



CHIEF FINANCIAL OFFICER
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STATE OF FLORIDA

Date: November 14, 2012

IN REPLY REFER TO:
DFSBP 12-04

TO: Agencies Addressed

FROM: John Bennett, Chief
Bureau of State Payrolls

SUBJECT: **2012 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. Form W-4 – Expiration of Exemption From Withholding
2. Vehicle Fringe Benefit Reporting
3. Taxable Tuition Waivers and Taxable Education Assistance
4. Cancellations and 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 2012
9. Form W-2 Distribution
10. Annual Earnings and Benefit Statements
11. Duplicate Forms – W-2 and W-2c
12. FICA Tax Changes – 2013
13. Qualified Transportation Fringe Benefit Limits
14. Pension Plan Contribution Limits – 2013
15. Non-Resident Alien (NRA) Employees – Special Instructions for Form W-4
16. Health Savings Accounts – Monthly Contribution Limits for 2013
17. Retirement 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 2012 are valid through February 18, 2013. If a new Form 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 11, 2013, the Department of Financial Services (DFS) will update Form W-4s that still contain 2012 exempt status to "single" filing status and "0" allowances in the DFS payroll (PYRL) system. In order to continue uninterrupted exempt status for 2013, eligible employees must submit a new Form W-4 by February 11, 2013. 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 11, 2013.

Agency payroll report PW4RYX03 (RDS ID Q**T) provides a listing of employees within your agency who have claimed exempt status for 2012. This report will be available for Agency use by January 1, 2013. **These employees should be notified that a new Form W-4 is required for 2013.**

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, 2011, through October 31, 2012, is **5:00 p.m.** on January 4, 2013. 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 2012 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 **5:00 p.m.** on January 4, 2013, in order to be considered as 2012 business. This is the date of the last cancellation and adjustment run which will adjust the original 2012 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 2012.

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 Cynthia Murphy, (850) 413-5558, cynthia.murphy@myfloridacfo.com, or Jennifer Peddicord, (850) 413-5613, jennifer.peddicord@myfloridacfo.com.

Elected officials and employees whose calendar year 2012 compensation is greater than \$145,700 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 2012 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 2012 has processed (and pay the FICA taxes), must enter and approve the transactions by **5:00 p.m.** on January 4, 2013, (the last daily cancellation and adjustment run affecting original 2012 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. Cancellations and Adjustments

All cancellations and adjustments, including salary refunds, made to year 2012 earnings must be added and approved in the on-line system by **5:00 p.m.** on January 4, 2013, in order to be considered 2012 business for Form W-2 production and withholding tax restoration. EFT Cancellations for the Supplemental Payroll warrant dated December 24, 2012, must be entered by **11:00 a.m.** on December 20, 2012. EFT Cancellations for the Biweekly Payroll warrant dated December 28, 2012, must be entered by **11:00 a.m.** on December 26, 2012. EFT Cancellations for the Monthly Payroll warrant dated December 31, 2012, must be entered by **11:00 a.m.** on December 27, 2012.

Note: Cancellations and adjustments to year 2012 earnings approved after **5:00 p.m.** on January 4, 2013, 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 Internal Revenue Service 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](#). Questions regarding these processes should be directed to Cynthia Murphy, (850) 413-5558, cynthia.murphy@myfloridacfo.com, or Jennifer Peddicord, (850) 413-5613, jennifer.peddicord@myfloridacfo.com.

5. Refund of Current Year Salary Overpayments

In order to be included in the production of original 2012 Form W-2s, salary refunds must be added and approved in the PYRL system by **5:00 p.m.** on January 4, 2013, (the last daily adjustment run affecting the original 2012 Form W-2s). Refunds entered in the system and approved by January 4, 2013, 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, 2013 for the amount collected prior to December 31, 2012.

Refunds entered in the PYRL system by January 4, 2013, but not approved by **5:00 p.m.** January 4, 2013, will be purged from the system. Records for employees who repaid overpayments in 2012 but whose on-line adjustments were not approved by **5:00 p.m.** January 4, 2013, 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/aadir/bsp/Forms/formindex.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](#). Questions regarding salary overpayment adjustments should be directed to Cynthia Murphy, (850) 413-5558, cynthia.murphy@myfloridacfo.com or Jennifer Peddicord, (850) 413-5613, jennifer.peddicord@myfloridacfo.com.

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 27, 2012.

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 2009. After December 27, 2012, agencies will no longer be able to recoup social security and Medicare taxes for payments originally issued in 2009.

