Section I
General Index

Payroll Procedures Manual

Rev. 11/2017

State Controller's Office

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ACCOUNTS RECEIVABLE

REFERENCES (Rev. 03/15)

G.C.	1153(c), 12475, 16582, 19838, IRS Publication 15
SAM	8580.2, 8593-8593.3

Section I 001: INTRODUCTION (Rev. 06/96)

State employees may not legally receive more money than they earned for each pay period, however, inadvertent overpayments do occur.

Overpayments occur for various reasons, such as: certification of erroneous salary rates, effective dates, or time worked; disapproval by control agencies of appointments or promotions; coding or key entry errors; and release of various disability payments, etc.

Section I 002: DIRECT DEPOSIT (Rev. 06/96)

Form STD. 699, Direct Deposit Enrollment Authorization, Section C, provides collection provisions for salary overpayments. Refer to PPM Section J for Direct Deposit criteria/information as it relates to salary overpayments.

Section I 003: DEDUCTION ARREARS ACCOUNTS RECEIVABLE (Rev. 03/15)

Payment type K Accounts Receivable (A/R) may be established to collect arrears for retirement, Social Security, Medicare, State Disability Insurance, benefits such as health and/or dental, or other deductions with the exception of garnishments (support, levies, etc.). By checking the deduction screen on payment "HIST" for the type K A/R, you will be able to identify the type of deduction being recovered. Refer to the appropriate PPM section for further information.

Section I 004: ACCOUNTS RECEIVABLE PROCESS (Rev. 11/17)

The A/R will be recorded in the SSN/name of the employee. Internal Revenue Service Ruling 70-177, 1970-1CB214 states that erroneous wage payments are subject to income tax at the time they are paid and, to the extent there has been no repayment of any overpaid amount to the employee within the same year, Form W-2 must reflect the full amount received by the employee in that year.

NOTE: Circular E, Employer's Tax Guide (Publication 15), States: "**Do Not** correct wages (box 1) on Forms W2c for the amount paid in error… The wages paid in error in the prior year remain taxable to the employee for that year. This is because the employee received and had use of those funds during that year…"

In compliance with this ruling, SCO implemented system changes, to exclude federal and state taxes from being "credited" on the A/R. Instead, when the A/R is collected/repaid via payroll deduction, the taxable gross of the payment to which the deduction is applied will be reduced by the taxable gross amount of the A/R before federal and state taxes are computed. A/R's that are satisfied via agency collection will not receive a tax reduction at the time of collection. The employee can recoup overpayments of federal and/or state tax amounts, if any, when filing an income tax return for that year. Therefore, it is to the employee's immediate advantage to have an A/R collected via payroll deduction.

NOTE: This process does not apply to IDL payments because IDL is not subject to Federal/State Income taxes.

Taxable gross earnings will be reduced in the year that monies to satisfy the A/R are collected, not in the year the overpayment occurred.

Under this process, employees can have a negative taxable gross in two situations. Specifically, if an employee repaid a prior year account receivable for wage and/or salary advance overpayment(s) and:

1. has no reportable wages in the tax year of repayment (a form W-2 is not issued); or
2. the repayment gross amount exceeds the reportable wages in that tax year (gross overpayment amount(s) are backed out to allow the W-2 to print).

In these cases a form letter (See PPM Section Z, Attachments I-3 and I-4) is sent to employees, which provides information for filing tax returns.

Section I 005: DEDUCTION OFFSETS (Rev. 03/15)

An employee's deductions may be affected by an A/R in one of three ways:

1. Social Security, State Disability Insurance, Medicare and retirement to be recovered will not ordinarily be included in the A/R net. Instead, they will be recovered by minus entries (offset) reducing the amounts paid to authorities on the next settlement between them and SCO.

2. Deductions to be credited back to the employee (deductions could not be taken from the reduced payment) are offset against the A/R, reducing the A/R net. If the deduction amount is greater than the A/R net, a credit issue warrant will be generated to refund the deduction.

3. In some instances, deduction amounts may be included in the A/R net. If warrants for payment of garnishment, court orders, or tax levies have been issued, or if a maintenance deduction or additional tax has been withheld, these deduction amounts may be included in the A/R net.

Section I 006: PRIOR YEAR ACCOUNTS RECEIVABLE FORM W-2C (Rev. 01/08)

An A/R or reverse A/R will not generate Form W-2C, except for Social Security and Medicare, State Disability Insurance, if the original payment or A/R was issued in a prior tax year. Taxable gross will be reduced for the tax year in which the A/R is satisfied. See I 004 above.

Reverse A/R's which have been satisfied will increase W-2 taxable gross in the year or years the monies are refunded to the employee.

Section I 007: COLLECTION PROVISIONS (Rev. 04/12)

Based on G.C. 19838, the state is required to recoup salary over-payments made to represented and non-represented employees.

Follow G.C. 19838 collection provisions as provided in the following sub-sections 008-015.

Agencies and campuses are responsible for adherence to G.C. 19838 collection provisions.

Section I 008: COLLECTIVE BARGAINING CONTRACTS (Rev. 04/12)

Collective Bargaining contracts/MOU's supersede any other collection procedures. Refer to the employee's contract for overpayment/collection provisions. If the employee's contract does not provide a collection provision, use G.C. 19838 collection provisions.

Section I 010: NOTIFYING EMPLOYEES (Rev. 06/96)

Agencies/campuses are responsible for notifying employees of existing salary overpayments or impending A/R's. Likewise, agencies/campuses must provide employees an opportunity to respond prior to initiation of collection procedures. The employee should be given 15 calendar days to respond either orally or in writing.

A letter is preferable when notifying an employee of an A/R. The following items should be addressed in the letter:

- Amount due
- Pay period affected
- Reason for overpayment
- Response time (15 calendar days) afforded to employee prior to collection action.
- Optional: Proposed repayment plan and method of collection (this item can be subsequently discussed once the employee responds to the notification).
- Provide the employee a reasonable amount of time to respond. If the employee is on vacation and cannot be reached, the time afforded the employee to respond should be adjusted accordingly.

- Provide full consideration to the employee's response prior to action being taken. The agency personnel should work with the employee to determine an acceptable repayment schedule.

All responses by the employee should be documented. For example, if legal action is considered by either the employee disagreeing with the A/R or the agency for the collection of the A/R, a clear account of all communications or lack of employee response would provide pertinent background data.

Section I 011: COLLECTION METHODS (Rev. 04/12)

Three methods will be used to recoup salary overpayments, based on mutual agreement between agencies/campuses and the employee:

1. Cash payment(s) via establishment of an Agency Collection A/R.

2. Installments via establishment of a Payroll Deduction A/R. Payroll deductions are to cover the same number of pay periods in which the error occurred (e.g., regular pay overpayments occurred for three pay periods: 9/11-11/11. Hence, payroll deduction A/R's must be established/collected in three pay periods: 12/11-2/12).

   If an employee has multiple overpayments and the form STD. 674 A/R specifies a number of pay periods the payroll deductions should be taken, the A/R amounts will be totaled and divided by the number of pay periods requested (12 pay period maximum).

   NOTE: If the employee requests a specific payroll deduction amount be taken in a specific pay period order, the agency/campus must include a statement in Remarks on the form STD. 674 A/R. See PPM Section Z, Attachment I – 1 samples.

   When overpayments have continued for more than a year, agencies/campuses may require full payment, via Payroll Deduction, within a year.

3. Civil Service Only: Payments from cashed out leave credits for civil service employees. For additional information refer to I 032.

The recoupment amount must not exceed 25% of the employee's monthly net (gross minus mandatory deductions) salary. If multiple A/R's (e.g., regular pay, overtime, shift, etc.) are collectively recouped from one pay period warrant, the accumulative recoupment amounts must not exceed 25% of the employee's monthly net salary. The exception is if the employee requests or agrees to a recoupment amount over 25%.

Exceptions to method #2 in which payroll deductions are to cover the same number of overpayment pay periods are:

- Payroll deduction amounts exceed 25% of the employee's monthly net.
- The employee agrees to the establishment of payroll deductions in less pay periods than overpayment pay periods.

For employees paid more than once a month, the deduction will be taken from the first available pay period.

An A/R deduction code 035, is set up to be withheld from a specific pay period. If a payment for that pay period with time and sufficient net to withhold the deduction amount is not issued, the deduction remains suspended for 4 months on the Payroll Master File. At the end of 4 months, the deduction is purged from the Payroll Master File and the Agency/Campus is notified that the method of collection for the accounts receivable has been changed to agency collection.

Section I 012: NO MUTUAL AGREEMENT OR EMPLOYEE RESPONSE (Rev. 12/98)

Agencies/campuses can proceed with recoupment actions via method #2 (Section I 011) if:

- A mutual agreement cannot be made on the method of collection and/or repayment schedule; or,
- The employee fails to respond to an A/R notification letter.

Section I 013: AGENCY AUTHORITY (Rev. 12/98)

Agencies have the authority to withhold an employee's pay warrant and issue a revolving fund check for the difference between the employee's pay and the amount owed if the overpayment was made in the same pay period. For example:

- If an employee is due less pay due to dock, etc. in the current pay period but a full month SCO warrant was issued (although not yet distributed to the employee), an agency can intercept the SCO warrant and issue a revolving fund check for the difference between the employee's pay and the amount owed.

An employee should be notified of this offset. However, in this case, an employee cannot legally object to the offset. Likewise, a formal A/R notification letter and afforded time to respond is not necessary.

Agencies do not have the authority to withhold an employee's pay warrant and issue revolving fund check for the difference between the employee's pay and the amount owed if the overpayment was made in a different pay period. For example:

- If an overpayment is discovered for a prior pay period, an agency cannot intercept the current pay period warrant and issue a revolving fund check for the difference between the employee's pay and the amount owed.

An employee should be notified via an A/R notification letter and given 15 days to respond.

Section I 014: SEPARATING EMPLOYEES (Rev. 08/09)

Agencies/campuses can withhold, an amount sufficient for full repayment, from any money owed the employee upon separation. If the money owed the employee upon separation is insufficient for full repayment, agencies/campuses have the right to proceed with legal action to recoup the amount owed.

STD. 674 A/R requesting account receivable for separating employee may be sent via FAX if Payroll Liaison or a Supervisor is contacted prior to submitting a FAX. See PPM A 014.

Section I 015: STATUTE OF LIMITATIONS (Rev. 04/12)

Agencies/campuses cannot take action to recoup an overpayment, pursuant to G.C. 19838, unless the action is initiated within three years from the date of overpayment. For example:

- An employee was overpaid for an overtime payment issued on 1/5/11. To recoup this overpayment, the written Overpayment Notification must be provided to the employee by 1/4/14.

Section I 016: SUBMISSION OF FORM STD. 674 A/R (Rev. 03/02)

Agencies/campuses must prepare and submit form STD. 674 A/R, Payroll Adjustment Notice - ACCOUNTS RECEIVABLE, to request establishment of an A/R. (See PPM Section Z, Attachment I-1 samples.)

NOTE: Form STD. 674, Payroll Adjustment Notice, will not be accepted for A/R requests. Please submit all A/R requests on the new form STD. 674 A/R (For Disability A/Rs refer to Section E).

If the form STD. 674 A/R indicates collection by payroll deduction, the form must be received by Payroll Operations at least three days prior to cutoff. See Section D 200 for master payroll cutoff schedules.

Section I 017: COMPLETION OF FORM STD. 674 A/R (Rev. 07/09)

The following items must be completed on form STD. 674 A/R:

- Social security number
- Employee name
- Position number
- Type of A/R request
- Change Method of Collection, if applicable
- Remarks - Explain the reason the overpayment occurred and the pay period in which the employee was overpaid.
- Dates/Hours on Dock, if applicable

- Payment per Controller Warrant Register - show all activity for the payment type of overpayment in the pay period; e.g., if an employee is overpaid in overtime hours, show only overtime activity in the pay period.
- Payment Should Be - complete through the gross column.
- Overpayment to be recovered by - if not completed, the A/R will set up as an agency collection.
- Completed by/telephone number.
- From Agency/campus name
- Authorized signature.

Section I 018: DISABILITY ACCOUNTS RECEIVABLE (Rev. 12/98)

If an A/R is related to disability, refer to the Disability Section E for completion instructions. The SCO internal recording procedure is the same as outlined in this section.

Section I 019: PPSD OVERPAYMENT DISCOVERY PROCESS (Rev. 08/09)

Effective 12/1/05 (per Payroll Letter 05-021), if an overpayment is discovered by PPSD, the following process will be applied (with exception conditions below):

- An agency collection A/R will be established 21 calendar days from the date of the overpayment.

  EXCEPTIONS: Pursuant to G.C. 16582, effective with overpayments occurring after January 1, 2005, agencies will not be notified of an overpayment for a pay period/payment type that results in an overpayment gross amount of $25 or less. An A/R will only be established for the overpayment if requested by the agency via the form STD. 674 A/R. This exception does not apply to disability related overpayments including regular pay issued in lieu of a disability payment or deduction related overpayments.

  Incorrect PAR/PPT

  - A 350 transaction where the dollar amount for a premium pay is shown but the EID was not re-entered.
  - A separation effective at the end of the month but the PAR shows time to be paid (Item 606) as “NON.”

    In both scenarios, the most likely cause is due to an error keying the PAR. If the PAR is incorrect, the agency will correct the error based on our notification and no A/R will be established.

If an overpayment condition is corrected after the agency collection A/R has been established, the payroll system will identify these situations (in most cases) and staff will reverse the A/R. This should not require any action on the part of the agency.

Once the agency collection A/R has been established, the department staff will have the A/R half-slip information for the repayment discussion with their employee. This new process does not change the department/campus responsibility for notifying their employees of the salary overpayment or impending A/R's (refer to PPM Section I 010). For those agencies that mail the A/R half-slip to their employees for notification purposes, the employee's social security number must be blocked out to comply with CIV 1798.85 If the employee elects to have payroll deduction or (for eligible employees) leave offset as the method of collection, then a form STD. 674 A/R would be completed according to our current procedures. Also, when an A/R is satisfied via agency collection, a form STD. 995A, Non-USPS Agency Collection Accounts Receivable is required to ensure accurate reporting of the employees' taxable income. Refer to Section I 178 – 179 for instructions.

Section I 020: FTB OFFSET (Rev. 12/98)

It is the responsibility of each agency/campus, having exhausted the administrative procedures for recovering A/R's from separated employees, to request an offset from Franchise Tax Board (FTB). The deadline for submitting lists is November 15.

Section I 021: STATEMENT OF EARNINGS AND DEDUCTION (Rev. 12/98)

Collection by payroll deduction will be identified on the employee's "Statement of Earnings and Deductions," Form CD 39, by ACCT RCVBL. The taxable gross amount of the A/R will be printed directly below the "gross" field on the Form CD 39, when the taxable gross of the payment has been adjusted by the taxable gross amount of the A/R. Since the taxable gross amount of the A/R can differ from the A/R net amount, it is necessary to print the amount by which the taxable gross was adjusted.

