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STATE OF FLORIDA

December 20, 2004

IN REPLY REFER TO:  
DFSBP 04-07

**TO:** Agencies Addressed

**FROM:** John Bennett, Chief  
Bureau of State Payrolls

**SUBJECT: CALENDAR YEAR END INFORMATION**

The following payroll related information is provided to assist agencies in complying with the calendar year end reporting and processing schedule. Information concerning upcoming payroll changes and activities is included. The following topics are covered:

1. Vehicle Fringe Benefit Reporting
2. Moving Expenses
3. Forms W-2 & 1042-S Distribution
4. Duplicate Forms W-2, W-2c and 1042-S
5. Cancellations and Adjustments
6. Refund of Current Year Salary Overpayment
7. FICA Tax Changes
8. On-Demand Payroll and Revolving Fund Reimbursements
9. Taxable Tuition Waivers and Taxable Education Assistance
10. Nonresident Alien Non-Cash Scholarships
11. State Income Taxes Deducted in 2004
12. Employee's Withholding Allowance Certificate – Form W-4
13. Expiration of Advance EIC Payments – Form W-5
14. Qualified Transportation Fringe Benefit Limits
15. Pension Plan Contribution Limits - 2005

### **1. Vehicle Fringe Benefit Reporting**

The deadline for reporting vehicle fringe benefits for November 1, 2003 through October 31, 2004 is 11:00 a.m. on December 28, 2004. Vehicle fringe benefits must be reported utilizing the non-cash adjustments on-line system. Agencies collecting FICA taxes through the payroll process in December should exercise care to ensure that the values are entered and approved prior to the processing of their agency's last payroll of the year. Any on-line adjustments entered after the last payroll for 2004 has processed, or adjustments by agencies that elect to pay FICA taxes from their FLAIR accounts, must be entered and approved in the on-line system by 11:00 a.m. on December 28, 2004 in order to be considered as 2004 business. This is the date of the last cancellation and adjustment run of the year. Any reported

benefits entered into the on-line system after that date will result in the affected employee receiving a corrected Form W-2 (W-2c) for calendar year 2004.

Instructions for completing on-line non-cash adjustments are found in Volume V, Section 7, of the Payroll Preparation Manual. Questions regarding this process should be directed to Patsy Burgess, (850) 410-9435, SUNCOM 210-9435 or e-mail at [patsy.burgess@fldfs.com](mailto:patsy.burgess@fldfs.com).

Elected officials and employees whose calendar year 2004 compensation is greater than \$128,200 are not eligible to use the commuting valuation method. Instead, they must use the Annual Lease Value Table. Please note the four-year recalculation requirement when using the Annual Lease Value Table. Please refer to Volume VI, Section 3, of the Payroll Preparation Manual for instructions.

## **2. Moving Expenses**

Comptroller's Memorandum No. 1 (1998-99) and Payroll Preparation Manual, Volume VI, Section 3, contain information regarding the Federal tax and reporting requirements applicable to payments or reimbursements for employee moving expenses.

## **3. Forms W-2 & 1042-S Distribution**

Original Forms W-2 and Information Statements for calendar year 2004 will be distributed to all agencies by January 20, 2005. The design of the Form W-2 has not changed from last year. The dimension of the form and the address placement are the same as last year's Form W-2. The envelopes for mailing W-2 forms to employees can be purchased using state commodity #310-420-723-0160.

The alpha list of original W-2's will **ONLY** be available to the agencies in RDS. The RDS Form ID is U\*\*6 (\*\*represents your agency ID). RDS administrators should establish this report for all necessary personnel **before** January 12, 2005. Information about the Report Distribution System is located in Volume VIII, Section 2, of the Payroll Preparation Manual.

Original Forms 1042-S for nonresident aliens will be distributed to all agencies no later than March 3, 2005. The design of the Form 1042-S has not changed from last year.

## **4. Duplicate Forms W-2, W-2c and 1042-S**

The last day in 2004 that 2001, 2002, or 2003 duplicate Forms W-2, W-2c and 1042-S will be available via the on-line request system will be December 28, 2004. Duplicate 2002, 2003, and 2004 Forms W-2 and W-2c should be available via the on-line request system by January 19, 2005 or shortly thereafter. Duplicate 2002, 2003, and 2004 1042-S Forms should be available via the on-line request system in March 2005.

## **5. Cancellations and Adjustments**

All cancellations and adjustments, including salary refunds, made to year 2004 earnings must be added and approved in the on-line system by 11:00 a.m. on December 28, 2004 in order to be considered as 2004 business for W-2 production and withholding tax restoration. There will be at least a 4-month delay in restoration of withholding tax for any adjustments processed after December 28, 2004.

