STUDENT PAYROLL: YEAR END AUDIT PROCESSES, 2025 WAGE REPORTING, 2025 FINAL PAYROLL PROCESSING, 2026 PAYROLL FORMS

CONTENTS

OVERVIEW

Year-end tax form time is approaching quickly! Please carefully read the following important information regarding calendar year 2025 Student Payroll Wage Reporting and the collection of withholding tax forms for 2025. These instructions will be posted on the Student Payroll page as "Year End Student Payroll Processes" at:
http://www.minnstate.edu/system/finance/taxinformation/studentpayroll/index.html

2025 PAY PERIODS CLOSING DATE

As of the end of the day on 12/26/2025, all calendar year 2025 pay periods up to and including pay period end date 12/16/2025 will be permanently closed.

Final payroll for PPE 12/16/2025 and any additional prior pay period earnings must be processed by 12/26/2025, including:
***Any unpaid hours from pay period end date 12/16/2025 or from an earlier pay period.**
***Any corrections to calendar year 2025 paydays**

IMPORTANT: Schedule direct deposits for ***on or before Friday 12/26/2025.*** Physical paychecks must be ***dated by Friday 12/26/2025 and made available to the student on or before Friday 12/26/2025.*** After 2025 pay periods are closed on 12/26/2025, any unpaid calendar year 2025 hours must be paid on the first pay of 2025 (PPE 12/30/2025, Pay Day 1/9/2025).

WHAT'S NEW FOR STUDENT PAYROLL: 2025 & 2026

- **Minnesota Paid Leave**

  The Minnesota Paid Leave (MPL) program is a state-run insurance program that starts on January 1, 2026, providing partial wage replacement and job protection for employees who need to take time off for medical or family reasons. It allows eligible workers up to 12 weeks of leave for medical purposes and up to 12 weeks for family needs, with a total cap of 20 weeks in a single benefit year. The program is funded through premiums paid by both employers and employees.

  Beginning in 2026, ISRS Student Payroll will withhold MPL premiums from student employee wages. The amount withheld will be .44% of each employee's wages. The withheld employee MPL premium, plus a matching .44% employer share, will be included in the bi-weekly Student Payroll tax liability amounts that are paid by campuses to the system office. ISRS Student Payroll reports will be modified to include the employee & employer MPL premium liability.

  Each quarter, the system office will compile and report Student Payroll employee Paid Leave wages and hours & make premium payments for all the campuses to the MPL program.

  For more information, please visit the Minnesota Paid Leave website.

- **W-2 Overtime Reporting**

  The One Big Beautiful Bill (OBBB), passed by Congress on July 4th, 2025 introduces new provisions for reporting qualified overtime compensation that are effective from January 1, 2025. This includes a temporary deduction for certain employees who receive qualified overtime pay, specifically the premium portion of overtime (the "half" in "time-and-a-half") required under the Fair Labor Standards Act (FLSA).

  For 2025 Student Payroll wages, qualified overtime pay will be reported in Box 14 of the student employee's W-2 Wage and Tax Statement with the description "Qualified Overtime included in Box 1".

  For more information, please see the Internal Revenue Service (IRS) issued guidance on the overtime pay deduction.

2025 STUDENT PAYROLL W2 REPORTING

2025 Student Payroll wages will be reported to the IRS and state tax authorities by 1/28/2026. Any corrections to 2025 W-2 wage statements after we e-file (ex: changes to SSN's) will require creating and filing 2025 W-2C Corrected Wage & Tax Statements. We plan on reviewing changes to 2025 W-2 wage reporting and creating 2025 W-2C forms at the end of February 2026. Thereafter we will review changes to 2025 W2 & 1042S wage reporting at the end of each calendar quarter.

STUDENT PAYROLL YEAR END CLEAN UP - GENERAL NOTES:
* If you have any calendar year 2025 Social Security and Medicare tax refunds that need to be completed, do so *before* processing payroll for PPE 12/16/2025 (last pay of the calendar year). **At the end of the day on 12/26/2025, all calendar year 2025 pay periods up to and including pay period end date 12/16/2025 will be closed. You will not be able to open a CY 2025 pay period after 12/26/2025.**

Pay Day 12/26/2025 (pay period 2025/13, PPE 12/16/2025) ***must be*** processed before 12/26/2025 and direct deposits or physical paychecks must be received by the student on 12/26/2025.