Section I 022: ACCOUNT RECEIVABLES NOTICES (Rev. 12/98)

The "Notice of Account Receivable" (a 8-1/2 x 5-1/2 sheet of paper), is computer generated for each A/R. The corresponding Account Receivable Warrant Register is available through ViewDirect (PAYREGX).

Division of Accounting sends agencies a copy of TC-38, Notice of Transfer. The TC-38 returns the deduction and employer's share of deductions to the appropriation in which the overpayment was originally paid.

Division of Disbursements and Support will transmit to the appropriate agency, two copies of Notice of Account receivable indicating the action taken, together with the regular number of copies of the Payroll Warrant Register listing the A/R items for each reporting unit. One copy of the Notice of Account Receivable must be given to the employee by the agency to explain any overpayment and may be used by the employee for any tax settlement.

Section I 023: DEPOSITING COLLECTIONS (Rev. 12/98)

Form TC30, Report to State Controller of Remittance to State Treasurer, will be completed and submitted to SCO Division of Accounting. The monies remitted will be directly applied to the appropriation where payroll was originally charged. If the appropriation is reverted, then it must be remitted to refunds to reverted appropriations.

All accounts receivables and refunds to reverted appropriations are to be filed on a separate remittance advice.

Refer to Division of Accounting Policy Letter 93-02 for form completion instructions.

Section I 024: ACCOUNTS RECEIVABLE LIST OF DEDUCTIONS (Rev. 12/98)

A CD 446, Payroll Deduction Report, is an A/R deduction list computer generated by the sixth of each month. The lists, in alpha order, by employee name, are distributed each month to agencies/campuses. These lists will show:

- Social security number
- Employee name
- Position number
- Pay period (month, year)
- Account receivable
- Deduction code 035
- Amount of deduction
- Warrant number

Section I 025: REVERSAL OF ACCOUNTS RECEIVABLE (Rev. 03/02)

If an A/R is established erroneously, a form STD. 674A/R must be prepared indicating that a reversal is required.

If the A/R was established as a payroll deduction, "X" the box - Reverse Payroll Deduction A/R and complete the net amount to be collected in Item 5, Change Method of Collection, on the form STD. 674A/R. If the A/R was established as an agency collection, "X" the box - Reverse Agency Collection A/R in Item 5 and indicate in the Remarks that the agency/campus will provide the refund. Refer to Section I 017 for completion requirements of form STD. 674A/R. (See PPM Section Z, Attachment I-1 samples).

If the collection was made by payroll deduction, Payroll Operations will refund the amount on the next master payroll warrant, OR

If the employee has separated, Payroll Operations will prepare a credit issue warrant.

If no collection has been made, no further action is required.

Section I 026: CHANGING METHOD OF COLLECTION (Rev. 02/06)

If it is necessary to change the method of collection, the agency/campus must submit a form STD. 674A/R to Payroll Operations.

If requesting change in method of collection from agency to payroll deduction, you must complete Section C Overpayment To Be Recovered By:

NOTE: Item 5 - Change Method of Collection on form STD. 674A/R must be completed by "X"ing the applicable box and indicating the net amount remaining of the A/R. (See PPM Section Z, Attachment I-1 samples). The routing of form STD. 674A/R is the same as for the A/R transactions.

If Payroll Operations discovers it has erred in recording the method of collection, they will notify the agency/campus.

Section I 027: SPECIAL PROCEDURES (Rev. 03/15)

The special procedures contained in this section are required due to G.C. 1153(c). Specifically, effective January 1, 1987, the State Controller's Office can no longer recover deduction monies previously remitted to credit unions/banks after 90 days from the month the deduction was withheld from an employee's paycheck and remitted to the credit union/bank. As a result, recovery must be made from the employee.

Effective immediately, PPSD/Payroll Operations will establish an A/R for the amount of the deduction(s) when:

- A warrant is returned for redeposit and no pay is requested, or
- A request that an A/R be established is received and no subsequent payment or sufficient payment (e.g., insufficient net) is made to cover the deduction(s). In these cases, the deductions will be included in the A/R net amount.

The above procedure must be followed when the original payment was issued over 90 days earlier (original issue date compared to current date) and had one of the following deductions withheld:

ORGANIZATION CODE	**DEDUCTION NAME**
DEDUCTION CODE: 014	
004	County Employees Credit Union (San Diego)
014	Riverside County Employees Federal Credit Union
054	City and County Employees Credit Union (Alameda)
065	El Dorado Federal Credit Union
074	Kern County Employees Federal Credit Union

ORGANIZATION CODE	DEDUCTION NAME
DEDUCTION CODE: 051	
ALL	Credit Union(s) - various
DEDUCTION CODE: 400	
ALL	Bank(s) - various

Section I 028: PAYROLL DEDUCTION OVER COLLECTION (Rev. 03/02)

If agency/campus accounting offices determine an over collection occurred through payroll deductions, a form STD. 674A/R will be required to request the refund. In Item 5, Change Method of Collection, on the STD. 674A/R, "x" the box - Over-Collection of Payroll Deduction A/R, indicate the pay period(s) in which the over collection occurred, and the net amount to be refunded. Refer to Section I 017 for form STD. 674A/R completion requirements (See PPM Section Z, Attachment I-1 samples).

The refund will issue with the employee's next applicable warrant. The refund can be identified in the deduction segment area of the earnings statement by the description: ACCT RCVBL.

Section I 029: AGENCY COLLECTION ACCOUNTS RECEIVABLE (Rev. 12/98)

When an A/R is satisfied via agency collection, a form STD. 995A, Non-USPS-Agency Collection Accounts Receivable is required to insure accurate reporting of the employees' taxable income. Refer to Section I 178/179 for instructions.

Section I 030: AGENCY COLLECTION OVERCOLLECTION (Rev. 12/98)

If an over collection has occurred via the agency collection process, agencies/campuses must issue the employee a refund. To insure accurate reporting of the employees' taxable income, a form STD. 995R, Non-USPS--Refund of Over collection is required. Refer to Section I 180/181 for instructions.

Section I 031: ACCOUNT RECEIVABLE CODES (Rev. 12/98)

The Payment History (HIST) On-line System reflects the account receivable (A/R) number, a space, and then a one digit code. The codes, shown below, identify the method of collection and if the A/R is dock related.

CODE	DESCRIPTION
1	Payroll deduction (one-time deduction)
2	Agency collection
3	Dock, payroll deduction (one-time deduction)
4	Dock, agency collection
5	Payroll deduction, percentage method
6	Dock, payroll deduction percentage method
7	Payroll deduction, variable month method
8	Dock, payroll deduction variable month method

Section I 032: ACCOUNTS RECEIVABLE OFFSET – LEAVE CREDIT USE (Rev. 04/14)

Civil Service employees have a third collection method available to them per G.C. 19838, and collective bargaining agreements. This method allows an employee to use the pay issued from cashing out specific types of leave credits to clear an outstanding AR(s). For additional information please refer to Payroll Letter #12-005 dated March 8, 2012 and Leave Accounting Letter #11-010 dated September 2, 2011. These letters are available on SCO's web page at: http://www.sco.ca.gov/ppsd_state_hr.html.

An AR must have been established as Agency Collection or payroll deduction with some amount still remaining to be collected for this method of collection to be used. You may not request a change to this method if a payroll deduction AR has been satisfied in full.

A unique Earnings ID (GS) has been established and instructions are provided for using leave credits to issue pay and withhold the payroll deduction code '035' in Payroll Letter #12-005 dated March 8, 2012.

To determine the number of leave credits an employee must cash out in order to generate monies equal to/greater than the net of the AR(s), use the online Leave Offset Calculator located at: http://www.sco.ca.gov/ppsd_state_hr.html.

STD.674 AR FORM COMPLETION	
BOX 1	Check the PPSD/PAYROLL OPERATIONS box Check the UNIT DESTINATION box depending on the type of AR that is being satisfied
BOX 2	Complete using current employee information
BOX 3	Complete using current employee information
BOX 4	Complete using current employee information
BOX 5	Check the ACCOUNTS RECEIVABLE box Check the FROM AGENCY COLLECTION TO PAYROLL DEDUCTION box and list the BALANCE TO BE COLLECTED NET. The REMARKS section should read: "Change AR method of collection. Leave credits cashed out to satisfy AR". State authority or by mutual agreement. (For multiple ARs, the remarks section must indicate the balance to collect for each individual AR.)
BOX 6 - A	Complete the following information, if applicable, for the AR or multiple ARs only: • POSITION • ISSUE DATE • PAY PERIOD • SALARY TYPE • SALARY FULL • GROSS TYPE • PMT. TYPE • PAY SUFFIX • ADJ. CODE • GROSS • NET PAY • ACCT. REC. NO.
BOX 6 - B	Complete the following information for the request payment (if the current position is different from the position of the original AR(s), the current (new employer) must complete and submit the document.): • POSITION (current) • PAY PERIOD (current) • SALARY TYPE • SALARY FULL (current hourly rate) • TIME WORKED (time cashed out) • GROSS TYPE • PMT. TYPE • PAY SUFFIX • ADJ. CODE • GROSS (time x hourly rate)
BOX 6 - C	Check the (NO.) DEDUCTIONS BEGINNING WITH PAY PERIOD box; indicate the number '1' on the (NO.) line and state "Per Remarks" on the PAY PERIOD LINE.
BOX - 7	Complete the following information for the requesting department: • COMPLETED BY • TELEPHONE NUMBER AND EXTENSION • FROM (Agency Name) • AUTHORIZED SIGNATURE • DATE SIGNED

STD.674AR FORM SUBMISSION

The STD.674AR form are to be submitted to:

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

The Unit Destination selected in Box 1 of your STD.674AR is the same Unit Destination that should be listed on the Attention line in the address above.

AR REVERSALS (LEAVE OFFSET PROCESS)

When an employee uses leave credits to satisfy an AR that is subsequently reversed, the employee will be given the option by their department as to whether they will:

1. Keep the original leave credit payment and the subsequent payment generated by the deduction code '035' reversal. Department must release both to the employee.

2. Return the original leave credit payment for redeposit and have the cashed out leave credits restored to their leave balances.

Section I 033: AR REVERSALS (NEW 04/12)

No changes have been made in the procedures for reporting ARs satisfied via agency collection. Please refer to Section I 029 and 178-179 for further information and instructions.

REPORTING TAX TREATY EXEMPT WAGES FOR NONRESIDENT ALIEN EMPLOYEES

REFERENCES (New 05/02)

IRC Section	1441
IRS Publication	515

Section I 050: INTRODUCTION (New 05/02)

Per IRS regulations, federal income tax is not withheld from compensation earned by nonresident alien (NRA) employees if 1) the services the compensation was paid for were performed in the United States and, 2) the compensation is exempt from federal income tax based on a tax treaty to which the United States is a party.

As provided by the tax treaty exemption, a specific amount of a NRA employee's annual wages can be exempted from federal income tax if the employee has a valid Form 8233 on file for the tax year he/she is claiming the exemption. The Form 8233 (Exemption from Withholding on Compensation for Independent and (Certain Dependent) Personal Services of a Nonresident Alien Individual) is used by NRA employees to claim their exemption based on a tax treaty.

Section I 051: SCO REPORTING PROCESS (New 05/02)

The USPS allows SCO to report different federal and state taxable wage amounts on the Form W-2 to accommodate tax treaty exemption provisions. To accurately report federal taxable wage amounts on Form(s) W-2, agencies and campuses must report nonresident alien wages that exempt by a tax treaty.

Section I 052: AGENCY/CAMPUS RESPONSIBILITIES (New 05/02)

Agencies/campuses must report tax treaty exempt wage amounts to SCO via form STD. 674, so they can be subtracted from employees' total federal taxable wages. See PPM Sections H107 and I 056 for information regarding IRS reporting requirements.

Section I 053: COMPLETION OF FORM STD. 674 (New 05/02)

The following items must be completed on form STD. 674 to reduce an eligible nonresident alien's total federal taxable wages for W-2 reporting purposes.

- TO STATE CONTROLLER – "X" box PPSD/Payroll Services;
  PPSD UNIT DESTINATION – "X" box W-2/Non-USPS at the top of the document; ATTN: Nancy Jang
- Social Security Number
- Employee Name
- Position Number – Note: enter class code "1000" which has been assigned for processing/reporting purposes.
- Leave blank

  Remarks
  - <u>Reduction of Federal Taxable Wages for</u>
  - <u>Nonresident Alien Claiming a Tax Treaty Exemption</u>

  $_____ of the employee's wages are exempt from federal withholding for the _____ tax year as provided by the tax treaty with the U.S. and (enter the employee's country of residence). I certify that the employee has a valid Form 8233, Exemption from Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual, on file for the current tax year.
- Leave blank
- Form completed by/Phone number
  Agency Name
  Authorized Signature and Date

Section I 054: FORM STD. 674 VOLUME PROCESSING INSTRUCTIONS (New 05/02)

To facilitate volume processing, agencies/campuses may report tax treaty exempt wages via listing(s) with covering form(s) STD. 674.

Agencies/campuses must complete a covering form STD. 674 as instructed below when submitting listing(s):

- The covering form(s) STD. 674 must be completed as previously instructed except that the statement "Various – See Attached Listing" may be used where appropriate.
- The listing document(s) can be set up as "portrait" (8 ½ x 11) or "landscape". (11 x 8 ½).
- The character/font size must be no smaller than size 14.
- The rows must be double spaced.
- The column headings and information must be in the following order from left to right:
    - SSN, First Name Initial, Last Name, Position Number (Class code 1000), Gross Exempt Wages, Country of Residence

Section I 055: FORM STD. 674 DOCUMENT SUBMISSION DATE (Rev. 03/15)

Documents may be submitted on a flow basis. However, to ensure accurate wage reporting on affected employees' Forms W-2, all documents must be received by Payroll Operations no later than the date provided in the annual Payroll Letter announcing "Documentation Cutoff Dates for Calendar Year End Processing". Documents received after this date may require the issuance of corrected Form(s) W-2. Note: The processing of these transactions will generate zero amount warrants for affected employees.

Section I 056: IRS REPORTING (New 03/15)

The IRS regulations regarding nonresident aliens include reporting requirements for withholding agents. SCO is the State's withholding agent for wages NOT EXEMPT by a tax treaty and reports these wages on Form W-2. For wages EXEMPT by a tax treaty, the employing agency/campus is the withholding agent and is responsible for
IRS reporting outlined in IRS Publication 515.

For information regarding tax treaties and how to claim an exemption from federal withholding based on a treaty; employees should read publications 519 and 901. These publications can be ordered by calling the IRS at 1-800-829-3676 (1-800-TAX-FORM) or by visiting their web site at (www.irs.gov).

