

OREGON ACCOUNTING MANUAL	
Subject: Accounting and Financial Reporting	Number: 50.10.00.PO
Division: State Controller's Division	Effective date: July 1, 2009
Chapter: Tax Issues	
Part: Educational Assistance Payments	
Approved: John Radford, State Controller	Signature on file at SCD

POLICY PURPOSE:

.101 This policy provides guidelines to state agencies for the classification, payment and reporting of educational assistance or reimbursements.

AUTHORITY: ORS 292.036; Internal Revenue Code Section 127; Internal Revenue Code Section 132(d); State HR Policy 50.045.01

EDUCATIONAL EXPENSE REIMBURSEMENTS:

.102 IRC 132(d) considers reimbursement of job-related educational expenses as a working condition fringe benefit that is not taxable income to the employee if the following rules are met.

- a. The educational courses are job-related and either improve or maintain job skills, and
- b. The educational courses are required by the employer or by law to keep the employee's current position, status, salary level or certification.

.103 IRC 132(d) defines educational expenses for which the reimbursement is taxable income to the employee as the following:

- a. Courses needed to meet the minimum educational requirements of the current job, if the employee did not possess those minimum educational requirements when hired. (This may be non-taxable under IRC 127, Educational Assistance.)
- b. Courses that qualify the employee for a new trade or business.

.104 Expenses that qualify for educational expense reimbursement under IRC 132(d) include:

- a. Tuition, books, supplies and equipment
- b. Travel and transportation costs
- c. Undergraduate or graduate level courses

EDUCATIONAL ASSISTANCE PROGRAM:

.105 IRC 127 considers educational expenses paid or reimbursed through a qualified employer educational assistance program as non-taxable income to the employee, if certain requirements are met:

- a. The employer must maintain a written plan.
- b. Payments are limited to \$5,250 per calendar year.

Non-job related educational expenses and educational expenses needed to meet the minimum educational requirements of a currently-held position qualify for reimbursement under an IRC 127 plan.

.106 IRC 127 limits expenses related to an educational assistance program to tuition, books, supplies and equipment necessary for class. Transportation, lodging and meals, as well as tools or supplies that the employee may keep once the course is completed, are not covered. Educational expenses related to sports, games or hobbies are also excluded unless they are job-related.

REVIEW AND APPROVAL:

.107 The agency head or designee must ensure that the agency's educational reimbursement or educational assistance policy is consistent with State HR Policy 50.045.01. Agency management must determine the taxability of all educational payments and must communicate the tax status to the affected employee.

.108 Management must review and approve all educational payments. Agencies must retain signed and dated authorizations in the employee's payroll file for five years following payment. The authorization must include the employee's name, the course name and description, amount paid, and taxability status.

.109 Agencies must make educational assistance payments to employees on a reimbursement basis, unless agency management approves an exception in writing.

.110 Agencies must pay or record all educational assistance payments through the Oregon State Payroll Application (OSPA). Refer to the companion procedure OAM 50.10.00.PR for details.

OREGON ACCOUNTING MANUAL

Subject: Accounting and Financial Reporting	Number: 50.10.00.PR
Division: State Controller's Division	Effective date: July 1, 2009
Chapter: Tax Issues	
Part: Educational Assistance Payments	
Approved: John Radford, State Controller	Signature on file at SCD

AUTHORITY: ORS 292.036; Internal Revenue Code 127; Internal Revenue Code 132(d); State HR Policy 50.045.01

PROCEDURES:

- .101 Agency management must authorize educational assistance or reimbursements in compliance with IRS regulations, OAM 50.10.00.PO and State HR Policy 50.045.01. Agencies must classify all payments as taxable and non-taxable, and receipts or other documentation must support the payments.
- .102 Agencies must pay or record both taxable and non-taxable educational assistance payments through the Oregon Statewide Payroll Application (OSPA), using pay code EDN for non-taxable payments and pay code EDT for taxable payments.
 - a. To reimburse an employee for educational expenses, the agency's payroll unit enters the transaction into OSPA as a gross pay adjustment, using the code(s) noted above. The employee will receive the reimbursement in the next regularly scheduled payroll.
 - b. To record advances made to the employee or paid directly to a third party, the agency's payroll unit first enters the payments as a gross pay adjustment into OSPA using the code(s) noted above. If the agency paid the advance to the employee, the agency's payroll unit enters a PANN transaction on the employee deduction screen. If OSPS paid the advance using a manual check, the agency's payroll unit enters a PPNN transaction on the employee deduction screen. In either case, the entry on the deduction screen must match the amount of the advance. **Employees may see a reduction in their net pay when the related taxes are deducted.**
- .103 Educational expense or assistance payments post to comptroller object 4406 Professional Development.
- .104 Agencies must retain authorizations for these payments in the employee's payroll file for a minimum of five years.

