

DATE: December 2, 2025

TO: Agency Addressed (No. 16, 2025-2026)

FROM: Renée Hermeling, Director  
Division of Accounting & Auditing  
Department of Financial Services

SUBJECT: 2025 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. Details regarding upcoming payroll processing activities and deadlines are included. The Payroll Preparation Manual, which is referenced throughout this memorandum, can be accessed at [bosp\\_manual2.pdf \(myfloridacfo.com\)](https://myfloridacfo.com/bosp_manual2.pdf).

Most 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 Certificate, must file a new Form W-4 each year. Form W-4s claiming ‘**Exempt**’ status for 2025 are valid through February 15, 2026. 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 no deductions or dependent amounts. On February 16, 2026, the Department of Financial Services (DFS) will update Form W-4s that still contain 2025 ‘**Exempt**’ status to “single” filing status and no deductions or dependent amounts in the DFS payroll (PYRL) system. To continue uninterrupted exempt status for 2026, eligible employees must submit a new Form W-4 by February 15, 2026. 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 15, 2026. 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 14, 2026.

Agency payroll report PW4RYX03 (RDS ID Q\*\*T) provides a listing of employees within your agency who have claimed ‘**Exempt**’ status for 2025. This report will be available for Agency use by January 1, 2026. **These employees should be notified that a new Form W-4 is required for 2026.**

Agencies should remind employees to update their Form W-4 information if their address, marital status, 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, 2024, through October 31, 2025, is **5:00 p.m.** on January 6, 2026.

Vehicle fringe benefits must be reported utilizing the **Online 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 (December 23, 2025, for monthly agencies and December 19, 2025, for biweekly agencies).

Online adjustments processed after the last payroll for 2025, 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 6, 2026, to be considered as 2025 business. This is the date of the last cancellation and adjustment run which will adjust the original 2025 Form W-2. Any reported benefits entered into the online system after that date will result in the affected employee receiving a corrected Form W-2 (Form W-2c) for calendar year 2025.

Instructions for completing online non-cash adjustments are found in **Volume V, Section 7**, of the Payroll Preparation Manual.

Elected officials and employees whose calendar year 2025 compensation is equal to or exceeds the Federal Government Executive Level V, 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 **Online Non-Cash Adjustments System**.

Agencies collecting FICA taxes through the payroll process in December 2025 should exercise care to ensure that the values are entered and approved no less than 2 days **prior to** processing the last payroll of the year (December 23, 2025, for monthly agencies and December 19, 2025, for biweekly agencies). Agencies electing to pay FICA taxes from their FLAIR accounts, or those that must enter online adjustments after the last payroll for 2025 has been processed, must enter and approve the transactions by **5:00 p.m.** on January 6, 2026, (the last daily cancellation and adjustment run affecting original 2025 Form W-2s).

Instructions for completing online non-cash adjustments are located in **Volume V, Section 7**, of the Payroll Preparation Manual. Information concerning the reporting of taxable tuition waivers is in **Volume VI, Section 3**, of the Payroll Preparation Manual.

### **4. Warrant Cancellations and Payroll Record Adjustments**

All payroll warrant cancellations and adjustments, including salary refunds, made to year 2025 earnings must be added and approved in the online system by **5:00 p.m.** on January 6, 2026, to be considered 2025 business for Form W-2 production and withholding tax restoration.

**Note:** Cancellations and adjustments to year 2025 earnings approved after **5:00 p.m.** on January 6, 2026, 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 5-8**, of the Payroll Preparation Manual.

## 5. W-2 and 1099 Reporting Adjustments

Agencies should monitor all instances when an employee is scheduled to receive both a W-2 and 1099 form. To aid in the review process, a report was developed to identify those individuals who are receiving wage payments that are subject to Form W-2 reporting and who are also receiving expense payments subject to non-employee compensation Form 1099 reporting. This report is generated every Thursday and is located on a DFS repository server. Please reach out to your agency IT technical contact to gain access to the report.

If payments need to be reclassified as wages to be included on the W-2 for 2025, the object code correction must be completed by the Bureau of Vendor Relations and the reclassification adjustment request must be submitted to the Bureau of State Payrolls (BOSP) no later than December 22, 2025, to allow processing time for the adjustment.

## 6. Refund of Current Year Salary Overpayments

To be included in the production of original 2025 Form W-2s, salary refunds must be added and approved in the PYRL system by **5:00 p.m.** on January 6, 2026, (the last daily adjustment run affecting the original 2025 Form W-2s).