Section I 178: AGENCY COLLECTION ACCOUNTS RECEIVABLE

INTRODUCTION (Rev. 03/02)

To accurately reflect satisfied agency collected accounts receivable (A/Rs) on an employee's W-2 record, a form STD. 995A, Non-USPS--Agency Collection Accounts Receivable (available on DGS web site or from DGS Stores) is required. Failure to provide this information will result in incorrect reporting of the employees' taxable income.

REFERENCES (Rev. 12/99)

Payroll Letter #94-07
Payroll Letter #94-022
SCO-Division of Accounting's Policy Letter #93-02

Section I 179: FORM STD. 995A COMPLETION AND SUBMISSION (Rev. 12/99)

When agency/campus accounting offices collect and remit A/R monies to the State Treasurer, the agency/campus accounting offices, must complete a form STD. 995A and send it to PPSD's W-2 Unit.

The following items on form STD. 995A must be completed:

Item	Enter
Tax year Collected	Tax year in which A/R monies were received. (Note: Prepare a separate form for each tax year).
Remittance Advice Number and Date	Must be the same as the number and date on the Report to State Controller of Remittance to State Treasurer, TC-30.
Social Security Number	Employee SSN.
Employee Name	Employee Name (First Initial, Middle Initial, Surname).
Payment Type	Payment type of A/R (Note: Retrieve this information from the Payroll Warrant Register, PAYREGX).
Pay Period (MO/YR)	Pay period for which the A/R was established.
Issue Date of A/R (MO/DY/YR)	Issue date of A/R (Note: Retrieve this information from the Payroll Warrant Register, PAYREGX).
A/R Number	Accounts receivable number.
Amount Collected	Amount collected from employee and remitted to the State Treasurer.

Section I 180: REFUND OF OVERCOLLECTIONS

INTRODUCTION (Rev. 03/02)

It is the agencies'/campuses' responsibility to issue the refund for an over-collection of an A/R which occurred through the agency collection process. In addition, to accurately reflect these types of refunds on an employee's W-2 record a form STD. 995R, Refund of Over-collections (available on DGS web site or from DGS Stores) is required. Failure to provide this information will result in incorrect reporting of the employees' taxable income.

REFERENCES (Rev. 12/99)

Payroll Letter #94-07
Payroll Letter #94-022
SCO-Division of Accounting's Policy Letter #93-02

Section I 181: FORM STD. 995R COMPLETION AND SUBMISSION (Rev. 12/99)

When agency/campus accounting offices issue a refund for an over-collection, the agency/campus accounting office must complete a form STD. 995R and send it to PPSD's W-2 Unit.

The following items must be completed:

Item	Enter
Tax Year Refunded	Tax year in which the agency/campus refunded the overcollection (Note: Prepare a separate form for each tax year).
Social Security Number	Employee SSN.
Employee Name	Employee Name (First Initial, Middle Initial, Surname).
Payment Type	Payment type of A/R for which refund occurred. (Note: Retrieve this information from the Payroll Warrant Register, PAYREGX).
Pay Period (MO/YR)	Pay period of A/R.
Issue Date of Refund (MO/DY/YR)	Issue date of refund.
A/R Number	Accounts receivable number.
Amount Over-Collected	Amount refunded to employee.

CIVIL SUBPOENA

REFERENCE (Rev. 06/16)

CCP 1985.4

Section I 200: INTRODUCTION (Rev. 06/16)

If a civil subpoena is "served" on an agency/campus for payroll records, employment records (Civil Service only), W2's for four prior years, advise the subpoenaing party to "serve" SCO directly to the following:

Custodian of Records, State of California
State Controller's Office
Attention: Nancy Jang,
Executive Office, Legal Division
300 Capitol Mall, 18th Floor
Sacramento, CA 95814-5878.

Do NOT forward the subpoena to SCO.

Section I 300: PAYROLL REVOLVING FUND TRANSFERS (Rev. 06/95)

REFERENCES (Rev. 06/95)

SAM 8590

INTRODUCTION (Rev. 06/95)

A Notice of State Payroll Revolving Fund Transfer, Form SM 62, records transfers of funds made between various appropriations and the State Payroll Revolving Fund as authorized by certified documentation received in SCO.

Separate pages of Form SM 62 for each agency will be prepared for each appropriation affected by a payroll transaction. Separate line entries on each notice will reflect the amounts applicable to each payroll reporting unit within an agency.

Section I 301: DESCRIPTION (Rev. 03/15)

For positive identification of a clearance, reference should also be made to the proper Clearance Sheet Number at the top of Form SM 62.

Form SM 62 may be related to the corresponding warrant register by the issue date, clearance number, and clearance type which are entered at the bottom of each form. Because of arrears deductions, Form SM 62 will not necessarily be accompanied by a warrant register.

For each clearance of Form SM 62 a separate recapitulation report will be prepared on the form. This recapitulation will show as a single line entry for each fund, the total amount to be transferred including the state share for staff benefits, and the amount to be disbursed. Final totals of the amounts to be transferred and disbursed will be printed for all funds combined.

Separate pages of Form SM 62 will be prepared if a transfer involves only the transfer of the state's share. This will occur in those instances where an arrears one-time deduction (for a prior fiscal year) is processed for retirement, Social Security, Medicare, dental, health benefits, or life insurance. The report shows employee SSN and name, arrears agency/unit, pay periods, fiscal year, deduction code, and state share amounts. This type of activity is indicated by the absence on the clearance notice of a gross amount to be transferred. In such situations, the warrant register for the date of issue must include one-time deduction for codes 003, 092, 097, or any of the health, dental, or life insurance deduction codes.
All transfers and disbursements related to transactions which were combined for the preparation of a Payroll Warrant Register will be combined in a single Form SM 62.

The clearance type code appearing on each Form SM 62 and Payroll Warrant Register, PAYREGX, is determined by the type of related transactions on the warrant register. The issue date is also determined from information in the related register as explained below.

Clearance Type 1 is a normal payroll transaction and reports the transfer of the state's share of staff benefits and the employee's gross earnings from appropriations TO the State Payroll Revolving Fund and the disbursement of employee's net pay from this fund. The issue date is the date SCO warrants were issued to employees.

Clearance Type 2 is a transaction reporting disbursements FROM the State Payroll Revolving Fund of amounts previously transferred. The issue date is the same date SCO warrants were issued to the employees.

Forms SM 62 for clearance type 2 transactions will not be delivered to agencies; appropriation accounts are not affected by these transactions. These disbursements are for remitting payroll deductions, etc. to the proper deduction company, agency, court, etc.

Clearance Type 4 is the redeposit of payroll warrants/direct deposit payments and reports the transfer of related gross earnings and state share of staff benefits FROM the State Payroll Revolving Fund to the appropriation originally charged. The issue date is the workday following the date SCO warrants are transmitted to the State Treasurer for redeposit.

Clearance Type 5 is an account receivable and reports the transfer of the related gross earnings and state share of staff benefits FROM the State Payroll Revolving Fund to the appropriation originally charged. The issue date is the date the account receivable was established.

Clearance Type 6 is a credit payroll adjustment and reports the transfer of funds FROM the State Payroll Revolving Fund to the appropriation originally charged. The issue date is the date the transaction processed.

Clearance Type 7 is a debit payroll adjustment and reports the transfer of funds TO the State Payroll Revolving Fund from an appropriation which should have been charged previously. The issue date is the date the transaction processed.

Clearance Type 9 is a debit payroll adjustment (reversal of account receivable items) and reports a transfer TO the State Payroll Revolving Fund from the appropriation originally charged. The issue date is the date the transaction processed.

Section I 303: CLEARANCE TYPE (Rev. 06/95)

Each year, the consecutive numbering will revert to number 1, usually beginning with payrolls issued July 2. All warrant registers with transfer dates in June will bear clearance numbers in the closing year series. All warrant registers with transfer dates in July will be numbered under the new series beginning with clearance number 1.

Forms SM 62 will be identified by a clearance serial number listed at the foot of each page. A control record shall be maintained to record the assignment of these numbers and the subsequent approval or cancellation of each clearance.

Section I 304: DIVISION OF ACCOUNTING PROCEDURES (Rev. 06/95)

Division of Accounting will check the Form SM 62 data submitted by the Division of Disbursements to verify the availability of funds and the adequacy of appropriation balances.

If the Division of Accounting finds there are insufficient funds in an account from which a transfer should be made, the total amount of the transfer will be accepted from the approved Form SM 62.

The Division of Accounting will notify the agency/campus of the need for additional funding of accounts for which exceptions are made.

The Division of Accounting will inform Division of Disbursements to withhold the release of warrants and warrant registers related to the excepted portions of the clearance.

If a notice of the receipt of additional funds is not received prior to the issue date, the recapitulation report will be noted to show the number of cancelled (NSF) warrants and the totals will be corrected accordingly.

All warrants, warrant registers, and Forms SM 62 for the NSF items are routed to Division of Disbursements. Division of Disbursements will notify Payroll Operations for deletion of these records and the establishment of suspended payments on the daily suspended payment listing.

When funds become available after the original warrants have been re-deposited, Division of Accounting will notify Payroll Operations, who will then initiate the paperwork to clear the suspense record in order to issue payment.

Section I 305: DIVISION OF DISBURSEMENT PROCEDURE (Rev. 06/95)

Division of Disbursements, will be notified of transfers approved by Division of Accounting and will receive authorization from that division to make disbursements as requested by the clearances submitted.

For clearances 1, 4, 6, and 7, the duplicate Form SM 62 shall be attached to the accounting office copy of the warrant register. Warrants, related warrant registers, and Form SM 62 shall be released immediately to the agency/campus.

Clearance type 2 warrants for authorized disbursements shall be released immediately to the payee.

For transfers related to account receivable (Clearance Type 5) and reverse account receivable (Clearance Type 9), Division of Accounting sends a Notice of Transfer, Form TC 38, to the agency/campus. When the account receivable is established, a TC 38 is released reflecting transfers to retirement, Social Security, Medicare, state share of health benefit, dental, or life insurance deductions resulting from the account receivable. As payments are received for the net amount of the account receivable, additional TC 38's are sent, until the account receivable is closed.

Registers of accounts receivable and reverse accounts receivable are sent to the agency/campus at the time the transaction processed.

Section I 306: CLEARANCE SUMMARY REPORT (Rev. 06/95)

Clearance Summary Report, a computer-generated listing, is prepared at the close of each business month and sent to each agency (except all of CSU is sent to the Chancellor's Office).

This report is for the benefit of departmental accounting and budget offices. It contains detail lines for each clearance number by reporting unit and provides a grand total for each agency code. Totals include gross, net, retirement state share, Social Security and Medicare state share, health, dental, and life insurance state share, and administrative cost by revenue or object number.

Totals on the report should coincide with departmental postings of personal service expenditures for each applicable calendar month, except that temporary disability and unemployment insurance liabilities are not included in payroll transfers.

Section I 307: SPECIAL PROCEDURES (Rev. 06/95)

When a warrant is returned for redeposit and no pay is requested and the original payment was issued over 90 days earlier (original issue date compared to current date) and had one of the following deductions, PPSD Payroll Operations will take additional processing steps (see Section I 027).

ORGANIZATION CODE	DEDUCTION NAME
DEDUCTION CODE: 014	
004	County Employees Credit Union (San Diego)
014	Riverside County Employees Federal Credit Union
054	City and County Employees Credit Union (Alameda)
065	El Dorado Federal Credit Union
074	Kern County Employees Federal Credit Union
DEDUCTION CODE: 051	
ALL	Credit Union(s) - various
DEDUCTION CODE: 400	
ALL	Bank(s) - various
DEDUCTION CODE: 401 (Currently not used)	
----	Savings and Loan Assn.
DEDUCTION CODE: 402 (Currently not used)	
----	Industrial Loan Co.

Section I 310: REDEPOSIT OF SCO PAYROLL WARRANTS

INTRODUCTION (Rev. 06/05)

Payroll warrants which have been drawn for more than amounts due the employees, will be returned by employing agencies/campuses to SCO, Division of Administration and Disbursements accompanied by a Payroll Adjustment Notice, form STD. 674, or Report of Exception to Payroll, form STD. 666. Administration and Disbursements will cancel these invalid warrants under redeposit procedures using clearance type 4. After the redeposit, the documentation is then routed to Payroll Operations for rescheduling pay and issuing a corrected Form W-2, if applicable.

SPECIAL PROCESS:

If a payroll warrant should have been returned to SCO for redeposit, but was instead, deposited in the agency/campus account, you may use a revolving fund check to complete the redeposit process. This should be a very infrequent situation, as warrants that are not released to employees should always be returned to SCO for redeposit and reissued for the correct amount.

Should this occur, the revolving fund check should be made payable to SCO or State Controller's Office, it must be in the full net amount of the original warrant and the original earnings statement should also be attached. If the revolving fund is not in the full net amount of the original warrant, the package will be returned to the agency/Campus. The employee's complete social security number must be entered on the earnings statement.

The revolving fund check should be returned to SCO, Division of Administration and Disbursements, accompanied by back up documentation such as a STD. 674 or STD.666. The revolving fund check number should be entered in the space where the SCO warrant number is normally entered (STD. 674 in 6A, warrant number; and the STD.666 in column 7, warrant number). The original warrant number should be entered just above the revolving fund check number.

NOTE: If the warrant being returned has a credit union deduction, the employee should be notified that although the deduction may be posted to their credit union account, that specific deduction will be reversed as a necessary part of the redeposit process.

Section I 311: UNDELIVERABLE WARRANTS (Rev. 02/14)

Payroll warrants that have been drawn in accordance with certified documents, but are undeliverable WILL NOT be accepted for redeposit. Valid payroll warrants, in the possession of the agency because they could not be delivered to the payee, must be deposited by the agency in the same manner as any other unclaimed monies, (http://sco.ca.gov/upd_rptg.html).

Section I 312: TIME LIMIT (Rev. 03/15)

REFERENCES : G.C. 17070

Effective January 1, 1998, Government Code 17070 states the period of negotiability for State Controller's Office issued payroll warrants to be one (1) year from the issue date.

DO NOT return a payroll warrant for redeposit if it is no longer negotiable except as noted below. Outstanding warrants are automatically canceled by the State Controller's Office after the period of negotiability has expired. Please refer to PPM Section I 330 for further information.

Exception: If a payroll warrant becomes non-negotiable prior to the employee's receipt and would create an overpayment if issued to the employee, see PPM Section I 330 for processing instructions.

Section I 313: REGISTERS OF REDEPOSITED PAYROLL WARRANTS (Rev. 03/15)

Agencies/campuses will be see copies of warrant registers of redeposited warrants on Viewdirect (PAYREGX) and related notices of fund transfers returning funds from the State Payroll Revolving Fund to the respective appropriations from which originally drawn. These payroll warrant registers are identified as Clearance Type 4.