* Run the PR1001CP report (Student Payroll Assurance Report) for the calendar year and if there are any discrepancies on this report, please contact the Helpdesk. To run this report for calendar year 2025, in the "From PPE Date" field, input 12/31/2024 and in the "To PPE Date" field, input 12/16/2025.

* If you have any student addresses that need updating, please make sure that you or the student complete these address changes by the end of the day 12/31/2025.

Note: The student's International Address is used on the 1042-S forms that report student worker wages exempt from taxation under a tax treaty but will be mailed to their best valid U.S. address, if one is available.

UNDER PAYMENTS 2025
For 2025 Student Payroll wage reporting purposes, **you must complete any Calendar Year 2025 Pay Period adjustments before 12/26/2025**. The ACH file for these pays must be created and sent to the bank on or before 12/26/2025 and the student employee's must receive their pay in their bank account or in person on or before 12/26/2025.
In order to accurately report year-end employment tax liability, calendar year 2025 wages not processed before 12/26 must be paid ***in*** calendar year 2026.

OVER PAYMENTS 2025
For those students still working: Subtract the overpaid hours from the student employee's pay before final processing of pay period end date (PPE) 12/16/2025 or the overpayment will be included in the student employee's 2025 W-2 wages. If there are too many overpaid hours to subtract from 2025 pay, the student will need to repay the funds **by 12/16/2025**. Student workers who were overpaid in 2025 and who are or will be paying back the overpaid funds must remit overpaid amounts and the campus must contact Ann in Tax Services **by 12/16/2025.**

Contact Ann in Tax Services to find out the dollar amount to collect from overpaid student employees. Have the following information available:
* Student Name
* Student Tech Id
* Hourly Wage
* Pay Period End Date(s) in which the overpayment occurred.
* # of hours overpaid or, if lump sum, the dollar amount of the over payment.

Notes: For students overpaid in more than one pay period, list the # of hours or amount over paid for each pay period end date.

Partial pay period reversals are not an option for student employees who are on e-Time. If dealing with a partial pay period error, Tax will need to reverse the student worker's full pay and the campus will need to reprocess the pay correctly. ***Be sure contact Tax before PPE 12/16/2025 to allow enough time for reversal and reprocessing of the payroll.***

CANCELING CY 2025 PAYCHECKS

Paychecks issued in error in 2025 must be canceled by 12/26/2025 or the wages will be included on the student employee's 2025 W-2 wage reporting.

Reminder: do not cancel or void an uncashed paycheck! You may only cancel paychecks that were issued in error. For outstanding student payroll checks that a student employee has failed to cash, you must follow Minnesota's unclaimed property rules and procedures.

AUDIT PROCESSES PR0121UG

For information on running student payroll audit processes and for a detailed explanation of Student Payroll audit processes, you will find the ITS Documentation "Explanation of Student Payroll Audit Processes" on SharePoint.

MWR MN RECIPROCITY EXEMPTION – FORMS & AUDIT PROCESS

Audit Process (PR0121UG), MWR Verification: ISRS Student Payroll audit process checks for current calendar year MWR records. An informational message will be given until the PPE that includes the date of 02/28/2026. After this date, the employee's federal filing status and state tax allowances will stay the same, but the tax state will change to MN.

Minnesota has reciprocity with North Dakota and Michigan only. Student employees who are residents of North Dakota or Michigan and wish to remain exempt from Minnesota withholding tax must claim reciprocity for 2026 by submitting a 2026 form MWR – Reciprocity Exemption/Affidavit of Residency before the end of February 2026. The original MWR must be sent to the Minnesota Department of Revenue within 30 days of receiving the form. Keep a copy in the student employee's payroll file. Update the MWR year on the student's employee record on screen PR0021UG.

Minnesota Revenue has not yet posted the 2026 MWR Reciprocity form. Please download the form from the MN Revenue website at:
https://www.revenue.state.mn.us/reciprocity-income-tax-fact-sheet-4
You'll find a link to the current MWR form under the "how to Report Income Tax Withheld on Reciprocity Income" tab.

