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## ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL ACCOUNTING OFFICE

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### MEMORANDUM

**DATE:** November 13, 2015

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

**FROM:** Michael Smarik, Deputy State Comptroller

**RE:** 2015 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 16, 2015 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 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 2015 should be entered by the compute deadline on December 22, 2015. 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 November 26, 2015, must be submitted to Central Payroll no later than December 2, 2015. Any additional payments to be canceled and overpays to be recovered that are made or discovered after December 2, 2015 must be submitted to Central Payroll by December 16, 2015. After December 16, 2015, 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.

November 26, 2015 pay date (Thanksgiving Holiday) warrant mailing

The warrant mailing for the November 26, 2015 pay date will be moved to Friday. New direct deposit accounts should be setup in HRIS by November 17, 2015 to ensure the November 26, 2015 payment is paid electronically. The Direct Deposit transmission is scheduled to occur at its normal time on Wednesday with a Thursday effective date.

December 24, 2015 pay date (Christmas Holiday) warrant mailing

Warrants for the December 24, 2015 pay date will be mailed from the GAO on Thursday. New direct deposit accounts should be setup in HRIS by December 15, 2015 to ensure the December 24, 2015 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 2015

December 24, 2015 will be the final payday of 2015. Handwrites will not be available on December 31, 2015, therefore, the final cutoff for HRIS handwrites will be December 30, 2015 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 2015 W-2's. To ensure employees have constructive receipt of their pay in 2015, all payroll warrants (including handwrites) dated December 28 through December 30, 2015 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 2015 DOR Form A-4 which indicated an employee is "Exempt" from paying State income taxes expires on December 31, 2015. Employees must file a new 2016 DOR Form A-4 to claim exempt status for the 2016 calendar year. If the employee does not provide a new Form A-4 by December 31, 2015, 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 by the third week of December.

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

The 2015 IRS Form W-4 which indicated an employee is "Exempt" from paying Federal income taxes expires on February 16, 2016. Employees must file a new 2016 IRS Form W-4 to claim exempt status for the remainder of the 2016 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 17, 2016 if they were previously exempt and if no 2016 W-4 is on file. Reports listing the employees who may be impacted by these requirements will be sent electronically to agencies by 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 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, 2016, the maximum amount of earnings subject to Social Security will remain \$118,500. 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, 2016 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 7, 2016, an employee's annual leave balance will be adjusted to show the following:

- Deduction of annual leave used during the 12/19/2015 to 1/1/2016 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 12/19/2015 to 1/1/2016 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 January 1, 2016.

#### 2015 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 2016. 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, 2016 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".

#### 2015 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 2015 will receive an IRS 1095-C Statement scheduled to be mailed by the IRS deadline of January 31, 2016. 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.