The Report of Exceptions, form STD. 666, is for reconciling negative attendance and returning master payroll warrants.

DO NOT use form STD. 666 for the following:

- To return an original warrant that was thought to be lost when a duplicate has been requested (see PPM Section I 323).
- To return a duplicate warrant when the original warrant was recovered and cashed (see PPM, Section I 323).

To return a master payroll warrant on STD. 666, follow these completion instructions:

Item #	Completion Requirements
2	Complete employee Social Security Number
3	Complete employee name
4	Complete employee position number (class and serial)
5	Complete only if employee has actual time worked in the position shown in Item 4. NOTE: The time certified on STD. 666 (Item 5) will not issue pay. You must take action to generate the pay (674, 603, PAR/PPT) in addition to certifying the time on STD. 666 or certifying the time via the PIP system.
6	Complete time as shown on Payroll Warrant Register, PAYREGX
7	Net Amount – Complete per the Payroll Warrant Register, PAYREGX. Warrant Number – Complete per the Payroll Warrant Register, PAYREGX.
8	Complete with a code 2 ONLY. IMPORTANT: If a Code 2 is shown in Item 8 and the warrant is not attached or if anything other than Code 2 is shown in Item 8 and the warrant is attached, Administration and Disbursements will return the documentation for verification.
9	Remarks - Complete a brief reason for returning the warrant (e.g., 603, SEP). Organization – Complete Employee agency and reporting unit. Pay Period – Complete Pay period type, month and year.
10-13	Complete as shown in PPM, Section D 008.

One use of the Payroll Adjustment Notice, form STD. 674 is to return payroll warrants for redeposit (Master payroll warrants are returned on form STD. 674 if the form STD. 666 has already been submitted for the pay period).

DO NOT use form STD. 674 for the following:

- To return an original warrant that was thought to be lost when a duplicate has been requested (see PPM Section I 323).
- To return a duplicate warrant when the original warrant was recovered and cashed (see PPM Section I 323).
- To return a warrant and request an accounts receivable on the same document, for the same payment type and pay period (see PPM Section I 017 for completion instructions of the form STD. 674A/R).
- To request pay that can be keyed via PIP.

To redeposit a payroll warrant, complete form STD. 674 as follows:

EXCEPTION: For summarized warrants, refer to PPM Section I 316.

Item #	Completion Requirements
1	"X" Disbursements and Support "X" applicable PPSD Unit Destination
2	Complete social security number
3	Complete employee name (first, middle initial, last name) per the Payroll Warrant Register PAYREGX.
4	Complete Position number (agency, reporting unit, class and serial) per the Payroll Warrant Register PAYREGX.
5	Correct/Issue Payment as Indicated Below - "X" applicable box(es). Pay Frequency - "X" applicable box. REMARKS: Complete a full explanation of action to be taken. IMPORTANT: If returned warrant was keyed decentrally and the payment is to be rescheduled by Payroll Operations, you must enter "PLEASE RESCHEDULE PAY" in remarks. Dates/Hours on Dock - Complete if warrant is being returned due to dock. IMPORTANT: If you are going to decentrally key the dock time reported on form STD. 674, PLEASE WAIT FOR THE REDEPOSIT TO PROCESS BEFORE KEYING THE FORM STD. 603.
6A	Complete for the warrant being returned per the Payroll Warrant Register, PAYREGX. Complete for all warrants issued and released for the pay period and payment type.

<table>
<tr><th>Item #</th><th>Completion Requirements</th></tr>
<tr><td></td><td>EXCEPTIONS: CSU final settlement and year-end requests must show <u>all regular and settlement pay released for the pay period</u>. Disability pay requests must show <u>all pay released for the pay period</u>.
DO NOT complete for warrants that have been previously returned.
<table>
<tr><td>POSITION:</td><td>Enter position identifier from Item 4 - Position #, if the request affects more than one position number.</td></tr>
<tr><td>ISSUE DATE:</td><td>Complete</td></tr>
<tr><td>PAY PERIOD:</td><td>Complete pay period type, month and year</td></tr>
<tr><td>SALARY TYPE:</td><td>May be completed</td></tr>
<tr><td>TIME WORKED:</td><td>Complete if applicable</td></tr>
<tr><td>APPT. FRAC.:</td><td>Complete if applicable</td></tr>
<tr><td>GROSS TYPE:</td><td>Complete</td></tr>
<tr><td>PMT TYPE:</td><td>Complete</td></tr>
<tr><td>PAY SUFFIX:</td><td>Complete if applicable</td></tr>
<tr><td>ADJ. CODE:</td><td>Complete</td></tr>
<tr><td>EARNINGS ID:</td><td>Complete if applicable</td></tr>
<tr><td>SHIFT CODE:</td><td>Complete if applicable</td></tr>
<tr><td>GROSS:</td><td>Complete</td></tr>
<tr><td>NET PAY:</td><td>Complete</td></tr>
<tr><td>ACCT. REC. - OR WARRANT NO.:</td><td>Complete</td></tr>
<tr><td>"RELEASED" BOX:</td><td>Complete for released warrants only.
IMPORTANT: If the "Released" box is "X'd" and the warrant is attached, Administration and Disbursements Division will return the documentation for verification.</td></tr>
<tr><td>"RETURNED" BOX:</td><td>Complete for the warrant being returned <u>only</u>.
IMPORTANT: If the "Returned" box is "X'd" and the warrant is not attached, Division of Administration and Disbursements will return the documentation for verification.
REMINDER: <u>DO NOT</u> complete "PAYMENT PER CONTROLLER WARRANT REGISTER" for previously returned warrants.</td></tr>
<tr><td>"HELD BY – CONTROLLER" BOX:</td><td><u>Only</u> complete if the warrant was held by Controller</td></tr>
</table></td></tr>
<tr><td>6B</td><td>DO NOT complete if pay is keyed decentrally.
If pay needs to be rescheduled by Payroll Operations, you must complete Position Identifier from Item 4, if reschedule affects more than one position number; pay period type, month and year; salary rate; time worked, if applicable; appointment</td></tr>
</table>

Item #	Completion Requirements
	fraction, if applicable; payment type; pay suffix, if applicable; earnings ID, if applicable; shift code, if applicable; and gross. NOTE: If returned warrant is overtime pay/holiday pay and you request Payroll Operations to reschedule, you must attach a completed form STD. 671.
6C	May be completed. FORM COMPLETED BY: Complete PHONE NO.: Complete FROM: Complete AUTHORIZED SIGNATURE: Complete

Section I 316: REDEPOSITED SUMMARIZED WARRANTS (Rev. 12/98)

To return a summarized payroll warrant, complete form STD. 674 as follows:

Item #	Completion Requirements
6A	Complete for the warrant being returned per the Payroll Warrant Register, PAYREGX. Complete for all warrants issued and released for the pay period and payment type. EXCEPTIONS: CSU final settlement and year-end results must show all regular and settlement pay released for the pay period. Disability pay requests must show all pay released for the pay period. DO NOT complete warrants that have been previously returned.
	POSITION: Enter position identifier from Item 4 - Position #, if the request affects more than one position number.
	ISSUE DATE: Complete
	PAY PERIOD: Complete pay period type, month and year (include all pay periods of the summarized warrant).
	DO NOT complete salary type, salary rate, time worked, appt. frac., gross type, pmt. type, pay suffix, adj. Code, earnings ID, shift code and gross. Instead, enter the words "SUMMARIZED WARRANT" across those items.
	NET PAY: Complete with the total summarized net.
	ACCT. REC. OR WARRANT NO.: Complete
	"RELEASED" BOX: Complete for released warrant only.
	IMPORTANT: If the "Released" box is "X"'d and the warrant is attached, Division of Disbursements will return the documentation for verification.
	"RETURNED" BOX: Complete for returned warrants only.
	IMPORTANT: If the "Returned" box is "X"'d and the warrant is not attached, Division of Disbursements will return the documentation for verification.

Item #	Completion Requirements	
	"HELD BY – CONTROLLERS" BOX	Complete only if the warrant was held by Controller's Office.
6B	DO NOT COMPLETE if pay is to be keyed decentrally. If pay needs to be rescheduled by Payroll Operations, complete Position Identifier from Item 4. If reschedule affects more than one position number; one (1) pay period type, month and year (if summarized warrant has more than one pay period, request the reschedule for each pay period on separate forms STD. 674); salary rate; time worked, if applicable; payment type; pay suffix, if applicable; earnings ID, if applicable; shift code, if applicable; and gross.	
6C thru 7	Complete as shown if Section I 315, Payroll Adjustment Notice, form STD. 674.	

Section I 317: REDEPOSIT FOR GARNISHMENT DEDUCTION (Rev. 12/98)

A payroll warrant must be returned for garnishment deduction in the following cases:

- Garnishment deduction should have been taken and was not.
- Garnishment deduction was taken but needs modification.

NOTE: If a garnishment deduction was taken from a payroll warrant but the garnishment needs modification, return the garnishment warrant per instructions in the Payroll Procedures Manual (PPM) Section H 306 for instructions.

Section I 317.10: EXCEPTIONS (Rev. 12/98)

DO NOT return the payroll warrant if a garnishment deduction was taken but the garnishment was canceled. Refer to PPM Section H 306 for instructions.

Section I 317.20: FORM STD. 674 DOCUMENT COMPLETION (Rev. 12/98)

To return a payroll warrant for garnishment deduction, complete a form STD. 674, Payroll Adjustment Notice, as follows:

IMPORTANT: Note "GARNISHMENT", in red, at top of the form STD. 674.

<table>
<tr><th>Item #</th><th>Completion Requirements</th></tr>
<tr><td>1</td><td>"X" Disbursements and Support, and PPSD/Payroll Operations
"X" PPSD Unit Destination - Garnishments</td></tr>
<tr><td>2</td><td>Complete employee social security number</td></tr>
<tr><td>3</td><td>Complete employee name (first, middle initial and last)</td></tr>
<tr><td>4</td><td>Complete employee position number (agency, reporting unit, class and serial)</td></tr>
<tr><td>5</td><td>
<table>
<tr><td>CORRECT/ISSUE PAYMENT AS INDICATED BELOW:</td><td>"X" applicable box</td></tr>
<tr><td>PAY FREQUENCY:</td><td>"X" applicable box</td></tr>
<tr><td colspan="2">REMARKS: Complete a statement requesting to redeposit and reschedule pay with garnishment deduction code(s) (list code numbers) to be taken (038, 039).</td></tr>
<tr><td>DATES/HOURS ON DOCK:</td><td>Complete if applicable.</td></tr>
</table>
NOTE: <u>DO NOT</u> decentrally key the dock time reported on the form STD. 674. Payroll Operations will process the dock to coincide with the garnishment deduction.
</td></tr>
<tr><td>6A</td><td>See PPM Section I 315, form STD. 674, Completion Requirements.</td></tr>
<tr><td>6B</td><td>Must be completed for Payroll Operations to process the rescheduled pay. See PPM Section I 315, form STD. 674, Completion Requirements.</td></tr>
<tr><td>6C</td><td>May be completed
<table>
<tr><td>FORM COMPLETED BY:</td><td>Complete</td></tr>
<tr><td>TELEPHONE NUMBER:</td><td>Complete</td></tr>
<tr><td>FROM:</td><td>Complete</td></tr>
<tr><td>AUTHORIZED SIGNATURE:</td><td>Complete</td></tr>
</table>
</td></tr>
</table>

Section I 318: REDEPOSIT WITH TSA DEDUCTION (Rev. 12/98)

Warrants and certain direct deposit payments may be redeposited if subsequent payments or adjustments, with corresponding TSA deductions, are processed in the <u>same business month</u>.

Section I 318.10: REDEPOSIT PROCESS FOR WARRANTS (Rev. 03/02)

Submit form STD. 674 or 674D to return a warrant for redeposit and request appropriate action. Request that the warrant be redeposited and the payment rescheduled with the TSA if sufficient net pay is available. If there is insufficient net pay to withhold the TSA or no payment due, submit form STD. 674A/R to request the warrant be redeposited and a Payment Type K, Accounts Receivable (A/R) be established via agency collection. The A/R will cover the amount of the TSA.

NOTE: DO NOT return warrant(s) on the form STD. 666, Report of Exception.

Section I 318.20: DOCUMENT PROCESS FOR DIRECT DEPOSIT PAYMENTS (Rev. 03/02)

Agencies/campuses may call the Direct Deposit Unit to initiate:

- STOP PAYMENT OR REVERSAL for retroactive separations with or without TSA deductions.

  OR

- STOP PAYMENT due to a garnishment that was not withheld with or without TSA deductions.

These instructions do not change the existing process as outlined in the Payroll Procedures Manual (PPM) Section J 013.

Contact the Direct Deposit Unit by the times stated in PPM Section J 013 to initiate the process. Immediately after calling, submit form STD. 674/674D requesting the payment be rescheduled with the TSA. If there is insufficient net pay for the TSA, submit a form STD. 674A/R to request an A/R to be established. The redeposit and subsequent payment/adjustment will not be processed until we receive form STD. 674/674A/R.

NOTE: Agencies/campuses are responsible for collection of the above accounts receivable.

Section I 318.30: ADDITIONAL INFORMATION (Rev. 03/01)

Across the top of the forms STD. 674/674D/674/A/R, print in RED INK "Warrant with TSA" or "Direct Deposit Payment with TSA", depending on how the payment was issued. In Remarks Section, reference this section of the PPM and indicate appropriate action required.

Forms STD. 674/674D/674A/R returning warrants for redeposit and requesting subsequent activity must be received at Division of Administration and Disbursements by the 10th of the month. If the 10th falls on a weekend or holiday, the following workday is acceptable.

Forms STD. 674/674D/674A/R requesting subsequent activity for a direct deposit payment must be received at PPSD/Payroll Operations by same dates as shown above.

The 10th was chosen as the monthly cutoff to ensure ample time to process all activity within that business month. Documentation that cannot reach the State Controller's Office by the 10th must be held by the agency/campus and submitted the following month.

Section I 318.40: REDEPOSIT MAILING PROCEDURES (Rev. 03/01)

Redeposit documentation must be sent to SCO, Division of Administration and Disbursements for cancellation of the warrant(s). Disbursements processes the redeposit(s) and forwards all other documentation to SCO, Payroll Operations where, if applicable, the reschedule of pay is processed.

Section I 318.50: WARRANT ATTACHMENT (Rev. 03/01)

When returning a payroll warrant for redeposit on the forms STD. 666, Report of Exception, STD. 674, Payroll Adjustment Notice, STD. 674A/R, Accounts Receivable or STD. 674D, Industrial/Non-Industrial Pay/Adjustment Request, attach the warrant to the documentation as follows:

- Staple the earnings statement portion of the warrant(s) to the forms STD. 666, STD. 674, STD. 674A/R or STD. 674D in the upper left corner of the document. Attach all other documentation (e.g., form STD. 639, etc.) to the back of the form STD. 666/674/674A/R or 674D, keeping the warrant(s) on top. This enables the Division of Administration and Disbursements to identify redeposit documentation once removed from the envelope and will assist in expediting the redeposit process.

