



STATE OF ALABAMA
Department of Finance
Office of the State Comptroller

100 North Union Street, Suite 220
Montgomery, Alabama 36130-2620
Telephone (334) 242-7050 Fax (334) 242-7466
www.comptroller.alabama.gov

Robert Bentley
Governor

David A. Perry
Director of Finance

Thomas L. White, Jr.
State Comptroller

Janice A. Hamm
Deputy State Comptroller

MEMORANDUM

TO: Chief Fiscal Officers
FROM: Thomas L. White, Jr. *T.L.W.*
State Comptroller
DATE: May 23, 2011
RE: FICA/Medicare Tax on Non-Overnight Per Diem

The IRS determined all non-overnight per diem payments are subject to FICA/Medicare tax. All employees subject to FICA/Medicare tax withholding will be charged for employee share based on non-overnight per diem payments coded to CAS object codes 0300-09 and 0400-09. Your agency is responsible for paying employer share of FICA/Medicare tax on non-overnight per diem payments.

Beginning June 15, 2011, for semimonthly current employees and June 16, 2011, for semimonthly arrears employees, employee and employer share of FICA and Medicare taxes will be charged on a monthly basis. Tax amounts charged will be based on non-overnight per diem payments processed in the previous month. For example, employees who receive non-overnight per diem payments in May, employee and employer FICA and Medicare tax will be charged in June. For this reason, it is extremely important that agencies ensure all per diem is coded correctly so that employees are not charged in error. Charges for employee will be reflected on the employee's payroll check under FICA and Medicare tax. For agencies, charges will be reflected on the fringe benefit payroll journal voucher. A one time charge will be assessed in August 2011 for taxes due for the period of January 1 through April 30, 2011. FICA/Medicare payment will be appropriately reflected on each employee's calendar year 2011 W-2.

These actions bring the State into compliance with current IRS tax code. Please ensure all employees who are paid non-overnight per diem are aware of the change that will affect their net pay. If you have any questions or need additional information, please contact me at 334-242-7063 or the State Comptroller's Office Payroll section at 334-242-2188.

TLWjr/dt

CC: Agency Heads
File