

CHAPTER 29
PAYROLL DEDUCTIONS AND SALARY WARRANTS

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CHAPTER 29

PAYROLL DEDUCTIONS AND SALARY WARRANTS

1. GENERAL INFORMATION. This chapter provides an overview of payroll deductions and salary warrant information. Additional information, such as tax rates, limitations, and a paycheck calculator, may be obtained by accessing the California State Controller's Office (SCO) Web site at www.sco.ca.gov or the employee's tax advisor. Forms referenced may be obtained from the Department of General Services (DGS) Web site at www.dgs.ca.gov/osp/STDFormsDirectory.aspx.

2. MANDATORY PAYROLL DEDUCTIONS. Mandatory deductions are deductions that are legally required and may vary based on the employee's eligibility. Mandatory deductions may include federal and state taxes, retirement, survivor benefits, social security, Medicare, State Disability Insurance (SDI), garnishments/levies, and fair share.
 - a. Federal Withholding Tax.
 - (1) Payroll deductions for federal withholding tax are computed and made according to the number of exemptions shown on the employee's STD. 686, Employee Action Request, and the withholding tax formula. Employees may refer to the SCO Web site to access the employee paycheck calculator. Instructions are provided for entering the appropriate information (including the number of deductions) to calculate the approximate net amount of the employee's pay warrant.
 - (2) Change in Withholding Tax Information. An STD. 686 is required whenever a change occurs in name, address, marital status, or exemptions. (Refer to Highway Patrol Manual [HPM] 10.3, Personnel Transactions Manual, Chapter 12, Name, Address, Telephone, Marital Status, Emergency Information.)
 - (3) Internal Revenue Service Lock-In Determination Letters. If the Internal Revenue Service (IRS) determines that the number of exemptions requested by an employee does not meet IRS and related regulations, the IRS may send the SCO a lock-in determination letter. This letter mandates the federal marital filing status and maximum number of total allowances that can be claimed by the employee. Once the SCO has received the IRS lock-in determination letter, the only changes that can be made are those which result in an equal or greater withholding amount than the amount generated by the locked-in values.

NOTE: Federal taxes withheld on supplemental payments, such as overtime and shift differential, are computed on a flat percentage rate of 22 percent.

b. California Personal Income Tax. California Personal Income Tax deductions from salary paid employees on a monthly basis will be made according to the number of exemptions shown on the employee's STD. 686 and the state withholding tax formula. Employees may refer to the SCO Web site to access the employee paycheck calculator. Instructions are provided for entering the appropriate information (including the number of deductions) to calculate the approximate net amount of the employee's pay warrant.

NOTE: State taxes withheld on supplemental payments, such as overtime and shift differential, are computed on a flat percentage rate of 6.6 percent.

c. Retirement Contributions.

(1) First Tier Retirement Members. The amount of the employee's contribution to the California Public Employees' Retirement System (CalPERS) is determined as a percentage of salary. For a nonuniformed employee, this percentage varies depending on whether or not the employee has social security coverage. All uniformed employees currently contribute in accordance with the Bargaining Unit 5 memorandum of understanding.

(2) Second Tier Retirement Members. No CalPERS contributions are made by the employee.

(3) Alternate Retirement Program. New employees hired on or after August 11, 2004, through June 30, 2013, who are in the Alternate Retirement Program, will contribute 8 percent of their salary in excess of \$513 for the first 24 months of CalPERS qualification. (Refer to HPM 10.3, Chapter 10, Retirements.)

(4) 1959 Survivor Benefits.

(a) Employees who have coverage under social security are not covered by this benefit.

(b) For those employees covered by this benefit, there is a \$5.35 per month employee contribution. Employees cannot cancel their participation in this program.

(5) Social Security and Medicare.

(a) Social security and/or Medicare contributions apply to earnings of employees who became members of CalPERS on or after January 1, 1962, and those who:

1 By election, chose coverage under the CalPERS/Social Security Coordination Plan; or

2 By election, chose coverage under social security without electing membership in CalPERS; or

3 Are not members of a retirement system and are covered by social security based on Public Law 101-508 (Omnibus Budget Reconciliation Act of 1990) that mandates social security coverage as of July 1, 1991.

