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Great-West Retirement Services

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EXHIBIT 7-3-1  
EARNED INCOME CREDIT ADVANCE PAYMENT CERTIFICATE  
2010 FORM W-5

This form can be printed from the IRS website at  
<http://www.irs.gov/pub/irs-pdf/fw5.pdf>

2010

Form W-5



Department of the Treasury  
**Internal Revenue Service**

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**Instructions**

**Purpose of Form**

Use Form W-5 if you are eligible to get part of the earned income credit (EIC) in advance with your pay and choose to do so. See *Who Is Eligible To Get Advance EIC Payments?* below. The amount you can get in advance generally depends on your wages. If you are married, the amount of your advance EIC payments also depends on whether your spouse has filed a Form W-5 with his or her employer. However, your employer cannot give you more than \$1,830 throughout 2010 with your pay. You will get the rest of any EIC you are entitled to when you file your 2010 tax return and claim the EIC.

If you do not choose to get advance payments, you can still claim the EIC on your 2010 tax return.

**What Is the EIC?**

The EIC is a credit for certain workers. It reduces the tax you owe. It may give you a refund even if you do not owe any tax.

**Who Is Eligible To Get Advance EIC Payments?**

You are eligible to get advance EIC payments if **all four** of the following apply.

1. You (and your spouse, if filing a joint return) have a valid social security number (SSN) issued by the Social Security Administration. For more information on valid SSNs, see Pub. 596, *Earned Income Credit (EIC)*.
2. You expect to have at least one qualifying child and to be able to claim the credit using that child. If you do not expect to have a qualifying child, you may still be eligible for the EIC, but you cannot receive advance EIC payments. See *Who Is a Qualifying Child?* beginning on this page.
3. You expect that your 2010 earned income and adjusted gross income (AGI) will each be less than \$35,935 (\$40,545 if you expect to file a joint return for 2010). Include your spouse's income if you plan to file a joint return. As used on this form, earned income does not include amounts inmates in penal institutions are paid for their work or amounts received as a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental

section 457 plan. Generally, earned income also does not include nontaxable earned income, but you can elect to include nontaxable combat pay in earned income.

4. You expect to be able to claim the EIC for 2010. To find out if you may be able to claim the EIC, answer the questions on page 2.

**How To Get Advance EIC Payments**

If you are eligible to get advance EIC payments, fill in the 2010 Form W-5 at the bottom of this page. Then, detach it and give it to your employer. If you get advance payments, you must file a 2010 Form 1040 or 1040A income tax return.

You may have only one Form W-5 in effect at one time. If you and your spouse are both employed, you should file separate Forms W-5.

This Form W-5 expires on December 31, 2010. If you are eligible to get advance EIC payments for 2011, you must file a new Form W-5 next year.

**TIP** You may be able to get a larger credit when you file your 2010 return. For details, see *Additional Credit* on page 3.

**Who Is a Qualifying Child?**

A qualifying child is any child who meets all four of the following conditions.

1. The child is your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your grandchild, niece, or nephew). An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption. A foster child is any child placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.
2. The child is under age 19 at the end of 2010 and younger than you (or your spouse, if filing jointly); or under age 24 at the end of 2010, a student, and younger than you (or your spouse, if filing jointly); or any age and permanently and totally disabled. A student is a child who during any 5 months of 2010 (a) was enrolled as a full-time student at a school or (b) took a full-time, on-farm training course given by a school or a state, county, or local government.

*(continued on page 3)*

▼ Give the bottom part to your employer; keep the top part for your records. ▼

Detach here

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Form **W-5**

Department of the Treasury  
Internal Revenue Service

Print or type your full name

**Earned Income Credit Advance Payment Certificate**

► Use the current year's certificate only.  
► Give this certificate to your employer.  
► This certificate expires on December 31, 2010.

OMB No. 1545-0074

2010

Your social security number

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**Note.** If you get advance payments of the earned income credit for 2010, you **must** file a 2010 federal income tax return. To get advance payments, you **must** have a qualifying child and your filing status must be any status **except** married filing a separate return.

- 1 I expect to have a qualifying child and be able to claim the earned income credit for 2010 using that child. I do not have another Form W-5 in effect with any other current employer, and I choose to get advance EIC payments  Yes  No
- 2 Check the box that shows your expected filing status for 2010:  
 Single, head of household, or qualifying widower  Married filing jointly
- 3 If you are married, does your spouse have a Form W-5 in effect for 2010 with any employer? . . . . .  Yes  No

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Under penalties of perjury, I declare that the information I have furnished above is, to the best of my knowledge, true, correct, and complete.

