

DATE: November 16, 2016

TO: Agency Addressed (No. 19, 2016-2017)

FROM: Christina Smith, Director
Division of Accounting and Auditing
Department of Financial Services

SUBJECT: **2016 Calendar Year-End Payroll Information**

The following payroll related information is provided to assist agencies in complying with the Payroll Calendar year-end reporting and processing schedule. Information concerning upcoming payroll changes and activities is included.

1. On-Demand Payrolls

The last On-Demand Payroll warrant dated for 2016 will be processed on December 28, 2016. All On-Demand transactions that are not approved by **5:00 p.m.** on December 28, 2016 will be purged from the On-Demand system. On-Demands entered and approved on December 29, 2016 will be warrant dated in 2017.

2. Retirement Adjustments

Agencies should not process on-line retirement adjustments from December 22, 2016 through January 5, 2017 which result in a refund to an employee. Processing refunds during this period of time will result in an understatement in an employee's W-2 gross in calendar year 2016.

3. Warrant Cancellations and Payroll Record Adjustments

All cancellations and adjustments, including salary refunds, made to year 2016 earnings must be added and approved in the FLAIR Payroll (PYRL) System by **5:00 p.m.** on January 5, 2017, in order to be considered in the 2016 Form W-2 production and withholding tax restoration.

Note: Cancellations and adjustments to year 2016 earnings approved after **5:00 p.m.** on January 5, 2017, are considered prior year adjustments and will result in the issuance of a Form W-2c. Prior year cancellations and adjustments will not adjust or restore withholding tax. The IRS does not permit adjustments to amounts reported as income tax withheld in a prior calendar year.

Procedures for cancellation and adjustment processes are found in **Volume V, Sections 5-9**, of the [Payroll Preparation Manual](#).

4. Revolving Fund Reimbursements

All Revolving Fund payments for wages made to employees in calendar year 2016 must be calculated and reimbursed in year 2016 **utilizing the On-Demand Payroll System**. 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 9**, of the [Payroll Preparation Manual](#) for additional information on the On-Demand Payroll System.

5. Refund of Current Year Salary Overpayments

In order to be included in the production of original 2016 Form W-2s, salary refunds must be added and approved in the PYRL system by **5:00 p.m.** on January 5, 2017. Refunds entered in the system and approved by January 5, 2017 will have taxable gross, social security, Medicare, and federal withholding tax adjusted. The original Form W-2 will reflect the employee's salary refund. The related social security, Medicare, and federal withholding tax will be restored to agency accounts. If the agency has only collected a portion of the overpayment due, a partial salary refund should be recorded for the amount collected prior to December 31, 2016.

Refunds entered in the PYRL system by January 5, 2017, but not approved by **5:00 p.m.** January 5, 2017, will be purged from the system. These records must be submitted to BOSP's Employee Records Section on **Form DFS-A3-1911** for processing. The form is available at <http://www.myfloridacfo.com/Division/AA/Forms/default.htm>.

Current year salary overpayments that have not been collected or have only been partially paid at year-end must be recalculated to include the withholding tax on subsequent collections. This can be done using the **On-line Salary Refund System**. Information concerning the processing of salary overpayment refunds can be found in **Volume V, Section 6**, of the [Payroll Preparation Manual](#).

6. Refund of Prior Year Salary Overpayments

Amounts collected by the agency for prior year salary overpayments during the current calendar year should be entered into the FLAIR PYRL Salary Refund System no later than **5:00 p.m.** on December 20, 2016. If the agency has not collected the entire amount due, the amount that has been collected should be entered as a partial salary refund and a new record entered when the remaining amount is collected. This is especially critical for any salary overpayment monies collected that pertain to Calendar Year 2013. After December 20, 2016, agencies will no longer be able to recoup social security and Medicare taxes for payments originally issued in 2013.

7. Form W-4 – Expiration of Exemption From Withholding

A Form W-4 claiming exemption from withholding is valid for only one calendar year. Employees claiming exempt status on their Form W-4, Employee's Withholding Allowance Certificate, must file a new Form W-4 each year. If a new Form W-4 is not filed, the Internal Revenue Service (IRS) requires the employer to withhold tax as if the employee is single with zero allowances.

