



Roland W. Burris

Comptroller
State of Illinois

ACCOUNTING BULLETIN NO. 52

June 20, 1986

201 State House
Springfield, Illinois 62706
217/782-6000

TO: Agency Heads and Chief Fiscal
Officers of All State Agencies

SUBJECT: Contractual Services Employees - Medicare Withholding

This accounting bulletin pertains to employees paid pursuant to a form C-02, Contractual Services Voucher only. Procedures for employees paid on a regular payroll voucher are addressed in Payroll Bulletin No. 5-86.

Public Law 99-272, the Consolidated Omnibus Budget Reconciliation Act of 1985, provides that all State and local government employees in positions not covered for Social Security beginning employment after March 31, 1986 are mandatorily covered by medicare. This Act applies to state employees (as defined in CUSAS Procedure 17.20.55 page 2 of 17) paid pursuant to a Form C-02, Contractual Services Voucher.

This Act does not apply to contractual employees who were performing substantial and regular service for remuneration for the state before April 1, 1986 and who are employees of the state on March 31, 1986. Conversely this Act applies to a contractual service employee beginning service on or after April 1, 1986 who was not performing substantial and regular service on March 31, 1986.

Exceptions to coverage under medicare will be limited to:

1. Individuals employed by the State for relief of unemployment.
2. Patient or inmate employees.
3. Temporary employees serving in case of fire, storm, snow, earthquake, flood or other similar emergency.
4. University students currently enrolled and attending classes at the University for which they perform services.
5. Exchange aliens and non-immigrant students holding F-1 and J-1 visas.

Employees covered for medicare and the State will be liable for medicare contributions. The rate for calendar year 1986 and 1987 is 1.45%. The maximum amount of wages covered for calendar year 1986 is \$42,000. The maximum amount of wages covered for 1987 will be announced in November or December of 1986.

Due to the immediate effective date of the law and the changes to be made to contractual service voucher processing, medicare deductions will not be made until the first payroll period after June 30, 1986.

WITHHOLDING PROCEDURES

In order to comply with the Federal Government's reporting requirements, additional codes must be established to identify medicare deductions. They are as follows:

<u>Medicare Deduction Code</u>	<u>Used For</u>
U	Employees of agencies under the Jurisdiction of the Universities Retirement System
M	All other employees

Until the contractual service voucher form is revised to accommodate medicare coverage, the following procedure should be utilized. The withholding for medicare should be processed by placing the appropriate code in block 19 and the amount in block 20. These are the blocks currently used for teachers retirement withholdings. If a teachers retirement withholding and a medicare withholding are made on the same voucher, use blocks 21 and 22 for the retirement withholding (see exhibits I and II).

The above procedure should be followed until the employee has reached the maximum. After the maximum amount has been paid, no more deductions should be made for the balance of the calendar year.

The medicare employer (state) and employee rate is 1.45% (.0145) on the first \$42,000 of the total gross wage, including other compensation subject to withholding. Deferred compensation is subject to medicare withholdings and must be included in total gross wages. In the event an employee has received "wages subject to medicare" and "wages subject to social security" where the total exceeds \$42,000, the appropriate Retirement System should be contacted for instructions.

STATE'S CONTRIBUTION

The state's matching contribution for medicare shall be paid pursuant to C-13 invoice-vouchers. These vouchers must be submitted for each contractual service payroll period. The state's matching contribution for medicare must be charged to the appropriation "For State Contribution to Social Security" which has the identical first eight digits of the appropriation account code (fund number, agency and division code) as the appropriation from which the employees were paid. The description block must identify the contractual services payroll period to which it pertains. The payee on these vouchers will be the State Employees' Retirement System or the State Universities Retirement System, whichever is pertinent.

SPECIAL PROCEDURES FOR RETROACTIVE WITHHOLDINGS

As this Act is effective April 1, 1986, medicare contributions for all covered medicare wages paid between April 1 and July 1, 1986 must still be paid.

Employees affected by this law should be advised that deductions will begin in July and that they will be liable for retroactive contributions for covered medicare wages paid after March 31, 1986. The State's contributions are also due.

To effect this retroactive adjustment there are two steps which must be followed:

1. The amount of medicare that should have been deducted and was not must be collected from the employee in one lump sum.
2. An invoice-voucher (C-13) must be prepared by the agency for the employer contribution payable to the appropriate retirement system and drawn on the appropriate FY1986 state contribution to Social Security.

Prior to submitting the voucher, the agency should contact Barb Moore, of the Office of the Comptroller (782-3608) to arrange for pickup of the warrant.

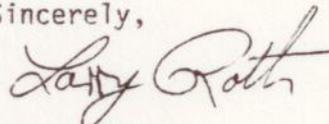
The employee's share of medicare contributions must be collected by the agency from the employee. Then, the state warrant and the employee's remittance should be forwarded to the appropriate retirement system along with a letter identifying the following:

1. Employee identification by name and Social Security number
2. Time period covered by the adjustment
3. Amount of medicare wages to be adjusted
4. Amount of medicare contributions to be adjusted. This amount must be 1.45% of the amount of medicare wages to be adjusted.
5. Signature of the appropriate agency official.

This process should be completed by September 15, 1986.

Questions concerning contractual services procedures affected by this bulletin may be addressed to Brenda Drabant at (217) 782-8279. Questions concerning employee coverage for those agencies under the jurisdiction of the State Universities Retirement System may be addressed to Bryan Bloom at (217) 333-3860. All others may be addressed to the Social Security Unit of the State Employees' Retirement System at (217) 753-0455.

