

DATE: December 8, 2020

TO: Agency Addressed (No. 13, 2020-21)

FROM: Paul Whitfield, Director  
Division of Accounting and Auditing  
Department of Financial Services

SUBJECT: 2020 CALENDAR YEAR-END INFORMATION

The following payroll related information is provided to assist agencies in complying with the Payroll Calendar year-end reporting and processing schedule. Information concerning upcoming payroll changes and activities is included. The Payroll Preparation Manual, which is referenced throughout this memorandum, can be accessed at [https://myfloridacfo.com/Division/AA/Manuals/documents/BOSP\\_MANUAL2.pdf](https://myfloridacfo.com/Division/AA/Manuals/documents/BOSP_MANUAL2.pdf). Most reports referenced in this memorandum are available through the Report Distribution System (RDS). If you need assistance in viewing or printing your reports, please contact your agency RDS administrator.

### **1. Form W-4 – Expiration of Exemption From Withholding**

A Form W-4 claiming exemption from withholding is valid for only one calendar year. Employees claiming exempt status on their Form W-4, Employee's Withholding Allowance Certificate, must file a new Form W-4 each year. Form W-4s claiming exempt status for 2020 are valid through February 15, 2021. If a new Form W-4 is not filed, the Internal Revenue Service (IRS) requires the employer to withhold tax as if the employee is single with no deductions or dependent amounts. On February 12, 2021, the Department of Financial Services (DFS) will update Form W-4s that still contain 2020 exempt status to "single" filing status and no deductions or dependent amounts in the DFS payroll (PYRL) system. To continue uninterrupted exempt status for 2021, eligible employees must submit a new Form W-4 by February 12, 2021. For agency employees using the People First system, this is accomplished by updating the Form W-4 information in People First by **7:00 p.m.** on February 12, 2021. For agencies not using People First (e.g., Legislature), you will need to work with your eligible employees to ensure their Form W-4s are updated by February 15, 2021.

Agency payroll report PW4RYX03 (RDS ID Q\*\*T) provides a listing of employees within your agency who have claimed exempt status for 2020. This report will be available for Agency use by January 1, 2021. **These employees should be notified that a new Form W-4 is required for 2021.**

Agencies should remind employees to update their Form W-4 information if their address, marital status, or exempt status has changed since their Form W-4 information was last updated.

### **2. Vehicle Fringe Benefit Reporting**

The deadline for reporting vehicle fringe benefits for November 1, 2019, through October 31, 2020, is **5:00 p.m.** on January 6, 2021. Vehicle fringe benefits must be reported utilizing the **On-line Non-Cash Adjustments System**. Agencies collecting Federal Insurance Contributions Act (FICA) taxes through the payroll process in December should exercise care to ensure that the appropriate non-cash adjustments are entered and approved prior to the processing of their agency's last payroll of the year. On-line adjustments processed after the last payroll for 2020, or adjustments made by agencies that elect to pay FICA taxes from their Florida Accounting Information Resource (FLAIR) accounts, must be entered and approved in the on-line system by **5:00 p.m.** on January 6, 2021, to be considered as 2020 business. This is the date of the last cancellation and adjustment run which will adjust the original 2020 Form W-2. Any reported benefits entered

into the on-line system after that date will result in the affected employee receiving a corrected Form W-2 (Form W-2c) for calendar year 2020.

Instructions for completing on-line non-cash adjustments are found in **Volume V, Section 7**, of the Payroll Preparation Manual.

Elected officials and employees whose calendar year 2020 compensation is equal to or exceeds the Federal Government Executive Level V, are not eligible to use the commuting valuation method. Instead, they must use the Annual Lease Value Table. Please note there is a four-year recalculation requirement when using the Annual Lease Value Table. Refer to **Volume VI, Section 3, *Personal Use of State-Provided Vehicles***, of the Payroll Preparation Manual for instructions.

### **3. Taxable Tuition Waivers and Taxable Education Assistance**

Taxable tuition waivers and education assistance must be reported in the current calendar year utilizing the **On-line Non-Cash Adjustments System**. Agencies collecting FICA taxes through the payroll process in December 2020 should exercise care to ensure that the values are entered and approved prior to processing the last payroll of the year (December 24, 2020 for biweekly agencies and December 23, 2020 for monthly agencies). Agencies electing to pay FICA taxes from their FLAIR accounts, or those that must enter on-line adjustments after the last payroll for 2020 has processed (and pay the FICA taxes), must enter and approve the transactions by **5:00 p.m.** on January 6, 2021, (the last daily cancellation and adjustment run affecting original 2020 Form W-2s).