Signature ► \_\_\_\_\_

Date ► \_\_\_\_\_

Cat. No. 10227P

## 7-6 PAY TYPES

### A. LONGEVITY PAY

The following amounts reflect the longevity payments for FY08FY11 and the potential changes thereafter until the maximum specified by the amendment is reached:

#### FY '0811 LONGEVITY PAY INCREMENTS

5 + years of service	<del>\$300</del>	<u>\$500</u>
10 + years of service	<del>\$400</del>	<u>\$600</u>
15 + years of service	<del>\$500</del>	<u>\$700</u>
20 + years of service	<del>\$600</del>	<u>\$800</u>
25 + years of service	<del>\$700</del>	<u>\$900 (as granted in ACT 2006-420)</u>

#### EXAMPLES OF REVISED LONGEVITY AMOUNTS:

~~For the first Fiscal Year in which no COLA is received, the following schedule of longevity payments will be applicable:~~

~~5 + years of service \$400  
10 + years of service \$500  
15 + years of service \$600  
20 + years of service \$700  
25 + years of service \$800~~

~~For the second Fiscal Year in which no COLA is received, the following schedule of longevity payments will be applicable:~~

~~5 + years of service \$500  
10 + years of service \$600  
15 + years of service \$700  
20 + years of service \$800  
25 + years of service \$900~~

~~For the third next Fiscal Year in which no COLA is received, the following schedule of longevity payments will be applicable:~~

5 + years of service \$600  
10 + years of service \$700  
15 + years of service \$800  
20 + years of service \$900  
25 + years of service \$1,000 \*

**\*After \$1,000 is reached for the 25 + year level, each service level amount will remain as is noted in this chart (unless/until future legislation dictates a change).**

Generally, the amount of longevity pay for permanent part-time employees is calculated using the percentage of full-time hours worked and the length of service. For example, if a 50% employee works 1,040 hours a year and the employee has 6 years of service, then the employee is eligible to receive ~~\$150~~250.00 (~~\$300~~500 X .5). One time Payment forms, for all part-time employees, must be completed and forwarded to the Payroll Section of the Comptroller's Office by the deadline established in the annual longevity memo issued by the Comptroller's Office.

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### B. LONGEVITY OVERTIME PAY

In accordance with Title 29 *Code of Federal Regulations* Section 778, any bonuses received by employees who are not exempt from the Fair Labor Standards Act (FLSA) must be included in calculating the hourly rate used to pay overtime at the time and a half rate. For example, Employee A, whose salary is \$24,960.00, has received a ~~\$300~~500 longevity bonus. Employee A's hourly rate is \$12.00 ( $\$24,960/2,080$  hours<sup>1</sup>). He has been paid 200 hours of overtime at the time and a half rate of \$18.00 an hour ( $\$12.00 \times 1.5$ ). The employee is eligible to receive an additional ~~\$42~~72, calculated as follows:

- 1)  $\$300$ 500 longevity bonus/2,080 standard hours = ~~\$.14~~.24
- 2) ~~\$.14~~.24 x 1.5 (time and a half) = ~~\$.21~~.36
- 3) ~~\$.21~~.36 x 200 hours overtime = ~~\$42~~72.00

**NOTES: A) The longevity overtime uses a rate of ~~\$.14~~.24 and not ~~\$18.14~~24 because the employee was already paid \$18.00 an hour for overtime worked throughout the year.**

**B) If the additional overtime compensation due to the longevity bonus is less than \$10.00, the amount can be considered "de minimis" and should not be paid.**

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### F. BOARD OF ADJUSTMENT CLAIMS

In accordance with *Code of Alabama 1975*, §41-9-68, as amended, the Board of Adjustment may award ~~damages~~ back pay to an employee based on a submitted claim pertaining to the situations listed in §41-9-62. If ~~damages are~~ back pay is awarded to an employee, form FRMS-

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<sup>1</sup> The standard number of work hours per year that is used by the federal government, and industry in general, is 2,080 hours, and that is the number used by the State of Alabama.

17 -- ONE TIME PAYMENT (Exhibit 7-7-3) must be completed and forwarded to the Payroll section of the Comptroller's office with a copy of the Board of Adjustment ruling.