No adjustments will be processed from 11:00 a.m. on December 28, 2004 through January 2, 2005. Any cancellations and adjustments made to year 2004 earnings that are approved after 11:00 a.m. on December 28, 2004, will result in the issuance of a W-2c Form. Cancellations and adjustments entered and approved January 3-12, 2005, will result in the message "Employee: Please Hold for W-2c" being printed on the employee's original W-2 Form. Any employee receiving a W-2 Form with this message should refrain from filing a tax return until the W-2c Form is received. Adjustments processed after January 12, 2005, will generate a W-2c Form. However, original 2004 W-2 Forms will not display a message.

W-2c Forms resulting from adjustments processed January 3-12, 2005, will be mailed directly to affected employees at their home addresses. However, agencies will be contacted if the mailing information in the W-4 component of the DFS payroll system (PYRL) is inaccurate.

Procedures for cancellation and adjustment processes are found in Volume V of the Payroll Preparation Manual. Questions regarding these processes should be directed to either Patsy Burgess, (850) 410-9435, SUNCOM 210-9435 or [patsy.burgess@fldfs.com](mailto:patsy.burgess@fldfs.com), or to Cynthia Murphy, (850) 410-9433 SUNCOM 210-9433 or [cynthia.murphy@fldfs.com](mailto:cynthia.murphy@fldfs.com).

#### **6. Refund of Current Year Salary Overpayment**

In order to be considered in the production of the original 2004 W-2 form, refunds must be added and approved in the on-line system by 11:00 a.m. on December 28, 2004.

Agencies must enter the refund information into the system by December 30, 2004, in order for the system to calculate the correct withholding tax for the net refund. Employees must repay the net refund by December 31, 2004. In addition, the records must be approved by 5:00 p.m. on January 4, 2005. All records entered into the system on or before December 30, 2004, and not approved by January 4, 2005, will be deleted. Records entered after December 30th with year 2004 warrant dates will not have withholding tax or W-2 Gross adjusted. Information concerning the processing of salary overpayment refunds can be found in Volume V, Section 6, of the Payroll Preparation Manual.

Questions regarding salary overpayment adjustments should be directed to either Patsy Burgess, (850) 410-9435, SUNCOM 210-9435 or [patsy.burgess@fldfs.com](mailto:patsy.burgess@fldfs.com) or to Cynthia Murphy, (850) 410-9433, SUNCOM 210-9433 or [cynthia.murphy@fldfs.com](mailto:cynthia.murphy@fldfs.com).

#### **7. FICA Tax Changes**

The Social Security wage base will increase from \$87,900 to \$90,000 in year 2005. The Social Security tax rate will remain at 6.2% and the Medicare tax rate will remain at 1.45% for both employee and employer contributions.

#### **8. On-Demand Payroll and Revolving Fund Reimbursements**

All Revolving Fund payments for wages made to employees in calendar year 2004 must be calculated and reimbursed in year 2004 utilizing the On-Demand Payroll System. All transactions in the On-Demand system must be approved by 11:00 a.m. on December 28, 2004, to be considered as 2004 business.

On-Demand transactions not approved by this time will be purged from the On-Demand system. If a revolving fund transaction is not reimbursed in the same calendar year as the payment to the employee, an incorrect W-2 Form will be created necessitating the issuance of a W-2c Form. In addition, the unapproved On-Demand revolving fund reimbursement transaction will be deleted after 11:00 a.m. on December 28, 2004. Note that revolving fund payments can only be reimbursed through the On-Demand Payroll System for the exact amount calculated by the On-Demand Payroll System in the calendar year the Revolving Fund was paid to the employee. For additional information on Revolving Fund regulations, please refer to Chapter 69I-31.226, Florida Administrative Code, titled "Wage Payments from Revolving Funds". Also refer to Volume IV, Section 11 of the Payroll Processing Manual for additional information on the On-Demand Payroll System.

#### **9. Taxable Tuition Waivers and Taxable Education Assistance**

Taxable tuition waivers and education assistance must be reported in the current calendar year utilizing the non-cash adjustments on-line system. Agencies collecting FICA taxes through the payroll process in December 2004 should exercise care to ensure that the values are entered and approved prior to processing the last payroll of the year. Agencies electing to pay FICA taxes from their FLAIR account, or on-line adjustments entered after the last payroll for 2004 has processed, must enter and approve the transaction by December 28, 2004 (the last daily cancellation and adjustment run of the year). Instructions for completing on-line non-cash adjustments are located in Volume V, Section 7, of the Payroll Preparation Manual. Information concerning the reporting of taxable tuition waivers is located in Volume VI, Section 3, of the Payroll Preparation Manual.