Instructions for completing on-line non-cash adjustments are located in **Volume V, Section 7**, of the Payroll Preparation Manual. Information concerning the reporting of taxable tuition waivers is located in **Volume VI, Section 3**, of the Payroll Preparation Manual.

### **4. Warrant Cancellations and Payroll Record Adjustments**

All warrant cancellations and adjustments, including salary refunds, made to year 2020 earnings must be added and approved in the on-line system by **5:00 p.m.** on January 6, 2021, to be considered 2020 business for Form W-2 production and withholding tax restoration.

**Note:** Cancellations and adjustments to year 2020 earnings approved after **5:00 p.m.** on January 6, 2021, are considered prior year adjustments and may result in the issuance of a Form W-2c. Prior year cancellations and adjustments will not adjust or restore withholding tax. The IRS does not permit adjustments to amounts reported as income tax withheld in a prior calendar year.

Procedures for cancellation and adjustment processes are found in **Volume V, Sections 5-9**, of the Payroll Preparation Manual.

### **5. W-2 and 1099 Reporting Adjustments**

Agencies should monitor all instances when an employee is scheduled to receive both a W-2 and 1099 form. To aid in the review process, a report was developed to identify those individuals who are receiving wage payments that are subject to Form W-2 reporting and who are also receiving expense payments subject to non-employee compensation Form 1099 reporting. This report is generated every Thursday and is located on a DFS repository server. Please reach out to your agency IT technical contact to gain access to the report.

If payments need to be reclassified as wages to be included on the W-2 for 2020, the adjustment requests must be submitted to the Bureau of State Payrolls (BOSP) no later than **5:00 p.m.** on January 4, 2021.

## **6. Refund of Current Year Salary Overpayments**

To be included in the production of original 2020 Form W-2s, salary refunds must be added and approved in the PYRL system by **5:00 p.m.** on January 6, 2021, (the last daily adjustment run affecting the original 2020 Form W-2s). Any current year salary refunds that must be processed using the manual salary refund for overpayment form **DFS-A3-1911**, must be submitted to BOSP for processing no later than **5:00pm on January 4, 2021.**

Refunds entered in the system and approved by January 6, 2021, will have taxable gross, Social Security, Medicare, and federal withholding tax adjusted. The original Form W-2 will reflect the employee's salary refund. The related Social Security, Medicare, and federal withholding tax will be restored to agency accounts. If the agency has only collected a portion of the overpayment due, a partial salary refund should be entered into the system no later than **5:00 p.m.** on January 6, 2021 for the amount collected prior to December 31, 2020.

Refunds entered in the PYRL system by January 6, 2021, but not approved by **5:00 p.m.** January 6, 2021, will be purged from the system. Records for employees who repaid overpayments in 2020 but whose on-line adjustments were not approved by **5:00 p.m.** January 6, 2021, will be purged and must be submitted to our Employee Records Section on **Form DFS-A3-1911** for processing. The form is available at <http://www.myfloridacfo.com/Division/AA/Forms/default.htm>.

Current year salary overpayments that have not been collected or have only been partially paid at year-end must be recalculated to include the withholding tax on subsequent collections. This can be done using the **On-line Salary Refund System**. Information concerning the processing of salary overpayment refunds can be found in **Volume V, Section 6**, of the Payroll Preparation Manual.

## **7. Refund of Prior Year Salary Overpayments**

Amounts collected by the agency for prior year salary overpayments during the current calendar year should be entered into the On-line Salary Refund System no later than **5:00 p.m.** on December 10, 2020. If the agency has not collected the entire amount due, the amount that has been collected should be entered as a partial salary refund and a new record entered when the remaining amount is collected.

This is especially critical for any salary overpayment monies collected that pertain to Calendar Year 2017. After December 10, 2020, agencies will no longer be able to recoup Social Security and Medicare taxes for payments originally issued in 2017.

## **8. On-Demand Payrolls and Revolving Fund Reimbursements**

The last On-Demand Payroll warrant dated for 2020 will be processed on December 29, 2020. All On-Demand transactions that are not approved by **5:00 p.m.** on December 29, 2020 will be purged from the On-Demand system. **PLEASE HAVE ON-DEMANDS TO JAC NO LATER THAN 5:00 P.M. EASTERN ON MONDAY, DECEMBER 28, 2020.**

All Revolving Fund payments for wages made to employees in calendar year 2020 must be calculated and reimbursed by December 29, 2020 using the **On-Demand Payroll System**. Note that revolving fund payments can only be reimbursed through the On-Demand Payroll System for the exact amount calculated by the On-Demand Payroll System **in the same calendar year** the Revolving Fund check was paid to the employee. Refer to **Volume IV, Section 9**, of the Payroll Preparation Manual for additional information on the On-Demand Payroll System.