Section I 318.60: MAILING ADDRESSES (Rev. 03/01)

Mail the redeposit documentation separate from all other documentation as follows:

Messenger Envelopes - Courier Service

State Controller's Office
Disbursements/Redeposits

US Postal Service

State Controller's Office
Disbursements/Redeposits
P. O. Box 942850
Sacramento, CA 94250-5871

Section I 319: EFFECT OF THE REDEPOSIT ON REPORTS (Rev. 03/01)

Entries for warrants appear on monthly reports and magnetic tapes. When a warrant is redeposited, a credit entry for that warrant number appears on the reports/tapes. The credit entry may appear on the same report/tape as the issue if the warrant is returned in the same business month; otherwise, it will appear on the subsequent report/tape.

Deductions and salary reductions appear on subject reports/tapes if withheld from warrants issued. When a warrant is redeposited, a credit entry will appear in the same manner as stated above.

Subsequent rescheduling of a redeposited warrant will cause another debit entry to appear on monthly reports/tapes. The rescheduled warrant will have a different warrant number than the redeposited warrant. This also applies to subject reports/tapes if the rescheduled warrant has deductions or salary reductions.

Section I 319.10: WAGE AND TAX STATEMENT (Rev. 03/01)

A tax year includes ISSUE DATES of January 1 through December 31 of a calendar year.

If a warrant with an issue date in one tax year is returned to SCO too late to be canceled with a redeposit "issue" date in that same tax year, an incorrect Form W-2 will be issued.

Overstated gross wages, federal, state tax, as well as Medicare, Social Security and State Disability Insurance (SDI) tax, if applicable, will be reported. Forms W-2C and corrected reports to tax authorities must be issued. Rescheduling of a redeposited warrant will be reported as earnings in the following tax year, thus, the employee would have only 11 months earnings reported one year and 13 months earnings reported the following year. Agencies are urged to expedite the return of invalid warrants to prevent this situation.

Section I 320: PAYROLL WARRANTS LOST OR DESTROYED PRIOR TO RECEIPT BY EMPLOYEE

REFERENCES (Rev. 03/15)

GC	12478
SAM	8426.2

INTRODUCTION (Rev. 02/13)

The following procedures pertain solely to PAYROLL warrants lost or destroyed PRIOR to having been received by the payee and provide for issuance of these duplicate warrants.

Should an agency/campus or SCO employee learn a BLOCK of payroll warrants has been lost or destroyed the SCO, Administration and Disbursements Division (ADD), Warrant Distribution Unit should be contacted at (916) 445-6999.

Section I 321: NOTIFICATION (Rev. 03/02)

Proof of Lost or Destroyed Payroll Warrant and Request for Issuance of Duplicate Warrant, form CD 113 A or B (available from SCO Administration and Disbursements), must be prepared and certified by the appointing power or representative acting on behalf of the appointing power.

The form will be audited for accuracy. If the form is incorrect or fails to meet the procedural requirements, it must be returned to the agency/campus.

If the form is correct, a stop payment will be placed on the original warrant.

If the original warrant has been paid by the State Treasurer's Office, no duplicate can be issued. The agency/campus will receive a photocopy (front and back) of the item attached to the form CD 113 A or B.

Section I 322: DUPLICATE WARRANT ISSUED (Rev. 06/99)

ADD issues a duplicate warrant after verification of the status. This takes three to five working days from the receipt of Form CD 113 A or B.

The duplicate warrant will be issued on a designated replacement stock with the original warrant number retained in the upper right hand corner. The warrant will be mailed to the agency/campus.

Since the Earnings Statement and Deductions cannot be reproduced, agencies and campuses should provide the employee this information, if requested. This information can be obtained from either the Payroll Online Information System (HIST) or the warrant registers.

Section I 323: RETURNING ORIGINAL OR DUPLICATE WARRANTS (Rev. 06/99)

If the original warrant or block of warrants is recovered AFTER duplicate warrants have been requested by Form CD 113 or form STD. 435, Request For Duplicate Controller's Warrant/Stop Payment, has been submitted, the original warrant must be returned WITH A TRANSMITTAL letter to ADD. The original warrant(s) are no longer valid and will not be honored.

DO NOT USE form STD. 674 or form STD. 666 to return a duplicate warrant or a recovered original warrant as this may result in the warrant being erroneously redeposited.

Original warrants returned after issuance of a duplicate warrant will be stamped "Duplicate Issued" by ADD. Upon receipt of a returned duplicate warrant, ADD will verify that the original warrant has not been honored by the State Treasurer's Office. The duplicate warrant will be returned to the agency/campus with a letter of explanation.

Section I 324: DUPLICATE WARRANT/CORRECTED FORM W-2, FORM W-2C (Rev. 03/15)

SCO, Personnel/Payroll Services Division, W-2 Unit will generate a corrected W-2 for duplicate warrants issued in a tax year subsequent to the original warrant issue date (e.g., original warrant with issue date 12/2/14 is lost; duplicate warrant issued to employee on 1/20/15) based on the following criteria:

- An employee requests a corrected W-2 via correspondence.
- The original warrant was lost or destroyed PRIOR to the employee's receipt.

The W-2 Unit will take the following steps when correspondence is received requesting a corrected W-2:

- Verify with ADD that a duplicate warrant was issued in a tax year subsequent to the original warrant.
- Also, verify with ADD that either a CD 113 A or CD 113 B is filed indicating the original warrant was lost/destroyed PRIOR to employee receipt.
- Generate W-2C (if criteria is met) and send to employee.

The above is based on IRS Code 451, General Rule for Taxable Year of Inclusion. Specifically, inclusion of gross income for a taxable year is determined by a taxpayer's receipt of income. It is not a mandatory requirement for PPSD to automatically issue a W-2C in this situation. However, PPSD will provide a W-2C if the aforementioned criteria are met.

Section I 325: OTHER LOST/DESTROYED WARRANTS (Rev. 03/15)

Government Code Sections 17090-17097 provides for issuing a duplicate warrant in lieu of an original payroll or regular warrant lost or destroyed after delivery to the payee. These provisions do not apply to PAYROLL warrants lost or destroyed PRIOR to receipt by the payee.

All requests for issuing other duplicate warrants, photocopies of paid warrants, and inquiries as to whether or not a warrant was cashed, will be submitted per SAM Section 8426.2, form STD. 435 (available on DGS web site or from DGS Stores). Requests for duplicate PAYROLL warrants lost or destroyed PRIOR to receipt by the payee shall be submitted on Form CD 113 per this PPM section; telephone inquiries cannot be answered.

Section I 326: FORGERY/ERRONEOUS ENDORSEMENTS (Rev. 06/99)

If a photocopy of a warrant reveals a possible forgery or erroneous endorsement, ADD must be notified.

Section I 330: STALE-DATED WARRANTS

REFERENCES 03/15

Government Code	17070
Department of Finance Budget Letter	#98-18
State Administrative Manual	Section 8281

INTRODUCTION

The period of negotiability for a State Controller's issued payroll warrant is one (1) year from the issue date. However, payroll warrants issued dated December 31, 1997 and prior are valid for four (4) years from the issue date. The following information and procedures apply only to payroll warrants with the one year negotiability period.

Section I 331: REQUESTS FOR PAYMENTS

Payroll warrants that have not been cashed within one year after the issue date (stale dated) will revert to an escheat revenue account in the fund from which warrants are drawn.

Requests for payments from the escheat account can be made within two years from the date the payroll warrants were credited to the account. Requests for payments older than two years after the reversion date of the warrants are to be processed in the same manner as claims against reverted appropriations (refer to the State Administrative Manual (SAM) Section 8422.7 for further information.)

To re-issue funds from the escheat revenue account, agencies must submit claim schedules to the Controller's Office. Refer to the SAM Section 8281 for further information on submitting claims schedules.

A corrected Form W-2 will not be issued when a payroll warrant becomes stale dated unless the warrant becomes non-negotiable prior to the employee's receipt. If the employee is entitled to the payment (is not an overpayment), agencies must submit a form STD. 674, Payroll Adjustment Notice, to request a corrected Form W-2. The form STD 674 must be submitted after the warrant from the claims process was received. A copy of the remittance advice from the claims process must be attached to the form STD. 674. Send the completed form STD. 674 and remittance advice to: Attention: W-2 Unit.

Complete the form STD. 674 as follows:

ITEM #	COMPLETION REQUIREMENTS
1	"X" applicable box.
2	Complete employee's social security number.
3	Complete employee name (first and middle initial and last name).
4	Complete employee's position number (agency, reporting unit, class and serial).
5	Do not "X" any for the boxes; enter the following in the REMARKS Section: Please issue corrected Form W-2 due to the repayment of stale dated payroll warrant, as employee did not receive the original warrant. See attached remittance advice for the repayment.
6A	PAY PER CONTROLLER WARRANT REGISTER - must be completed for the payment corresponding to the payroll warrant that became stale dated.
6B	Do not complete.
6C	Do not complete.
7	Complete the following: • Form completed by • Telephone Number • Agency name • Authorized signature/date

Typically, a stale dated warrant cannot be redeposited. However, if a stale dated payroll warrant becomes non-negotiable prior to the employee's receipt and would create an overpayment if it were issued to the employee, submit form STD. 674 to redeposit the warrant. Send the form STD. 674 after the warrant from the claims process is received. The General Disbursement Warrant issued from the claims process and the original payroll warrant including the statement of earnings and deductions must be attached to the form STD. 674.

Send the completed form STD. 674 and required attachments to the State Controller's Office, Administration and Disbursements Division (ADD) (see PPM Section I 318.60 for further mailing instructions). Once ADD processes the redeposit, the STD. 674 will be routed to Payroll Operations for rescheduling pay, if applicable, and issuing a corrected Form W-2 (see PPM Section I 319 for further information).

Complete the form STD. 674 per PPM Section I 315 with the following exception:

ITEM #	COMPLETION REQUIREMENTS
5	Do not "X" any of the boxes; enter the following in the REMARKS Section: Please redeposit Stale Dated Warrant # (enter the warrant #). Attached is the original payroll warrant, the earning statement and the General Disbursement Warrant.
6B	Complete if employee is due pay or enter "NONE" if employee is not due pay. At the top of the form STD. 674, print the following in red ink: "REDEPOSITING A STALE DATED WARRANT"

SUSPENDED TRANSACTIONS/PAYMENTS

Section I 400: SUSPENDED TRANSACTIONS (Rev. 09/89)

Payroll transactions are automatically audited for a series of conditions while processing through the system. If a transaction fails to meet certain audits, the transaction will suspend for various conditions or will be rejected. All suspended transactions are automatically reexamined on each daily payroll cycle and will be processed when the necessary documentation is received and all conditions have been cleared.

If the suspense condition is not cleared within 60 calendar days from the cycle date, suspended transactions will automatically be deleted from the suspense file.

Section I 401: SUSPENDED TRANSACTIONS LISTING (Rev. 03/15)

A weekly list of suspended transactions will be made available to each agency/campus via ViewDirect (PDP5711). These lists identify specific transactions (e.g., student assistant, positive pay, overtime, and shift pay) that have not issued pay and thus suspended. These listings will provide agencies/campuses a method for determining why certain payments are not received and if additional documentation/action is required to release pay.

Section I 402: CANCELLATION OF INCORRECT SUSPENDED TRANSACTIONS (Rev. 03/15)

If a suspended transaction has been resubmitted and a correct payment issued, the incorrect transaction will continue to be suspended for the remaining 60 days. The incorrect suspended transaction may result in the release of incorrect payments. In this case, it is the responsibility of the agency/campus to take the appropriate steps to stop the release of the erroneous payment to the individual employee. For example: if overtime pay is requested for the current pay period rather than the prior pay period, the transaction will suspend. The suspended transaction will release in the first green cycle following the current pay period master cutoff. These payments must be returned or requested to be stripped from direct deposit and redeposited.

Section I 403: TYPE OF TRANSACTION (Rev. 09/89)

Separate suspended transaction listings will be produced for each of the four types of payments. Each listing identifies a specific "transaction type", which relates to the type of pay as follows:

Transaction Type	Type of Payment
048	Student Assistant
672	Positive pay
673	Overtime
676	Shift differential

Section I 404: ACTION REQUIRED (Rev. 03/02)

Agencies/campuses are requested to: a) review the listing; b) identify the suspense condition; c) verify employee information. Only review entries added to the listing to prevent rechecking items previously reviewed. Entries can be identified by "Original Suspense" date. See I 405 for detailed information regarding definitions and required documentation.

Should an agency/campus error be identified or additional payroll documentation be required, submit form STD 674. Indicate on form STD. 674 that the documentation is being submitted per the suspended transaction listing. If a PPSD error is identified, use the suspended transaction listing as a communication link back to Payroll Operations stating the problem. Do not return the listing if the payment has been released in the interim.

Each of the four listings differs slightly with respect to format. All formats identify a "suspense condition" which explains why the payment suspended.

Section I 405: SUSPENDED TRANSACTION/DEFINITION (Rev. 03/87)

The following identifies/defines each suspense condition and the action to be taken:

Need Regular Pay

The transaction has suspended until regular pay is released or transferred into the regular position.

- Verify all information.
- If regular pay was not requested, submit appropriate documentation.
- If the suspended transaction is incorrect, submit correcting documentation.
- If all information is correct and all documentation was submitted, no further action is required.

Awaiting PAR/PPT

The transaction has suspended pending the employee's appointment to Employment History; e.g., PAR/PPT/SPAR.

- Verify the SSN.
- If the SSN is incorrect, submit documentation requesting the transaction under correct SSN.
- If the SSN is correct, submit a PAR/PPT/SPAR to appoint the employee.

- If the SSN is correct and matching PAR/PPT/SPAR was submitted, no further action is required.

Term Date Expired

If a transaction requests a payment for a pay period in which there is a termination date, the transaction will suspend.

- Submit a PAR/PPT/SPAR to either separate the employee or to extend the appointment.

No Employment History

If the regular position number on the transaction differs from the appointed position number, the transaction will suspend.

- Verify the regular position number on the transaction.
- If the position number is incorrect, submit correcting documentation.
- If the position number is correct, submit a PAR/PPT/SPAR to place the employee in that position.
- If the position number is correct and a matching PAR/PPT/SPAR was submitted, no further action is required.

NOTE: In the past, if overtime, holiday, shift or miscellaneous pay was keyed for an employee in a new position and the appointing PAR/PPT had not been keyed, the transaction would suspend waiting for the PAR/PPT. If the agency and class code keyed on the pay request does not match the agency and class code on Employment History, the payment transaction will be REJECTED in the PPSD Personnel/Payroll System and payment will not be generated. (This does not pertain to Alternate Fund Codes used to charge a pay request to a different agency code.)

