statement) reissue and update their own W-4 (federal) withholding information, such as number of allowances, marital status, exempt status, and additional withholding amounts, through the Employee Self Service Center located at http://www.admin.ks.gov/offices/personnel-services/ssc

If an employee makes more than one update through self service on the same day, only the first update will actually update SHARP. The agency Payroll Workflow Administrator will receive an email notice of each change made by the employee and should verify the final email notice and make the appropriate update to SHARP.

TIP: Employees can also update their own K-4 (state) withholding information through the Employee Self Service Center.
Employee Tax Data Overview - 4

Agencies are still responsible for maintaining copies of Form W-4 for their employees, so a copy of the e-mail notification should be maintained by the agency. If the IRS requests a copy of an employee's W-4, print a copy of the Federal Tax Data page for the employee, attach a copy of the e-mail notification, and also attach a statement that to the best of the employer's knowledge, the electronic Form W-4 was filed by the named employee.

To establish a new employee’s state withholding and unemployment information, generally K-4 is required for employees who reside and work in Kansas. Form K-4 can be found on the Kansas Department of Revenue website at [www.ksrevenue.org](http://www.ksrevenue.org). Employees can also update their own K-4 (state) withholding information through the Employee Self Service Center.
Employee Tax Data Overview - 5

If the new employee resides or works out-of-state, agencies should contact Payroll Services to determine the appropriate forms that need to be completed.

Local tax information is not mandatory and is not maintained unless specifically entered for a locality that is set up in SHARP. Currently various localities are set up including the city of Kansas City, Missouri.

Employees can sign up to have the local tax withheld from their paychecks. Agencies should obtain and file a signed statement from the employee asking for the tax to be withheld.

You should contact Payroll Services for any questions regarding local taxes.
Annually at the beginning of December, the SHARP system will send a notification to each employee who is claiming federal withholding exemption to submit a new W-4 form in order to continue the tax exemption status for the next calendar year. Notifications will be sent to the employee’s email address listed under ‘Update My Profile’ in Employee Self Service. State of Kansas employees can sign into Employee Self Service through the Employee Self Service Center at http://www.admin.ks.gov/offices/personnel-services/ssc. In the case when employees lack an individual email address, notifications will be sent to the agency payroll supervisor’s email address, and agencies will need to distribute the notifications to their employees.

At the same time, the SHARP system will change the W-4 Processing Status on the Federal Tax Data page for these employees to "Notification Sent" and send a Worklist item to the agency staff who is designated as the Agency Payroll Workflow Administrator for those employees.
The Annual W-4 Tax Exemption Renewal Process - 2

New Form W-4 exemption information may be submitted by the employee either through the Employee Self Service feature or on a paper form.

When the new form is received, the Agency Payroll Workflow Administrator must enter a new tax data row on the employee’s Federal Tax Data page in SHARP, changing the W-4 Processing Status to "New W-4 Received" prior to the December deadline indicated on the informational circular.

Worklist can be accessed at: Main Menu > Worklist > Worklist

Or by clicking the Worklist link at the top of any active SHARP page.
On the Worklist, clicking the employee ID link will take you to the employee’s Federal Tax Data page where you would add a new effective dated row, change the W-4 processing status to “New W-4 Received”, and click Save. Once done, return to the Worklist and click the Mark Worked button to mark the item as worked.
Entering Employee Tax Data

All federal, state, and local taxes are entered on the Employee Tax Data Page, except for FICA, which is maintained on the Payroll tab on Job Data.

The full menu path is:
Payroll for North America > Employee Pay Data USA > Tax Information > Update Employee Tax Data
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Entering Federal Tax Information - 1

Step 1: Type the employee ID in the Empl ID field, then click Search.
Lesson 2: Employee Payroll Tax Data

Entering Federal Tax Information - 2

Step 2: Click on the Add Row button, then enter the Effective Date.

When calculating taxes for the paycheck, SHARP uses the Effective Dated row on the employee's tax data record that is closest to, but not greater than the paycheck date for the pay period being calculated. Effective Date is usually the first date of the pay period in which the changes will take effect. On a new hire, the Effective Date defaults to the hire date with a Special Tax Withholding Status of "None" and a Tax Marital Status of "Single" with "0" (zero) withholding allowances. To change the default data, another row must be added with an Effective Date of at least the day after the hire date. To make changes on any tax data (Federal, State, or Local tax), a new Effective Date row must be entered on this page. Also, When adding a new effective dated row on Federal Tax Data, SHARP will automatically set the State Tax Data row(s) to the Special Tax Withholding Status of "None" on the new row. If the employee needs to have any other special tax status, you must re-enter that information.
Step 3: Usually leave the Special Withholding Tax Status at default (None). If the employee claims Exempt on his/her W-4, select “Maintain Taxable Gross” (but do not withhold taxes). Never select “No taxable gross, no tax taken”. If the employee is a non-resident alien, you would select “Nonresident alien”.
Step 4: Click the drop down arrow by the Tax Marital Status field, then select the appropriate status (either Married or Single) based on the employee’s W-4. If the employee is married, but wishes to withhold at the higher single rate, you should select the Single status, then click on the (Check here and select Single…) check box.
Step 5: Complete the Withholding Allowances and the Additional Amount as indicated on the employee’s W-4. Additional Percentage and Earned Income Credit Status are not used. The system defaults to “Exempt from FUT” and should not be changed.
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#### Entering Federal Tax Information - 6

**W-4 Processing Status:** You would only need to complete the W-4 Processing Status section when you are updating the W-4 exemption renewal worklist status at year end.