OREGON ACCOUNTING MANUAL

OREGON ACCOUNTING MANUAL		
 STATEWIDE POLICY	NUMBER 50.20.00	SUPERSEDES 50.20.00.PO & .PR dated 07/01/2009
	EFFECTIVE DATE 04/17/2018	PAGE NUMBER Pages 1 of 2
Division Chief Financial Office	REFERENCE/AUTHORITY 5 th U.S. Congress House Bill 1 Publication 15 (Circular E), Employer's Tax Guide 2018 Internal Revenue Code Section 132 (g) Internal Revenue Code Section 217 (k)	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Tax Issues – Moving Expenses	APPROVED SIGNATURE <i>George Naughton, Chief Financial Officer</i> Signature on file	

PURPOSE

This policy provides direction to agencies on tax issues associated with moving expense reimbursements.

APPLICABILITY

This policy applies to all state agencies as defined in [OAM 01.05.00](#).

POLICY:

101. The agency shall determine whether it agrees with the employee to pay moving expenses in accordance with DAS Chief Human Resources Office (CHRO) Policy No. 40.055.10 Current Employee Relocation and CHRO Policy No. 40.055.20 New Employee Relocation.
102. The agency shall only reimburse for eligible moving expenses, as identified in the CHRO policies referenced in paragraph 101.
103. As of January 1, 2018, all moving expense payments and reimbursements are, on their face, taxable. However, moving expenses for employees who are members of the Armed Forces of the United States who move pursuant to a military order and incident to a permanent change of station are eligible for non-taxable moving expense reimbursement. Contact DAS Oregon Statewide Payroll System (OSPS) for proper payroll coding.

PROCEDURES:

104. The employee submits a single moving expense claim along with supporting documentation.

105. The agency payroll office enters a gross pay adjustment for the taxable (or non-taxable if applicable) portion.
106. The expense amount net of taxes will be included in the employee's next electronic deposit or pay check.
107. OSPS will charge the payment to comptroller object 3810, Employee Relocation-Payroll.
108. Payments directly to vendors can be made through the Statewide Financial Management Application (SFMA). If paid through SFMA, the agency payroll office enters the gross pay adjustment for a non-cash taxable (or non-taxable if applicable) moving expense.

OREGON ACCOUNTING MANUAL		Number 50.30.00.PO
Oregon Department of Administrative Services State Controller's Division		Effective Date November 1, 2002
Chapter	Tax Issues	.1 OF .1
Part	Fringe Benefits – Vehicles	
Section		Approval

Authority **ORS 283.395**
OAR 125-155
IRS Regulations §§1.61-21, 1.162-2(d)
IRS Publication 15-B

- .101 Use of state-owned vehicles for any personal purpose is not allowed, per ORS 283.395. OAR 125-155 provides rules for the use of state vehicles.
- .102 Situations exist where there is a distinct advantage for a state agency to have an employee garage a state vehicle at home. OAR 125-155-0600(2) requires that agencies perform a cost benefit analysis before approving such vehicle assignments. Further, vehicles assigned to be garaged at the home of a state employee must be a benefit to the state and must meet one of the following conditions:
 - a. Assigned, normal duties require the driver to frequently travel to urgent, unscheduled field work after hours. The mere possibility of being called out is not sufficient. Call-outs must actually occur with justifiable frequency.
 - b. The driver's home is his or her official duty station from which he or she engages in virtually full-time field work away from the office or motorpool.
 - c. It will clearly reduce state paid time to permit a driver to park a state vehicle at home while on temporary assignment away from the duty station.
 - d. Other circumstances caused by state business in which home garaging will clearly reduce direct costs to the agency.
- .103 If an assigned vehicle garaged at home is used to commute to the employee's duty station, that use is a taxable fringe benefit. IRS regulations require the value of the use to be reported as taxable income on the employee's W-2 form.
- .104 Ongoing use of a state vehicle when a state employee is on call 24 hours a day and is assigned a specially equipped state vehicle such as a police car with lights and sirens does not violate ORS 283.395. OAR 125-155-0900(9) permits only the Governor, the Director of the Department of Corrections, the Adjutant General of the Oregon Military Department and the Superintendent of State Police to use specially equipped vehicles at all times and places. All others must comply with OAR 126-155-0600.
- .105 There may be occasional instances when the agency may allow an employee to park a state vehicle at home when the departure is so early or the return so late that it is impractical to pick up or return the vehicle to the motor pool on the same day. Good judgment should be exercised and the circumstances well documented.

