



Office of the State Comptroller
PAYROLL BULLETIN

Subject Reporting of Medicare Coverage	Bulletin No. P-488
	Date July 28, 1986

Bulletin P-485 issued June 9, 1986 contains a description of the change in Federal Law requiring Medicare coverage for certain State employees. This Bulletin contains the reporting requirements for Medicare coverage.

REPORTING OF MEDICARE IN THE PAYROLL SYSTEM

AC-1040 PROCESSING

Each payroll office is required to report medicare coverage on AC-1040's for all employees for whom it is required. The codes to be used are as follows:

Block 513

To start medicare coverage, enter a "M" in Block 513.

To cancel medicare coverage for a person for whom it is reported in error, enter a "C" in Block 513.

(An "S" in Block 513 will continue to be reported to begin social security coverage and a "C" will also cancel social security.)

If retirement membership is reported (Blocks 601, 602 and 603) for an employee with medicare coverage, the medicare coverage will be cancelled automatically and social security coverage will begin.

If social security is reported for an employee with medicare coverage, the medicare coverage will also be cancelled automatically.

Deductions stop automatically when earnings reach the maximum taxable amount for the calendar year (\$42,000 for 1986) and are resumed automatically at the beginning of the new calendar year.

NOTE: Non-taxable maintenance is not subject to medicare tax. The amount of non-taxable maintenance is deducted from the biweekly gross salary prior to the computation of the medicare tax deduction.

Codes 546 and 547 Medicare Adjustments

To initiate a current medicare adjustment, enter code 546 in a "Code Block" and the total amount of the adjustment in the "Amount Block". Report code 547 in a "Code Block" and the number of payroll periods (one or more) required to liquidate the amount due. At the end of the designated number of periods the adjustment is cancelled automatically. The number of periods can not exceed the number of payroll periods remaining in a calendar year. If code 547 is not completed, the Office of the State Comptroller assumes that only one payroll period is required to liquidate the adjustment and the entire deduction will be taken from one check.

To cancel the medicare adjustment before the designated number of payroll periods has expired, enter code 546 in "Code Block" and 0.00 in corresponding "Amount Block".

AC-230 Processing

When it is necessary to report a refund of medicare tax or a medicare adjustment on Form AC-230 "Report of Check Returned for Refund or Exchange", the following codes care to be used:

- 927 - Medicare Tax Withheld
- 546 - Medicare Adjustment Deduction

AC-210 Salary Register

If medicare tax is being deducted, the amount will appear in the "Soc Sec Tax" field preceded by an "M". Code '1' for Medicare Deduction or '4' paid-up Medicare will print in the "SS Tax Code" field. Code 546 Medicare Adjustment will print in the miscellaneous fields if applicable.

Code 927 Medicare Tax Withheld will print on the last page of the salary register and the total will include deductions for Normal Medicare Tax and Medicare Adjustments.

Employee Check Stub

If an employee is having medicare tax deducted, the "Soc Sec Tax" and "YTD Soc Sec Tax" fields will be preceded by an "M". If the deduction changes from medicare to social security, the "M" will be dropped and the total for "YTD Soc Sec" will re-start.

Payroll YTD Summary

The summary has been revised to add year-to-date medicare deductions.

REPORTING MEDICARE COVERAGE AND ADJUSTMENTS FOR
EMPLOYEES WHO HAVE BEEN HIRED SINCE APRIL 1

In Administration Payroll Period 9L and Institution Payroll Period 10L, you must submit AC-1040's reporting medicare for all employees who must be covered and the adjustment due from the time the employees were hired. For employees who were first hired after April 1, 1986, the adjustment is figured on the YTD Salary. For employees who were terminated during the year, and rehired after April 1, you must determine the salary paid from the date of rehire. The medicare adjustment is computed as follows:

.0145 X YTD Salary-Minus Non-Taxable Maintenance, if any

The adjustment may be deducted over several payroll periods, but the amount of the adjustment in each payroll period should not be less than 5% of gross salary. If you have seasonal employees or temporary employees hired for a short period, you must be sure you collect the adjustment due before the date the employment is scheduled to end. When an employee who has a medicare adjustment resigns or is terminated, you must submit an AC-1040 in the last period to collect the full amount of the adjustment remaining.

Questions concerning this Bulletin can be directed to the Payroll Planning Unit at (518) 474-1246.