Section I 406: SUSPENDED PAYMENTS (Rev. 03/15)

A valid payment or adjustment is tested for a series of conditions before being released. If a payment or adjustment fails to meet all the requirements, it is withdrawn for later release and placed on the Suspended Payment File.

Payments can suspend for one or more suspense conditions. All suspended payments are reexamined on each daily payroll cycle and will be released when the necessary documentation is received and ALL conditions have been cleared. Taxes, Social Security, Medicare, and retirement deductions may change from day-to-day if other payments for the same pay period are issued or suspended.

If a regular payment suspends during semimonthly or master payroll cutoff or green cycle and the payment is still suspended after green cycle, the payment will not release until attendance has been certified and processed by Payroll Operations.

Suspense condition A for prior pay periods can be certified via PIP using form STD. 966. See Section D 009.

Section I 407: SUSPENDED PAYMENT REPORT (Rev. 03/15)

A listing of suspended payments and adjustments will be prepared from daily, semimonthly, and monthly payroll cycles. This information can be accessed via ViewDirect (PR1720-A).

During daily cycles, only payments suspended on that cycle will be printed. Weekly, a consolidated listing (includes all suspended payments) will be released.

Daily payroll cycle suspended payments are NOT included on the master payroll or semimonthly list.

An asterisk printed beside the suspense date indicates the suspended record is appearing on the list for the first time. The asterisk will be omitted the following week if the record is still suspended.

Section I 408: CANCELLATION OF INCORRECT SUSPENDED PAYMENTS (Rev. 03/15)

Suspended payments will not drop automatically. Action is required to clear these items.

Agencies may submit suspended payment listings requesting cancellation of individual suspended items.

EXCEPTION: Payments suspended for condition N, Nonsufficient Funds, will remain on the Suspended Payment Report until funding is available or SCO, Division of Accounting, authorizes the deletion of these items.

The following information is printed on the Suspended Payments Listing on two separate lines.

Line 1 contains	Line 2 contains
Social Security Number Employee name Position number Pay Period ▪ Type ▪ Month ▪ Year Clearance type Payment type Adjustment code Time base, if any Time paid ▪ Days ▪ Hours Salary ▪ Type ▪ Rate Suspense condition Suspense date	Payment gross Federal tax ▪ Marital status ▪ Exemptions Amount withheld State tax ▪ State code ▪ Marital status ▪ Exemptions ▪ Additional allowances ▪ Amount withheld Retirement ▪ Identification code ▪ Rate ▪ Amount withheld Social Security/Medicare or Medicare withheld Payment net

Code	Meaning
R	No reporting unit (no header)
U	Unfunded agency
*N	Non-sufficient funds (NSF)
*A	Need attendance certification
*D	Lump sum deferred
*O	Out-of-service
*T	Expired term date
S	Invalid retirement system
V	Vacant position
*F	Future fiscal year

* Payments with these codes will never appear on a master or semimonthly payroll Suspended Payments list due to the following:

- N - NSF payments will be placed in the suspense file on the cycle following the date that the payments were to have been issued.
- A - The master payroll is prepared in advance of the close of the pay period, prior to the submission of attendance.
- D - Lump sum payments are issued on daily cycles only.
- O - If Employment History is out-of-service during master payroll, no payments will be issued.
- T - If a termination date expires during the pay period of the semimonthly or master payroll, no payment will be issued.
- F - Master and semimonthly master payrolls are always charged to the current fiscal year.

The following defines each condition and the action to be taken:

SUSPENDED PAY CONDITION/DEFINITION	
R	No Reporting Unit Payments or adjustments will suspend if there is no reporting unit for the agency/unit and fiscal year. Without a reporting unit record, state payroll revolving funds cannot be transferred. Only clearance types 1 and 4 should suspend for this condition. If the pay period for suspended payment is prior to three fiscal years, special procedures must be taken by Payroll Operations. ➢ Verify header information. ➢ If header is incorrect, submit documentation. ➢ If payment is incorrect, submit correcting documentation. ➢ If header and payroll records are correct, no further action is required.
U	Unfunded Agency At the beginning of a new fiscal year, all payments for the new fiscal year will be suspended until the budget has been signed and funds have been allocated. After the budget has been signed, payments will be released except for certain departments which must suballocate funds to their various institutions. Payments will be released after Division of Accounting notifies PPSD that appropriations have been suballocated. ➢ No action required by agency/campus
N	Nonsufficient Funds (NSF) When notification regarding NSF condition is received from Division of Accounting, all payments (clearance type 1) that should have been issued for the NSF agency/unit(s) for that particular fiscal year, will be placed in the Suspense File. These payments will be released after notification from Division of Accounting that sufficient funds are available. Normally, NSF payments will be placed in the Suspense File on the cycle following the date payments were to have been issued. When NSF occurs for transfer of funds (clearance types 6 and 7), the transfer of funds record will be deleted from Payment History only; it will not be placed in the Suspense File. When notification from Division of Accounting is received, Payroll Operations will resubmit the transfer of funds. ➢ Verify status of fund balances ➢ Submit necessary documentation
A	Need Attendance Certification A regular payment for a prior pay period which affects time to be paid for a negative roll employee will suspend if attendance is not certified. The payment will release once

SUSPENDED PAY CONDITION/DEFINITION	
	the agency has certified attendance correctly on form STD. 966 and keyed via PIP. See PPM sections D 009 and D 009. 1 and Section K, PIP System Instructions. ➢ Verify SSN, name, position, time, fraction. ➢ If certification is incorrect, submit correcting documentation. ➢ If position number is incorrect, submit PAR/PPT to place employee in correct position, time base.
D	Lump Sum Deferred If a PAR/PPT requests deferral of a lump sum payment at the end of the calendar year, the payments for December and/or subsequent pay periods will suspend. The payment will automatically release on the first cycle of the new tax year. ➢ No action required by agency/campus
O	Out-of-Service The payment was created and suspended for another condition prior to Employment History being placed out-of-service. The payment will remain suspended for this condition until Employment History is cleared. ➢ No action required by agency/campus
T	Expired Term Date The payment was created and suspended for another condition prior to the term date (effective in the same pay period as that of the payment) being entered on Employment History. The payment will be released when the termination date on Employment History is cleared. ➢ No action required if documentation has been submitted
S	Invalid Retirement System Payments subject to retirement will have state share amounts computed automatically. A payment will suspend if the retirement system ID is incorrect. If incorrect retirement system ID is shown on the suspended payment, special corrective action will be initiated by PPSD. ➢ No action required by agency/campus if PAR/PPT showed the correct retirement code.
V	Vacant Position Payments for established positions, clearance type 1, will suspend if the payment is from a position abolished due to being continuously vacant in the previous fiscal year. GC 12439 specifies that no money appropriated by the Budget Act shall be used to pay the salary of any position which was continuously vacant for a specified period in the prior fiscal year. ➢ Submit necessary documentation to DOF if position should be reestablished.
F	Future Fiscal Year

SUSPENDED PAY CONDITION/DEFINITION	
	Payments which are charged to a future fiscal year will not release until the first payroll cycle of the fiscal year to which they are charged. Exception: CSU payments for summer session will release regardless of fiscal year. ➢ No action required by agency/campus

SIGNATURE AUTHORIZATION

REFERENCES (Rev. 06/96)

SAM	8580.1
Board of Control Rule	660

Section I 500 INTRODUCTION (Rev. 03/02)

Payroll documents must have an authorized signature certifying that the information on the document is correct. To verify the authenticity of signatures, a Signature Card File of employees authorized to sign various payroll documents is maintained by the State Controller's Office, Personnel/Payroll Services Division (PPSD).

NOTE: The Division of Disbursements and Support maintains Signature Card, STD. 614 (available on DGS web site or from DGS Stores) for employees authorized to receive over-the-counter delivery of warrants. Refer to SAM 8580.1 for instructions.

Section I 501: AGENCY/CAMPUS RESPONSIBILITY (Rev. 06/96)

It is the responsibility of each agency/campus to ensure that the Signature Card File is accurate. This is accomplished by submitting changes, deletions, etc., on a timely basis.

Section I 502: SIGNATURE AUTHORIZATION PERSONNEL/PAYROLL DOCUMENTS, PPSD 8A (Rev. 02/13)

The only form accepted by PPSD is the Signature Authorization Personnel/Payroll PPSD 8A.

NOTE: <u>Only one PPSD 8A is required if an employee is authorized to sign both Personnel and Payroll Documents</u>.

A supply of the PPSD 8A may be ordered by calling PPSD, Production Support Unit, at (916) 322-8139.

Section I 503: APPOINTING POWER SIGNATURE (Rev. 06/96)

Each PPSD 8A must be signed by the appointing power; i.e., Director. A letter with the signature of the appointing power must also be on file with PPSD.

If an appointing power designates a person or persons below the director level to sign as appointing power, a letter naming such person(s) must be signed by the appointing power and submitted to PPSD. The letter must contain a sample signature of the person(s) delegated the authorization to sign as the appointing power.

When there is a change in the appointing power, new authorizations must be filed. This can be accomplished via a letter to notify PPSD to continue the existing authorization cards or submittal of new PPSD 8A's. In either case, the existing authorizations will continue until such time as the new appointing power modifies the instructions of his/her predecessor.

Section I 504: SUBMISSION OF PPSD 8A (Rev. 03/02)

A PPSD 8A is required to:

- add a new name
- report a name change

All other changes must be reported on the Signature Card Authorization listing (see I 506 for further details).

Section I 505: COMPLETION OF PPSD 8A (Rev. 06/96)

The following items must be completed on the PPSD 8A:

SECTION	
1	Enter the name of the employee authorized to sign personnel/payroll documents exactly as it will appear on the documents.
2	Employee must sign (not print) his/her name exactly as it will appear on the document(s).
3	Enter the effective date of the authorization.
4	Enter the agency code(s). If there are several agency codes and additional space is needed, enter "see reverse" in Section 4 and list the agency codes on the back of the card in the Section 4-Continued area.
5	Enter the social security number of the employee whose name is entered in Section 1.
6	If the authorization is restricted to certain reporting units, enter the reporting units in this section, otherwise leave blank.
7	Enter the name of the agency/campus.

8	Enter an "X" in the appropriate box (es) corresponding to the payroll document(s) the employee is authorized to sign. NOTE: Persons authorized to sign payroll documents cannot also be authorized to pick up warrants.
9	Enter an "X" in the appropriate box(es) corresponding to the personnel document(s) the employee is authorized to sign.
10	Appointing power or designee must sign and date.

The Signature Card Authorization listing identifies the agency's/campus' active signature cards on file at PPSD. A new listing is generated and routed to agencies/campuses each time the Signature Card File is updated. This listing is to be submitted to report future changes or deletions as follows:

1. To **delete** an active signature authorization.
   This can be accomplished by lining through the social security number line entry on the listing.
2. To **report changes** to existing signature authorization records (i.e., delete/add forms, agency codes, or restricted reporting units).

   Write in the form numbers, agency codes, or restricted reporting units which should be added and/or line through any form numbers, agency codes, or restricted reporting units which should be deleted.

NOTE: Restricted Reporting Units are listed in the "REMARKS" section.

Prior to returning the listing to PPSD, it must be signed by the appointing power.

Submit the form PPSD 8A and updated listing to:

State Controller's Office
PPSD/Production Support Unit
P.O. Box 942850
Sacramento, CA 94250-5878

REFERENCE (Rev. 12/90)

GC 12001, 18000

Section I 600: INTRODUCTION (Rev. 12/90)

Payroll transactions for statutory officers differ from those of exempt and civil service employees as to manner of appointment and separation, calculation of less than full-time pay, salary rate control, and position control.

Titles and salary rates for statutory officers are specified in Judicial Pay Scales, DPA Pay Scales, and in various statutes.

A statutory maximum limitation on an officer's salary does not make the salary a statutory salary or the officer a statutory officer; i.e., Government Code states maximum salaries for the Governor's secretaries but the appointees are in exempt, not statutory, positions.

Section I 601: REPORT OF ESTABLISHED POSITION (Rev. 12/90)

No position roster is maintained for the "Statutory Agencies." This must be considered when transferring a statutory officer from/to the statutory agency codes 001-004 and 007. Form 607 is used to establish or abolish statutory positions of statutory officers whose payroll records are maintained in the regular agencies.

Form 607 shall be originated by the agency. DOF approval is not required and should be indicated on the documents by specifically citing the statutory provision creating the position. The space provided for DPA approval shall contain a reference to the statutory provision.

Section I 602: PERSONNEL ACTION (Rev. 12/90)

Personnel actions for statutory officers are submitted to Personnel Services per instructions in the PAM.

Statutory officers with a monthly salary rate are not subject to Board of Control Rules governing calculation of short time salary payments. Statutory salary calculations must be made on a calendar day basis, if appointment is prior to January 1, 2012, in lieu of a work day basis. For all appointments effective January 1, 2012 and thereafter, salary calculations must be made on a civil service monthly pay period basis. Statutory officers are not subject to dock because they are entitled to their salaries by reason of holding office. Their annual salaries are paid in 12 monthly payments.

Statutory employees with a daily rate are paid on a positive attendance basis for the days in attendance.

Reports of Attendance are not legally required as a prerequisite for payments of salaries of those statutory officers paid under the USPS, but when the payroll record of a statutory officer is included in a regular agency, a check mark must be entered on attendance reports to show full-time attendance for the statutory officer to facilitate the reconciliation of the attendance records and payroll warrant registers. Statutory officers do not earn sick leave, vacation, or overtime credits.

Short time calculations with an appointment date prior to January 1, 2012:

When a statutory officer resigns or dies when in office, a final pay calculation shall be made with a fraction in which the denominator is the number of calendar days in the month and the numerator is the number of calendar days which the officer served in the month.

If a successor qualifies for office other than on the first calendar day of a pay period, a short time pay calculation shall be made in which the denominator is the number of calendar days in the month and the numerator is the number of calendar days which the officer serves during the first month.

Short time calculations with an appointment date of January 1, 2012 or thereafter:

When a statutory officer resigns or dies when in office, a final pay calculation shall be made with a fraction in which the denominator is the number of workdays in that pay period (21 or 22) and the numerator is the number of work days which the officer served in the pay period.

If a successor qualifies for office other than the first work day of a pay period, a short time pay calculation shall be made in which the denominator is the number of workdays in that pay period (21 or 22) and the numerator is the number of work days which the officer serves during the first pay period.

In the PPSD file, records for some statutory officers are included in the regular agencies while others are maintained as statutory in agency codes 001-004 and 007.

Warrants for officers in agency codes 001-004 and 007 bear an issue date the same as other monthly paid employees.