~~All~~ Board of Adjustment ~~claims~~ are awards will be processed during the ~~supplemental~~ employee's next regular payroll cycle ~~only~~. These payments are taxed at a flat rate of 25 percent for federal taxes and a flat rate of 3 percent for state taxes. If the employee's regular pay is subject to FICA, Medicare, and/or retirement, these payments will also be subject to FICA, Medicare and/or retirement. ~~All payroll warrants issued for Board of Adjustment claims will be released to the Legal Division of the Department of Finance for distribution.~~

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### D. REFUNDS FROM STATE EMPLOYEES' INSURANCE BOARD

In order for an employee to receive a refund for premiums paid to the State Employees' Insurance Board (SEIB) in error, the agency must complete SEIB form IB10 and forward to SEIB. (A copy of the Refund Request form can be found on SEIB's website at <http://www.alseib.org/Healthinsurance/sehip/forms.aspx>.) SEIB will audit the request and forward it to the Comptroller's office. The Comptroller's Office will prepare a journal voucher to transfer the money from SEIB to the agency. A copy of the journal voucher form will be sent to the agency. The refund will be transferred to the agency's default accounting distribution in GHRS. The employee's share of non-flexible benefits will be transferred to balance sheet account number "7941", ~~the employers' cost for flexible and non flexible benefits will be transferred to balance sheet account number "7947"~~, and the employee's share of the flexible benefit refund will be transferred to balance sheet account number "9051". The amount of the agency's FICA and Medicare employer cost for the flexible benefit refunds will be charged to the default accounting distribution, object/sub-object code of "0200 01".

A payment voucher must be processed to pay the affected employee. This step should clear out any amount in balance sheet accounts "7941" and/or "9051".

Journal voucher transactions must then be entered using the agency's established accounting procedures to reallocate ~~the money in balance sheet account "7947"~~ and the employer's share that was charged to object/sub-object 0200-01 to the employee's appropriate accounting distribution. These balance sheet accounts are clearing accounts; therefore, unless the amounts are reallocated through a journal voucher transaction, the funds cannot be spent.

See exhibit 7-9-4A for the refund process and exhibit 7-9-5 for an explanation of each of the journal voucher lines. Refer to the AFNS Payroll Insurance Refunds for specific instructions regarding AFNS entries.

In order for an agency to receive a refund for premiums paid to the State Employees' Insurance Board (SEIB) in error, the agency must complete SEIB form IB10 and forward to SEIB. (A copy of the Refund Request form can be found on SEIB's website at <http://www.alseib.org/Healthinsurance/sehip/forms.aspx> ) SEIB will net the refund amount against the next billing. See exhibit 7-9-4B to follow the flow for current year, 13th accounting period and prior year refunds.

## B. EMPLOYEE DEDUCTIONS

If an employee wishes to have voluntary deductions withheld from his salary, it is recommended that the employee provide written authorization to the agency payroll clerk. New deductions are added for an employee on the Miscellaneous screen (MISC) in GHRS. All authorized deductions can be found on the Deduction Plan table (DPLN) in GHRS. A list of approved insurance companies for voluntary insurance deductions is provided on our website at [www.comptroller.alabama.gov](http://www.comptroller.alabama.gov).

In accordance with *Code of Alabama 1975*, §36-1-4.4, requirements for dues and contributions to employee organizations are set forth as follows:

1. All ~~memberships in~~ membership dues for employee organizations shall be annual memberships.
2. The annual membership period is established as August 1 of the year through July 31 of the subsequent year.
3. Once an employee becomes a member of an employee organization, (~~Labor Union, Law enforcement associations, etc...~~), the employee he/she cannot terminate that membership (i.e., stop payroll deductions) except during the last 10 days in July. This revocation must be in writing to the appropriate payroll clerk in the employee's department.
4. Any employee who elects to make a voluntary contribution to an employee organization (~~i.e., to a political action committee~~) can terminate that voluntary contribution by providing ~~30 days advance written notice~~ written notice 30 days in advance to the appropriate payroll clerk in the employee's department.
5. Any employee may initiate a new authorization for deduction of either dues or voluntary contributions on a monthly basis during the year, but once the deduction commences, ~~(3) and (4)~~ Sections 3 and 4 apply regarding termination.
6. If an employee terminates service with the State for any reason, the deduction will terminate with the last salary payment.
7. If after an approved leave of absence or other temporary leave, an employee returns to employment with the State, deductions for dues and/or voluntary contributions will commence unless specifically revoked by the employee prior to reemployment.