OREGON ACCOUNTING MANUAL		Number 50.30.00.PR
Oregon Department of Administrative Services State Controller's Division		Effective Date November 1, 2002
Chapter	Tax Issues	.1 OF .2
Part	Fringe Benefits – Vehicles	
Section		Approval Signature on file at SCD

Authority **ORS 283.395**
 OAR 125-155
 IRS Regulations §§1.61-21, 1.162-2(d)
 IRS Publication 15-B

Determination of Taxable Amount

- .101 If an assigned vehicle garaged at home is used to commute to the employee’s official duty station, that use of the vehicle becomes a taxable fringe benefit to the employee, and the value must be reported as taxable income on the employee’s W-2 form.

- .102 Commuting to the official duty station (personal use) in a state-owned vehicle garaged at home may be valued using one of two valuation rules as defined by the IRS.

Commuting Valuation Rule. The value of commuting can be valued at \$1.50 each one-way trip if:

- a. You require the employee to commute in this vehicle, and

- b. The employee is not an elected official, a director, or an employee who earns more than \$160,000 annually.

The employee is required to maintain a monthly or quarterly log of commutes to work and return. The employee must provide that signed and dated log to the agency at the end of each month or quarter. The calculation of the imputed value of the vehicle use is calculated by multiplying the number of one-way commutes by \$1.50.

Cents-Per-Mile Rule may be used if:

- a. The vehicle is driven at least 10,000 miles per year, and

- b. The fair market value of the vehicle doesn’t exceed \$15,400 (revised annually), and

- c. 50% of the miles driven in the vehicle must be for official state business.

The employee is required to maintain a monthly or quarterly log of the miles per each one-way or round-trip commute and provide that signed and dated log to the agency at the end of the month or quarter. The calculation of the imputed value of the vehicle use is calculated by multiplying the number of miles by the prevailing business mileage rate. The mileage rate for 2003 is 36 cents per mile. That rate may be reduced by no more than 5.5 cents per mile if the state does not provide the fuel.

- .103 The agency is required to notify each employee who garages a state vehicle at home that there is a taxable value associated with each commute to the official duty station and the method that will be used to value the commute. The agency is required to define a record-keeping methodology and notify the employee of the requirements.

Reporting Procedure

- .104 These fringe benefits will be reported through the payroll system either monthly or quarterly. Reporting for the months of November and December can be deferred to the next tax year; that is, tax year reporting can be for benefits received for the period November 1 through October 31 of the next year.

OREGON ACCOUNTING MANUAL		Number 50 50.00.PO
Oregon Department of Administrative Services State Controller's Division		Effective Date August 1, 2001
Chapter	Tax Issues	.1 OF .1
Part	1099-MISC Reporting	
Section		Approval Signature on file at SCD

