



JANET NAPOLITANO
GOVERNOR

WILLIAM BELL
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION
FINANCIAL SERVICES DIVISION • GENERAL ACCOUNTING OFFICE
100 NORTH 15th AVENUE • SUITE 302
PHOENIX, ARIZONA 85007
Phone: (602) 542-5601 • Fax: (602) 542-5749

TO: All State Agencies
FROM: D. Clark Partridge, State Comptroller
DATE: November 23, 2005
SUBJECT: 2005 Calendar Year-End for Payroll

It is time to once again address the end of the calendar year processing and events. In an effort to help you plan and inform your employees, we are providing the following schedule of events that will impact actions pending in payroll offices. Please review these events with appropriate personnel and share information with those that need to know.

Year-End Payroll Meeting

On December 13, 2005 the General Accounting Office will hold a meeting to discuss the year-end payroll processing. There will be two sessions, one at 9:00 AM and one at 1:30 PM. The same information will be covered in each session, so you only have to attend one. The meeting will be held in the State Land Department Auditorium at 1616 West Adams.

Final Pay for 2005

December 23, 2005 will be the final pay day of 2005. Employees terminating in December but not receiving their final pay until January must not be terminated in the system until after the final payment is processed into HRIS in 2006.

FICA and Medicare Deductions

Effective January 1, 2006, the maximum amount of earnings subject to FICA will increase to \$94,200, up from \$90,000 in 2005. The rate will stay the same at 6.2% for both the employee and employer. As a result the maximum yearly tax paid by the employee and employer will be \$5,840.40. The Medicare tax rate will remain at 1.45% of all wages paid.

Federal Income Tax Withholding Tables

The federal income tax withholding tables will be changing in 2006. When they become available, they will be posted to the GAO web site. We will distribute copies at the December 13th meeting if they are available by then.

Canceled Warrants/Overpays

Pay warrants to be canceled, or overpays to be processed for calendar year 2005 must be returned to the GAO Central Payroll by 10:00AM, Friday, January 6, 2006 in order to be included in the 2005 W-2s. Warrants received after that day and time may not be reflected on the 2005 W-2s, which will require the preparation of a corrected W-2 (W-2C) later in the year 2006. Overpays and warrants to be canceled that are submitted after December 29, 2005 will require the employee to return the amounts withheld for Federal and State Income Taxes in addition to the net pay.

Handwrites

Handwrites issued through December 29, 2005 will be posted to the 2005 calendar year in HRIS and will be reflected on 2005 W-2s. No handwrites will be processed on Friday December 30th.

New W-4s and W-5s

A W-4 which indicated an employee is "Exempt" from paying Federal Income Taxes and a W-5 "Advanced Earned Income Credit" must be re-filed for each applicable employee by January 31, 2006. A report listing the employees who may be impacted by this requirement will be sent to the agencies on December 13, 2005.

SECC

The new campaign contributions will start on the payday of January 6, 2006. **This year deductions will be taken on all 26 paydays.**

Leave Roll Back

Family Sick Leave balances will be reset to 40 hours and reflected on the January 6, 2006 pay warrant.

The annual leave roll-back will occur on the pay period ending January 13, 2006 and will be reflected on the January 20, 2006 pay warrant. To determine if any leave is forfeited, HRIS will deduct any leave taken through January 13th and add the accrual for the pay period ending on January 13th to the employee's leave balance. Any amounts in excess of the maximum accrual for the employee's status (i.e., covered or uncovered) will be forfeited.

2005 W-2s

The 2005 W-2s will be provided by a third party contracted by the State of Arizona. All W-2s will be sent directly to each employee's home address of record on the HRIS system. It is very important that this address is correct to ensure timely delivery of the W-2 document. The GAO Central Payroll will provide assistance in misdirected mailings and copies as necessary.

HRIS Availability

HRIS will not be available for updating on Saturdays, December 31st, January 7th, 14th and the 21st. During these down times, we will be processing 2005 adjustments.

If you have any questions about the information provided, please contact either Mike Smarik at 542-1674 or Ken Smart at 542-0370.

DCP:ms