

2024 NASPEs AWARD

Eugene H. Rooney, Jr. Award Nomination Innovative State Human Resource Management Program

Nominations from dues-paying states are considered for eligibility. Nominated leaders and programs should have a positive effect on the administration of state human resource programs. A state's central human resource department or line agency human resource operations may administer nominated programs.

Programs and projects must have been operational for at least six months and must be transferable to other states. Selection criteria are based on the questions asked on the award application. Included in this packet are the specific criteria for each award and their categories. Nominations are encouraged in all areas of human resource management administration.

PROGRAM INFORMATION

Program Title: City Wage Tax Exemption Letter **State:** MI

Contact Person: Susan Wilmore

Contact's Title: Director, Bureau of Data and Applications Support

Agency: Michigan Civil Service Commission

Mailing Address: P.O. Box 30002, Lansing, MI 48909

Telephone: 517-284-0111

E-mail: wilmores@mi.gov

NOMINATOR INFORMATION

Nominator: John Gnodtke **Title:** State Personnel Director

State: MI **Agency:** Michigan Civil Service Commission

Telephone: 517-241-3717

E-mail: gnodtkej@mi.gov

ALL SUBMISSIONS MUST:

- Meet all eligibility requirements
- Meet deadline requirements
- Include a complete nomination packet
- Conform to all copyright laws

2024 NASPEs AWARD

Eugene H. Rooney, Jr. Award Nomination Innovative State Human Resource Management Program

DETAILS

Please attach a one-page summary of the program. Provide a narrative answer for each of the questions. You are limited to four pages (based on regular 8 1/2 x 11-inch paper double-spaced in 12-point font). The four-page limit does not include the one-page summary.

1. Please provide a brief description of this program.

Automation using self-service through Michigan's HRIS to provide documents for local tax filings for remote employees in response to exponential increased demand. More detail is provided in the separate one-page summary and below.

2. How long has this program been operational (month and year)?

The City Wage Tax Exemption Letter solution went live in February 2021, providing letters to employees for the 2020 tax year. It has been refined and improved during subsequent years.

3. Why was this program created? (What problem[s] or issues does it address?)

Before the COVID-19 pandemic, data required to properly apportion income on Michigan city income tax returns for non-residents of cities were compiled manually by HR on an as-needed basis to a small number of employees. Most employees requesting the information had simply changed work locations during the year, so the hours worked in different cities were relatively easy to determine based on appointment dates; few were remote or hybrid employees.

Due to COVID-19 work-from-home orders, approximately 80% of the workforce began remote work for at least part of 2020. Since most of our workforce lived in different localities than their pre-pandemic work locations, an unprecedented number of letters would be required for the 2020 tax year and an automated solution would be required to timely meet the need. It is one thing for an agency's HR office to produce ten bespoke letters memorializing hours worked; it is another to need to produce thousands.

4. Why is this program a new and creative method?

The City Tax Wage Exemption solution provides a quick, easy method for employees to request letters, populates relevant data from the HRIS, facilitates timely routing through established approval paths, and eliminates manual effort preparing letters. It also eliminates manual calculations, which are prone to error, and allows attestation to the accuracy of values used at each step from submission to approval.

5. What was the program's startup costs? (Provide detailed information about specific purchases for this program, staffing needs and other expenditures, as well as existing materials, technology, and staff already in place.)

Existing staff and IT resources were used to create this solution. No separate costs were tracked. The technical team supporting our Infor S3 product used Infor tools to develop custom tables, forms, programs, and IPA Flows within the existing Infor S3 framework. Functional resources from MCSC's central HR area provided guidance on solution requirements and performed

ALL SUBMISSIONS MUST:

- Meet all eligibility requirements • Meet deadline requirements
- Include a complete nomination packet • Conform to all copyright laws

2024 NASPEs AWARD

Eugene H. Rooney, Jr. Award Nomination Innovative State Human Resource Management Program

extensive testing and validation throughout development. Payroll experts from our Office of Financial Management also weighed in on tax compliance matters.