Agency personnel should not enter any changes using the codes of HLTHE, HLTHC, DPCRE, HLCRE, PRETX or PSTTX. These changes are initiated by either SEIB or the state's third party administrator ERISA.

## E. COURT ORDERED LIENS

The term "garnishment" broadly refers to any court/legal ordered deduction. At this time, the Comptroller handles garnishments for debt, taxes, child support, and restitution. All child support, garnishment, bankruptcy, and levy deductions are entered into GHRIS by the Garnishment Administration section of the Payroll Division in the Comptroller's office. Deductions for garnishments, child support, bankruptcies, and tax levies are withheld from each paycheck.

In order to be honored, garnishment and child support orders must be served directly on the State Comptroller, GHRIS, Suite 282, PO Box 302602, Montgomery, AL 36104. **Under no circumstances should an agency accept service of the *garnishee's or employer's copy of a formal court order*.** However, an agency may allow an employee to be served with the *employee's copy* of a court order while on duty.

Once the Comptroller has been properly served, the order is reviewed for compliance with the law and the employee's payroll records are reviewed. If withholding can begin, a letter is issued to the agency's payroll clerk with a ~~courtesy~~ copy to the employee. This letter describes the beginning date and the amount of the deduction.

The amount of a child support or garnishment deduction is calculated based on federal and/or state statutes. Therefore, as requested in the letter, the Comptroller must be notified **immediately** of any changes in wages or employment. If the employee has any questions about the deduction, the employee should contact the plaintiff or issuing agency to resolve the discrepancy.

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## B. SICK LEAVE

In accordance with the State Personnel Department rules and regulations, full-time permanent employees may earn four hours and twenty minutes of sick leave for each semi-monthly period of service. Normally unused sick leave may accumulate to a maximum of 150 days or 1200 hours. However, if an employee suffers an extended illness or disability lasting more than 150 days, the State Personnel Board may, on the recommendation of the employee's appointing authority, approve restoration and use of any sick leave earned and recorded in excess of this maximum. In accordance with *Code of Alabama 1975, §36-26-36*, an employee is entitled to be paid for 50% of their accumulated sick leave up to a maximum payment for 600 hours at the time of his retirement or convert 100% for service credit time for retirement purposes. For additional information concerning regulations governing leave, consult the Personnel Procedures Manual.

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## E. ACCOUNTING DISTRIBUTION FOR LEAVE EVENTS

When an employee uses leave, the time paid will be charged to the employee's original accounting distribution unless an accounting override is entered on the employee's document. However, each leave event creates a pay event that has a unique sub-object assigned to it. The following table reflects this information:

<b>DESCRIPTION OBJ/SUB-OBJ</b>	<b>LEAVE EVENT</b>	<b>PAY EVENT</b>	
Used Annual Leave	UANNL	PANNL	0100/22
Used Excess Annual Leave (Troopers)	SPSAA	TPSAA	0100/22
Used Annual (FMLA)	UANNF	PANNL	0100/22
Used Comp Time	UCOMP	PCOMP	0100/18
Used Comp (FMLA)	UCOMF	PCOMP	0100/18
<u>Liquidation of Comp</u>	<u>SCOMA</u>	<u>TCOMA</u>	<u>0100/32</u>
Used Jury Duty	UCORT	PCORT	0100/25
Used Holiday Bank	UHLDY	PHLDY	0100/24
Used Holiday (FMLA)	UHLDF	PHLDY	0100/24
Used State Military	UMILS	PMILS	0100/19
Used Military Leave	UMLTY	PMLTY	0100/19
Used Personal Leave Day	UPLDY	PPLDY	0100/04
Used Personal Leave Day – FMLA	UPLDF	PPLDY	0100/04
Used Sick Leave	USICK	PSICK	0100/12
Used Sick (FMLA)	USCKF	PSICK	0100/12
Used Personal Leave Day – DYS	UYSPY	PYSPL	0100/04
Used Personal Leave Day - DYS (FMLA)	UYSPF	PYSPL	0100/04
Used Sick Leave – DYS	UYSSK	PYSSK	0100/12
Used Sick Leave - DYS (FMLA)	UYSSF	PYSSK	0100/12
Used Bereavement Leave	UBVSK	PBVSK	0100/ <del>12</del> 22

**C. REPORTABLE WAGES, TIPS, AND OTHER COMPENSATION**

1. TOTAL WAGES

Wages subject to federal withholding taxes paid to an employee are reflected in Box 1 on Form W-2.