Agency codes 001 and 007 are limited to legislators, agency code 002 is limited to Constitutional Officers with membership in the Legislative Retirement System, and agency code 003 is limited to judges. No officer who is in the legislative or judges' retirement system may be placed in a regular agency but must be in agency codes 002 or 003.

FORM W-2 WAGE AND TAX STATEMENT

Section I 700: INTRODUCTION (Rev. 02/11)

Forms W-2 are prepared at the close of a calendar year for all employees who received payments through USPS, as well as salary advances, moving expenses, judges' claims, and reported Fringe Benefit/Employee Business Expenses. Payments released or indicated as being paid January 1 through December 31, regardless of when the payment(s) may have been earned, are reflected on the Form W-2.

PLEASE NOTE: The Form W-2 includes all taxable wages paid through USPS regardless of the number of State agencies/campuses for which the employee worked during the tax year. Forms W-2 are mailed to the employee's agency/campus that issued/reported the last payment for the tax year; or mailed directly to employee's mailing address.

Inquiries regarding Form 1099R (formerly W-2P), Public Employees Retirement System (PERS) Form W-2 for retired employees, should be directed to PERS at (888) 225-7377.

Section I 701: WAGE AND TAX STATEMENT FORM W-2 (Rev. 03/02)

Wage and Tax Statement, Form W-2 provides a variety of federal, state, and social security information. Form W-2 is a multi-use form used to report taxable wages to the Internal Revenue Service (IRS) and Franchise Tax Board (FTB), as well as Social Security and/or Medicare covered wages to the Social Security Administration (SSA).

The employee name and address which appears on Form W-2 reflects the most current information provided by the employee via the Employee Action Request (EAR). If the name and/or address is incorrect, the employee should complete a new EAR to ensure that accurate information is printed on future forms.

Section I 702: DISTRIBUTION FORM W-2 (Rev. 03/15)

SCO will mail Forms W-2 directly to employee's mailing address prior to the end of January each year.

Section I 703: FORM W-2 NOT RECEIVED (Rev. 03/15)

GROUPS

If groups of Forms W-2 are not received by January 20, contact SCO, Customer Contact Center at (916) 372-7200. Follow the prompts to reach the W-2 Unit for assistance. The W-2 Unit needs to know the agency/reporting unit(s) that are missing. Within seven working days Forms W-2 will be printed and forwarded. This type of service is only available through January 29. After that date, duplicate copies will have to be requested.

INDIVIDUAL

For individuals who do not receive a Form W-2 by January 29, the Human Resource Office needs to determine if the address on file is the current address. A report is made available to all agencies/campuses on ViewDirect (PDC9820 – Civil Service and PDC9821 – CSU) that will reflect the address used to mail the W-2. If the employee reports non receipt of their W-2 and the mailing address has not changed, the Human Resource Office may request a duplicate W-2 and request waiver of the normal processing fee. See (Section I 704). If non receipt of the W-2 is found to be the result of a new address, the employee is responsible for paying the processing fee for the duplicate W-2. If forms W-2 are returned to the SCO as 'undeliverable'; the SCO will forward the W-2 to the last known employer to be released or held for the employee. If a Form W-2 was not created due to a problem, a Form W-2 will be prepared and forwarded to the personnel office after the problem has been resolved. For exceptions, please refer to Section I 707.

Section I 704: REQUEST FOR DUPLICATE WAGE AND TAX STATEMENT, FORM STD. 436 (Rev. 03/15)

Form STD. 436 (available on the SCO website @ http://sco.ca.gov/ppsd_empinfo_dpw-2.html or from DGS Stores) must be used to request a duplicate Form W-2. Form STD. 436 can be completed by either the employee or Personnel Services Specialist for the employee. Completion of form STD. 436 is self-explanatory. More than one tax year may be requested on the STD. 436; however, only four prior tax years are available.

For those employees currently employed, payment for the duplicate Form W-2 must be made via payroll deduction and the appropriate option must be checked on the Std. 436.
The option is found in the area identified as Billing Method, above Authorizing Signature on the Std. 436. The payroll deduction will be withheld from the next paycheck if the request is received by the 15th of the month, otherwise it will be withheld the following month.

For those employees in positions which do not allow voluntary deductions (i.e.: retired annuitant, student assistant, youth aide) or the employee has separated from their state employment, payment must be made via a money order or cashier's check made payable to the State Controller's Office. Personal checks will no longer be accepted.

The agency/campus may request to be billed for W-2's by so indicating on From Std. 436 within the Billing Method.

Send requests/payments to:

State Controller's Office
ATTN: W-2 Unit
Personnel/Payroll Services Division
P.O. Box 942850
Sacramento, CA 94250-5878

The duplicate Form W-2 will be forwarded to the employee at the mailing address shown on the form STD. 436. However, if the Personnel Office wishes to receive the duplicate Form W-2 and forward it to the employee, they must indicate their intention in the space provided on the form STD. 436.

Section I 705: CORRECTED FORM W-2, FORM W-2C (Rev. 03/15)

Prior year tax/wage information is corrected by issuance of a Form W-2C. Forms W-2C are produced monthly and, normally, forwarded to agency/campus personnel offices around the 12th of the month. Like Form W-2, Form W-2C is a multi-use form used to report corrected wages to the IRS, FTB, and SSA.

Forms W-2C will be issued from the processing of payroll/Non-USPS documentation which causes a change to the data on the original Form W-2 or previously issued W-2C.

Reasons include:

- Social Security Number Correction
- Redeposit of a prior year warrant
- Adjustments of prior year Social Security/Medicare/State Disability Insurance taxes
- Changes in prior year taxable gross due to:
    - Industrial Disability Leave, LC 4800
    - Repayment of an accounts receivable for a prior year
    - Late reporting/corrections of a Salary Advance/Offset
    - Late reporting/corrections of Moving Expense/Relocation
    - Late reporting/corrections of Fringe Benefits/Employee Business Expenses

NOTE: Establishing an accounts receivable for a prior tax year will only generate Form W-2C if the employee's Social Security and/or Medicare Tax and or SDI is affected. See PPM Section I 004 for further information.

Section I 706: DISTRIBUTION FORM W-2C (Rev. 03/02)

Payroll Operations will forward the forms W-2C to Agency/Campus Personnel Offices accompanied by a form letter explaining the reason for the W-2C. Personnel offices will forward the forms W-2C to individual employees.

Every effort should be made to deliver Forms W-2C to employees who may have transferred or separated. If the W-2C cannot be delivered, retain for five (5) years. Each agency/campus is required to maintain procedures for disposition of outdated W-2C's and should follow those procedures. Do not return Forms W-2C to SCO.

Section I 707: NEGATIVE TAXABLE GROSS PROCESS (Rev. 03/02)

Employees can have a negative taxable gross in two situations. Specifically, if an employee repaid a prior year accounts receivable for a wage overpayment and:

1. has no reportable wages in the tax year of repayment (a Form W-2 is not issued); or
2. the repayment gross amount exceeds the reportable wages in that tax year (the gross overpayment amount(s) are backed out to allow the W-2 to print).

In those cases, a form letter (See PPM Section Z, Attachments I-3 and I-4) is sent to employees which provides information for filing tax returns.

Section I 708: QUESTIONS (Rev. 02/13)

Questions concerning information shown on Form W-2 or Form W-2C should be directed to SCO, Customer Contact Center at (916) 372-7200. Follow the prompts to reach the W-2 Unit for assistance. Direct all inquiries concerning federal and state tax returns to the IRS or FTB offices.

STATEMENT OF EARNINGS AND DEDUCTIONS

REFERENCE (New 03/95)

Government Code 19849.7

Section I 750: INTRODUCTION (Rev. 03/02)

All employees paid by the Uniform State Payroll System (USPS) are provided descriptive earnings and deduction information. The data is displayed on the Statement of Earnings and Deductions for both the regular payroll warrant (CD 39) and the Direct Deposit Advice (CD 39A) (See PPM Section Z, Attachments I-5 and I-6).

Section I 751: DESCRIPTION (Rev. 03/02)

The CD 39/39A contains employee personal data as well as earnings and deductions information as follows:

1 -	Employee Name - employee's first and middle initial and last name.
2 -	Agy/Unit - employee's three digit agency and unit code.
3 -	Tax Year - reporting tax year.
4 -	Tax Status - employee's marital status claimed. • S - single • M - married • H - head of household
5 -	Pay Period - pay period for which the payment is being made. "VARIOUS" will print when payments for more than one pay period are included in the warrant. For example - Earnings and payments for various pay periods were processed as follows: 06/94 Regular 3330.00 07/94 Regular 3330.00 08/94 OT Meal Mon 94.00 Uniform All 350.00 09/94 Regular 3330.00
6 -	Issue Date - date the payment is redeemable.
7 -	Social Security No - employee’s social security number on record.
8 -	Warrant No - number of warrant (the number should match the pre-printed number on the top right-hand corner of the warrant portion of the form).

9 -	Direct Deposit # - for employee on direct deposit (the number should match the direct deposit number on the right-hand corner of the warrant portion of the form).
10 -	Bank Transit - for employee on direct deposit, the financial institution's identification number.
11 -	Bank Acct - for employee on direct deposit, employee's bank account number.
12 -	Gross Pay - employee's total earnings and payments, plus FlexCash amounts, processed for this issue.
13 -	Year-To-Date Gross - total earnings, plus FlexCash, processed to date for the tax year through the USPS only. Excludes amounts deemed as taxable and reportable income, such as mileage, per diem, uniform allowance, overtime meals, etc. See PPM Section N 100, Non-USPS. These payments are not issued via the USPS, however, they will be included in the year end W-2 totals. In addition, the Year-To-Date Gross on the final earnings statement/direct deposit advice for each tax year may not agree with Box 1 (Wages, tips, other compensation) on the W-2, due to the following items: • Accounts Receivable deductions • Non-USPS adjustments (Refer to PPM N 120) • Deferred Compensation deductions • Pre-Tax Benefit Deductions (POP/TAPP) • Flex Benefit deductions • Retirement/PST contributions • Labor Code 4800 payments • Tax Sheltered Annuity deductions

14 -	Taxable Gross - that portion of the gross earnings which is subject to Federal and State taxes. These amounts are accumulated and entered in Box 1 of the Form W-2. The Gross Pay amount is reduced by the amount of certain payroll deductions (prior to computing Social Security/Medicare, Federal and State taxes) such as deferred compensation, tax sheltered annuity, Flexible Benefit Employee deduction amounts (health, dental, health care reimbursement, dependent care reimbursement), retirement employer paid-retirement member contributions, etc. These amounts are identified with an asterisk (*) in the Deductions box. Flexible Benefit cash option amounts are added to the employee's gross wage amount prior to computing taxable gross. For example:

Employee's gross pay		$ 4500.00
FlexCash/Health only		+ 128.00
Adjusted Gross pay		$ 4628.00
*Retirement	$ 195.00	
*F Dep Care	415.00	
*F Dental	21.18	
*Def Comp	350.00	981.18
Taxable Gross		$ 3646.82

15 -	Deductions - sum of all deductions withheld.
16 -	Net Pay - total amount of the employee's warrant (Gross Pay [Item 12] less Deductions [Item 15]).
17 -	Earnings - description of the earnings included in the payment. Multiple earnings displayed separately by pay period. Negative amounts are for adjustments processed, excluding Flex/Cash. Limited to 12 entries. If over 12, earnings are summarized as "All Other". Refer to PPM B 003 for abbreviation details.
18 -	Deductions - detailed deductions and contributions withheld. Printing limited to 21 individual deduction amounts. If over 21, deductions are summarized as "Other." Deductions are computed in descending priority order as follows: • taxes • retirement • Social Security • Medicare • employee benefits • garnishments • fees • dues • voluntary deductions An asterisk (*) preceding the description indicates that the deduction or deduction related amount reduced the taxable gross amount. Deduction information for prior months employee benefit adjustments are provided as follows (PPM Section Z, Attachments I-5 and I-6):

	• Like deduction/organization debit deductions will be totaled on a single line. • Like deduction/organization code, credit deductions will be totaled on a single line. • The deduction description for multiple employee benefit deductions totaled on a single line will indicate the number of deductions included in the amount.
19 -	Employer Contributions - State's share for Social Security benefits, Medicare benefits and other deductions the employer is required to pay. The amounts are not included in gross pay, taxable gross or deductions. Limited to 8 detailed amounts. If more than 8, payments are summarized as "All Others."
20 -	Leave Accounting - displays the leave benefit activity of the preceding pay period for those agencies/campuses participating in the California Leave Accounting System. Limited to 8 entries. Leave accounting information will typically be shown on the master payroll warrant or the Direct Deposit Advice Statement issued with master payroll.
21 -	Messages - 9 lines of text reserved to broadcast messages of interest to the employee. The message may vary based on class type, agency and CBID.

If a warrant is determined to be erroneous or an overpayment, it should be returned to SCO, Division of Administrative Support (Disbursements) with proper documentation and explanation. Refer to PPM I 310.

If a direct deposit payment is determined to be erroneous, and the payment is to be recovered from the financial institution, DO NOT release the CD 39A to the employee. Follow the detailed instructions contained in Section J.

IRS DETERMINATION LETTERS

REFERENCES (Rev. 12/94)

IRC Sections	61, 3101, 3401, 3509, 6051
Management Memo	92-20

Section I 800: INTRODUCTION (Rev. 12/94)

Determination Letters are issued by the Internal Revenue Service (IRS) in response to Form SS-8, **Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding**. Form SS-8 may be completed by the worker (usually an independent contractor or consultant) or the department to request an IRS review of the worker's employment status. Employers are required to withhold employment taxes (Federal Income [FIT] and Social Security/Medicare [SS/Med] tax) from employee wages. No employment tax withholding is required from payment to independent contractors.

Section I 801: RECEIPT OF DETERMINATION LETTERS (Rev. 02/13)

Determination Letters are sent to the employing agency (department or campus) by IRS. All employment taxes due must be remitted by the end of the quarter in which the Determination Letter is received. Quarters end on March 31, June 30, September 30 and December 31.

Departments and campuses **cannot** remit employment taxes directly to IRS. SCO must be notified **immediately** upon receipt of an IRS Determination Letter. SCO is the State's Reporting and Withholding Agent for employment taxes. Contact the Tax Support Section (TSS), PPSD for assistance at (916) 322-8105.

Section I 802: TAX REMITTANCE (Rev. 11/06)

FIT (based on supplemental withholding rate; e.g., 25% for 2004) and both the employer and employee share of SS/Med tax for the current (and up to three prior) year(s) must be remitted. IRS **may** waive FIT and/or SS/Med for prior years if substantial proof is given that employees remitted FIT and/or Self-employment tax (in lieu of SS/Med).

The department/campus must prepare separate warrants for each tax year. Separate warrants must also be prepared for SS/Med and Med Only taxes. Warrants are to be made payable to the State Controller's Office and sent to the Division of Disbursements (DOD), 3301 C Street, ATTN: Business Month Desk. The accompanying remittance advice should list all taxes paid by type and tax year.

