



SALARY ADVANCE REPORTING GUIDE

FOR DEPARTMENTAL HUMAN RESOURCES AND ACCOUNTING OFFICES

Statewide Tax Support Program

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GENERAL INFORMATION

This guide supports the departmental human resources and accounting offices in reporting salary advances provided to employees. Salary advances **must be treated as taxable wages**. The taxable gross amount, federal, state, social security, Medicare and State Disability Insurance taxes must be reported to the State Controller's Office (SCO) on time to ensure inclusion on Form W-2, Wage and Tax Statement. The funds received by the employee constitute wages and must be reported for the year in which the employee **received** the payment.

OVERVIEW OF REQUIREMENTS

This guide is to ensure the salary advance inclusion on the Form W-2.

REFERENCES - FORMS

- [State Administrative Manual, Section 8595 - Salary Advances](#)
- [Labor Code Section 202\(a\)](#)
- [Payroll Procedures Manual \(PPM\), Section N103-111](#)
- [Salary Advances Paid / Offset Report](#)

Please refer to the additional information (see the Forms-Manuals-FAQs above or contact the W-2 Program for assistance.)

Human Resources (HR) and Accounting Offices must adhere to their internal procedures when issuing salary advances, and the specific reason for the advance must be stated on the request.

WHEN CAN HR ISSUE A SALARY ADVANCE?

- When errors or delays in submitting or processing documents making it impossible for the SCO to prepare and deliver proper salary warrants within a reasonable time.
- Separating employees are in immediate need of their final salary payments.
 - Salary advances shall be issued for amounts close to the actual net pay.
 - The employee is responsible for paying any voluntary deductions.
 - Use the [SCO Paycheck Calculator](#) to calculate net earnings and tax withholding.
- The employee won an appeal and is awaiting backpay under a stipulation agreement.

DIRECT DEPOSIT CANCELLATION

Remove the employee from the Direct Deposit Program, if applicable. See [PPM, Section J 012](#).

HOW SHOULD ACCOUNTING HANDLE A SALARY ADVANCE REQUEST?

Each department has internal procedures that may vary from below.

- HR provides a copy of the paycheck calculator for **each pay period** and required departmental documents to request a salary advance from their accounting office.
 - The request must be **by pay period** in order to report to SCO.
 - Do NOT report multiple pay periods as one entry to SCO.
- The accounting office will issue a salary advance to the employee from their revolving fund.
- The advance is considered taxable wages.

SCO WARRANT ISSUES WITHIN 30 DAYS OF ISSUANCE OF SALARY ADVANCE

- HR and accounting must monitor the issuance of the SCO warrant to clear salary advances.
- When the SCO issues a payroll warrant for the salary advance period, it is deposited and applied to the salary advance. ([SAM, Section 8160 - Endorsements](#)).
- If the payroll warrant is greater than the salary advance, issue an additional revolving fund check to the employee for the difference.
- If the payroll warrant is less than the salary advance, notify the employee in writing of any overpayments and provide them an opportunity to respond and satisfy the amount due. ([SAM, Section 8293.2 - Collecting Employee Accounts Receivable](#)).

REPORTING SALARY ADVANCES TO SCO

- If the payroll warrant has **not issued within 30 days**, submit the [STD. 422, Salary Advance Initial/Offset](#) form to the Division of Administration and Disbursements (e.g. salary advance for February pay period must be reported by April 10 if related SCO warrant has not been issued).
- The taxable gross amount, taxes, Social Security, Medicare, and State Disability Insurance **must** be reported to the SCO by pay period.
 - Do **NOT** report multiple pay periods as one entry.
- The STD. 422 is the **only** acceptable form for reporting salary advances to the SCO.
- **Remit** the tax withholdings (including state share) on behalf of the employee to SCO through a department revolving fund check.

REPORTING INSTRUCTIONS

- The cutoff date to submit the STD. 422 is the **10th of each month**.
 - EXCEPTION: If salary advances are issued late in the calendar year and it is known that the related payroll warrant will **not be issued prior to December 31**, report salary advances by December 10 to ensure the accuracy of the Form W-2, Wage and Tax Statement.
- Salary advances issued for the last half or full December pay period must be dated January 1 or later. Otherwise, the prior year's W-2 may reflect wage earnings for 13 months.
 - EXCEPTION: When a separation PAR/PPT is checked "immediate pay" in Item 615, all pay **must** be issued in the current tax year.
- **Do not report** salary advances for IDL payments.

