



Office of the State Comptroller  
**PAYROLL BULLETIN**

Subject  Certain Employees Exempt From Social Security and/or Medicare Taxes	Bulletin No.  P-830
	Date  October 6, 1994

A new code, EXEMPT SS/MED CODE, has been established to identify employees who are exempt from Social Security and/or Medicare. The agency is responsible for reporting and cancelling this code on an AC-1040 or through the Deduction Processing On-Line System. OSC will discontinue withholding Social Security and/or Medicare based on this code.

Transactions identifying these employees on AC-1040's or through the Deduction Processing On-Line System may be submitted beginning Administration Period 13-Lag/14-Current, checks dated 10/19/94 and Institution Period 14-Lag/15-Current, checks dated 10/26/94.

The deduction code 435 with 1 or 2 will appear on the check stub and also on the Salary Register (PRG-2) in the Miscellaneous Deduction column.

Eligibility

Employees who meet the following criteria are exempt from Social Security and should be coded with a "1":

Employees who have the option to join a retirement system and choose not to

OR

Retired police who are rehired in police related positions

AND

Contribute at least 7.5% or \$7500 of earnings to a Deferred Compensation Plan (Copeland) and/or a 403B Plan (Special Annuity) or a combination of both programs.

Employees who meet the above criteria and were appointed prior to 4/1/86 are exempt from both Social Security and Medicare and should be coded with a "2".

If an employee is removed from the payroll or transfers from one agency to another, the exempt code will be cancelled, and must be re-entered by the agency.

AC-1040 Form

To report this code on a hard copy AC-1040, enter '435' in a "Code" Block and in the "Amount" Block enter '1' (no Social Security tax is to be deducted but Medicare will be deducted) or '2' (no Social Security or Medicare tax will be deducted).

To cancel, enter '435' in a "Code" Block and '0' in the corresponding "Amount" Block.

Deduction Processing On-Line System

Agencies entering transactions through the Deduction Processing On-Line System would enter '1' (no Social Security to be deducted, but Medicare tax will be deducted) or '2' (no Social Security and Medicare will be deducted) on Selection #1, New Employee/Address screen next to the field indicated as "EXEMPT SS/MED CODE". Do not enter these codes in the "SS/MED ENTER S, V, E, C" field.

If entry on Screen #1 for the field "EXEMPT SS/MED CODE" is other than 1, 2, 0 or blank, and the Retirement code is other than '0' or '9', and the employee does not have Deferred Compensation or a 403B, the error message "INVALID" will appear.

Payroll Inquiry

The EXEMPT SS/MED CODE will be displayed on the PF24 screen of the Payroll Inquiry System. The code 1 or 2 will appear in this field once the transaction has been processed at OSC.

If you have any questions, please contact the Systems Development Office at (518) 486-3068.