6. What are the program's operational costs?

Existing staff and IT resources are used to support this solution. No separate costs are tracked. The technical team tasked with supporting our Infor S3 product provide any technical support as needed. Minor changes have been needed since implementation. Functional resources from the MCSC's central HR area provide user support and testing of annual updates.

7. How is this program funded?

This solution is considered part of the regular annual cost of supporting HR, Benefits, Leave Processing, and Payroll functions for the State of Michigan. No further breakdown exists within that overall budget for this solution.

8. Did this program originate in your state? Yes No

9. Are you aware of similar programs in other states? Yes No
If yes, how does this program differ?

Click or tap here to enter text.

10. How do you measure the success of this program?

The solution goes live each year after W-2s are sent, but employees now routinely ask when City Wage Tax Exemption Letters for the new tax year will be available!

HR staff have indicated high satisfaction with this process, both in ease of use and effort saved no longer having to manually produce letters. Since HR offices prepared letters manually before, we lack statistics on prior volume, but we believe it was at most a few hundred annually. Letters processed so far by tax year are 6,588 in 2020; 6,754 in 2021; 4,877 in 2022 (after more employees became fully remote and no longer needed to report non-resident city taxes); and 3,818 for 2023 (as of 3/27/24).

11. How has the program grown and/or changed since its inception?

After identifying the need for a solution in late 2020, the initial year's version was produced with a short turnaround. During a review of experience from the first cycle, it was discovered that individual pieces of data used in the process were missing for select employees, typically due to missing history on specific values. This resulted in a review and cleanup effort of data elements across the board and improvements to the overall data integrity in our system.

The process has also been modified since to allow HR to generate letters for departed employees who no longer can access self-service to eliminate the need for manual calculation and letter preparation by HR.

ALL SUBMISSIONS MUST:

- Meet all eligibility requirements
- Meet deadline requirements
- Include a complete nomination packet
- Conform to all copyright laws

2024 NASPEs AWARD

Eugene H. Rooney, Jr. Award Nomination Innovative State Human Resource Management Program

State of Michigan City Wage Tax Exemption Letter Process in Employee-Manager Self-Service

Several Michigan cities allow non-residents of the cities to apportion their taxable income between time worked inside and outside the applicable locality. Wages related to time worked outside the city can be exempt from taxation. The City Wage Tax Exemption Letter solution provides employees the necessary documentation to defend the apportionment of non-resident income if audited on city-income-tax returns. It replaced a labor-intensive manual process where HR staff individually created letters upon requests from employees based on individual review and summarizing of HR and payroll records.

Employees begin the process of requesting a letter in their self-service account. After employees initiate requests, they are provided a breakdown of total hours paid each pay period and the number of those hours eligible for exemption as not worked for holidays or leave use. This data is auto-populated from state payroll records in our HRIS. Employees then allocate the remaining hours worked as occurring inside or outside the applicable city limits pay period by pay period and attest to the accuracy of the data when submitting.

The solution routes submitted documents for approval first by the supervisor and then by HR. Requests can be rejected and routed back for correction at any point in the approval process.

Once all approvals are recorded, a letter is generated systematically and emailed to the employee. The letters are on employer letterhead, addressed to the employee, and signed by the applicable supervisor. The letter includes the summarized information the employee needs to complete their return. A second page also includes a full detailed accounting of hours. Letters can also be reissued from within self-service if additional copies are needed.

With the exponential growth of remote work after the COVID-19 pandemic, the demand for these letters skyrocketed. Whereas HR professionals could create the occasional letter mostly for employees who moved office locations mid-year before 2020, it became apparent in late 2020 that HR would need to provide thousands of customized letters requiring knowledge of individual work schedules not readily available to HR.

IT staff created a solution on a tight timeframe that effectively saved the equivalent of several full-time HR positions that would have been needed to produce tens of thousands of individual letters over the last few years. The system has also been modified over the years to add functionality and improve data integrity in the HRIS.