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MEMORANDUM

DATE: December 10, 2021

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

FROM: Ashley Ruiz, State Comptroller 

RE: 2021 Calendar Year End Payroll Processing

It is time once again to address the end of the calendar year processing and events. In an effort to help Agency Chief Financial Officers (CFOs), Payroll Managers, and their employees, the General Accounting Office (GAO) is providing the following information that will impact payroll offices. Please review this information with appropriate personnel.

Year-End Payroll Meeting

The General Accounting Office will hold virtual meetings bi-weekly via Google Meets to discuss year-end payroll processing. These meetings are held during off compute week on Wednesdays at 3:30 p.m.

Time Record Adjustments

Any time record adjustment for current calendar year wage that is recovering an overpayment may be offset against other current calendar year wages. Any adjustments for 2021 must be entered by the compute deadline on December 28, 2021. Overpayment adjustments discovered after the stated deadline must be completed via an Overpayment Worksheet (GAO-70A) with an election to either deduct from the next paycheck or attach a personal payment. If a personal payment is received, the Agency deposits the payment and indicates the Function and Object on the GAO-70A explanation field when submitting the signed worksheet to Central.Payroll@azdoa.gov.

Canceled Payments and Overpayment Worksheets

Warrant Cancellation (GAO-70) and Overpayment Worksheet (GAO-70A) to recover current calendar year 2021 payments must be submitted to CentralPayroll@azdoa.gov no later than December 23, 2021. The General Accounting Office will not be able to process canceled payments and overpayment worksheets in HRIS before the end of the tax year if they are not received by the stated deadline, and therefore, amounts deducted for Federal and State income taxes cannot be adjusted. These amounts will be reported with other amounts on the employee's W-2. Please note: GAO Central Payroll processes overpayment worksheets (GAO-70A) as prior year adjustments on a quarterly basis due to W-2C reporting requirements.

Final Payments in 2021

December 30, 2021 will be the final payday of 2021. The final cutoff for HRIS handwrites will be December 29, 2021 at noon. Proper review of payroll transactions is always critical and at year-end even more so because it will be the final payroll of the year included on 2021 W-2. To ensure employees have constructive receipt of their pay in 2021, all payroll warrants dated between December 23rd and December 29th, 2021 are mailed directly from the GAO to the employee's address of record in HRIS. There will be no exception for warrant PULLS. Please advise employees to validate that their mailing address is correct.

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On October 1, employees were notified of updates to Contact Information in the Y.E.S. portal. There are two tabs for employee addresses, home and mailing. Home address is their residential address (cannot be a PO Box). Mailing address is where employees elect to receive mail (including payroll warrants, W2s and benefit information). Encourage employees to keep both addresses current. Employees can update their both addresses in real time through the Y.E.S. website by clicking “Personal Information” and then “Contact Information”.

HRIS Availability

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

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

The 2021 DOR Form A-4 that indicated an employee as “Exempt” from paying state income taxes expires on February 15, 2022. Employees must file a new 2022 DOR Form A-4 to claim exempt status for the 2022 calendar year. If the employee does not provide a new Form A-4 by February 15, 2022, agencies must change the tax status on PR14 to withhold taxes at the default 2.7% (Formula 13). Reports are available in the HRIS Data Warehouse for agencies to obtain this data on-demand. Direct employees to www.AZDOR.gov for the new form.

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

A 2021 IRS Form W-4, which indicated an employee as “Exempt” from paying federal income taxes, expires on February 15, 2022. Employees must file a new 2022 IRS Form W-4 to claim exempt status for the 2022 calendar year. Agencies must change the tax status on PR13 to withhold taxes as if the employee is single by February 16, 2022 if the employee was previously exempt and if no 2022 W-4 is on file. Reports are available in the HRIS Data Warehouse for agencies to obtain this data on-demand. Direct employees to www.IRS.gov for the new form.

In 2020, the IRS released a redesigned version of the Form W-4 to reduce complexity and increase transparency and accuracy of the withholding system. Although employees are not required to submit a new 2022 Form W-4, they are encouraged to use the Tax Withholding Estimator (for their personal tax situation) on the IRS website at <https://www.irs.gov/W4App>. Please note: The State, as an employer, cannot give tax advice to employees and should direct employees with questions to their personal tax advisor.

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, 2022, the maximum amount of earnings subject to Social Security will increase from \$142,800 to \$147,000. 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, 2022 Medicare Tax will be 1.45% for the employer. For the employee, the Medicare Tax will be 1.45% 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 13, 2022, an employee's annual leave balance will be adjusted to show the following:

- Deduction of annual leave used during the 12/25/2021 to 1/07/2022 pay period.
- Forfeiture of any annual leave hours in excess of the maximum.
 - 240 hours for covered employees and 320 hours for uncovered employees.
- Addition of annual leave accrued during the 12/25/2021 to 1/07/2022 pay period.

Holiday leave balances are not included in the calculation of determining excess leave.

Additionally, on December 31, 2021, the Family Sick leave balance will be reset to 40 hours.

