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June 27, 2013

IN REPLY REFER TO:
DFSBP 13-02

TO: Agencies Addressed

FROM: John Bennett, Chief
Bureau of State Payrolls

SUBJECT: **Retirement Variance Invoices for 3% Employee Contribution Refunds and Adjustments**

This memorandum supersedes DFSBP 11-01 memorandum dated September 22, 2011.

As a result of the retirement contribution changes that require employees to contribute three percent of all retirement eligible payments warrant dated on or after July 1, 2011, the Bureau of State Payrolls (BOSP) has identified a need to manually process employee contribution refunds and employee record adjustments related to Variance Invoices received by agencies from the Division of Retirement.

This manual process is necessary in order to properly reflect the taxable amounts for the impacted employees and issue accurate W-2 forms. When an invoice refunds the agency, and an amount is due to the employee, the agency needs to initiate a manual refund to the employee. This includes creating a voucher for the employee net amount, creating a journal transfer for federal income tax, and preparing a Form DFS-A3-1933 (Employee Records Adjustment) to update the employee's record. All documentation should be sent to BOSP, Taxation/Reconciliation Section, for review and processing. The procedures for processing these refunds and adjustments follow:

1. Agencies should review all Retirement Variance Invoices to determine the amount of the 3% employee retirement contribution that is due back to the employee.
2. Prepare a voucher for the net amount due to the employee. The net will be the 3% employee retirement contribution refund amount due, less 25% for federal income taxes. Agencies are to use Object Code 1100 when preparing the voucher.
3. Prepare a journal transfer for the federal income tax. This is 25% of the total 3% employee retirement contribution refund amount provided on the Retirement Invoice. The 29 digit FLAIR account code to transfer the federal income tax to is: 43-74-2-101001-43200100-00-000600-00. Agencies are to use Object Code 0060 when preparing the journal transfer.

EXAMPLE: The Retirement Invoice indicates the employee is due a refund of \$100.00. The

employee will receive \$75.00 net (voucher) and the remaining \$25.00 will be the amount to cover the tax liability (journal transfer).

Invoice Employee Refund Amount:	\$100.00
Federal Income Withholding Tax 25%:	<u>\$ 25.00</u>
Net Refund Due Employee:	\$ 75.00

4. Prepare one DFS-A3-1933 Form for each calendar year. It is not necessary to complete a separate form for each pay period. The form is available at the following link: <http://www.myfloridacfo.com/Division/AA/Forms/default.htm>. Additional guidance pertaining to completing this form follows:

Current Calendar Year Refunds and Adjustments:

- Warrant Date - Include date of the voucher payable to the employee
- Warrant number – Must use warrant number “**9179000**”
- Retirement Code - Use the correct retirement code
- W2 Gross Code 300 - Increase by the entire amount of the employee refund, prior to taxes being withheld
- Withholding Tax Code 0050 - Increase by 25% of the refund amount
- Employee Deductions Code 0080 or 0082 as applicable - Decrease by the entire amount of the employee refund, prior to taxes being withheld
- Earnings Code 9179 - Increase by the entire amount of the employee refund, prior to taxes being withheld.

Prior Calendar Year Refunds and Adjustments:

- Warrant Date – Include date of the voucher payable to the employee
- Warrant number – Must use warrant number “**9579000**”
- Retirement Code - Use the correct retirement code
- W2 Gross Coded 300 - Increase by the entire amount of the employee refund, prior to taxes being withheld
- Cash Gross - Increase by the entire amount of the employee refund, prior to taxes being withheld
- Withholding Tax Code 0050 - Increase by 25% of the refund amount
- Earnings Code 9579 - Increase by the entire amount of the employee refund, prior to taxes being withheld

The agency can fax, mail, or scan a copy of the invoice, backup documentation, voucher, journal transfer, and DFS-A3-1933 Form to BOSP, attention Taxation/Reconciliation Section.

Please contact BOSP at (850) 413-5513 if you have any questions.

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