

DATE: December 5, 2017

TO: Agency Addressed (No. 17, 2017-18)

FROM: Paul Whitfield, Director
Division of Accounting and Auditing
Department of Financial Services

SUBJECT: 2017 Calendar Year-End 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. All reports referenced in this memorandum are available through the Report Distribution System (RDS). If you need assistance in viewing or printing your reports, please contact your agency RDS administrator.

1. 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. Form W-4s claiming exempt status for 2017 are valid through February 15, 2018. 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. On February 09, 2018, the Department of Financial Services (DFS) will update Form W-4s that still contain 2017 exempt status to "single" filing status and "0" allowances in the DFS payroll (PYRL) system. To continue uninterrupted exempt status for 2018, eligible employees must submit a new Form W-4 by February 9, 2018. For agency employees using the People First system, this is accomplished by updating the Form W-4 information in People First by **7:00 p.m.** on February 09, 2018. For agencies not using People First (e.g., Legislature), you will need to work with your eligible employees to ensure their Form W-4s are updated by February 9, 2018.

Agency payroll report PW4RYX03 (RDS ID Q**T) provides a listing of employees within your agency who have claimed exempt status for 2017. This report will be available for Agency use by January 1, 2018. **These employees should be notified that a new Form W-4 is required for 2018.**

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

2. Vehicle Fringe Benefit Reporting

The deadline for reporting vehicle fringe benefits for November 1, 2016, through October 31, 2017, is **5:00 p.m.** on January 4, 2018. Vehicle fringe benefits must be reported utilizing the **On-line Non-Cash Adjustments System**. Agencies collecting Federal Insurance Contributions Act (FICA) taxes through the payroll process in December should exercise care to ensure that the appropriate non-cash adjustments are entered and approved prior to the processing of their agency's last payroll of the year. On-line adjustments processed after the last payroll for 2017, or adjustments made by agencies that elect to pay FICA taxes from their Florida Accounting Information Resource (FLAIR) accounts, must be entered and approved in the on-line system by **5:00 p.m.** on January 4, 2018, to be considered as 2017 business. This is the date of the last cancellation and adjustment run which will adjust the original 2017 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 2017.

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 2017 compensation is greater than \$151,700 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.

3. 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 collecting FICA taxes through the payroll process in December 2017 should exercise care to ensure that the values are entered and approved prior to processing the last payroll of the year, December 20, 2017. Agencies electing to pay FICA taxes from their FLAIR accounts, or those that must enter on-line adjustments after the last payroll for 2017 has processed (and pay the FICA taxes), must enter and approve the transactions by **5:00 p.m.** on January 4, 2018, (the last daily cancellation and adjustment run affecting original 2017 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](#).

4. Warrant Cancellations and Payroll Record Adjustments

All warrant cancellations and adjustments, including salary refunds, made to year 2017 earnings must be added and approved in the on-line system by **5:00 p.m.** on January 4, 2018, to be considered 2017 business for Form W-2 production and withholding tax restoration.

Note: Cancellations and adjustments to year 2017 earnings approved after **5:00 p.m.** on January 4, 2018, are considered prior year adjustments and may 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](#).

5. Refund of Current Year Salary Overpayments

To be included in the production of original 2017 Form W-2s, salary refunds must be added and approved in the PYRL system by **5:00 p.m.** on January 4, 2018, (the last daily adjustment run affecting the original 2017 Form W-2s). Refunds entered in the system and approved by January 4, 2018, 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 entered into the system no later than **5:00 p.m.** on January 4, 2018 for the amount collected prior to December 31, 2017.

Refunds entered in the PYRL system by January 4, 2018, but not approved by **5:00 p.m.** January 4, 2018, will be purged from the system. Records for employees who repaid overpayments in 2017 but whose on-line adjustments were not approved by **5:00 p.m.** January 4, 2018, will be purged and must be submitted to our 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 On-line Salary Refund System no later than **5:00 p.m.** on December 19, 2017. 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 2014. After December 19, 2017, agencies will no longer be able to recoup Social Security and Medicare taxes for payments originally issued in 2014.

7. On-Demand Payrolls and Revolving Fund Reimbursements

The last On-Demand Payroll warrant dated for 2017 will be processed on December 27, 2017. All On-Demand transactions that are not approved by **5:00 p.m.** on December 27, 2017 will be purged from the On-Demand system.

All Revolving Fund payments for wages made to employees in calendar year 2017 must be calculated and reimbursed by December 27, 2017 using the **On-Demand Payroll System**. 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 same calendar year** the Revolving Fund check was paid to the employee. All unapproved On-Demand revolving fund reimbursement transactions will be deleted after **5:00 p.m.** on December 27, 2017. **If a record is deleted, the agency should NOT enter the record again in January. The agency must contact Bureau of State Payrolls (BOSP), as this correction will require extensive manual processing.** 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.

8. Retirement Adjustments

Agencies should not process on-line retirement adjustments from December 20, 2017 through January 4, 2018 which result in a refund to an employee. Processing refunds during this period will result in an understatement in an employee's W-2 gross in calendar year 2017.

Agencies should continue processing retirement adjustments for workers compensation and those resulting in a collection from an employee.

