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MEMORANDUM

TO: All Agency Heads
All Chief Fiscal Officers
All Payroll/Personnel Officers

FROM: Thomas L. White, Jr. *[Signature]*
State Comptroller

DATE: January 11, 2012

RE: 2011 Wage and Tax Statement, Form W-2

The Employee's Earning Report for 2011 is now available on our website, <http://comptroller.alabama.gov/default.aspx>, under GHRIS Reports. This report reflects the information provided on the Wage and Tax Statement, Form W-2, for your agency's employees.

The following identifies and explains the information reported on the Form W-2 in compliance with Internal Revenue Service (IRS) regulations. The heading that appears on the W-2 is denoted in parenthesis. **All calculations have been made for boxes 1-12. Box 14 is for the employee's or tax preparer's information only.**

- Wages paid during the calendar year.
- Per Diem (**Per Diem**) includes the non-overnight per diem allowances paid with object codes of 0300 09 and 0300 78.
- Life Insurance Premium (**Code C, Box 12**) includes the value of premiums on the cost of group-term life insurance provided by Retirement Systems of Alabama (RSA) to the extent it exceeds \$50,000 coverage.
- Personal use of employer provided vehicles (**Car Usage, Box 14**) includes the amount assessed and reported by the agencies.
- Tips reflect the amount of tips received and reported by Conservation employees working in the restaurant facilities.
- Deferred Retirement Contributions (**Def Ret 414H, Box 14**) is the amount deducted from employees' wages for retirement. This amount is deferred for Federal taxable purposes.

- Deferred Compensation (**Code G, Box 12**) is the amount deducted for deferred compensation plans with RSA or Great West Retirement Systems. This amount is deferred for Federal and State taxable purposes.
- Exempt Health Insurance (**Health Ins Exempt**) is the amount deducted from employees' wages for health coverage under the Flexible Benefits Plan. This amount is not subject to Federal, State and FICA taxes.
- Dependent Care (**Box 10**) is the total amount of dependent care benefits deducted from employees' wages for their day care premiums paid under the Flexible Benefits Plan for the State of Alabama. This amount is deferred for Federal, State and FICA taxable purposes.
- Health Care (**Health Care, Box 14**) is the amount deducted from employees' wages under the Flexible Benefits Plan for the State of Alabama to be used as reimbursement for medical expenses not paid by the State's insurance program. This amount is deferred for Federal, State and FICA taxable purposes.

The following recaps the information and, if applicable, the calculations of the boxes on the Form W-2. **This will assist you in responding to questions from employees.**

Box 1 -- "Wages, tips and other compensation" is the total wages subject to Federal tax and should be used on the employee's Federal tax return. This box is calculated as follows:

- + Year to Date Gross Wages
- Deferred Retirement Contributions
- Deferred Compensation Contributions
- Exempt Health Insurance Premiums
- Exempt Child Care payments (DPCRE)
- Exempt Health Care payments (HLCRE)
- Military allowance for quarters (BASBAQ)
- + Life Insurance Premium
- + Personal Use of State Provided Vehicles
- + Tips
- = **Federal Taxable Wages**

Box 2 -- "Federal income tax withheld" is the total amount withheld from employees' wages for Federal income tax.

- Box 3** -- "Social Security wages" is the amount of wages subject to Social Security tax and should not exceed \$106,800. This box is calculated as follows:
- + Year to Date Gross Wages
 - Exempt Health Insurance Premiums
 - Exempt Child Care payments (DPCRE)
 - Exempt Health Care payments (HLCRE)
 - Active Duty Military pay
 - Military allowance for quarters (BASBAQ)
 - Military Differential pay
 - + Life Insurance Premium
 - + Personal Use of State Provided Vehicles
 - = **Social Security Wages**
- Box 4** -- "Social Security tax withheld" is the amount withheld from employees' wages for Social Security tax. It is calculated by multiplying the amounts in Boxes 3 and 7 by .0420.
- Box 5** -- "Medicare wages and tips" is the amount of wages and reported tips that are subject to Medicare tax. This box is calculated as follows:
- + Year to Date Gross Wages
 - Exempt Health Insurance Premiums
 - Exempt Child Care payments (DPCRE)
 - Exempt Health Care payments (HLCRE)
 - Active Duty Military pay
 - Military allowance for quarters (BASBAQ)
 - Military Differential pay
 - + Life Insurance Premium
 - + Personal Use of State Provided Vehicles
 - + Tips
 - = **Medicare Wages and Tips**
- Box 6** -- "Medicare tax withheld" is the amount of tax deducted from employees' wages for Medicare tax. It is calculated by multiplying the amount in Box 5 by .0145.
- Box 7** -- "Social Security tips" is the amount of tips reported by Department of Conservation employees who work in restaurant facilities.
- Box 10** -- "Dependent Care Benefits" is the amount of dependent care benefits withheld from employees' wages for their day care premiums paid under the Flexible Benefits Plan for the State of Alabama.

- Box 12** -- **Code C** includes the value of premiums on the cost of group-term life insurance provided by RSA to the extent it exceeds \$50,000 coverage.
- Code G** includes the amounts of deferrals to the Section 457, Deferred Compensation plans for the State of Alabama.
- Box 13** -- "Retirement Plan" is denoted with an "X" if retirement contributions were withheld from employees' wages in 2011.
- Box 14** -- This box is used to identify amounts that are included in the calculation of taxable wages and is defined **for informational purposes only**. This box includes deferred retirement amounts, non-overnight per diem payments, car usage amounts, exempt health insurance premiums and premiums paid for health care under the State's cafeteria plan.
- Box 16** -- "State wages, tips, etc." reflects the amount of wages paid that are subject to Alabama State tax. This amount should be used on the employee's State tax return. This box is calculated as follows:
- + Year to Date Gross Wages
 - Non overnight Per Diem
 - Subsistence
 - Deferred Compensation Contributions
 - Exempt Health Insurance Premiums
 - Exempt Child Care payments (DPCRE)
 - Exempt Health Care payments (HLCRE)
 - Military allowance for quarters (BASBAQ)
 - + Life Insurance Premium
 - + Personal Use of State Provided Vehicles
 - + Tips
 - = **State Taxable Wages**
- Box 17** -- "State income tax" is the total withheld from employees' wages for Alabama income tax.
- Box 19** -- "Local income tax" is the total withheld from employees' wages for city and county occupational taxes.

If you have additional questions, please contact the GHRs Hotline at 334-242-2188.