Refunds entered in the system and approved by January 6, 2026, 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.

Any current year salary refunds that must be processed using the manual salary refund for overpayment form **DFS-A3-1911**, must be submitted to BOSP for processing no later than 5:00pm on December 31, 2025.

Refunds entered in the PYRL system by January 6, 2026, **but not approved by 5:00 p.m.** January 6, 2026, will be purged from the system. Records for employees who repaid overpayments in 2025 and whose online adjustments were purged must be submitted to our Employee Records Section on **Form DFS-A3-1911** for processing. The form is available at [DFS-A3-1911---refund-for-overpayment-of-salary](#).

Current year salary overpayments that have not been fully collected at year-end must be recalculated to include the withholding tax. This can be done using the **Online Salary Refund System**. Agencies should not approve a partially repaid salary refund adjustment.

Any salary refund adjustments that are purged from the system due to year end can be viewed on the RDS Report form id U\*\*2.

Information concerning the processing of salary overpayment refunds can be found in **Volume V, Section 6**, of the Payroll Preparation Manual.

## 7. 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 Online Salary Refund System no later than **5:00 p.m. on December 10, 2025**. If the agency has not collected the entire amount due, the agency should not approve the adjustment.

This is especially critical for any salary overpayment monies collected that pertain to Calendar Year 2022. After December 10, 2025, agencies will no longer be able to recoup Social Security and Medicare taxes for payments originally issued in 2022.

#### **8. Electronic Funds Transfer (EFT) Cancellations Crossing Calendar Year End**

EFT cancellations for the monthly payroll warrant dated 12/31/2025, will maintain a PRT status until daily adjustment processing is resumed on the night of 1/2/2026. The PRT status indicates that the funds were not sent to the banking institution, and that the cancellation was completed. All accounting transactions for these cancellations will occur on the night of 1/2/2026. The full adjustment will be able to be viewed in PYRL and on the Employee Information Center (EIC) website on 1/3/2026.

#### **9. On-Demand Payrolls**

The last On-Demand Payroll warrant dated for 2025 will be processed on December 29, 2025. All On-Demand transactions that are not approved by **5:00 p.m.** on December 29, 2025, will be purged from the On-Demand system.

#### **10. Leave Payouts with Deferred Compensation**

Agencies should submit leave payout packets with deferred compensation to BOSP no later than December 12, 2025, to ensure the employee's deferred compensation contribution is credited to calendar year 2025.

#### **11. Online Current Month Retirement Adjustments**

Agencies should not process online retirement adjustments beginning December 16, 2025, through January 6, 2026, 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 2025.

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

If you need assistance with this, please contact [BOSPTaxation@myfloridacfo.com](mailto:BOSPTaxation@myfloridacfo.com).

#### **12. End of Quarter Payroll Adjustments**

Agencies are not permitted to make any **prior quarter** payroll adjustments beginning December 11, 2025, through December 31, 2025. PYRL will allow the user to add adjustments but will not allow the user to approve them. Agencies may resume approval of **prior quarter** payroll adjustments on January 2, 2026. Additional guidance can be found in **Volume VI, Section 13**, of the Payroll Preparation Manual. Adjustments to year 2025 earnings need to be entered and approved in the online system by 5:00 p.m. on January 6, 2026.

#### **13. State Income Taxes Deducted in 2025**

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 the 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 2026 listing employees that have state and local government income tax deductions in 2025. See agency payroll report **PSARSTAX (RDS Form ID U\*\*K)**. RDS administrators should establish this report for all necessary personnel before December 31, 2025. Refer to **Volume VI, Section 9**, of the Payroll Preparation Manual for additional guidance.

#### **14. Shared Savings Program**

The State of Florida started the Shared Savings program effective 2019. The Shared Savings Program is a collection of voluntary benefits available to members enrolled in a State Group health plan. Any State Group health plan enrollee is eligible to receive a rewardable healthcare service. Currently, rewards are credited to pretax accounts for reimbursement of eligible healthcare expenses and are not considered taxable income.

Although these rewards are not taxable income, these amounts are required to be reported on the Form W-2. For 2025, Health Savings Account (HSA) rewards will be displayed on the Form W-2 in Box 12 using code “W”. 2025 Flexible Spending Account (FSA) and Limited Purpose Flexible Spending Account (LPFSA) rewards will be displayed on the Form W-2 in Box 12 using code “DD”. These reward amounts will also be displayed on the Annual Earnings and Benefit Statement. The reward information included on your Form W-2 and Annual Earnings and Benefit Statement is provided by People First.