- Authority Internal Revenue Service publications:
Instructions for Forms 1099, 1098, 5498, 1096, and W-2G
Publication 1179 - Specifications for Paper Document Reporting and Paper Substitutes for Forms 1096, 1098, 1099 series, 5498, and W-2G
Publication 1220 - Specifications for Filing Forms 1098, 1099, 5498, and W-2G Magnetically or Electronically
Publication 1281 - Backup Withholding on Missing and Incorrect Taxpayer Identification Numbers
Publication 1586 - Reasonable Cause Regulations and Requirements as They Apply to Certain Information Returns
Publication 1679 - A Guide to Backup Withholding
- .101 The State must comply with reporting requirements for Internal Revenue Service (IRS) **information returns**. All **agencies** must comply with IRS requirements by acquiring, accumulating, and reporting information required on information returns, except the information identified below as the responsibility of Statewide Financial Management Services (SFMS).
- .102 SFMS is responsible for coordinating all information return compliance issues and related liaison activities between the State and the IRS for vendors in the Statewide Financial Management System receiving a form 1099-MISC. SFMS is responsible to provide specific guidance, instruction, and current information to all agencies on all aspects of information return reporting as follows:
- a. Information and interpretations of form 1099-MISC reporting criteria.
 - b. Accumulation of payment information.
 - c. Backup withholding requirements including calculation, deposits, and reporting.
 - d. Filing requirements for original, computer-generated, manually prepared, and corrected information returns.
- .103 SFMS will provide verification procedures and review of Statewide Financial Management System data for all magnetic media data to ensure the accuracy and completeness of information before submission to the IRS.
- .104 Each agency is responsible for preparing, implementing, and maintaining policies and procedures to meet its federal information return requirements.
- .105 Those agencies that are responsible for filing returns that are unique to their operations may elect to act as their own agent for coordinating the filing of such returns. If they also elect to file their own 1099-MISC forms, they must request an exception from SFMS Operations. If an agency is required to file other types of 1099 forms, the agency must use its own unique Federal Employer Identification Number (FEIN). The agency is responsible and accountable for correct and timely filing of such returns.

OREGON ACCOUNTING MANUAL		Number 50.50.00.PR
Oregon Department of Administrative Services State Controller's Division		Effective Date August 1, 2001
Chapter	Tax Issues	.1 OF .3
Part	1099-MISC Reporting	
Section		Approval Signature on file at SCD

Authority Internal Revenue Service publications:
 Instructions for Forms 1099, 1098, 5498, 1096, and W-2G
Publication 1179 - Specifications for Paper Document Reporting and Paper Substitutes for Forms 1096, 1098, 1099 series, 5498, and W-2G
Publication 1220 - Specifications for Filing Forms 1098, 1099, 5498, and W-2G Magnetically or Electronically
Publication 1281 - Backup Withholding on Missing and Incorrect Taxpayer Identification Numbers
Publication 1586 - Reasonable Cause Regulations and Requirements as They Apply to Certain Information Returns
Publication 1679 - A Guide to Backup Withholding

Scope and Applicability

- .101 The following procedures pertain to the filing of forms 1099-MISC. If your agency is subject to reporting for other types of 1099 forms, these procedures may not cover all reporting situations. For additional information, check the Internal Revenue Service (IRS) instructions for filing information returns (see Authority above). To further clarify requirements for filing any information returns, contact the Vendor Accountant in Statewide Financial Management Services (SFMS).

Payments Subject to 1099-MISC Reporting

- .102 SFMS Operations files all 1099-MISC forms for all Statewide Financial Management System (SFMS) vendors that meet the reporting requirements. State agencies are required to file form 1099-MISC for non-SFMS vendors and all other types of 1099 forms.
- .103 Reportable payments are those that are made for services, rent, royalties, or other things of value (e.g. prizes and awards, remunerations, emoluments, gains, profits, or income). The payments are reportable whether the paying agency directly receives the benefit of the services or whether they are paying for services received by a third party.
- .104 Vendors subject to reporting are any vendors that are not corporations, except for medical corporations which are subject to reporting. Payments to companies, sole proprietorships, estates, trusts, partnerships, medical corporations, individuals, or non-profit organizations are all reportable.
- .105 1099-MISC reporting is on a calendar year rather than a fiscal year basis and will include reportable payments totalling in excess of \$600 made within the calendar year being reported, whether or not the services were performed within the same calendar year in which the payments were made.

