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## ARIZONA DEPARTMENT OF ADMINISTRATION

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### MEMORANDUM

**DATE:** November 3, 2017

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

**FROM:** D. Clark Partridge, State Comptroller 

**RE:** 2017 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 payroll offices. Please review this information with appropriate personnel.

#### Year-End Payroll Meeting

On November 13, 2017 the General Accounting Office will hold a meeting to discuss 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 Fifteenth Avenue.

#### Time Record Adjustments

Any time record adjustment to the current calendar year that is recovering an overpayment may be offset against other current year wages. Any adjustments for 2017 should be entered by the compute deadline on December 19, 2017. However, overpayments that are discovered after the calendar year has ended must be completed via a Form GAO70a and submitted to Central Payroll. Please note that these transactions are only processed by GAO Central Payroll on a quarterly basis due to W-2c reporting requirements. Additionally, for any time record adjustments to a prior fiscal year, if the retirement rates are different, a One Time Deduction (OTD) request for any rate differences must be submitted along with the specific pay period wage details.

#### Canceled Payments and Overpays

Payments to be canceled and overpayments to be recovered for payments on or before December 1, 2017, must be submitted to Central Payroll no later than December 6, 2017. Any additional payments to be canceled and overpays to be recovered that are made or discovered after December 6, 2017 must be submitted to Central Payroll by December 13, 2017. After December 13, 2017, we will not be able to process canceled payments and overpayments in HRIS before the end of the tax year, and therefore, amounts deducted for Federal and State income taxes cannot be adjusted and will be reported with other amounts on the employee's W-2.

Memo: All State Agencies

November 1, 2017

Page 2 of 3

#### November 23, 2017 pay date (Thanksgiving Holiday) warrant mailing

The warrant mailing for the November 23, 2017 pay date will occur on Friday, November 24, 2017. New direct deposit accounts should be set up in HRIS by November 14, 2017 to ensure the November 23, 2017 payment is paid electronically. The Direct Deposit transmission is scheduled to occur at its normal time on Wednesday with a Thursday effective date.

#### Final Payments in 2017

December 21, 2017 will be the final payday of 2017. Handwrites will not be available on December 29, 2017, therefore, the final cutoff for HRIS handwrites will be December 28, 2017 at Noon. Proper review of payroll transactions is always critical, but at year end even more so, because it will be the final payroll of the year included on 2017 W-2's. To ensure employees have constructive receipt of their pay in 2017, all payroll warrants (including handwrites) dated December 26 through December 28, 2017 will be mailed directly from the GAO to the employee's address of record in HRIS. There will not be any agency pickup for payroll warrants. Please advise employees to validate that their address in HRIS is correct. Employees can update their address in real time through the YES website at <http://yes.az.gov>.

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

The 2017 DOR Form A-4 which indicated an employee is "Exempt" from paying State income taxes expires on December 31, 2017. Employees must file a new 2018 DOR Form A-4 to claim exempt status for the 2018 calendar year. If the employee does not provide a new Form A-4 by December 31, 2017, agencies must change the tax status on PR14 to withhold tax at the default 2.7% (Formula 13). New reports are available in the HRIS Data Warehouse for agencies to obtain this data on-demand.

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

The 2017 IRS Form W-4 which indicated an employee is "Exempt" from paying Federal income taxes expires on February 15, 2018. Employees must file a new 2018 IRS Form W-4 to claim exempt status for the 2018 calendar year. Agencies must change the tax status on PR13 to withhold tax as if the employee is Single with Zero withholding allowances by February 15, 2018 if they were previously exempt and if no 2018 W-4 is on file. New reports are available in the HRIS Data Warehouse for agencies to obtain this data on-demand.

#### HRIS Availability

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

#### Federal and State Income Tax Withholding Tables

The GAO will post updated tax tables when new rates become available.

#### Social Security Tax Deductions

Effective January 1, 2018, the maximum amount of earnings subject to Social Security will increase from \$127,200 to \$128,700. The tax rate for employees and employers will be 6.2%.

#### Medicare Tax Deductions

Still effective since January 1, 2013, The Patient Protection and Affordable Care Act includes a provision that imposes an additional 0.9% Medicare tax on taxpayers receiving wages from their employer in excess of \$200,000 per year. Therefore, 2018 Medicare Tax will be 1.45% for the employer, and 1.45% for the employee up to \$200,000 and 2.35% for the employee on applicable wages in excess of \$200,000.

Leave Roll Back

For the payday of January 18, 2018, an employee's annual leave balance will be adjusted to show the following:

- Deduction of annual leave used during the 12/30/2017 to 1/12/2018 pay period.
- Forfeiture of any annual leave hours in excess of the maximum (240 hours for covered employees and the 320 hours for uncovered employees).
- Addition of annual leave accrued during the 12/30/2017 to 1/12/2018 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 for January 1, 2018.

2017 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 2018. Employees can login and consent now to be part of the early group. If you previously consented to an online W-2, you do not need to consent again. Mailing of any printed W-2's will not occur until close to the January 31, 2018 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.
- If you are already authorized, on the left menu, you will see a green bar with "Authorized" above it. If not, 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".

2017 1095-C (Employer-Provided Health Insurance Offer and Coverage) Statements

Form 1095-C includes information about health insurance coverage offered to employees. The Affordable Care Act (ACA) requires that the State must offer, to employees who work or are compensated for 30 or more hours of service, health coverage for employees and their dependents that is provided at an affordable price and meets minimum essential standards. Therefore, all State employees with benefit coverage through ADOA during 2017 will receive an IRS 1095-C Statement scheduled to be mailed by the IRS deadline of January 31, 2018. These statements will be sent independent of any W-2's.

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