**All unapproved On-Demand revolving fund reimbursement transactions will be deleted after 5:00 p.m. on December 29, 2020. If a record is deleted, the agency should NOT enter the record again in January. The agency must contact BOSP, as this correction will require extensive review and manual processing.** For additional information on Revolving Fund regulations, please refer to Chapter 69I-31.226, Florida Administrative Code, titled "Wage Payments from Revolving Funds." Refer to **Volume IV, Section 10**, of the Payroll Preparation Manual for additional information.

### **9. Leave Payouts with Deferred Compensation**

Agencies should submit leave payout packets with deferred compensation to BOSP no later than December 11, 2020 to ensure the employee's deferred compensation contribution is credited to calendar year 2020.

### **10. Retirement Adjustments**

Agencies should not process on-line retirement adjustments beginning December 22, 2020 through January 6, 2021, which result in a refund to an employee. Processing refunds during this period will result in an understatement in an employee's W-2 gross in calendar year 2020.

Agencies should continue processing retirement adjustments for workers compensation and those resulting in a collection from an employee.

### **11. End of Quarter Payroll Adjustments**

Agencies are not permitted to make any **prior quarter** payroll adjustments beginning December 11, 2020 through December 31, 2020. PYRL will allow the user to add adjustments but will not allow the user to approve them. Agencies may resume approval of **prior quarter** payroll adjustments on January 4, 2021. Additional guidance can be found in **Volume VI, Section 13**, of the Payroll Preparation Manual. Adjustments to year 2020 earnings need to be entered and approved in the on-line system by 5:00 p.m. on January 6, 2021.

### **12. State Income Taxes Deducted in 2020**

Agencies electing to provide state income tax withholding deductions for their employees must assume the remitting and reporting responsibilities. Each agency must register with the appropriate taxing authority of the state or local government, obtain an agency tax identification number, and acquire the required information and forms for meeting its remitting and reporting responsibilities. BOSP must be notified when new registrations are obtained, providing the name of the state or local government taxing authority, the agency tax identification number, deduction code utilized, and the agency contact name and telephone number.

State income tax deduction amounts are reported on Form W-2, box 17. Agency reports will be available in January 2021 listing employees that have state and local government income tax deductions in year 2020. See agency payroll report **PSARSTAX (RDS Form ID U\*\*K)**. RDS administrators should establish this report for all necessary personnel before December 31, 2020. Refer to **Volume VI, Section 9**, of the Payroll Preparation Manual for additional guidance.

### **13. Shared Savings Program**

The State of Florida started the Shared Savings program effective 2019. The Shared Savings Program is a collection of voluntary benefits available to members enrolled in a State group health plan. Any State Group health plan enrollee is eligible to receive a rewardable healthcare service. Currently rewards are credited to pretax accounts for reimbursement of eligible healthcare expenses and are not considered taxable income.

Although these rewards are not taxable income, these amounts are required to be reported on the Form W-2. For 2020, HSA rewards will be displayed on the Form W-2 in Box 12 using code "W". 2020 FSA and LPFSA rewards will be displayed on the Form W-2 in Box 12 using code "DD". These reward amounts will also be displayed on the Annual Earnings and Benefit Statement. The reward information included on your Form W-2 and Annual Earnings and Benefit Statement is provided by People First.

### **14. Form W-2 Distribution**

Many employees have already elected to receive their original Form W-2 electronically instead of receiving a paper form distributed by agencies. Registration for electronic delivery is available to all employees on the

Employees' Information Center (EIC) website. Employees who are not already registered must register no later than January 6, 2021, to receive their original form electronically.

Registered employees will receive an e-mail notification in January when their 2020 Form W-2 becomes available on the EIC website. As required by the IRS, the e-mail notification subject line will include "IMPORTANT TAX RETURN DOCUMENT AVAILABLE." If the e-mail notice is returned as undeliverable, BOSP will send the employee a letter notifying them that their W-2 form is available on the website.

Original 2020 W-2 forms for employees receiving a paper form will be distributed to all agencies no later than **January 22, 2021**. The design of Form W-2 has not changed from last year. The agency list of W-2 forms will **ONLY** be available to the agencies in RDS. The list will include all W-2 forms produced and will indicate paper or electronic delivery for each employee. The RDS Form ID is U\*\*6. RDS administrators should establish this report for all necessary personnel **before** January 7, 2021.