Obtaining a Proper Taxpayer Identification Number

- .106 In order to file forms 1099-MISC with the IRS, it is necessary to include the vendor's Taxpayer Identification Number (TIN). A taxpayers' TIN can be either a social security number or a federal identification number. In order to create a new vendor on SFMS, the TIN must be available.
- .107 There is no required form to be used in requesting TINs, and agencies may make the request either orally or in writing. Form W-9 is sent out from SFMS Operations for non-corporate vendors and medical corporations. It is also available from the IRS for use in requesting TINs.
- .108 Personal services contracts issued by the Department of Administrative Services Transportation, Purchasing, and Print Services (TPPS) Division include a section on the signature page of the contract which requests the new vendor's TIN. TPPS purchasing analysts handle all contracts awarded for \$25,000 and above, and the analysts' request the number as part of the process of issuing the contract. Contracts for less than \$25,000 are handled by the agency that is actually buying and receiving the goods or services described in the contract. Each agency is responsible for developing internal procedures that instruct personnel involved in any purchasing function for the agency to request the TIN. If an agency uses a vendor whose contract was handled by TPPS, they may contact TPPS to determine if a TIN was submitted by the vendor and to request the number for the agency's records. However, if a TIN was not received by TPPS and the agency uses the vendor, the agency must follow up with requests for the TIN from the vendor directly as in paragraph .107 above. The agency who incurs a liability to a given vendor is responsible for the reporting of the TIN to the IRS whether or not a third party was involved in hiring the vendor.

Locating Missing Vendor Information

- .109 If vendor data collected by an agency is found to be in error or incomplete and the agency encounters difficulty in contacting the vendor, information regarding companies or individuals who do business in the State of Oregon may be available for those companies or individuals who are registered with the Corporation Division of the Secretary of State. Some of the information that may be available includes:
 - a. Registry Number - an eight digit number assigned by the Corporation Division.
 - b. Entity Name - name under which the entity does business.
 - c. Owner's Name - name of the owner of the entity.
 - d. Principle's Name - name of individual with primary responsibility for the business.
 - e. Address - address of the entity, principle, and owner.
- .110 The above information may be obtained by contacting the Corporation Division and requesting the information, which, if available for a given entity, will be printed in hardcopy for inquiring agencies for a fee of \$1.00 per inquiry. The agency may also access the Corporation Division's Business Registry Database through the Secretary of State's website.

Backup Withholding Requirements

- .111 The IRS requires backup withholding (similar to income tax withholding for employees) on payments to vendors under any of the following circumstances:
 - a. The vendor did not provide a TIN as requested by an agency (see .106 through .108 above).
 - b. SFMS has received two "B Notices" from the IRS regarding a given vendor within a three year period.

- .112 The backup withholding rate is 31 percent prior to August 6, 2001, and 30.5 percent thereafter and is required to be withheld on all sums due to a vendor who meets the criteria in .111 above, even if the amount is less than \$600 in a calendar year.
- .113 SFMS Operations is responsible for processing backup withholding for vendors on the Statewide Financial Management System.

Filing Requirements and Deadlines

- .114 Reporting on form 1099-MISC is on a calendar year basis and filing deadlines occur very quickly after a calendar year ends; the deadline for filing forms with the IRS is February 28th, and payee copies of the forms must be distributed to the vendors by January 31st. SFMS Operations is responsible for the timely filing of 1099-MISC information for SFMS agencies. Agencies are responsible for providing accurate information. Agencies are also responsible for filing any other form 1099 required to be filed.

Filing Penalties

- .115 The IRS may assess penalties against any entity, including any state agency, that is required to file form 1099-MISC and fails to file, files forms with incorrect information, files unprocessable forms, or fails to file on magnetic media. Penalties may be assessed against the Employer Identification Number under which an agency was required to file forms.

OREGON ACCOUNTING MANUAL		Number 50.60.00.PO
Oregon Department of Administrative Services State Controller's Division		Effective Date August 24, 2004
Chapter	Tax Issues	.1 OF .1
Part	Mass Transit Tax	
Section		Approval Signature on file at SCD