**Lock-in Letter Details:** You would only need to complete this section when a letter has been received from the IRS specifying the number of allowances the employee is allowed to take.
State Tax Options: This section is not used by the State.
Tax Treaty/NR Data: This section is used only by the Payroll Services to enter a non-resident alien’s Forms W-9, W-8, and 8233 information.
Step 7: If the employee resides and works in Kansas, the State should be KS and both Resident and UI Jurisdiction boxes should be checked. If the employee lives and works in different states, additional row will have to be added to appropriately reflect where the employee lives (that state’s Resident box should be checked) and works (that state’s UI Jurisdiction box should be checked). Note: Maintain a row for the State of Missouri only if the employee has requested taxes for the city of Kansas City, MO be withheld from his/her paycheck.
The Exempt from SUT check box should be clicked on only if the employee is exempt from state unemployment tax. You can view a detailed listing of exemptions and their related statutes at https://admin.ks.gov/docs/default-source/payroll/sharp-9.2/TaxdataUCIExempt.pdf.
Step 8: Usually leave the Special Withholding Tax Status at default (None). If the employee claims exempt on K-4, then select “Maintain Taxable Gross”. Never select “No taxable gross, not tax taken”. If the employee is a non-resident alien, select “Nonresident alien (Fed Rules)”.
Step 9: Enter the Withholding Allowances and Additional Amount (if applicable) as indicated on the employee’s K-4 form.

Additional Percentage and Additional Allowances are not used by the State of Kansas.

You would only need to complete this section when a letter has been received from the IRS specifying the number of allowances the employee is allowed to take.

**Letter Received:** Indicates if a letter has been received from the IRS specifying the allowances an employee is allowed to take.

**Limit on Allowances:** The maximum number of allowances as stated on the IRS letter. The value entered in Withholding Allowances cannot exceed the value entered in this field.
Entering Local Tax Information

The state (defaults from the State Tax Data page) for which the local tax data is being entered. Select the locality the employee works/lives in from the list.

Local Withholding Elements:
Special Tax Status: Select "None" if no special tax status exists so the system will calculate the local withholding tax based on the employee's gross, marital status, and withholding allowances. Never select "Do Not Maintain Taxable Gross and Do Not Withhold Tax". Select "Maintain Taxable Gross; LWT zero unless specified in 'Additional Withholding' below" to override the normal tax calculation with the amount indicated in the "Additional Withholding Amount" block below. LWT stands for Local Withholding Tax. Additional Percentage is not used..

Local tax information is not mandatory and is not maintained unless the employee signed a form to request the local tax to be withheld. For questions on local withholding, contact Payroll Services.

Step 10: When you are done updating the employee’s tax data, click the Save button.
You can view or update an employee’s tax distribution record at the Tax Distribution page.

The full menu path is:
Payroll for North America > Employee Pay Data USA > Tax Information > Update Tax Distribution
Step 1: Type in the Empl ID and click the Search button.
Step 2: Normally you would only need to verify a tax distribution record has been created for the employee and no entry is necessary.
Step 3: In the case where the employee works for multiple states/localities, additional records can be added by clicking the **Add Row** button, and enter a new **Effective Date**.
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- View/Update an EE’s Tax Distribution Record - 5

**Step 3 (cont.):** Select the first State and Locality (if different from the default values), then enter the Percent of Distribution for that state/locality.

For each additional state/locality, click the Add Row button by the Percent Distribution field, then enter the state/locality, and percent of distribution for that state. The total distribution for all localities must be 100%.
Lesson Checkpoint

Now is your opportunity to ensure that you are learning the lesson material. After you read the question, make your selection, then compare your response to the correct answer provided at the bottom of the page.
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Lesson Checkpoint

When pay confirmation is run for the pay period 9/21 to 10/4, paid 10/17, an employee’s additional federal tax withholding amount has two effective dated rows:

- $50.00 effective 9/21
- $100.00 effective 10/05

What additional amount will be withheld from the employee’s check dated 10/17?

A) $100.00
B) $50.00
C) None of the above

The correct answer is A. When calculating taxes for the paycheck, SHARP uses the Effective Dated row on the employee's tax data record that is closest to, but not greater than the paycheck date for the pay period being calculated.
Lesson Checkpoint

True or False? For new hires, the marital status and number of exemptions claimed will default to “S-0” for the hire date. For new hires not claiming “S-0”, a row must be added dated at least one day later and the new information entered before pay confirmation of the first paycheck.

A) True
B) False

The correct answer is A.
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Lesson Summary

At least two tax forms, W-4 and K-4, are required from new hires to establish the employee’s federal and state withholding information.

Each employee who is claiming a withholding exemption must submit a new form to continue the federal tax exemption status by the December deadline for the next calendar year.

On a new hire, the Special Tax Withholding Status of "None", Tax Marital Status of "Single" with "0" (zero) withholding allowances will default to the employee’s tax data, which may need to be updated as specified on the employee’s W-4 and K-4 forms.

In this lesson, I walked you through employee federal, state, local tax data, and tax distribution. On the left are some key concepts discussed in this lesson.
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Lesson Completion

Congratulations! You have finished this lesson.

If you have another lesson to take, return to the 9.2 Training Resources page to select the next lesson you want to take.