(b) Contributions for the Medicare portion of the Federal Insurance Contributions Act apply to earnings of employees not covered by social security. Public Law 99-272 extends Medicare taxation to state employees hired after March 31, 1986, who are not subject to social security taxation.

(c) Contribution rates will be applied to every salary payment until the employee's earnings reach the established earnings limit for the year. When an employee's earnings reach the established earnings limit, no further contributions will be deducted that year.

(d) Social security and/or Medicare contributions deducted after the first six months of sick leave are refundable to the employee. The refunds are scheduled and issued by the SCO on an annual basis.

d. State Disability Insurance. A deduction for employees covered by SDI will be applied to all salary payments (regular pay warrants, overtime payments, etc.) until the contributions reach the maximum amount established by the Employment Development Department (EDD). The SDI withholding rate is reviewed by the EDD annually and is subject to change at the beginning of each calendar year.

3. VOLUNTARY PAYROLL DEDUCTIONS. Voluntary deductions can either be "fixed" or "one-time" deductions.

a. Arrangements for the authorization of voluntary deductions must be made by the employee through the involved company/organization. Application fees, if any,

are collected by the company/organization. Questions regarding deductions should be directed to the company/organization representative.

b. Contributions to charitable organizations are made by completing a payroll deduction authorization form, which is forwarded to Human Resources Section (HRS), Personnel Transactions Unit (PTU), unless the authorization is being made during the California State Employees' Charitable Campaign.

c. Information Required for Completion of Deduction Authorization Forms.

(1) Social Security Number. The employee's social security number (SSN) must be entered on all forms submitted to the SCO. The SSN is required by the SCO on a mandatory basis to comply with the Internal Revenue Code and the Code of Federal Regulations. Both of these federal statutes require employers to report the name, address, and SSN of all employees.

(2) Agency Code. The following agency codes are required for the completion of some forms:

- 388 - Nonuniformed Employees
- 389 - Uniformed Employees

(3) Location or Unit Code. The three digit location or unit code may be obtained from Fiscal Management Section (FMS).

d. Cancellation of Voluntary Deductions.

(1) Parking, charitable contributions, credit union, and insurance deductions (other than state-sponsored health, dental, vision care, and basic life insurance) may be cancelled by sending a written request for cancellation to the address below. The request must contain a statement requesting the deduction cancellation(s), the employee's full name, SSN, appropriate deduction description as it appears on the employee's earnings statement, employee's mailing address, original signature, and date signed.

State Controller's Office
PPSD Payroll Operations
Miscellaneous Deductions Unit
P.O. Box 942850
Sacramento, CA 94250-5878

(2) To cancel voluntary miscellaneous deductions not listed above, employees should contact the organization through which the deduction is withheld.

(3) Employees should contact their Benefits Specialist for cancellation of state-sponsored health, dental, or vision care plans.

e. Cadet Uniforms. Cadets may authorize payroll deductions to cover the cost of the initial purchase of uniforms while in training at the Academy.

f. Voluntary Child Support Deduction/Authorization and Voluntary Spousal Support Deduction/Authorization.

(1) Employees can authorize deductions from their salary or wages for payment for the support, maintenance, or care of their child, children, or family for whom they have a duty to support. An STD. 458, Voluntary Child Support Deduction/Authorization, must be submitted to HRS, PTU, for processing. The STD. 458 can be found on the DGS Web site at <http://www.documents.dgs.ca.gov/dgs/fmc/pdf/std458.pdf>.

(2) Employees can authorize deductions from their salary or wages for the payment of support, maintenance, or care of their former spouse. An STD. 459, Voluntary Spousal Support Deduction/Authorization, must be submitted to HRS, PTU, for processing. The STD. 459 can be found on the DGS Web site at <http://www.documents.dgs.ca.gov/dgs/fmc/pdf/std459.pdf>.