2. VALUE OF PERSONAL USE OF STATE OWNED/LEASED VEHICLES

Employees who drive a state owned or leased vehicle are assessed a charge of \$3 a day for each day the vehicle was used for commuting purposes. This information is reported to the Comptroller's Office on the Commuting Use of State Owned/Leased Vehicles form (Exhibit 7-15-2). The assessment period covers the period of November 1st through October 31st of the reportable year. Control employees (i.e., elected officials or employees whose compensation equals or exceeds ~~\$145,700.00~~ ~~\$143,500.00~~ annually in ~~2010-2009~~) must use one of the following options. The first option is the annual lease value rule and the second option is the vehicle cents-per-mile valuation rule (~~50-58.5~~ cents per mile for ~~November 1, 2008 to December 31, 2008~~; ~~55 cents for January 1, 2009 to October 31, 2009~~ 2010). For more information on control employees reporting requirements, contact the Payroll Section of the Comptroller's Office. The calculated amount of this fringe benefit is reportable for W-2 purposes as federal taxable wages, state taxable wages, and FICA/Medicare covered wages. The amount is reflected in box 14 on the W-2 under the heading of "CAR USAGE." This amount is shown on the Form W-2 for information purposes only. The amount has been used in the calculation of Box 1, 3, 5 and 16.

5. MILEAGE EXPENSE REIMBURSEMENT

The State of Alabama's current mileage rate is ~~50~~ 55 cents effective January 1, 2010 ~~2009~~. Since the amount is equal to the federal standard mileage rate, the amount of compensation for mileage reimbursement is not reportable for W-2 purposes.

**D. OTHER REPORTABLE ITEMS**

1. ADVANCED EARNED INCOME CREDIT

State employees who earn less than ~~\$35,535~~ ~~\$35,463~~ (~~\$40,545~~ ~~\$38,583~~ married filing jointly) annually in ~~2010~~2009 and who have one or more qualifying children are eligible for Advanced Earned Income. These payments are reflected on the employee's

W-2 as a separate item in **Box 9**. The advance payments do not constitute the payment of compensation and should not be treated as a reduction of withholding or an increase in compensation. See section 7-3 # Step 8.

## 2. DEFERRED COMPENSATION

Internal Revenue Code Section 457 is the statutory authority for the State of Alabama's deferred compensation plans. There are two eligible deferred compensation plans for state employees. "RSA1" is a deferred compensation plan administered by the Retirement Systems of Alabama, in accordance with *Code of Alabama 1975*, § 36-274.1 and Great West PEBSCO (Nationwide). Contributions made by state employees to these plans are excluded from federal and state taxable wages and are reflected in total in **Box 12 Code G**. This amount is shown on the Form W-2 for informational purposes only. The amount has been used in the calculation of Box 1 and 16. In accordance with § 40-18-14, *Code of Alabama 1975*, **effective January 1, 1997**, all contributions made to the deferred compensation plans will "receive the same tax deferred treatment for state income tax purposes".

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## E. DUPLICATE W-2'S

The Comptroller's office furnishes each agency with an Employee Earnings Report that shows all wage and tax information that was reported to the Internal Revenue Service for the agency's employees. This listing must be used for wage verification purposes.

For tax years prior to the most current taxable year, informational statements will be furnished based on written justification from the employee that the Form W-2 has either been lost or destroyed. This justification should be routed through the agency to ensure the employee's W-2 has not been returned to the agency for some reason. For the current taxable year, a duplicate Form W-2 will be furnished to the employee based on written justification until April 30 of the current year. Beginning May 1, this information will be furnished on an informational statement. Form FRMS-63 -- REQUEST FOR DUPLICATE/INFORMATIONAL W-2 (Exhibit 7-15-4) may be used to request this information. Allow 2 weeks for Duplicate W-2's to be delivered.

If a duplicate Form W-2 is requested on behalf of an employee who is deceased, the employing agency at the time of death must furnish the Comptroller's office a request certifying that there is no known pending litigation involving the deceased employee. It is the agency's responsibility to ensure the Form W-2 is released to a legally authorized individual.