9. End of Quarter Payroll Adjustments

Agencies are not permitted to make any prior quarter payroll adjustments during the last seven business days

at the end of each quarter. PYRL will allow the user to add adjustments December 20, 2017 through December 31, 2017 but will not allow the user to approve them. Agencies may resume approval of prior quarter adjustments on January 2, 2018. Additional guidance can be found in **Volume VI, Section 13**, of the [Payroll Preparation Manual](#). Adjustments to year 2017 earnings need to be entered and approved in the on-line system by 5:00 p.m. on January 4, 2018.

10. State Income Taxes Deducted in 2017

Agencies electing to provide state income tax withholding deductions for their 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 acquire 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.

State income tax deduction amounts are reported on Form W-2, box 17. Agency reports will be available in January 2018 listing employees that have state and local government income tax deductions in year 2017. See agency payroll report **PSARSTAX (RDS Form ID U**K)**. RDS administrators should establish this report for all necessary personnel before December 29, 2017. Information about State Income Taxation is located in **Volume VI, Section 9**, of the [Payroll Preparation Manual](#).

11. Form W-2 Distribution

Many employees have already elected to receive their original Form W-2 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 4, 2018, to receive their original form electronically.

Registered employees will receive an e-mail notification in January when their 2017 Form W-2 becomes available on the EIC website. As required by the IRS, the e-mail notification subject line will include "IMPORTANT TAX RETURN DOCUMENT AVAILABLE." If the e-mail notice is returned as undeliverable, BOSP will send the employee a letter notifying them that their W-2 form is available on the website.

Original 2017 W-2 forms for employees receiving a paper form will be distributed to all agencies no later than **January 16, 2018**. 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 5, 2018.

12. 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 11, 2018.

13. Duplicate Forms – W-2 and W-2c

Duplicate W-2 forms for tax years 2013-2017 will only be available on the EIC website. For employees who have elected to receive their W-2 form electronically, their duplicate 2017 W-2 form can be printed anytime 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 2017 W-2 duplicates as needed

from the EIC website beginning on February 1, 2018. Duplicate W-2 forms for 2013-2017 continue to be available on the EIC website to all employees and agency designated personnel.

Duplicate W-2c forms for 2017 should be available for agency personnel through the On-line Tax Reporting screens by January 31, 2018. Duplicate W-2c forms for 2015 and 2016 are currently available for agency personnel through the On-line Tax reporting screens.

The last day in 2017 that duplicate 2014 W-2 or W-2c forms will be available via the on-line Tax Reporting system will be December 27, 2017.

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

In January 2018, 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 in 2017. This is a health insurance mandate within the Affordable Care Act. Any forms that cannot be delivered due to bad mailing addresses will be returned to Agency HR offices for handling per DSGI.

15. FICA Tax Changes – 2018

The Social Security wage base has changed to \$128,400 for calendar year 2018. The Social Security tax rate remains at 6.2% for employee and employer portions. The Medicare tax rate will remain at 1.45% for employee contributions on wages up to \$200,000. Individuals whose wages exceed \$200,000 will be subject to an additional .90% Medicare tax on any amounts over the \$200,000 limit. This will result in the first \$200,000 being taxed at the 1.45% rate, and any wages greater than \$200,000 at the 2.35% rate for the employee portions only. The Medicare tax rate will remain at 1.45% for employer contributions.

16. Qualified Transportation Fringe Benefit Limits - 2018

The monthly limitation under §132(f), regarding the aggregate fringe benefit exclusion amount for transportation in a commuter highway vehicle and any transit pass is increased from \$255 to \$260. The monthly limitation for qualified parking is increased from \$255 to \$260 in 2018.

17. Pension Plan Contribution Limits – 2018

The limitation for defined contribution plans under IRC §415(c) is increased in 2018 from \$54,000 to \$55,000.

The annual compensation limit under IRC §401(a)(17) is increased from \$270,000 to \$275,000.

The annual compensation limit under IRC §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 IRC §401(a)(17) to be taken into account, is increased from \$400,000 to \$405,000.

The limitation under IRC §402(g)(1) on the exclusion for elective deferrals described in IRC §402(g)(3) is increased from \$18,000 to \$18,500.

The limitation on the exclusion for IRC §457 elective deferrals to deferred compensation plans of state and local governments is increased from \$18,000 to \$18,500.

The limitation under IRC §414(v)(2)(B)(i) for catch-up contributions to IRC §403(b) and IRC §457 plans for individuals age 50 and over remains unchanged at \$6,000.

18. Health Savings Accounts – Monthly Contribution Limits for 2018

- Self-Only Coverage – For calendar year 2018, the monthly contribution limitation (employer and employee combined) for an individual with self-only coverage under a high deductible plan as of the first day of such month is one-twelfth (1/12) of \$3,450.
- Family coverage – For calendar year 2018, the monthly contribution limitation (employer and employee combined) for an individual with family coverage under a high deductible plan as of the first day of such month is one-twelfth (1/12) of \$6,900.
- Catch-up Contribution – For employees age 55 or older at year-end, the catch-up annual contribution rate for 2018 is \$1,000.

If you have any questions regarding this 2017 Calendar Year-End Information memorandum, please contact BOSP at (850) 413-5513.