



Office of the State Comptroller

PAYROLL BULLETIN

Subject

Reporting of Social Security/Medicare Coverage

Bulletin No.

P-601

Date

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The attached pages from the Agency Payroll Manual contain the rules for Social Security and Medicare coverage, including the circumstances under which employees are excluded (exempt) from coverage.

It is the responsibility of the agency to determine proper Medicare or Social Security coverage for each new employee and to report the appropriate coverage on an AC-1040 submitted in the payroll period in which the appointment is reported. You must

1. Start Social Security (S in Block 513) if the employee is permanent, full-time and therefore required to join a retirement system unless the employee is exempt from Social Security under one of the exclusions. You should not wait until you have the retirement membership number in order to start Social Security.

OR

2. Start Medicare (M in Block 513) unless the employee is exempt under one of the exclusions.

OR

3. If the employee is exempt from either Social Security or Medicare under any of the exclusions you must cancel Social Security/Medicare (enter C in Block 513).

Since most full-time or part-time State employees who are hired or rehired after March 31, 1986 who are not covered by Social Security are required to pay the Medicare portion of the Social Security Tax effective from the date of appointment, beginning in Institution Period 25-Lag and the Administration Period 26-Lag the Office of the State Comptroller will automatically start the Medicare deduction for all new or reinstated employees who were terminated in a prior year, unless an AC-1040 is submitted to report retirement, Social Security, Medicare or cancellation. We will continue to start Social Security coverage automatically when retirement membership is reported unless a cancellation is reported.

Since we will not start the deduction automatically, you must always submit AC-1040's to start Medicare coverage for employees originally hired prior to March 31, 1986 who separate from service and are subsequently rehired within the same calendar year.

Because students working at the college they are attending are exempt from Social Security and Medicare tax during periods when they are attending classes, the following titles have been excluded from the automatic start of Medicare:

<u>Agency</u>	<u>Title Code</u>	<u>Title</u>
SUNY	3746200	STUD ASST
	3780200	GRAD ASST
	3780300	TEACHING ASST
CUNY	9710101	STUD AIDE

It is the responsibility of the agency to submit an AC-1040 to start and cancel Social Security or Medicare for the appropriate periods for employees in these positions.

Occasionally, an employee is reported for the wrong coverage. Refer to Payroll Bulletin P-567 for instructions for correcting employee records when improper deductions have been taken.

If you need further assistance call the Payroll Deduction Section at 473-1989.

**SOCIAL SECURITY
COVERAGE**

In general, Social Security coverage is mandatory for:

1. All retirement system members. Coverage for mandatory retirement system members is required as of the date the membership becomes mandatory. (i.e. date of permanent full time appointment) If membership is optional, Social Security coverage is possible only if the employee elects to join a retirement system, and is effective on the date the retirement system receives the employee's application. (See Medicare Coverage Section)
2. Employees who are determined to be ineligible to join a retirement system.

NOTE: (a) Retired public employees are ineligible to join a retirement system if they are re-employed under the provision of Section 211 or 212 of the New York State Retirement and Social Security Law. Since this group is ineligible for retirement system membership they must have Social Security coverage. The fact that they may be receiving Social Security benefits does not change this requirement.

(b) Section 101 of the New York State Retirement and Social Security Law allows retired public employees to suspend their retirement and be re-employed. Under this Section, employees may defer reactivating their retirement membership for up to one year. During this deferral period, employees are considered retirement optionals and do not have Social Security coverage, but may have to have Medicare coverage (see below). If employment continues beyond one year employees must become retirement members or apply for re-employment under Section 211 or 212. In either case, Social Security coverage is mandatory.

(c) Retired policemen who are working in police related activities and who are ineligible for membership in the New York State Police-men's and Firemen's Retirement System also are ineligible for Social Security coverage of wages, but may have to have Medicare coverage (see below). The exclusion is not applicable if the employment is not a police related activity.

3. All labor class employees regardless of membership in a retirement system.

**MEDICARE
COVERAGE**

4. CFTA employees.
5. Former Tier III retirement system members who were allowed to terminate their membership under the provisions offered by Chapter 42 of the Laws of 1977. A determination was made by the New York State Social Security Agency that Social Security coverage must continue for these employees.

All full-time and part-time State employees who are hired or re-hired after March 31, 1986 and who are not covered by Social Security must be covered for medicare. Medicare coverage is required from the date of employment.

In determining who must be covered by Medicare if hired after March 31, 1986, the following rules apply.

1. Employees who go on authorized leave of absence and return to service are not considered new employees.
2. Employees who transfer from one agency to another are not considered new employees if they have no break in service.
3. Employees who are terminated or who resign from State employment and later return to the same or different agency are considered new employees.
4. All regularly employed school and college employees who are not paid for the summer are not considered new employees when they return to the payroll in September.
5. Seasonal employees with prior State service who are rehired after March 31, 1986 are considered new employees. Seasonal employees on the payroll on March 31, 1986 who are subsequently terminated and then rehired are considered new employees on the date of rehire. (See Social Security/Medicare Exclusions)

The following rules apply to Medicare Coverage for employees excluded from Social Security.

1. Employees who suspend their retirement and are re-employed under Section 101 of the NYS Retirement and Social Security Law who defer reactivating their membership in the retirement system for up to one year are required to have Medicare coverage if hired after March 31, 1986. If employment continues beyond one year, employees must join the retirement system or become employed under Section 211 or 212 of the law and would then be covered by Social Security.

**SOCIAL SECURITY
MEDICARE
EXCLUSION**

2. Retired policemen who are working in police related activities who are ineligible for membership in NYS Policemen's and Firemen's Retirement System must have medicare coverage if hired after March 31, 1986.

Medicare coverage ceases when an employee becomes subject to Social Security coverage (for example, when a part-time employee joins the retirement system).

The following employees who are members of a retirement system are excluded from Social Security and Medicare coverage.

1. Employees with continuous membership in the same retirement system who declined coverage in 1957.
2. Students who are employed at the same State University unit at which they are enrolled and regularly attending classes. The exclusion is not applicable for periods not enrolled and regularly attending classes, such as summer vacation.
3. Foreign nationals with F and J visas if the service performed is in accordance with the purpose of the visa. This exclusion is removed if the employee's status changes from visitor to immigrant.

Also, payments made in "in lieu of" expenses or travel, although reportable for retirement purposes, are not subject to Social Security or Medicare.

**SOCIAL SECURITY
BLOCK 513**

Initiation of Social Security deductions is automatic if a new retirement membership is started on the AC-1040 (Block 601, 602 and 603). IMPORTANT: If the employee is in one of the categories listed for exclusion from Social Security coverage and you are reporting membership in a retirement system, a "C" must be entered in Block 513 to cancel Social Security.

If the employee is to have Social Security deductions and no retirement information is being submitted on an AC-1040, enter "S" in Block 513 to start.

To cancel Social Security deductions initiated in error, enter "C" in Block 513, Social Security Tax.

Deductions stop automatically when earnings reach the maximum taxable amount for the calendar year and are resumed automatically at the beginning of the new calendar year.

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