(3) Deductions shall continue until cancellation of the authorization on an STD. 458 or STD. 459 is processed by HRS, PTU, the employee separates from state service, or the deduction program is cancelled. It is the employee's responsibility to notify the affected payee/custodial parent of the cancellation of the support payment.

(4) An employee may have only one payment deduction. If an employee wants to change the payee/custodial parent name, two STD. 458s are required: one to cancel the current deduction, and one to add the new payee/custodial parent as a new enrollment.

g. United States Savings Bonds. Effective January 1, 2011, the United States (U.S.) Department of the Treasury eliminated the employer-sponsored payroll savings plan that allowed employees to purchase paper U.S. Savings Bonds. Employees can continue to purchase U.S. Savings Bonds by using the federal government's Treasury Direct program. This is a free online system that allows employees to purchase, manage, and redeem electronic (paperless) U.S. Savings Bonds and can be accessed through the program's Web site at www.savingsbonds.gov.

h. Credit Union Deductions.

(1) Deductions for loans or deposits to share/checking accounts may only be made for a regularly chartered credit union. Fixed monthly deductions will be made each month beginning in the pay period a CD88, Notice to the State Controller of Payroll Deduction Authorization, is received by the SCO from the credit union.

(2) To authorize cancellations or change deductions, employees must contact their credit union for assistance.

(3) Employees who have authorized deductions from regular payroll checks into credit union checking accounts should verify deposits with the credit union prior to writing checks on their accounts when they transfer to another department or receive salary advances.

4. DIRECT DEPOSIT PROGRAM.

a. The direct deposit system provides for the automatic deposit of all net earnings into the financial institution designated by the employee. All payments, including regular pay, overtime, and shift differential, are transferred through direct deposit once an employee is enrolled. An employee participating in the Direct Deposit Program receives nonnegotiable Direct Deposit Advices instead of warrants. Direct Deposit Advices are to be treated and distributed in the same manner as salary warrants (see paragraph 5.).

b. Eligibility. All employees are eligible for the direct deposit plan.

c. Enrollment. Employees electing to enroll in the Direct Deposit Program must complete an STD. 699, Direct Deposit Enrollment Authorization. Employees should verify the routing and account numbers with their financial institution. All copies of the STD. 699 are submitted to HRS, PTU. The form will be reviewed by HRS, PTU, and will forward the original to the SCO and provide a copy for the employee's field folder.

d. Time Frames of Direct Deposit Postings. Funds are posted to the employee's accounts according to the following time frames:

(1) Regular monthly employees paid on the last day of the pay period: Funds are available to the financial institution on the first banking day after the end of the pay period. If the pay period ends on a Friday, weekend, or holiday, funds are available on the next banking day. Direct deposit posting dates can be found on the SCO's Web site at http://www.sco.ca.gov/ppsd_direct_deposit_pay_dates.html.

(2) Intermittent employees paid with a lag between the end of the pay period and pay day: Funds are available between the time the pay period ends and warrants are released; then funds should post no later than the date employees not participating in direct deposit are paid.

(3) Depending on the banking institution, supplemental payments, such as overtime and shift differential, may be available within two banking days of the issue date of the payments.

NOTE: While most financial institutions post funds to accounts at the beginning of the bank business day, this is not a universal practice. Some institutions post funds in the afternoon instead of the morning. Additionally, some institutions may not be timely in posting direct deposits. If the payments have not been posted by the 5th day after the funds are available, employees should contact HRS, PTU, to request a trace.

e. Stop Payment/Reversal of Deposit. When the Department becomes aware that an employee who has direct deposit has been overpaid, it may be necessary for HRS, PTU, to initiate a one-time stop payment/reversal of the employee's salary warrant.

f. Administrative Cancellation of Direct Deposit. Under some circumstances, the Department may remove employees from the Direct Deposit Program. Some of the reasons for cancellation are listed below:

- (1) The employee requests a salary advance.
- (2) The employee's direct deposit payment is returned (e.g., due to a closed account or invalid routing number).
- (3) The employee has outstanding monies owed to the Department.
- (4) The employee may be overpaid due to, but not limited to, the following:
 - (a) Separation.
 - (b) Absence without leave (dock).

g. Voluntary Cancellation. Employees may cancel participation in the Direct Deposit Program by completing a STD. 699. Instructions for cancellation are provided on the back of the form.

