

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: December 29, 2008

PAYROLL LETTER #08-017

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: Don Scheppmann, Chief
Personnel/Payroll Services DivisionRE: **POSSESSORY INTEREST TAX**

This payroll letter outlines wage reporting of Possessory Interest Tax beginning January 1, 2009.

GENERAL INFORMATION:

The California Constitution exempts state owned property from real estate taxes except when that property is used by employees or private businesses for personal use. Private use by an individual or business other than the government entity can be taxed by the county assessor for possessory interest.

Revenue and Tax Code sections 104, 107, and 107.6 authorizes the local county assessor's office to annually assess all taxable property in his/her county, except for State-assessed property, to the person claiming, possessing (leasing/renting), or controlling it on January 1. The assessment includes government housing occupied by employees as their residences, including cabins on Forest Service land, or the personal use of marinas, etc.

REPORTING PROCEDURES:

Possessory Interest Tax reimbursed to or paid for employees must be reported to the State Controller's Office (SCO) via Form 676P, Non-USPS Adjustment Request – Payments. When using form STD. 676P, identify these reimbursements as:

ITEM CODE	ITEM DESCRIPTION
HT	HOUSING – POSSESSORY INTEREST TAX

Form STD. 676P completion instructions are outlined in Payroll Procedures Manual Section N 172-2.

WITHHOLDING PROCEDURES:

SCO will withhold applicable taxes from the subsequent regular payroll warrant. Possessory Interest Tax is subject to the following tax withholdings:

- Federal Income Tax (25%)
- State Income Tax (6%)
- Social Security (6.2%)
- Medicare (1.45%)

- State Disability Insurance, if applicable (1.1%)

REPORTING FREQUENCY:

The reimbursement of Possessory Interest Tax is reportable to SCO the first payroll period following receipt by the employee. For example, reimbursements/payments made in February 2009 are reportable in March 2009.

Documents received by the 10th of the month will result in tax withholding from the current pay period, regular warrant. Documents received after the 10th will result in tax withholding in the following pay period.

The Payroll Procedures Manual Section N 136 has been updated to reflect Possessory Interest Tax reporting.

CONTACTS

If you require additional information, use the following contacts for assistance:

Form STD. 676P Completion
Payroll Operations (916) 322-8100
W-2 Unit

Reporting Requirements
Alita Rivas arivas@sco.ca.gov (916) 322-8128
Tax Support Section

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