#### **15. Deferred Compensation Plans**

Contributions to a Deferred Compensation account are required to be reported on the Form W-2. For 2025, contributions to a 457(b) will be displayed on the Form W-2 in Box 12 using code “G”. 2025 contributions to a Roth 457(b) will be displayed on the Form W-2 in Box 12 using code “EE”. These reward amounts will also be displayed on the Annual Earnings and Benefits Statement.

#### **16. Form W-2 Distribution**

Many employees have already elected to receive their original Form W-2 electronically instead of receiving a paper form. Registration for electronic delivery is available to all employees on the EIC website. Employees who are not already registered must register no later than January 6, 2026, to receive their original form electronically.

Registered employees will receive an e-mail notification in January when their 2025 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 2025 W-2 forms for employees receiving a paper form will be distributed via the U.S. Postal Service by the Department of Financial Services no later than **January 31, 2026**.

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 7, 2026.

**17. Annual Earnings and Benefits Statements**

The Annual Earnings and Benefits Statements will be available to employees and designated agency personnel on the EIC website no later than January 13, 2026.

**18. Duplicate Forms – W-2 and W-2c**

Duplicate W-2 forms for 2021-2025 will be available on the EIC website to all employees and designated agency personnel.

For employees who have elected to receive their W-2 form electronically, a duplicate 2025 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 2025 W-2 duplicates as needed from the EIC website beginning on February 1, 2026.

Duplicate W-2c forms for 2025 should be available for agency personnel through the Online Tax Reporting screens on February 1, 2026. Duplicate W-2c forms for 2023 and 2024 are currently available for agency personnel through the Online Tax reporting screens. The last day in 2025 that duplicate 2022 W-2 or W-2c forms will be available via the online Tax Reporting system will be December 31, 2025.

**19. Health Care Coverage Under Affordable Care Act Form 1095-C**

In 2026, state employees will receive a 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 2025. This is a health insurance mandate within the Affordable Care Act. Please contact DSGI with any questions regarding this form, 1-866-663-4735.

**20. State Agency Payroll Compliance Checklist**

The State Agency Payroll Compliance Checklist is located on the Accounting & Auditing website here [Agency Payroll Compliance Checklist](#). This should be completed and submitted via email to [BOSPPostAudit@myfloridacfo.com](mailto:BOSPPostAudit@myfloridacfo.com) no later than January 31, 2026.

**21. FICA Tax Changes – 2026**

The Social Security wage base has increased to \$183,600 for calendar year 2026. 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 0.9% 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.

**22. Qualified Transportation Fringe Benefit Limits - 2026**

The monthly limitation under section (s.) 132(f), regarding the aggregate fringe benefit exclusion amount for transportation in a commuter highway vehicle and any transit pass is increased in 2026 from \$325 to \$340.

The monthly limitation for qualified parking increased in 2026 from \$325 to \$340.

**23. Pension Plan Contribution Limits – 2026**

The limitation for defined contribution plans under Internal Revenue Code (IRC) s. 415(c) is increased in 2026 from \$70,000 to \$72,000. The annual compensation limit under IRC s. 401(a)(17) is increased from \$350,000 to \$360,000.

The annual compensation limit under IRC s. 401(a)(17) for eligible participants in certain governmental plans that, under the plan in effect on July 1, 1993, allowed cost of living adjustments to the compensation limitation under the plan under IRC s. 401(a)(17) to be taken into account, increased from \$520,000 to \$535,000.

The limitation under IRC s. 402(g)(1) on the exclusion for elective deferrals described in IRC s. 402(g)(3) is increased from \$23,500 to \$24,500.

**24. Deferred Compensation and Tax Deferred Annuity Plans 2026**

The limitation on the exclusion for IRC s. 457 elective deferrals to deferred compensation plans of state and local governments is increased from \$23,500 to \$24,500.

The limitation under IRC s. 414(v)(2)(B)(i) for catch-up contributions to IRC s. 403(b) and IRC s. 457 plans for individuals aged 50 and over, is increased from \$7,500 to \$8,000.

**25. Health Savings Accounts – Contribution Limits for 2026**

Self-Only Coverage – For calendar year 2026, the contribution limitation (employer and employee combined) for an individual with self-only coverage is \$4,400.

Family coverage – For calendar year 2026, the contribution limitation (employer and employee combined) for an individual with family coverage is \$8,750.

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