

PAYMENTS TO EMPLOYEES

Certain rules pertain to all payments to employees:

- When using PeopleSoft Financials, a “state employee” is defined as a worker employed by a state agency on the PeopleSoft payroll system and who has been assigned an employee ID (EMPL ID).
- Even though a worker is employed by a state agency other than the one making the reimbursement, that worker is classified as a “state employee.”
- All payments to employees of state agencies should be made using the EMPL ID. (This rule does not apply to payments made to employees of ND higher education institutions.) If the payment needs to be reported on a 1099, a second location will be added to the employee’s vendor that will allow reporting. The default location will remain “HOME” as entered automatically through Payroll. You can choose the correct location for your voucher using the Look-up feature:

Look Up Vendor Location

SetID: SHARE
Vendor ID: 7012345
Vendor Location: begins with

[Look Up](#) [Clear](#) [Cancel](#) [Basic Lookup](#)

Search Results
View All First [1] 1-2 of 2 [2] Last

| Vendor Location | Description |
|-----------------|--------------------------|
| 1099 | 1099 REPORTABLE PAYMENTS |
| HOME | HOME |

Types of payments to employees can include, but are not limited to, the following:

1. **Travel:** When a worker employed by another agency submits a travel reimbursement form for attending a meeting or conference at your expense, they must complete Travel Expense Voucher SFN 52785 as if they were employed by your agency. SFN 10230 (or similar agency forms) for Non-Employee Travel Reimbursement claims are to be used strictly for individuals who are not on the state payroll system (e.g., higher education, counties, private sector). Because of this, account 521060, Non State Employee Travel, only applies to those individuals who are not on any state agency payroll. Use of the correct form will supply you with the worker’s EMPL ID for payment.

Use the default “**HOME**” location for these vouchers.

2. **Educational Benefits:** Any fringe benefit provided to a state employee is subject to employment taxes and must be reported on the employee's Form W-2. So how does a voucher for tuition reimbursement end up on a W-2? By following these instructions carefully:

- Amounts up to \$5,250 per calendar year are paid using account #611030 in a voucher.
- Once the amount of tuition reimbursed reaches that \$5,250, **any additional payments are made with account #611035.**

IRS allows the first \$5,250 of educational benefits to be excluded from payroll taxes per calendar year; agencies need to track these amounts themselves to know which account number to use in the voucher. Like the account number for taxable meals, the system knows that any amounts paid using 611035 are moved to the payroll system for calculation of taxes there. Underpayment of payroll taxes for fringe benefits may result in a penalty for the agency paying them.

Use the default "**HOME**" location for these vouchers.

3. **Other Reimbursements:** The EMPL ID vendor should also be used when reimbursing a state employee for office supplies, tuition, or any other non 1099-reportable payments. As with travel reimbursements, this applies whether the worker is employed by your agency or another. If the worker is an employee of another agency, he or she can supply the correct EMPL ID for reimbursement.

Use the default "**HOME**" location for these vouchers.

4. **Recruitment Bonuses:** This type of reimbursement to state employees usually needs to be paid through the payroll system even if the individual is not employed by your agency. Please contact Central Payroll at OMB for more guidelines.

5. **Employees Owning Businesses:** It is the policy of the Vendor Registry Office that a business owned by a state employee that has an established business name and/or taxpayer identification number will be set up as a separate vendor.

6. **Payments for Services:** Before paying employees honorariums, stipends, and other services, please read the section on Independent Contractors at:
<http://www.nd.gov/spo/connectnd/1099-information/employees-vs-ind-contractor.pdf>.

If you decide that the employee payment you are making is reportable on a 1099-MISC form, you must select the location entitled "1099" as shown in the example above. Vendor Registry will set up this location with the employee's social security number and a default withholding class of 07 for Non employee compensation. If your payment qualifies as class 03 for "Other Income", make sure that Vendor Registry has set up the vendor for that type of reporting.

Under the withholding link of the voucher, you can see that class 07 is defaulted in:

[Back to Invoice](#)

Unit: 11000 Invoice: Vendor: Duck,Daffy
Voucher: NEXT Date: ID: 7012345

Prepayment Options
Postpone Withholding?

| Line | Descr | Withholding Code | Withholding Applicable |
|------|-------|------------------|-------------------------------------|
| 1 | | | <input checked="" type="checkbox"/> |

| *Entity | *Type | *Jurisdiction | *Class | Withholding Basis Amt Override | Rule Ovr | Applicable |
|---------|-------|---------------|--------|--------------------------------|----------|-------------------------------------|
| 1 | IRS | 1099 | FED | 07 | | <input checked="" type="checkbox"/> |

By clicking on the look-up feature in the Class field, you will see that you can also select 03 for Other Income. If it does not show up and you need that class, contact Vendor Registry to add it to the vendor.

Look Up Class

Vendor Set ID: SHARE
Vendor ID: 7012345
Vendor Location: 1099
Withholding Entity: IRS
Withholding Jurisdiction: FED
Withholding Type: 1099
Withholding Class: begins with

[Look Up](#) [Clear](#) [Cancel](#) [Basic Lookup](#)

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| Withholding Class | Description |
|--------------------|---|
| 03 | Other Income |
| 07 | Non-Employee Compensation |