NOTE: Student employees claiming reciprocity for Michigan, must also complete the Michigan W-4 (MI-W4) to claim Michigan withholding allowances or exemption. The MI-W4 can be found at:
https://www.michigan.gov/documents/taxes/MI-W4_370050_7.pdf

W-4 RECORDS – FORMS & AUDIT PROCESS

IRS Form W-4 Employee's Withholding Certificate & W-4MN Minnesota Employee Withholding Allowance/Exemption Certificate

Note: The 2026 W-4 forms have not yet been posted by the IRS and MN Revenue. Tax will send an email to Student Payroll Contacts & the Accting Listserv when the 2026 W-4's are available.

Audit Process (PR0121UG), Exempt W-4 Verification: ISRS Student Payroll audit process checks for employee W-4 records with exempt status and looks for a new calendar year W-4 record. An informational message will be given until the pay period end date that includes the date of 02/15/2026. After that date, if no new W-4 is on file, the employee's tax status will default to Federal Single filing status and to State Single, 0.

All student employees should have a W-4 on file but only those students who want to change their withholding, those that are claiming 8233 tax treaty benefits, and those that are claiming exemption need to fill out new forms.

Claiming Exemption from Withholding Tax

- Nonresident alien student workers who are claiming exemption from withholding tax under an 8233 tax treaty benefit must complete a new set of NRA W-4 forms each year, one for federal withholding and one for Minnesota withholding. Contact Ann in Tax for more information on nonresident alien taxation.
- Student employees who wish to claim exemption from federal income tax withholding and those that wish to change their withholding for 2026 **must** submit a 2026 federal W-4. The IRS will post the 2026 W-4 at http://www.irs.gov/pub/irs-pdf/fw4.pdf.
- Student employees claiming exemption from Federal withholding who wish to be exempt from Minnesota withholding must submit a 2026 form W-4MN, which can be downloaded at: https://www.revenue.state.mn.us/form-w-4mn

W-4 Form Collection & Processing

For information on when the W-4MN must be sent to MN Revenue, please visit Minnesota Revenue's W-4MN webpage at: https://www.revenue.state.mn.us/form-w-4mn or our Tax website at: https://www.minnstate.edu/system/finance/taxinformation/studentpayroll/minnesota_w-4mn.html

Future W-4 records may be added for employees on the student employee set up screen, PR0021UG. ***Note*:** If an employee has no current W-4 on file, enter the default withholding rates – for federal that is filing status Single and for MN state withholding, Single with 0 withholding allowances.

Special Instructions for Form W-4 - Statutory Withholding for Nonresident Aliens

Student employees who are nonresident aliens for tax purposes must complete a federal W-4 and the W-4MN.

MN withholding – W-4MN: Must be completed as Single regardless of actual marital status. NRA's are restricted on what allowances may be claimed. See W-4MN instructions for details. The employee must enter their withholding allowances on Line 1 near the bottom of the form in order for the form to be valid.

Federal withholding: IRS W-4 must be completed using the statutory withholding rules as follows:

1. May not claim "Exempt" from withholding
2. Check only "Single" filing status in Step 1(c) regardless of actual marital status.
3. Write "nonresident alien" or "NRA" in Step 4 under line 4(c), except if a student from India

For a complete explanation of the nonresident alien IRS form W-4 rules, including exceptions, please see IRS Notice 1392.

NRA W-4 Notes:

* If the nonresident alien student employee is **not** claiming 2026 8233 tax treaty benefits and already has a set of NRA W-4 forms on file, they do *not* need to complete a new set of statutory W-4 forms.
* Nonresident alien student employees who are claiming 2026 8233 tax treaty benefits **must** complete a set of 2026 NRA W-4 forms.

* Nonresident alien student employees who will become resident aliens for tax purposes in 2026, may complete their 2026 W-4 forms as would a U.S. student employee. If they do not complete new W-4's, continue using the NRA W-4's that are on file.