### **15. Qualified Leave Wages Statement**

Employees who received wages paid under Leave Type 0098 Federal Sick Leave or Leave Type 0097 Federal FMLA will be provided with a statement of those wages. This required reporting provides employees who are also self-employed with information necessary for properly claiming qualified sick leave equivalent or qualified family leave equivalent credits under the Families First Act. The qualified leave wage information included on the statement is provided by People First. The statements will be available to employees on the Employees' Information Center (EIC) website.

### **16. Annual Earnings and Benefit Statements**

The Annual Earnings and Benefits Statements will be available to employees and designated agency personnel at the EIC website no later than January 13, 2021.

### **17. Duplicate Forms – W-2 and W-2c**

Duplicate W-2 forms for tax years 2015-2020 will only be available on the EIC website. For employees who have elected to receive their W-2 form electronically, their duplicate 2020 W-2 form can be printed any time after the W-2 form email notification has been sent. For employees who have **not** elected to receive their W-2 form electronically, employees and **designated agency personnel** may print 2020 W-2 duplicates as needed from the EIC website beginning on February 1, 2021. Duplicate W-2 forms for 2015-2020 continue to be available on the EIC website to all employees and agency designated personnel.

Duplicate W-2c forms for 2020 should be available for agency personnel through the On-line Tax Reporting screens by January 31, 2021. Duplicate W-2c forms for 2018 and 2019 are currently available for agency personnel through the On-line Tax reporting screens.

The last day in 2020 that duplicate 2017 W-2 or W-2c forms will be available via the on-line Tax Reporting system will be December 29, 2020.

### **18. Health Care Coverage Under Affordable Care Act Forms – 1095-B and 1095-C**

In 2021, state employees will receive a Form 1095-B and/or Form 1095-C. The Department of Management Services, Division of State Group Insurance (DSGI), is responsible for the production and distribution of these forms. These forms must be used for tax reporting to prove employees had minimum essential health coverage in 2020. This is a health insurance mandate within the Affordable Care Act. Any forms that cannot be delivered due to bad mailing addresses will be returned to Agency HR offices for handling per DSGI. **PLEASE MAKE SURE CURRENT AND TERMINATING EMPLOYEES' ADDRESSES ARE CORRECT IN PEOPLE FIRST. THIS INCLUDES EMAIL ADDRESSES.**

## **19. FICA Tax Changes – 2021**

The Social Security wage base has changed to \$142,800 for calendar year 2021. The Social Security tax rate remains at 6.2% for employee and employer portions. The Medicare tax rate will remain at 1.45% for employee contributions on wages up to \$200,000. Individuals whose wages exceed \$200,000 will be subject to an additional .90% Medicare tax on any amounts over the \$200,000 limit. This will result in the first \$200,000 being taxed at the 1.45% rate, and any wages greater than \$200,000 at the 2.35% rate for the employee portions only. The Medicare tax rate will remain at 1.45% for employer contributions.

## **20. Qualified Transportation Fringe Benefit Limits - 2021**

The monthly limitation under §132(f), regarding the aggregate fringe benefit exclusion amount for transportation in a commuter highway vehicle and any transit pass remains at \$270.

The monthly limitation for qualified parking remains at \$270.

## **21. Pension Plan Contribution Limits – 2021**

The limitation for defined contribution plans under IRC §415(c) is increased in 2021 from \$57,000 to \$58,000.

The annual compensation limit under IRC §401(a)(17) is increased from \$285,000 to \$290,000.

The annual compensation limit under IRC §401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost of living adjustments to the compensation limitation under the plan under IRC §401(a)(17) to be taken into account, is increased from \$425,000 to \$430,000.

The limitation under IRC §402(g)(1) on the exclusion for elective deferrals described in IRC §402(g)(3) remains unchanged at \$19,500.

The limitation on the exclusion for IRC §457 elective deferrals to deferred compensation plans of state and local governments remains unchanged at \$19,500.

The limitation under IRC §414(v)(2)(B)(i) for catch-up contributions to IRC §403(b) and IRC §457 plans for individuals age 50 and over, remains unchanged at \$6,500.

## **22. Health Savings Accounts – Monthly Contribution Limits for 2021**

Self-Only Coverage – For calendar year 2021, the monthly contribution limitation (employer and employee combined) for an individual with self-only coverage under a high deductible plan as of the first day of such month is one-twelfth (1/12) of \$3,600.

Family coverage – For calendar year 2021, the monthly contribution limitation (employer and employee combined) for an individual with family coverage under a high deductible plan as of the first day of such month is one-twelfth (1/12) of \$7,150.

If you have any questions regarding this 2020 Calendar Year-End Information memorandum, please contact BOSP at (850) 413-5513.