5. SALARY WARRANTS.

a. Salary warrants are either placed at the cashier's counter in FMS for pick up or forwarded from FMS to commands for distribution to employees.

b. Under the following circumstances, salary warrants issued by the SCO **shall not be released to employees** and shall be returned to FMS, attention Payroll Unit. The command shall advise HRS, PTU, of any salary warrants being returned for the following instances:

(1) A writ of execution has been filed to garnish an employee's wages.

(2) The employee has dock which is reported after the submission of the preliminary attendance report.

(3) The employee separated after the submission of the preliminary attendance report.

c. Distribution to Employees.

(1) Commanders are responsible for the proper distribution of warrants to employees in their command.

(2) Only the persons designated by the commander shall be authorized to receive and distribute the warrants to employees. State regulations prohibit authorization of attendance clerks to receive and distribute warrants. Salary warrants should be handled on a confidential basis.

(3) Salary warrants shall be distributed in compliance with State Administrative Manual procedures and departmental policy as outlined below.

(a) When the pay period ends on a normal work day (Monday through Friday), commanders may release warrants on that day either at 1500 hours, or after the employee has completed all work hours for that pay period, whichever is earlier.

(b) When the pay period ends on a Saturday, Sunday, or holiday, commanders may release salary warrants on the last preceding normal work day (Monday through Friday), provided the employee has completed all work hours for the pay period.

(4) When, in compliance with the above, warrants are distributed before the issue date shown on the warrant (normally the first of the month), commanders shall caution their employees not to cash or deposit warrants before the issue date; at the earliest, the employee may cash or deposit the warrant just before

closing time on the preceding bank day. The State Treasurer's Office cannot accept a warrant before its issue date.

(5) Payroll Pull. A payroll pull is a service provided by FMS to pull warrants from the regular prebatched distribution received from the SCO and temporarily redistributes them to another location.

(a) Payroll pull requests may be submitted by a Communications Network message or memorandum to HRS, PTU. They shall include the employee's name, assigned location and code, temporary warrant distribution location and code, effective date, ending date or until further notice if indefinite, and the reason for the payroll pull.

(b) Employees enrolled in the Direct Deposit Program are not eligible for payroll pulls. They may make other arrangements with their commander to mail the direct deposit advice to another location by providing stamped, preaddressed envelopes.

(c) Payroll pulls shall be effective only at the beginning of a pay period.

(d) Payroll pull requests for three months or less must be approved by the employee's commander and sent to HRS, PTU, a minimum of 30 days prior to the requested effective date. The request will be processed by HRS, PTU, and forwarded to FMS. Payroll pulls will be for a maximum of three months for the same pay warrant distribution location.

(e) Payroll pull requests that exceed three months must be approved by the employee's commander and forwarded, through channels, to the appropriate Commissioner for approval at a minimum of 30 days prior to the requested effective date. Upon approval, the appropriate Commissioner will route the request to HRS, PTU, for processing and forwarding to FMS. Requests that exceed three months will be routinely approved for Division-assigned personnel who are actually working out of an Area office such as air operations personnel, motor carrier specialists, etc.

(f) Payroll pull requests to have a pay warrant distributed to an employee's spouse, other relative, or a friend in another location shall not be approved. Employees with these requests may arrange with their commander to provide stamped, preaddressed envelopes to mail their pay warrants, or they may enroll in the Direct Deposit Program.

(g) Employees who wish to have their pay warrants mailed to a specific location while they are away from the office for vacation or other reasons

are required to arrange this in advance with their commander and to provide a stamped, preaddressed envelope.