2022 W-2s (Wage & Tax Statement) – Consenting to Electronic Delivery & Availability

In an effort to protect employee sensitive information, we recommend that individuals consent to receive their W-2s electronically. Additionally, those who consent to receive their W-2 online will have advance access to their W-2 beginning in early January 2022. Mailing of any printed W-2s will not occur until close to the January 31, 2022 deadline. Please encourage employees to consider receiving their W-2 online.

To consent to getting W-2s online:

- Visit <https://hrsystems.azdoa.gov/>
- Click “Login” in the YES Portal section, enter YES username (yourEIN@hris.az.gov) and password, and click “Sign in”.
- Click “Your Employee Services”, click “Pay”, click “W-2”, the MHC Software window displays. If prompted, enter YES username (yourEIN@hris.az.gov) and password.
- If you have already authorized, a green “Authorized” displays under W2 in My Delivery Settings. If not, click “Authorization Required”.
- Click “Print Test”.
 - Printing to PDF and saving to the Desktop is ok.
- Click “I Agree”.
- Under My Delivery Options W2 tab, designate a secondary email address.
 - Primary email address: auto-populated from HRIS (for active employees only)
 - Secondary email address: defined by the current/former employee
- Click “Submit”.

Encourage employees to keep their mailing address current. Employees can update their home and mailing addresses in real time through the YES website by clicking “Personal Information” and then “Contact Information”. The last day to update the Mailing Address for W-2s is December 30, 2021.

2021 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 employees compensated for 30 or more hours of service, health coverage for employees and their dependents at an affordable price and meets minimum essential standards. Therefore, all State employees with benefit coverage through ADOA during 2021 are mailed an IRS 1095-C Statement by the IRS deadline of January 31, 2022. These statements are mailed independent of the W-2 document.

If you have any questions about the information provided, please email Central.Payroll@azdoa.gov or contact Tracey Smith at (602) 542-6086.

HRIS Critical Dates - November - December 2021

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
21 NOVEMBER	22	23	24	25 THANKSGIVING HOLIDAY	26	27 PAY PERIOD BEGIN
28	29	30 COMPUTE	1 DECEMBER	2 PAYDAY 24	PAY PERIOD END	4
5	6	7	8	9	10	11 PAY PERIOD BEGIN
12	13	14 COMPUTE	15	16 PAYDAY 25	17	18
19	20 Recommend Agency run Data Warehouse Reports of 2021 Tax Exempt Employees	21	22	23 Deadline to submit Overpays with adjustments to Federal/State tax PAYMENTS MAILED	24 CHRISTMAS HOLIDAY PAY PERIOD END NO HANDWRITES	25 PAY PERIOD BEGIN
26	27	28 COMPUTE	29	30 PAYDAY 26	31	1 JANUARY
Overpays for years 2021 and prior cannot refund Federal/State withholding taxes						
			Last chance to pay in 2021 Noon deadline for handwrites	Deadline for W2 address changes via YES HRIS SECURITY ON FOR ALL (CYE Updates) NO HANDWRITES	NEW YEARS HOLIDAY Family Sick Leave Reset NO HANDWRITES	
			PAYMENTS MAILED	PAYMENTS MAILED	PAYMENTS MAILED	

HRIS Critical Dates - January - February 2022

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
26	27	28 COMPUTE	29	30 PAYDAY 26	31	1 JANUARY
Overpays for years 2021 and prior cannot refund Federal/State withholding taxes						
			Last chance to pay in 2021 Noon deadline for handwrites	Deadline for W2 address changes via YES	NEW YEARS HOLIDAY	
	PAYMENTS MAILED	PAYMENTS MAILED	PAYMENTS MAILED	HRIS SECURITY ON FOR ALL (CYE Updates) NO HANDWRITES	Family Sick Leave Reset	
2	3	4	5	6	7	8 PAY PERIOD BEGIN
					Last day to use Excess Annual Leave before Roll	
					Target Date: 2021 W2s online for those consented. Notification e-mails will be sent per IRS requirements	
					PAY PERIOD END	
9	10	11 COMPUTE	12	13 PAYDAY 1	14	15
	Last day to consent to <u>NOT</u> receive W-2 by mail	ANNUAL LEAVE ROLL				
16	17	18	19	20	21	22 PAY PERIOD BEGIN
	MARTIN LUTHER KING JR. HOLIDAY		Prior Year Adjustments System unavailable until 10 am YES available			
					PAY PERIOD END	
23	24	25 COMPUTE	26	27 PAYDAY 2	28	29
				Target Date: W-2s mailed to address as of 12/30/21	W-2s online for ALL (direct employees wanting a duplicate W-2 to YES)	
30	31	1 FEBRUARY	2	3	4	5 PAY PERIOD BEGIN
		Form GAO - W-2 for requesting paper duplicates accepted				
					PAY PERIOD END	
6	7	8 COMPUTE	9	10 PAYDAY 3	11	12
13	14	15	16	17	18	19 PAY PERIOD BEGIN
		2021 A-4 Exempt expires. If 2022 A-4 Exempt not filed Set to 2.7% (13)				
		2021 W4 Exempt expires. If 2022 W-4 Exempt not filed set to Single				
					PAY PERIOD END	