7. On-Demand Payrolls and Revolving Fund Reimbursements

The last On-Demand Payroll for 2012 will be processed on December 27, 2012. All transactions in the On-Demand system must be approved by **5:00 p.m.** on December 27, 2012, to be considered 2012 business. On-Demand transactions not approved by this time will be purged from the On-Demand system. On-Demand payroll processing will resume on January 2, 2013.

All Revolving Fund payments for wages made to employees in calendar year 2012 must be calculated and reimbursed in year 2012 **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 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, 2012. **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 2012

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 2013 listing employees having state and local government income tax deductions in year 2012. 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, 2012). Information about State Income Taxation is located in **Volume VI, Section 9**, of the [Payroll Preparation Manual](#). Questions should be directed to Shelly Ford, (850) 413-5676, shelly.ford@myfloridacfo.com.

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 4, 2013, to receive their original form electronically.

Registered employees will receive an electronic mail (e-mail) notification in January when their 2012 Form W-2 becomes available on the EIC website. As required by the Internal Revenue Service, the e-mail notification subject line will include "IMPORTANT TAX RETURN DOCUMENT AVAILABLE."

If the e-mail notice is returned as undeliverable, the employee will be notified by BOSP letter of W-2 availability on the website.

Original 2012 W-2 forms for employees receiving a paper form will be distributed to all agencies no later than **January 18, 2013**. The design of Form W-2 has changed from last year, but this will have no effect on address placement. The same envelopes can be used that were utilized in the previous 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, 2013.

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 and will be available no later than January 14, 2013.

11. Duplicate Forms – W-2 and W-2c

Duplicate W-2 forms for tax years 2012, 2011, 2010 and 2009 will only be available on the EIC website. For employees who have elected to receive their W-2 form electronically, their duplicate 2012 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 2012 W-2 duplicates as needed from the EIC website beginning on February 1, 2013. Duplicate W-2 forms for 2011, 2010 and 2009 continue to be available on the EIC website to all employees and agency designated personnel.

Duplicate W-2c forms for 2012 should be available for agency personnel through the On-line Tax Reporting screens by January 31, 2013. Duplicate W-2c forms for 2011 and 2010 are also available for agency personnel through the On-line Tax reporting screens.

The last day in 2012 that duplicate 2009 W-2 or W-2c forms will be available via the on-line Tax Reporting system will be December 27, 2012.

12. FICA Tax Changes – 2013

The Social Security wage base is increased from \$110,100 to \$113,700 in 2013. For 2013, the Social Security tax rate will increase from 4.2% to 6.2% for employee portions, unless the payroll tax cut is extended another year. The employer portion remains at 6.2%. The Medicare tax rate will be 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 IRC§132(f), regarding both the aggregate fringe benefit exclusion amount for transportation in a commuter highway vehicle and any transit pass, and the monthly limitation for qualified parking for 2013 has not yet been made available from the IRS. However, BOSP will update

Volume VI, Section 8, of the [Payroll Preparation Manual](#) with the official monthly limits for qualified transportation fringe benefits when the IRS makes them available.

14. Pension Plan Contribution Limits – 2013

The annual additions limitation for defined contribution plans under IRC §415(c) is increased in 2013 from \$50,000 to \$51,000.

The IRC §401(a)(17) annual compensation limit is increased in 2013 from \$250,000 to \$255,000.

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 2013 from \$375,000 to \$380,000.

The limitation on the exclusion for elective deferrals under IRC §402(g) (e.g., IRC §403(b) plans) is increased in 2013 from \$17,000 to \$17,500.

The limitation on the exclusion for IRC §457 elective deferrals to deferred compensation plans of state and local governments is increased in 2013 from \$17,000 to \$17,500.

The limitation under IRC §414(v) for catch-up contributions to IRC §403(b) and IRC §457 plans, for individuals age 50 and over, remains unchanged for 2013 at \$5,500.

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/aadir/bsp/Forms/formindex.htm>.

16. Health Savings Accounts – Monthly Contribution Limits for 2013

- Self-Only Coverage – For calendar year 2013, 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 \$3,250.
- Family coverage – For calendar year 2013, 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 \$6,450.

- Catch-up Contribution – For employees age 55 or older at year-end, the catch-up annual contribution rate for 2013 is \$1,000 (unchanged from 2012).

17. Retirement Adjustments

Agencies should not process on-line retirement adjustments from December 21, 2012 to January 4, 2013 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 2012.

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

Questions regarding retirement adjustments should be directed to Kelly Hand, (850) 413-5723, kelly.hand@myfloridacfo.com or Yvette McCullough, (850) 413-5786, yvette.mccullough@myfloridacfo.com.

Please contact Cindy Terry at (850) 413-3813 or cindy.terry@myfloridacfo.com if you have any questions concerning this 2012 Calendar Year-End Information memorandum.

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