#### **10. Nonresident Alien Non-Cash Scholarships**

For nonresident aliens, the Internal Revenue Service requires that all U.S. sources of non-qualified scholarships, fellowships, grants, and financial aid be reported on IRS Form 1042-S. The IRS may assess interest and penalties on items not timely reported. Agencies should report non-cash scholarships, using the on-line non-cash adjustment system, by 11:00 a.m. on December 28, 2004 for calendar year 2004. Before entering the adjustment, you must ensure that the scholarship recipient has a completed W-4 form in the system. Instructions for entering these types of payments into the system are located in Volume V, Section 7, of the Payroll Preparation Manual. In addition, the non-cash adjustment system will collect the withholding taxes from the FLAIR account code entered with the transaction.

#### **11. State Income Taxes Deducted in 2004**

Agencies electing to provide state income tax withholding for its employees must assume the remitting and reporting responsibilities. Each agency must register with the appropriate taxing authority of the state or local government; obtain an agency tax identification number and the required information and forms for meeting its remitting and reporting responsibilities. BOSP must be notified when new registrations are obtained, providing the name of the state or local government taxing authority, the agency tax identification number, deduction code utilized, and the agency contact name and telephone number.

Prior to year 2003, agencies were required to add each employee's state and local government income tax deductions to Form W-2 before distribution to employees. Beginning with year 2003, the Chief Financial Officer's payroll system will add these deduction amounts to W-2 forms.

Agency reports will be available in the Report Distribution System (RDS) in January 2005 listing employees having state and local government income tax deductions in year 2004. The RDS Form ID is U\*\*K (\*\*represents your Agency ID). RDS administrators should establish this report for all necessary personnel before year-end (December 31, 2004). Information about RDS is located in Volume VIII, Section 2 of the Payroll Preparation Manual. Information about State Income Taxation is located in Volume VI, Section 4. Questions should be directed to Ernest Thompson, (850) 410-9432, SUNCOM 210-9432, or [ernest.thompson@fldfs.com](mailto:ernest.thompson@fldfs.com).

#### **12. Employee's Withholding Allowance Certificate – Form W-4**

Agencies should remind employees to update their W-4 information if their address, marital status, allowances or exempt status has changed since their W-4 information was last updated.

All W-4's claiming exempt status for 2004 expire February 15, 2005. Employees claiming exempt status must file a new W-4 each year. For People First agencies, this is now accomplished by updating the W-4 information in People First. If a new W-4 is not filed, the Internal Revenue Service requires the employer to withhold tax as if the employee is single with zero allowances. On February 9, 2005, DFS will update W-4's that still contain 2004 exempt status to "single" filing status and "0" allowances in the DFS payroll system. In order to continue uninterrupted exempt status for 2005, a new W-4 must be received by the DFS payroll system between January 3 and February 9, 2005.

#### **13. Expiration of Advance EIC Payments – Form W-5**

Agencies should remind employees that all Earned Income Credit Advance Payment Certificates (Forms W-5) for 2004 expire December 31, 2004. This includes any 2004 W-5 updates entered into the DFS payroll system between now and year-end. Eligible employees who want to receive advance payments during 2005 must update their W-5 information. In order to continue uninterrupted participation, all 2005 W-5 updates must be received in the DFS payroll system between December 30, 2004 and January 2, 2005.

#### **14. Qualified Transportation Fringe Benefit Limits**

For taxable years beginning in 2005, the monthly limitation under Section 132(f), regarding the aggregate fringe benefit exclusion amount for transportation in a commuter highway vehicle and any transit pass, is \$105. The monthly limitation regarding the fringe benefit exclusion for qualified parking is \$200.

#### **15. Pension Plan Contribution Limits – 2005**

The annual additions limitation for defined contribution plans under IRC Section 415(c) is increased from \$41,000 to \$42,000.

The annual compensation limit under Section 401(a)(17) is increased from \$205,000 to \$210,000.

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The annual compensation limitation under Section 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limitation under the plan under Section 401(a)(17) to be taken into account, is increased from \$306,820 to \$315,000.

The limitation on the exclusion for elective deferrals under Section 402(g) (e.g., 403(b) plans) is increased from \$13,000 to \$14,000.

The limitation under Section 457 concerning elective deferrals to deferred compensation plans of state and local governments and tax-exempt organizations have increased from \$13,000 to \$14,000.

The limitation under 414(v) for catch-up contributions to 403(b) and 457 plans for individuals age 50 and over is increased from \$3,000 to \$4,000.

Please do not hesitate to contact our office at (850) 410-9416 or SUNCOM 210-9416 if there are any questions concerning this Calendar Year End information memorandum.

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