(h) Requests for exceptions to the payroll pull policy must be submitted through channels to the appropriate Commissioner for approval.

d. Supplemental Warrants. Supplemental warrants from the SCO for other payroll adjustments (overtime, shift differential, training officer pay, late appointments and dock, separations, intermittent employees, etc.) are issued in accordance with bargaining unit agreements and/or applicable civil service laws, rules, and policies.

e. Undeliverable Salary Warrants. Salary warrants not delivered to the employee within five days of the command's receipt shall be returned to FMS, attention Payroll Unit. Commands shall prepare a listing of the undeliverable warrants and include it with the warrants being returned to FMS.

6. HARDSHIP SALARY ADVANCE. At the discretion of the Department, a hardship salary advance may be given to alleviate a serious, unforeseeable hardship. The salary advance cannot be for more than the net amount due the employee at the time of the request.

a. Criteria.

(1) The situation or event causes an immediate emergency or hardship for the employee.

(2) The situation or event must be one the employee could not have reasonably expected or plan for.

(3) The employee must have exhausted all conventional means of obtaining necessary funds elsewhere.

(4) Employee inconvenience (such as being away from the office on vacation or business on payday) is not an emergency situation.

b. Procedure.

(1) Employees shall submit a written request to their commander. The request must include the reason for the request and the specific amount requested; advances will be approved only for the actual emergency expense or net earned to date, whichever is less.

- (2) The commander shall forward the request through Division to the appropriate Commissioner for approval/denial.
- (3) Approved requests shall be forwarded to HRS, PTU, with a copy to FMS.
- (4) Denied requests shall be returned to the requesting command with a copy for the employee.
- (5) The HRS, PTU, will notify FMS of the approved amount of the salary advance.

7. WAGE AND TAX STATEMENT (FORM W-2).

- a. The Form W-2 provides a variety of federal, state, and social security information. The Form W-2 is a multiuse form used to report taxable wages to the IRS and Franchise Tax Board, as well as social security-covered wages to the Social Security Administration. The employee's name and address which appear on the Form W-2 reflects the most current information provided on the employee's STD. 686. If the name and/or address are incorrect, the employee should complete a new STD. 686 to ensure that accurate information is printed on future forms. (Refer to Chapter 12 of this manual.)
- b. Distribution. The Form W-2s are normally mailed by the SCO to employees in mid-January each year. An employee who does not receive a Form W-2 by January 31st should contact HRS, PTU.
- c. Duplicate Form W-2.
 - (1) Employees can request a duplicate Form W-2 through the SCO Web site or in writing. Requests in writing must include the employee's name, SSN, tax year(s) requested, mailing address, daytime telephone number, and signature. Only four prior tax years are available.
 - (2) A processing fee of \$8.50 is required for each tax year a duplicate Form W-2 is requested. Current employees must pay by payroll deduction. Separated employees or employees in positions that do not allow voluntary deductions, such as retired annuitants and student assistants, must pay by cashier's check or money order made payable to the SCO. The employee's SSN, telephone number, and signature, and the words "Dup-W-2" must be included on the cashier's check or money order. Cash or personal checks will not be accepted.
 - (3) Requests/payments must be sent to the following address:

State Controller's Office
Personnel/Payroll Services Division
Attn: Duplicate W2
P.O. Box 942850
Sacramento, CA 94250-5878

(4) If additional assistance is required in requesting a duplicate W-2, please call the W-2 Unit at (916) 445-2847.

8. PAYROLL DEDUCTIONS AFTER RETIREMENT.

- a. All payroll deductions stop at retirement with the following exceptions:
 - (1) Deductions for state-sponsored medical plans are automatically converted to come from the employee's retirement allowance and no employee action is needed.
 - (2) To continue a state-sponsored dental plan approved for annuitants after retirement, the employee must complete a STD. 692, Dental Plan Enrollment Authorization, which is sent to them from the Employee Benefits staff in HRS, PTU.
- b. If the employee desires to continue deductions for a credit union, union membership, or union-sponsored insurances, arrangements must be made through the specific organization.
- c. No deductions can be made from retirement allowances for charitable contributions, savings bonds, or basic life insurance.