TSS will remit the taxes along with other taxes withheld from payments not issued through USPS; e.g., Salary Advances.

Section I 803: TAX/WAGE REPORTING (Rev. 03/02)

Payments to independent contractors are reported via Form 1099. Wages for employees are reported via Form W-2. Departments/campuses must request corrected Forms 1099 for prior years from whomever issued the original forms (DOD, Franchise Tax Board, agency). Indicate the employee name, Social Security Number (SSN), tax year, and wage amount to be deleted. Also indicate that wages are to be reported via Form W-2 by SCO due to an IRS Determination Letter.

A listing of all workers reclassified as employees must be forwarded to TSS. This listing must include employee names, SSNs, gross wages by tax year, FIT by tax year and employee/employer share of SS/Med and/or Med Only taxes by tax year. (See PPM Section Z, Attachment I-7.)

TSS will initiate generation of Forms W-2 indicating Federal/State wages, FIT withheld (if any), SS wages/taxes and Med wages/taxes. No FIT or SS/Med tax for prior years will be shown if IRS granted a waiver from remittance. (If any taxes were paid by the department/campus on behalf of the employee, it is the responsibility of the department/campus to recover such taxes from the employee.)

Section I 804: CALIFORNIA REPORTING (Rev. 03/02)

California requires additional reporting for Unemployment Insurance purposes. Departments/campuses must prepare a listing of wages earned, by quarter, for each employee for the current year. TSS will inform the department/campus if prior year reporting is also required. This listing is sent to the Employment Status Unit of the Employment Development Department with a copy to TSS, SCO. (See PPM Section Z, Attachment I-7.)

Section I 805: OTHER STATES (Rev. 12/94)

TSS will inform the department/campus of any additional reporting information required for states other than California.

EMPLOYEE APPOINTMENT (Rev. 12/94)

Reclassified employees, who are still working must be immediately appointed to the Employment History Data Base.

Section I 900: REFERENCES (Rev. 04/04)

Internal Revenue Service Revenue Procedure	#86-109
Internal Revenue Code Section	3121(a) (13)
California Revenue and Taxation Code Section	17131
Government Code Section	12479, regarding Designation of Person Authorized to Receive Warrants
State Administrative Manual Section	8477.1 – 8477.27
Payroll Letters	#94-025, #95-005, #95-005 (Supplemental), and #03-028

Section I 901: INTRODUCTION (Rev. 04/04)

In 1995, the State Controller's Office implemented Federal/State reporting and withholding procedures for wages issued to deceased employees. In recognition of unique reporting and withholding requirements, at both Federal and State levels, new programs were installed to the Non-USPS reporting system to update W-2 records. Likewise, processes were implemented to begin reporting wages issued to a deceased employee, but released to the beneficiary/designee via Federal Form 1099-MISC.

Section I 902: REPORTING AND WITHHOLDING (Rev. 01/08)

Reporting and withholding requirements for wages paid on behalf of a deceased employee are unique. Wages issued after death, but in the same calendar year of death, are neither reportable nor taxable income for the deceased employee for Federal/State purposes.

However, payments are reportable/taxable for the deceased employee for Social Security (SS) and Medicare (Med) purposes. They are reported on the deceased employee's Form W-2 as SS and/or Med wages. The State Controller's Office reports these payments as income in the name of the recipient of the payments via Form 1099-MISC, Miscellaneous Income. These payments are reported as Federal income, but are not subject to either Federal or State Income Tax withholding. Payments issued after death, but in the same
Calendar year of death, are subject to State Disability Insurance (SDI) withholding.

Wages issued in subsequent years after death are neither reportable nor taxable income for Federal, State, SS, Med or SDI for the deceased employee. However, these payments are reportable as Federal income via Form 1099-MISC for the recipient of the payments. They are not subject to Federal or State Income Tax withholding.

Form 1099-MISC reporting is in the name and Social Security Number (SSN) or Taxpayer

Identification Number (TIN) of the recipient of the payments. Payments may represent taxable income. UNDER NO CIRCUMSTANCES SHOULD THE RECIPIENT BE ADVISED THAT PAYMENTS ARE NOT TAXABLE.

Section I 903: EMPLOYEE RESPONSIBILITIES (Rev. 04/04)

Employees are responsible for maintaining current designee information on file with their Personnel Offices. Designee information is contained on form STD. 243, Designation of Persons Authorized to Receive Warrants and STD. 457, CSU Student Payroll Action Request. A designee must be 18 years of age or older.

Employees should inform their designee that receipt of any warrants will result in the issuance of Form 1099-Misc to the designee.

Section I 904: AGENCY/CAMPUS RESPONSIBILITIES (Rev. 04/04)

To ensure the designee/recipient's name and SSN/TIN are reported correctly, agencies/campuses must have the designee complete/sign form W-9, Request for Taxpayer Identification Number and Certification, prior to releasing the payment. Maintain the Form W-9 in the deceased employee's file. Forms W-9 are available from the Internal Revenue Service (IRS) at no charge via phone at 1-800-829-3675, or via the web site at www.irs.gov.

Agencies/campuses must forward to SCO, information required to ensure accurate reporting for payments issued to the deceased employee and payments released to the designee.

Reporting documents include:

- Form STD. 680, Personnel Action Request (PAR)
- Form STD. 456, Personnel/Payroll Transaction (PPT)
- Form STD. 457, CSU Student Payroll Action Request (SPAR)
- Form STD. 686, Employee Action Request (EAR)
- Form STD. 699, Direct Deposit Enrollment Authorization
- Form PPSD 21, Deceased Employee Data

Section I 905: FINES, PENALTIES AND ASSESSMENTS (Rev. 04/04)

Failure to report deceased employee payment information consistent with Federal/State laws may result in the assessment of penalties from Federal and/or State tax authorities. Agencies/campuses are financially responsible for any assessed penalty due to late, incomplete or inaccurate reporting.

SCO will bill agencies/campuses for assessed penalties and remit the funds to the appropriate tax authority. Currently, penalties range from $15 to $50 per Form 1099-MISC and/or Form W-2, due to late, incomplete, or inaccurate reporting.

Section I 906: PAR/PPT/SPAR DOCUMENTATION (Rev. 12/98)

Upon the death of a State employee, the employing agency/campus must immediately complete the appropriate separation and exemption from withholding transactions.

CIVIL SERVICE ONLY

For Civil Service agencies, see Personnel Action Manual (PAM) Section 8.8 regarding PAR completion.

CSU ONLY

For CSU campuses, see Personnel Information Management System (PIMS) Manual Section 10.21 regarding PPT completion. Note: there are no PPT-type transactions to separate a deceased Student Assistant. When reporting a deceased Student Assistant, please provide a copy of the Death Certificate or Obituary Notice with form PPSD 21.

Section I 907: DIRECT DEPOSIT CANCELLATION (Rev. 12/98)

Upon the death of a State employee, the employing agency/campus must immediately remove the employee from the Direct Deposit Program, if applicable.
See PPM Section J 009.

If a tax refund warrant is released to a Direct Deposit account that was closed by the bank, the bank will return the funds to SCO for redeposit. The Direct Deposit Unit will notify the agency/campus of this action and cancel the deceased employee from Direct Deposit. The payment will be issued as a regular warrant.

Section I 908: RETURNED WARRANTS (Rev. 12/98)

If a warrant must be re-deposited, the agency/campus must attach the warrant to a completed form STD. 674.

Complete Item 1 as follows:

- "X" Disbursements and Support
- "X" PPSD Unit Destination - W-2/Non-USPS

NOTE: Write in Remarks "Deceased Employee Wages."

Section I 909: EXEMPTION FROM WITHHOLDING (Rev. 01/08)

The following process must be followed to prevent erroneous tax withholding and reporting for wages issued to a deceased employee.

1. Upon notification that an employee has died, process an E03, Withholding Allowance Change, EAR Transaction. Change the deceased employee's withholding status to NONTAXABLE WAGES, box E.09. Wages will still be reported on form STD. 686, Employee Action Request (EAR). Wages will still be reported on Form W-2 unless form PPSD 21 is completed (see below). Refer to the Personnel Action Manual (PAM), Section 10.16.1 for key entry instructions.

NOTE: This new process posts permanent tax exemption status on the Employment History Data Base.

2. Immediately key an S95, Separation Due to Death, PAR/PPT transaction (or S70, S71 if applicable).

NOTE: Any erroneous tax withholding will be refunded by the State Controller's Office on a monthly basis. Refunds are issued for Federal/State Income tax withheld in the current year and applicable SS and/or Med and State Disability Insurance taxes withheld in calendar years after death. Refunds are issued (30 to 60 days after the S95 transaction entry date) in the last daily payroll cycle of each month.

CIVIL SERVICE ONLY

For Civil Service agencies, see PAM Section 5.102.

CSU ONLY

For CSU campuses, see PIMS Manual Section 2.32 regarding EAR/SPAR completion.

Section I 910: EAR TRANSACTIONS (Rev. 04/99)

CIVIL SERVICE ONLY

For Civil Service Agencies, see Personnel Action Manual (PAM) Section 6.1, 6.8 and 6.11 regarding EAR completion.

CSU ONLY

For CSU campuses, see PIMS Manual Section 2.32 regarding EAR completion.

Section I 911: BENEFICIARY/DESIGNEE NOTIFICATION OF FORM 1099 MISC (Rev. 03/02)

When releasing deceased employee's payments to the beneficiary/designee, agencies/campuses must advise the recipient that Form 1099-MISC will be released to reflect amounts with issue dates after the employee's date of death. Under no circumstances should the recipient be advised that payments are not taxable. Payments are not subject to tax withholding. Agencies/campuses may provide the recipient with a transmittal explaining the nature of payments and encouraging the recipient to seek a tax consultant's services. See PPM Section Z, Attachment I-8 for a sample letter.

Section I 912: PPSD 21 COMPLETION (Rev. 01/08)

Deceased Employee Data, form PPSD 21 (Rev. 7/96), (see PPM Section Z, Attachments I-10 and I-11) must be submitted to SCO on a flow basis, as payments are released to the designee.

NOTE: Photocopies or exact facsimiles of form PPSD 21 will be processed. Since form PPSD 21 is not available through the Department of General Services – Stores Warehouse ("low-use form"), agencies/campuses should photocopy and maintain a supply of forms PPSD 21 on-hand.

As noted above, payments issued to a deceased employee require special reporting via Form 1099-MISC. Payment information contained on Form 1099-MISC must not be included in a deceased employee's Form W-2. Agencies/campuses must complete form PPSD 21, Deceased Employee Data, to accurately reduce deceased employee wages on Form W-2 and report ALL payments (including Fringe Benefits/Employee Business Expenses and payments released when a S70/S71, Retirement/Disability Retirement, transaction was posted rather than a S95) released to the recipient on Form 1099-MISC.

Prior to releasing payments to the deceased employee's designee/authorized recipient:

- Verify the recipient's name and age (Must be 18 years or older)
- Have the recipient complete Form W-9
- Enter, on form PPSD 21, the recipient's name and social security number as it appears on the recipient's Form W-9 and retain Form W-9 in the deceased employee's official personnel file.

Completion instructions, also contained on the reverse side of form PPSD 21, follow:

SECTION I. DECEASED EMPLOYEE DATA

Enter the deceased employee's:

- First and middle initials followed by surname
- Date of death
- Social Security Number
- Agency and Unit Numbers

SECTION II. BENEFICIARY DESIGNEE DATA

Enter the beneficiary/designee's:

- Social Security Number (SSN): Enter as shown on the Form W-9. If the beneficiary/designee is an estate, report the Taxpayer Identification Number (TIN). The beneficiary/designee may receive a TIN after submission to IRS Form SS-4, Application for Employer Identification Number (EIN).

  Exception:

  - If the designee is not a U.S. Citizen, no SSN/TIN is required as no wage reporting or withholding is required.
  - If the designee on file is also deceased, the applicable TIN may be in the name of the deceased employee's estate.

  See PPM Section Z, Attachment I-9 for an example of IRS' response advising an individual of an assigned Taxpayer Identification Number.

- First and middle initials followed by surname: Enter from the Form W-9. If the beneficiary/designee is an estate, enter the name as indicated.
- Street address, City, State and Zip Code: Enter from form STD. 243 or directly from the beneficiary/designee via Form W-9.

SECTION III. WARRANT DATA

- Enter the Issue Date of the warrant. **Do not include payments issued before the date of death (S95 transaction) but released to the beneficiary/designee**. All reported payments must be issued after the date of death. **Do not** include tax (Federal, State, Social Security, Medicare or State Disability Insurance) refund warrants issued by the State Controller's Office.

  NOTE: Separate forms PPSD 21 are required to report payments issued in different tax years.

- Enter the taxable gross amount for each payment released to the beneficiary/designee. A single line entry must be reported for summarized warrants. The taxable gross amount is displayed on the Payment Detail Screen. Taxable gross is identified as "GROSS AMOUNT", found next to the Federal/State Tax amounts.
- Enter the Warrant Number for each payment. Add and enter the total taxable gross amount of all warrants released to the beneficiary/designee.
- Enter the State Code
  - CA = California
  - NY = New York
  - IL = Illinois
  - Blank = All others

SECTION IV. AUTHORIZED SIGNATURE

Enter:

- Agency/campus name
- Signature of the reporting officer
- Current date
- Name and telephone number of the person completing the form.

NOTE: Form PPSD 21 is included on form PPSD 8A, Signature Authorization Personnel/Payroll Documents.

Submit completed form to:

STATE CONTROLLER'S OFFICE
W-2 Unit
PO BOX 942850
Sacramento, CA 94250-5878

To Correct/Cancel Amounts Reported:

- Submit a copy of the original forms PPSD 21 with "Cancel" written in red at top of the document.
- Highlight in yellow the entries to be corrected/canceled.
- Complete and attach a new corrected document with "Correction" written in red at top of the document.
- All documents must have an original authorized signature.
- Send the documents to SCO/PPSD, Attention W-2 Unit, at the above address.

Section I 913: FORMS W-2, W-2C AND 1099 – MISC (Rev. 01/08)

SCO will prepare and release annually by January 31:

- Forms W-2 for deceased employees indicating wages/taxes issued prior to death, SS/Med wages/taxes for calendar year of death and SDI taxes for calendar year of death Form 1099-MISC indicating payments released to the beneficiary/designee

SCO will prepare and release on a flow basis:

- Forms 1099-MISC indicating payments released in prior years to the beneficiary/designee. Forms 1099-MISC are forwarded to the beneficiary/designee address indicated on form PPSD 21.
- If issuance of Form 1099-MISC requires a corresponding Form W-2c for a deceased employee indicating wage corrections, a Form W-2c will be forwarded to the agency/campus.