Agency payroll report PW4RYX03 (RDS ID Q**T) provides a listing of employees within your agency who have claimed exempt status for 2016. This report will be available for Agency use by January 1, 2017. **These employees should be notified that a new Form W-4 is required for 2017. In order to continue uninterrupted exempt status for 2017, eligible employees must submit a new Form W-4 by February 10, 2017.**

8. Form W-2 Distribution

The Department of Financial Services is responsible for producing all state employee W-2 forms. Many employees have already elected to receive their original W-2 Form electronically instead of receiving a paper form distributed by agencies. Registration for electronic delivery is available to all employees on the Employees' Information Center (EIC) website. Employees who are not already registered must register no later than January 5, 2017, to receive their original form electronically.

Original 2016 W-2 forms for employees receiving a paper form will be distributed to all agencies no later than **January 17, 2017**. The design of Form W-2 has not changed from last year.

The agency list of W-2 forms will **ONLY** be available to the agencies in RDS. The list will include all W-2 forms produced and will indicate paper or electronic delivery for each employee. The RDS Form ID is U**6. RDS administrators should establish this report for all necessary personnel **before** January 6, 2017.

9. Duplicate Forms – W-2 and W-2c

Duplicate W-2 forms for tax years 2012-2016 will only be available on the EIC website. For employees who have elected to receive their W-2 form electronically, their duplicate 2016 W-2 form can be printed any time after the W-2 form email notification has been sent. For employees who have not elected to receive their W-2 form electronically, employees and designated agency personnel may print 2016 W-2 duplicates as needed from the EIC website beginning on February 1, 2017.

Duplicate W-2c forms for 2016 should be available for agency personnel through the FLAIR PYRL System Tax Reporting screens by January 31, 2017. Duplicate 2013 W-2 or W-2c forms will be available via the on-line Tax Reporting system until December 28, 2016.

10. Annual Earnings and Benefit Statements

The Annual Earnings and Benefits Statements will be available to employees and designated agency personnel at the Employees' Information Center (EIC) website no later than January 12, 2017.

11. Health Care Coverage Under Affordable Care Act Forms – 1095-B and 1095-C

In early February 2017, state employees will be receiving a Form 1095-B and/or Form 1095-C. The Department of Management Services, Division of State Group Insurance (DSGI), is responsible for the production and distribution of these forms. These forms must be used for tax reporting to prove employees had minimum essential health coverage. Employees with questions should contact the name and telephone number that will be provided along with the forms.

12. Vehicle Fringe Benefit Reporting

The deadline for reporting vehicle fringe benefits for November 1, 2015, through October 31, 2016, is **5:00 p.m.** on January 5, 2017. Vehicle fringe benefits must be reported utilizing the FLAIR PYRL **On-line Non-cash Adjustments System**. On-line adjustments processed after the last payroll for 2016, or adjustments made by agencies that elect to pay FICA taxes from their FLAIR accounts, must be entered and approved in the on-line system by **5:00 p.m.** on January 5, 2017, in order to be considered as 2016 business. This is the date of the last cancellation and adjustment run which will adjust the original 2016 Form W-2. Any reported benefits entered into the on-line system after that date will result in the affected employee receiving a corrected Form W-2 (Form W-2c) for calendar year 2016.

Instructions for completing on-line non-cash adjustments are found in **Volume V, Section 7**, of the [Payroll Preparation Manual](#).

Elected officials and employees whose calendar year 2016 compensation is greater than \$150,200 are not eligible to use the commuting valuation method. Instead, they must use the Annual Lease Value Table. Please note there is a four-year recalculation requirement when using the Annual Lease Value Table. Refer to **Volume VI, Section 3, Personal Use of State-Provided Vehicles**, of the [Payroll Preparation Manual](#) for instructions.

13. Taxable Tuition Waivers and Taxable Education Assistance

Taxable tuition waivers and education assistance must be reported in the current calendar year utilizing the **On-line Non-cash Adjustments System**. Agencies electing to pay FICA taxes from their FLAIR accounts, or those that must enter on-line adjustments after the last payroll for 2016 has processed (and pay the FICA taxes), must enter and approve the transactions by **5:00 p.m.** on January 5, 2017, (the last daily cancellation and adjustment run affecting original 2016 Form W-2s).

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](#).

14. State Income Taxes Deducted in 2016

Agencies electing to provide state income tax withholding deductions for their employees must assume the remitting and reporting responsibilities.

State income tax deduction amounts are reported on Form W-2, box 17. Agency reports will be available in January 2017 listing employees having state and local government income tax deductions in year 2016. See agency payroll report **PSARSTAX (RDS Form ID U**K)**. RDS administrators should establish this report for all necessary personnel before year-end (December 31, 2016). Information about State Income Taxation is located in **Volume VI, Section 9**, of the [Payroll Preparation Manual](#).

Please contact the Bureau of State Payrolls at (850) 413-5513 if you have any questions.