

Janice K. Brewer
Governor



Scott A. Smith
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL ACCOUNTING OFFICE

100 NORTH FIFTEENTH AVENUE • SUITE 302
PHOENIX, ARIZONA 85007

Phone: (602) 542-5601 • Fax: (602) 542-5749

MEMORANDUM

TO: All State Agencies
Attention: Agency CFOs and Payroll Managers

FROM: D. Clark Partridge, State Comptroller 

DATE: November 10, 2011

SUBJECT: 2011 Calendar Year End Payroll Processing

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 information that will impact actions pending in payroll offices. Please review this information with appropriate personnel.

Year-End Payroll Meeting

On November 21, 2011 the General Accounting Office will hold a meeting to discuss the year-end payroll processing. There will be two sessions, one at 9:30 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 at the Department of Administration, Suite 300 at 100 North 15th Avenue. A news story is posted on the GAO website, <http://www.gao.az.gov/news>, which provides instructions on how to register for one of the sessions.

Canceled Warrants/Overpays

Overpays and warrants to be canceled for paydays of December 2, 2011 and prior should be submitted to Central Payroll no later than December 16, 2011. Overpays and warrants to be canceled for the payday of December 16, 2011 should be submitted to GAO - Central Payroll no later than December 21, 2011. Any overpays and warrants to be canceled that are submitted after December 21, 2011 will require the employee to return the amounts withheld for Federal and State income taxes in addition to the net pay.

Handwrites

Handwrites processed through December 29, 2011 will be posted to 2011 in HRIS and will be reflected on 2011 W-2s. Handwrites will not be processed on December 30 or 31, 2011.

W-5s (Advanced Earned Income Credit)

Although the Earned Income Credit (EIC) can still be claimed on the Federal personal income tax return of eligible taxpayers, there is no longer a program to advance it through payroll. H.R. 1586, the Education, Jobs and Medicaid Assistance Act, which was signed into law by President Obama in August 2010, included a provision to repeal the Advance Earned Income Tax Credit (AEITC) program effective January 1, 2011.

SECC

The 2012 SECC campaign contributions will start on the payday of January 12, 2012 and the last deduction is scheduled to occur December 27, 2012.

Annual Leave Roll Back

For the payday of January 12, 2012, an employee's annual leave balance will be adjusted to show the following:

- Deduction of any annual leave used during the 12/24/2011 to 1/6/2012 pay period.
- Forfeiture of any annual leave hours in excess of the 240 hours maximum for covered employees and the 320 hours for uncovered employees. This forfeiture occurs after the deduction for any leave used during the pay period, but prior to the accrual for the pay period.
- Addition of annual leave accrued during the 12/24/2011 to 1/6/2012 pay period.

Holiday leave balances are not included in the calculation of determining excess leave. Additionally, Family Sick leave balances will be reset to 40 hours on December 30, 2011.

Final Pay for 2011

December 30, 2011 will be the final payday of 2011. To ensure employees have constructive receipt of their pay in 2011, warrants for December 30, 2011 will be mailed directly from the GAO to the employee's address of record in HRIS. Please advise employees to validate that their address is correct. Employees can update their address in real time through the YES website at <http://yes.az.gov>. New direct deposit accounts should be setup in HRIS by December 13, 2011 to ensure the December 30, 2011 payment is paid electronically.

HRIS "System" Payday changing to Thursdays in 2012

Currently payday is shown in HRIS as Friday, yet we actually pay employees with direct deposit on Thursday or with warrants dated Thursday. Starting January 1, 2012, the payday reflected in HRIS will be changing to Thursday to match the actual day employees are paid. This change will not impact employees in any way.

New W-4s (Employee's Withholding Allowance Certificate / Exempt Status)

The 2011 IRS Form W-4 which indicated an employee is "Exempt" from paying Federal income taxes expires on **February 16, 2012**. Employees must file a new 2012 IRS Form W-4 to claim exempt status for the 2012 calendar year. If the employee does not provide a new Form W-4, agencies must change the tax status on PR13 to withhold tax as if the employee is Single with Zero withholding allowances. Reports listing the employees who may be impacted by these requirements will be sent electronically to agencies in the third week of December.

A-4s (Arizona Withholding Percentage Election / Exempt Status)

The 2011 DOR Form A-4 which indicated an employee is "Exempt" from paying State income taxes expires on **December 31, 2011**. Employees must file a new 2012 DOR Form A-4 to claim exempt status for the 2012 calendar year. If the employee does not provide a new Form A-4, agencies must change the tax status on PR14 to withhold tax at the default 2.7% (Formula 13). Reports listing the employees who may be impacted by these requirements will be sent electronically to agencies in the third week of December.

HRIS Availability

In order to process year-end adjustments and transactions, HRIS availability may be affected. Please check the HRIS homepage frequently at <http://www.hr.az.gov/hris/> for updates on availability during the December and January months.

Federal & State Income Tax Withholding Tables

The GAO will post updated Federal and State tax tables if and when new rates become available.

Social Security and Medicare Deductions

Effective January 1, 2012, the maximum amount of earnings subject to Social Security will increase from \$106,800.00 to \$110,100.00. The Social Security withholding tax for employees was temporarily lowered from 6.2% to 4.2% just for 2011. President Obama has sent legislation to Congress (American Jobs Act) that would lower the Social Security tax rate for both employers and employees from 6.2% to 3.1% in 2012. If the legislation is not enacted, both employee and employer tax will be at the 6.2% rate. Medicare Tax is scheduled to remain at 1.45% for both employee and employer for all applicable wages.

2011 W-2s (Wage & Tax Statement)

Individuals who have consented to receive their W-2 online will have advance access to their W-2 beginning in early January 2012. Employees can login and consent now to be part of the early group. Mailing of any printed W-2's will not occur until close to the January 31, 2012 deadline. Please encourage employees to consider receiving their W-2 online. To consent to getting W-2s online,

- visit <http://yes.az.gov>,
- click "Log in to YES",
- enter YES username (EIN) and password,
- click "Pay",
- click "W-2 Tax Statements",
- enter YES username (EIN) and password,
- click "Authorize Electronic W-2", then click "Agree".

Also encourage employees to keep their mailing address current. Employees can update their address in real time through the YES website by clicking "Personal Information" and then "Address".

If you have any questions about the information provided, please contact Stu Wilbur at (602) 542-1674 or Tracey Cappuccio at (602) 542-6086.