Sincerely,



Larry Roth
Director, State Accounting

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6/86 - 500 copies

Contractual Service Voucher

STATE OF ILLINOIS

The preparation instructions for payees are on the back of the last copy.

Name and Location of State Agency or Institutions

<p>1. Certification I hereby certify that I have reviewed the withholding instructions on the back of this form and that the number of federal and state exemptions claimed below does not exceed the number to which I am entitled. I further certify that I am in compliance with the provisions of the Illinois Purchasing Act prohibiting conflict of interest (Ill. Rev. Stat. 1981, ch. 127, par. 132.11-1) which is quoted in part on the back of the first copy.</p>	<p>2. Social Security Number</p> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 5px auto; text-align: center; line-height: 20px;">3</div> <p style="font-size: small;">Place X in block 3 if this is your first request for payment at this address.</p>	<p>5. Voucher No. _____</p> <p>6. Voucher Date _____</p> <p>7. Account Code _____</p> <p>8. Payee Reference _____</p>
<p>4. Payee Name -- (Last-First-Middle) -- and Address</p>		
<p>9. Give complete description of services rendered, rate of compensation, period of time covered and expenses incurred.</p>		

Enter Medicare Code U in box 19.

Enter Medicare amount in boxes 20 and 28. For calendar years 1986 and 1987, this should be 1.45% of the amount in box 10 plus any deferred compensation. The payee should be State Universities Retirement System.

Taxable Income	Fed. Ex.	Federal Withholding Tax Amount	Mar. Status	State Ex.	State Tax Code	State Withholding Tax Amount	MC Code	Medicare Retirement Amount	Code	Amount	Net Earnings
10.	13.	14.	15.	16.	17.	18.	19.	20.	21.	22.	23.
<p>11. Non-Taxable Ex. Expenses: In block 11, enter the amount of non-taxable expenses you incurred for which you are allowed reimbursement under the terms of the contractual agreement.</p>										Enter Amount From Block 11	24.
<p>12. Payee Warrant -----</p>										Sum of 23 and 24	25.
<p>Enter Sum of 10 and 11</p>										Enter Amount From 14	26.
<p>----- Illinois Department of Revenue -----</p>										Enter Amount From 18	27.
<p>Disposition of Copies</p> <p>1. Comptroller 2. Agency 3. Remittance Copy 4. Agency 5. Agency 6. Retained By Payee</p>										Enter Amount From 20	28.
<p>Frequency of Pay Enter 1-if Monthly 2-if Semi-Monthly 3-if Other 4-if Non-Resident Lottery 5-if Non-Resident Commercial 6-Weekly 7-Bi-Weekly</p>										Enter Amount From 22	29.
							Expenditure Object	Obligation Number	F	Add 25 thru 29	
							31.	32.	33.	34.	

State Universities Retirement System

35. For Agency Use Only

Certification of Receiving Agency

I certify that the goods or services specified on this voucher were for the use of this agency and that the expenditure for such goods or services was authorized and lawfully incurred; that such goods or services meet all the required standards set forth in the purchase agreement or contract to which this voucher relates; and that the amount shown on this voucher is correct and approved for payment. If applicable, the reporting requirements of Section 5.1 of 'An Act to create the Bureau of the Budget and to define its powers and duties and to make an appropriation, approved April 16, 1969, as amended, have been met.

Receiving Officer	Date	Clerk
Approved for Payment		
Head of Unit or Authorized Agent	Date	(Date)

Agency Head (Signature)

Contractual Service Voucher

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<p>4. Payee Name -- (Last-First-Middle) -- and Address</p>		<p>5. Voucher No. _____</p> <p>6. Voucher Date _____</p> <p>7. Account Code _____</p> <p>8. Payee Reference _____</p>	
<p>9. Give complete description of services rendered, rate of compensation, period of time covered and expenses incurred.</p>			

Enter Medicare Code M in box 19.

Enter Medicare amount in boxes 20 and 28. For calendar years 1986 and 1987, this should be 1.45% of the amount in box 10 plus any deferred compensation. The payee should be State Employees' Retirement System.

Taxable Income	Fed. Ex.	Federal Withholding Tax Amount	Mar. Status	State Ex.	State Tax Code	State Withholding Tax Amount	MC Code	MEDICARE Amount	Code	Amount	Net Earnings
10.	13.	14.	15.	16.	17.	18.	19.	20.	21.	22.	23.
<p>11. Non-Taxable Ex. Expenses: In block 11, enter the amount of non-taxable expenses you incurred for which you are allowed reimbursement under the terms of the contractual agreement.</p>										Enter Amount From Block 11	24.
<p>12. Payee Warrant -----</p>										Sum of 23 and 24	25.
<p>Enter Sum of 10 and 11</p> <p>Treasurer, State of Illinois -----</p>										Enter Amount From 14	26.
<p>----- Illinois Department of Revenue -----</p>										Enter Amount From 18	27.
<p>State Employees' Retirement System -----</p>										Enter Amount From 20	28.
<p>Disposition of Copies</p> <p>1. Comptroller</p> <p>2. Agency</p> <p>3. Remittance Copy</p> <p>4. Agency</p> <p>5. Agency</p> <p>6. Retained By Payee</p>										Enter Amount From 22	29.
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