"INITIAL" FORM STD. 422 COMPLETION ([PPM, SECTION N 109](#))

- Item 1 – **ACTION** – Check **A. Initial Salary Advance**
- Items 2 – 10 **must be completed**, or document may be returned:
 - Only **one** tax year (issue year) per form
 - Only **one** pay period per form
- Item 11 - 22 are **completed per the paycheck calculator AND if applicable** (sample below):
 - 20 – Social Security State Share (Same as employee share)
 - 21 – Medicare State Share (Same as employee share)
 - 22 – Issue date of the salary advance

NET PAY	\$5,453.29
Difference in Net	
Federal Tax Withheld	\$505.17
State Tax Withheld	\$176.28
Retirement Withheld	\$630.53
OPEB Withheld	\$237.93
Social Security Withheld	\$475.64
Medicare Withheld	\$111.24
SDI Withheld	\$92.06
Federal Taxable Gross	\$7,041.02
State Taxable Gross	\$7,041.02
Social Security Taxable Gross	\$7,671.55
Medicare Taxable Gross	\$7,671.55

NOTE: Refer to [PPM, Section N 171 for Withholding Requirements](#); documents with incorrect withholding amounts **will be returned** with payment for correction.

- Item 23 – Clearance Report Information – **LEAVE BLANK**

- **Item 24A INITIAL PAID TOTALS**

This is the amount that the department will **remit by a revolving fund check** to SCO on the employee's behalf for the tax withholding.

Complete items 12 – 21 with the information shown above from the paycheck calculator. The amounts will auto-populate the amount payable to SCO.

NOTE: Tax withholding can be remitted on behalf of the employee for **current tax year only**. A salary advance package **must** be submitted for prior tax years once the SCO warrant has been issued.

- **Item 24B OFFSET TOTALS**
LEAVE BLANK FOR INITIAL REPORTING

- **Item 27 – CERTIFICATION**

Must have the reporting officer's signature and contact information.

FORWARD FORM AND REVOLVING FUND PAYMENT TO SCO

Must include a copy of the paycheck calculator for each pay period submitted.

State Controller's Office
Division of Disbursements and Support
3301 C Street
Sacramento, CA 95816-3300 **or**

State Controller's Office
Division of Disbursements and Support
P.O. Box 942850
Sacramento, CA 94250-0001

“OFFSET” FORM STD. 422 COMPLETION ([PPM, SECTION N 110](#))

Submit the offset report once you have received the related SCO warrant to remove the initial reporting and to receive reimbursement for the taxes submitted on behalf of the employee.

A copy of the initial report **must** be completed and submitted, along with an authorized signature and date.

- Item **1 – ACTION** – Check **B. Offset Salary Advance**
 - **Items 2 – 22** must be completed **per the original “initial”** submitted to SCO for reporting
- Item 23 – Clearance Report Information – enter the **SCO Warrant** and **issue date** to be used to clear the salary advance.
 - The warrant **must** be for the pay period of the advance.
 - If more than one warrant clears an advance, complete **all warrant numbers and issue dates**.
- Item **24B OFFSET TOTALS**

Totals **must** match the initial submitted **AND** have been withheld from the SCO warrant.

 - The amounts will auto-populate for reimbursement to the department/campus.
- Item **27 – CERTIFICATION**

Must have the reporting officer’s signature and contact information.

FORWARD FORM TO SCO, PPSD, W-2 UNIT

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

Upload through ConnectHR, **W2 Unit, STD. 422**

SALARY ADVANCE “PACKAGE” COMPLETION

A salary advance package is submitted when the initial salary advance was issued in the **prior year** but **not reported to SCO**, and the warrant is issued in the following tax year. Due to constructive receipt, the Form W-2 must reflect the year the employee **received** the payment.

- Item **1 – ACTION** – Check **C. Package Initial and Offset**

Complete items 2 – 23 per instructions for reporting initial and offset
- Item **27 – CERTIFICATION**

Must have the reporting officer’s signature and contact information.

A corrected W-2 will be generated in the month **after** the package was processed.

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P.O. Box 942850
Sacramento, CA 94250-5878 or

Upload through ConnectHR, **select W2 Unit, STD. 422.**

CONTACTS

- SCO, PPSD W-2 Program PPSDW2MiscDed@sco.ca.gov
- ConnectHR Help connecthrhelp@sco.ca.gov
- HR Suggestions Email (All HR Staff) PPSDHRSuggestions@sco.ca.gov