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MEMORANDUM

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

FROM: Thomas L. White, Jr.
State Comptroller

DATE: January 18, 2017

RE: 2016 Wage and Tax Statement, Form W-2

The Employee's Earnings Report for 2016 is now available on our website, <http://comptroller.alabama.gov/default.aspx>, under GHRS Reports. **This report is available to authorized agency personnel ONLY** and 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.
- Tips reflect the amount of tips received and reported by Conservation employees working in the restaurant facilities.
- 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.
- Life Insurance Premium (**Code C, Box 12a**) 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.
- Deferred Compensation (**Code G, Box 12b**) 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.

- Roth Retirement Plan (**Code EE, Box 12c**) is the amount contributed to the 457(b) retirement plan. This amount is subject to Federal, State and FICA taxes.
- Employer-sponsored health insurance coverage (**Code DD, Box 12d**) is the aggregate amount of health insurance premiums paid by the State of Alabama for an eligible employee and is for information only.
- Taxable Travel (**Box 14**) includes the non-overnight travel allowances paid with object codes 0309 and 0349.
- Personal use of employer provided vehicles (**Car Usage, Box 14**) includes the amount assessed and reported by the agencies.
- Deferred Retirement Contributions (**Def Ret 414(H), Box 14**) is the amount deducted from employees' wages for retirement. This amount is deferred for Federal taxable purposes.
- Exempt Health Insurance (**Hlth Ins Exempt, Box 14**) is the amount deducted from employees' wages for qualified insurances under the Cafeteria Plan. This amount is not subject to Federal, State and FICA taxes.
- 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 utilizing QPSM and QDSM screens in GHRS unless otherwise noted.**

- 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:
- + Total Annual Amt
 - Military allowance for quarters (BASBQ)
 - Non taxable travel (NTTRV)
 - SEITF
 - Term Pay Death (TDANL, TDCOM, TDHLD, TDPLD, TDDPS, TDSCK)
 - Term Sick Pay Disability (TDISB, TYSDB)
 - Pay received after date of death (PAYSY)
 - Prior year insurance refund non flex (PRNFX)
 - Deferred Retirement Contributions
 - Deferred Compensation Contributions (DFCMP, 50DFC, C/UDC)
 - Exempt Health Insurance Premiums (HLTHC, PRETX)
 - Exempt Child Care payments (DPCRE)
 - Exempt Health Care payments (HLCRE)
 - = **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 \$118,500. This box is calculated as follows:
- + Total Annual Amt
 - Active Duty Military pay (ACTDY)
 - Military allowance for quarters (BASBQ)
 - Military Differential pay (MLTDF)
 - Non taxable travel (NTTRV)
 - SEITF
 - Social Security Tips
 - Prior year insurance refund non flex (PRNFX)
 - Term Sick Pay Death (TDSCK)
 - Term Sick Pay Disability (TDISB, TYSDB)
 - Exempt Health Insurance Premiums (HLTHC, PRETX)
 - Exempt Child Care payments (DPCRE)
 - Exempt Health Care payments (HLCRE)
 - = **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 .062.
- 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:
- + Total Annual Amt
 - Active Duty Military pay (ACTDY)
 - Military allowance for quarters (BASBQ)
 - Military Differential pay (MLTDF)
 - Non taxable travel (NTTRV)
 - SEITF
 - Prior year insurance refund non flex (PRNFX)
 - Term Sick Pay Death (TDSCK)
 - Term Sick Pay Disability (TDISB, TYSDB)
 - Exempt Health Insurance Premiums (HLTHC, PRETX)
 - Exempt Child Care payments (DPCRE)
 - Exempt Health Care payments (HLCRE)
 - = **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 up to \$200,000 by .0145 and wages in excess of \$200,000 by .0235.
- 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 elective amount of deferrals to the Section 457(b), Deferred Compensation plans for the State of Alabama. **Code EE** includes the amount contributed to Roth 457(b) Retirement Plan for the State of Alabama and is for informational purposes only. **Code DD** includes employer-sponsored health insurance coverage and is for informational purposes only.
- Box 13** -- “Retirement Plan” is denoted with an “X” if retirement contributions were withheld from employees’ wages in 2016.
- 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, taxable travel, 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:

- + Total Annual Amt
- Subsistence (SUBS)
- Military allowance for quarters (BASBQ)
- Non taxable travel (NTTRV)
- SEITF
- Taxable Travel (TXTRV)
- Term Pay Death (TDANL, TDCOM, TDHLD, TDPLD, TDDPS, TDSCK)
- Term Sick Pay Disability (TDISB, TYSDB)
- Pay received after date of death (PAYSY)
- Prior year insurance refund non flex (PRNFX)
- Deferred Compensation Contributions (DFCMP, 50DFC, C/UDC)
- Exempt Health Insurance Premiums (HLTHC, PRETX)
- Exempt Child Care payments (DPCRE)
- Exempt Health Care payments (HLCRE)
- = **State Taxable Wages**

Box 17 "State income tax" is the total withheld from employees' wages for Alabama income tax.

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Box 19 -- "Local income tax" is the total withheld from employees' wages for city and county occupational taxes.

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

TLWjr/shk