



CHIEF FINANCIAL OFFICER
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STATE OF FLORIDA

Date: November 14, 2014

IN REPLY REFER TO:
DFSBP 14-06

TO: Agencies Addressed

FROM: John Bennett, Chief
Bureau of State Payrolls

SUBJECT: **2014 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. The following topics are covered:

1. Form W-4 – Expiration of Exemption From Withholding
2. Vehicle Fringe Benefit Reporting
3. Taxable Tuition Waivers and Taxable Education Assistance
4. Warrant Cancellations and Payroll Record Adjustments
5. Refund of Current Year Salary Overpayments
6. Refund of Prior Year Salary Overpayments
7. On-Demand Payrolls and Revolving Fund Reimbursements
8. State Income Taxes Deducted in 2014
9. Form W-2 Distribution
10. Annual Earnings and Benefit Statements
11. Duplicate Forms – W-2 and W-2c
12. FICA Tax Changes – 2015
13. Qualified Transportation Fringe Benefit Limits
14. Pension Plan Contribution Limits – 2015
15. Non-Resident Alien (NRA) Employees – Special Instructions for Form W-4
16. Health Savings Accounts – Monthly Contribution Limits for 2015
17. Retirement Adjustments
18. End of Quarter Tax Adjustments

All reports referenced in this memorandum are available through the Report Distribution System (RDS). Information about RDS is located in **Volume VIII, Section 2**, of the [Payroll Preparation Manual](#). 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 2014 are valid through February 17, 2015. 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, 2015, the Department of Financial Services (DFS) will update Form W-4s that still contain 2014 exempt status to “single” filing status and “0” allowances in the DFS payroll (PYRL) system. In order to continue uninterrupted exempt status for 2015, eligible employees must submit a new Form W-4 by February 09, 2015. 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, 2015. 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, 2015.

Agency payroll report PW4RYX03 (RDS ID Q**T) provides a listing of employees within your agency who have claimed exempt status for 2014. This report will be available for Agency use by January 1, 2015. **These employees should be notified that a new Form W-4 is required for 2015.**

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, 2013, through October 31, 2014, is **5:00 p.m.** on January 6, 2015. Vehicle fringe benefits must be reported utilizing the **On-line Non-cash Adjustments System**. Agencies collecting 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 entered after the last payroll for 2014 has processed, 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 6, 2015, in order to be considered as 2014 business. This is the date of the last cancellation and adjustment run which will adjust the original 2014 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 2014.

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 2014 compensation is greater than \$147,200 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.

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 2014 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 accounts, or those that must enter on-line adjustments after the last payroll for 2014 has processed (and pay the FICA taxes), must enter and approve the transactions by **5:00 p.m.** on January 6, 2015, (the last daily cancellation and adjustment run affecting original 2014 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 cancellations and adjustments, including salary refunds, made to year 2014 earnings must be added and approved in the on-line system by **5:00 p.m.** on January 6, 2015, in order to be considered 2014 business for Form W-2 production and withholding tax restoration. EFT Cancellations for the Supplemental Payroll warrant dated December 22, 2014, must be entered by **11:00 a.m.** on December 18, 2014. EFT Cancellations for the Biweekly Payroll warrant dated December 26, 2014, must be entered by **11:00 a.m.** on December 23, 2014. EFT Cancellations for the Monthly Payroll warrant dated December 31, 2014, must be entered by **11:00 a.m.** on December 29, 2014.

Note: Cancellations and adjustments to year 2014 earnings approved after **5:00 p.m.** on January 6, 2015, 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](#).

5. Refund of Current Year Salary Overpayments

In order to be included in the production of original 2014 Form W-2s, salary refunds must be added and approved in the PYRL system by **5:00 p.m.** on January 6, 2015, (the last daily adjustment run affecting the original 2014 Form W-2s). Refunds entered in the system and approved by January 6, 2015, 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 6, 2015 for the amount collected prior to December 31, 2014.

Refunds entered in the PYRL system by January 6, 2015, but not approved by **5:00 p.m.** January 6, 2015, will be purged from the system. Records for employees who repaid overpayments in 2014 but whose on-line adjustments were not approved by **5:00 p.m.** January 6, 2015, 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 29, 2014. 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 2011. After December 29, 2014, agencies will no longer be able to recoup social security and Medicare taxes for payments originally issued in 2011.

7. ON-DEMAND PAYROLLS AND REVOLVING FUND REIMBURSEMENTS

The last On-Demand Payroll warrant dated for 2014 will be processed on December 29, 2014. All On-Demand transactions that are not approved by **5:00 p.m.** on December 29, 2014 will be purged from the On-Demand system. On-Demands entered and approved after December 29, 2014 will be warrant dated in 2015.

All Revolving Fund payments for wages made to employees in calendar year 2014 must be calculated and reimbursed in year 2014 **utilizing 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 29, 2014. **If a record is deleted, the agency should NOT enter the record again in January. The agency must contact the 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 11**, of the [Payroll Preparation Manual](#) for additional information on the On-Demand Payroll System.