TAX TREATY 8233 – FORMS & AUDIT PROCESS

Audit Process (PR0121UG), 8233 Verification:

ISRS Student Payroll audit process checks for nonresident aliens who have a current 8233 Form on file but do not have an 8233 Form on file for the next calendar year. An informational message will be given.

Nonresident alien student employees wishing to claim tax treaty benefits for 2026 must fill out a new 8233 and the tax treaty statement attachment to be filed with the IRS after 12/15/2024 but before the first pay of 2026 (Pay Day 1/9/2025). You can find the most recent version of form 8233 on the IRS website at: https://www.irs.gov/forms-pubs/form-8233-exemption-from-withholding-on-compensation-for-independent-and-certain-dependent-personal-services-of-a-nonresident-alien-individual

The 8233 Student Statement attachment templates can be found on our Tax web site at: http://www.minnstate.edu/system/finance/taxinformation/nonresident/nra_studentemployees/handbook_att8233.html

For Canadian students claiming treaty benefits: do not check box 10 on page one of the 8233. Canadian students do not complete an 8233 statement attachment.

Copies of the 8233 form and statement attachment must be sent to the IRS, to the student, and to Tax Services. Please send the copy to Tax in PDF format via MoveItSecurely.   Keep the original 8233 for your files.

8233 IRS Mailing Address:

Department of Treasury
Internal Revenue Service
Philadelphia, PA 19255-0725

Those students claiming treaty benefits for 2026 should also fill out a set of 2026 W-4 forms following the nonresident alien W-4 rules (see Special Instructions for Form W-4 above or on our website at https://www.minnstate.edu/system/finance/taxinformation/nonresident/nra_facultyandstaff/statutorynr.html)

Form 8233 Errors

The IRS has become increasingly particular about how form 8233 is completed. Reading the document "Top Six 8233 Errors" on the Tax Services 8233 web page will help you avoid some common errors that can result in the IRS returning the form 8233 and rejecting your employee's treaty benefit claim.

For detailed instructions on filling out Form 8233, go to the IRS web site at: https://www.irs.gov/forms-pubs/form-8233-exemption-from-withholding-on-compensation-for-independent-and-certain-dependent-personal-services-of-a-nonresident-alien-individual

If you would like Tax Services to review an 8233 before sending it to the IRS, please scan and email to Ann Page using our secure file sharing software MoveItSecurely**.**

FICA TAXATION AND ENROLLMENT – FORMS & AUDIT PROCESS

Audit Process (PR0121UG), FICA/Medicare Requirements: This ISRS Student Payroll audit process determines the employee's Social Security/Medicare (FICA) tax status on the *Student Employee Setup* screen (PR0021UG). An employee is FICA tax exempt if he/she meets the minimum requirements for registered credits defined on the *FICA and Medicare Tax Schedule Screen* (PR0013UG).
Note: A student employee who is a nonresident alien for tax purposes will be exempt from FICA taxation until they reach their tax residency year.

Reminder: Run the FICA/Medicare audit before processing the first pay of Spring term so that you capture the latest enrollment data for your student employees.

SECURE FILE SHARING

Tax requests that you send all sensitive information via MoveItSecurely.
Accessing your MoveItSecurely account is easy - just sign in with your Star Id and password at: https://securefileshare.minnstate.edu and install the Upload/Download wizard.

For MoveItSecurely access and support issues, please contact the HelpDesk at https://servicedesk.minnstate.edu.

GO ELECTRONIC!

Students may sign up to receive their student employee W-2 Wage and Tax Statements electronically rather than by U.S. mail. Tax encourages campuses to reach out to student employees in whatever methods are available to encourage the student employees to consent to electronic delivery.
To sign up, the student simply accesses their Student e-Services account and clicks on the Action Item announcing electronic tax forms or goes to the My Profile link in the upper right hand corner of their dashboard page and clicks on the link to their Opt In/Opt Out agreements.

Students that signed up for electronic delivery during a previous tax year will automatically receive their 2026 W-2 electronically.

The electronic forms will be posted in January prior to printing the paper W-2 forms.

Please encourage your student workers that request reprints of their W-2 forms to sign up for electronic tax forms.

Please contact Ann Page in Tax Services if you have questions – ann.page@minnstate.edu

Thank you all for your time & help!