Authority **ORS 291.405**
ORS 291.407

- .101 Any **agency**, maintaining a branch, office, or other physical location within the boundaries of a mass transit district or transportation district is subject to the provisions of this policy. All employees whose official station is within the boundaries of a mass transit district or transportation district are subject to a state-paid payroll assessment of not more than six tenths of one percent (.006) of gross wages. All agencies must send or make available the appropriate amount of tax to the Department of Administrative Services (DAS) for deposit in the Mass Transit Assistance Account for subsequent distribution to mass transit districts/transportation districts throughout the state.
- .102 An annual review of the **mass transit tax** rate by the Department of Transportation will be conducted and communicated to the State Controller's Division to ensure that agencies are not being over-assessed and that mass transit districts/transportation districts are receiving the appropriate amount allowed by statute. Mass transit tax rates will be adjusted as necessary to ensure that no more than a prudent surplus is maintained in the Mass Transit Assistance Account.
- .103 The US Department of Health and Human Services has interpreted **OMB Circular A-87**, *Cost Principles for State and Local Governments*, such that the Mass Transit Tax is not a qualifying payment for reimbursement with federal funds. Therefore, salaries paid with federal funds are exempt from the mass transit tax. Although non-federal expenditures from state resources must be paid, the mass transit tax cannot be used as match against federal funds.
- .104 The availability of mass transit to employees and persons having business with the state is a benefit to those agencies located in a mass transit district, transportation district and/or service district. Also, in exchange for payments made to these districts, as authorized under ORS 291.405 and 291.407, the state and its agencies shall be exempt from any parking code requirements for existing state-owned buildings, construction of new state buildings, or the renovation of existing state buildings which have been or may be established by any political subdivision within the boundaries of a mass transit district or transportation district receiving such payments.

OREGON ACCOUNTING MANUAL		Number 50.60.00.PR
Oregon Department of Administrative Services State Controller's Division		Effective Date August 24, 2004
Chapter	Tax Issues	.1 OF .2
Part	Mass Transit Tax	
Section		Approval Signature on file at SCD

- .101 The Department of Transportation (ODOT) will send written documentation to inform the State Controller's Division of any changes associated with mass transit boundaries or rates.
- .102 Based on the boundary and rate information provided, each valid position number in the Position Inventory Control System (PICS) and the Personnel Position DataBase (PPDB) is linked to a work location designated by a city/county code. All valid Mass Transit Codes (listed below) are linked to a corresponding city/county code. When a position is filled, and an employee is attached to the position, the appropriate fields designating the city/county and Mass Transit district are automatically populated. The following mass transit codes can be found in the personnel system:
- C – Tillamook County
 - E – Sunset Empire (Astoria, Hammond, Seaside, and Warrenton)
 - H – Hood River Transit District
 - K – Basin Transit Service District (Klamath Falls)
 - L – Lane County Mass Transit District
 - M – Mololla Transit District
 - R – Rogue Valley Transportation District
 - S – Salem Transit District
 - T – Tri-County Metropolitan District (Portland)
 - X – Not Subject (All Others)
 - Y – Lincoln County (Lincoln City, Newport, Siletz, and Waldport)
- .103 In the event of an employee temporary location change, the agency personnel office can override the designation of the city/county code. Agencies will want to maintain a record of all temporary location changes. The temporary location change process must take place for each new employee. If the position is permanently relocated, there is a specific action that must take place to have the position master record changed to connect with the new city/county code.
- .104 For agencies using the Statewide Financial Management Application (SFMA), SFMA will automatically generate mass transit and move the generated mass transit funds to the Mass Transit Assistance Account. Salaries paid with federal funds are exempt from mass transit tax. Federal funds can be designated in SFMA either by the position or portion of the position having a federal fund PCA(s) in PPDB or the agencies taking an overall mass transit reduction via the D54 screen, Table ID: PARM in SFMA. It is the agency's responsibility to be able to document and ensure the federal, non-federal split is accurate.
- .105 The Statewide Financial Management Services staff monitors the agency payables, including Mass Transit, compared to the Department of Administrative Services' receivable to ensure both sets of transactions balance and are reimbursed timely.

- .106 For agencies on the Oregon State Payroll Application (OSPA) and not on SFMA, the OSPA calculates the Mass Transit amount due.
- a. The Department of Administrative Services, Office of Business Administration, (OBA) invoices the agency.
 - b. Non-SFMA agencies are responsible to pay the mass transit tax to the OBA monthly.
- .107 The Office of Business Administration is responsible for the following Mass Transit processes:
- a. Deposit receipts associated with the mass transit tax in the Mass Transit Assistance Account.
 - b. Distribute the mass transit tax quarterly to the appropriate districts based on calculations and reports identifying tax revenue levied/collected on behalf of the districts.
 - c. Coordinate resolution of all subsequent adjustments by a state agency or mass transit district/transportation district. Research and resolve all questions concerning over-assessment and under-assessment of taxes. Assure proper payments are made to resolve negotiated adjustments.
 - d. Coordinate with the Department of Transportation, Public Transit Division and the affected entities, as necessary, to provide information and resolve disputes.