8. State Income Taxes Deducted in 2014

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 2015 listing employees having state and local government income tax deductions in year 2014. 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, 2014). Information about State Income Taxation is located in **Volume VI, Section 9**, of the [Payroll Preparation Manual](#).

9. 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 6, 2015, to receive their original form electronically.

Registered employees will receive an e-mail notification in January when their 2014 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 2014 W-2 forms for employees receiving a paper form will be distributed to all agencies no later than **January 16, 2015**. The design of Form W-2 has not changed from last year. The envelopes for mailing Form W-2s to employees can be purchased using state commodity #310-420-723-0160. 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 7, 2015.

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 13, 2015.

11. Duplicate Forms – W-2 and W-2c

Duplicate W-2 forms for tax years 2010-2014 will only be available on the EIC website. For employees who have elected to receive their W-2 form electronically, their duplicate 2014 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 2014 W-2 duplicates as needed from the EIC website beginning on February 1, 2015. Duplicate W-2 forms for 2010-2013 continue to be available on the EIC website to all employees and agency designated personnel.

Duplicate W-2c forms for 2014 should be available for agency personnel through the On-line Tax Reporting screens by January 31, 2015. Duplicate W-2c forms for 2013 and 2012 are also available for agency personnel through the On-line Tax reporting screens.

The last day in 2014 that duplicate 2011 W-2 or W-2c forms will be available via the on-line Tax Reporting system will be December 29, 2014.

12. FICA Tax Changes – 2015

The Social Security wage base is increased from \$117,000 to \$118,500 in 2015. For 2015, 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.

13. Qualified Transportation Fringe Benefit Limits

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 \$130. The monthly limitation for qualified parking is \$250.

14. Pension Plan Contribution Limits – 2015

The annual additions limitation for defined contribution plans under IRC §415(c) is increased in 2015 from \$52,000 to \$53,000.

The IRC §401(a)(17) annual compensation limit is increased in 2015 from \$260,000 to \$265,000.

The IRC §401(a)(17) annual compensation limit 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 in 2015 from \$385,000 to \$395,000.

The limitation on the exclusion for elective deferrals under IRC §402(g) (e.g., IRC §403(b) plans is increased for 2015 from \$17,500 to \$18,000.

The limitation on the exclusion for IRC §457 elective deferrals to deferred compensation plans of state and local governments is increased for 2015 from \$17,500 to \$18,000.

The limitation under IRC §414(v) for catch-up contributions to IRC §403(b) and IRC §457 plans for individuals age 50 and over is increased for 2015 from \$5,500 to \$6,000.

15. Non-Resident Alien (NRA) Employees – Special Instructions for Form W-4

When completing Form W-4, Non-Resident Aliens must follow the special instructions provided in IRS Notice 1392, Supplemental Form W-4 Instructions for Non-Resident Aliens. Non-Resident Aliens should pay particular attention to the following lines when completing Form W-4:

Line 2. You are required to enter a social security number (SSN) on line 2.

Line 3. Check single box regardless of actual marital status.

Line 5. Generally, you should claim one withholding allowance. However, if you are a resident of Canada, Mexico, or South Korea, a student of business apprentice from India, or a U.S. national, you may be able to claim additional withholding allowances for your spouse and children. See IRS Publication 519 (U.S. Tax Guide for Aliens) for more information.

Line 6. Write “Nonresident Alien” or “NRA” on the dotted line. For agencies using the People First system, a check box is provided for indicating Nonresident Alien status. If you would like to have an additional amount withheld, enter the amount on line 6.

Line 7. Do not claim you are exempt from withholding on line 7 of Form W-4 (even if you meet both of the conditions listed on that line). Use **Form DFS-A3-1897** (Reduction or Exemption from Withholding Form) to claim a tax treaty exemption from withholding. The form is available at <http://www.myfloridacfo.com/Division/AA/Forms/default.htm>.

16. Health Savings Accounts – Monthly Contribution Limits for 2015

- Self-Only Coverage – For calendar year 2015, 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 \$3,350.
- Family coverage – For calendar year 2015, 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 \$6,650.
- Catch-up Contribution – For employees age 55 or older at year-end, the catch-up annual contribution rate for 2015 is \$1,000 (unchanged from 2014).

17. Retirement Adjustments

Agencies should not process on-line retirement adjustments from December 20, 2014 through January 6, 2015 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 2014.

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

18. End of Quarter Tax Adjustments

Agencies are not permitted to make any prior quarter payroll adjustments that affect an employee’s tax obligations (withholding, social security or Medicare taxes) during the last seven business days at the end of each quarter. The dates to refrain from these adjustments this quarter are December 22, 2014 through December 31, 2014. Agencies may resume entry of prior quarter adjustments on January 2, 2015. Additional guidance can be found in **Volume VI, Section 13**, of the [Payroll Preparation Manual](#). Adjustments to year 2014 earnings need to be entered and approved in the on-line system by 5:00 p.m. on January 6, 2015.

Please contact the Bureau of State Payrolls at (850) 413-5513 if you have any questions regarding this 2014 Calendar Year-End Information memorandum.

JB: ka