

Net Pay Deductions

A net pay deduction is an amount that is withheld from an employee's "take home" pay either as mandatory, pre-tax mandatory, or voluntary deduction.

Mandatory Deductions

These *must* be deducted from employees' salaries and wages pursuant to federal or state law. Mandatory deductions include but are not limited to the following:

- Federal & State Income Tax, determined by employee's W-4 and DE 4.
- Medicare*
- Social Security*
- High Earner Medicare*
- Riverside County Schools is recognized as one employer. The Social Security and Medicare deductions are cumulative when moving from one LEA to another. Exception: fiscally independent Riverside County LEAs and charters. They are not recognized by the IRS as the "same employer."
- Garnishments.
**Refer to Section 105 of the Payroll and W-2 Manual for the most current rates and wage limits, if any.*

Pre-Tax Mandatory Deductions

The deductions listed below reduce net pay and may not be subject to federal or state income tax.

- State Retirement Systems: The employee's paid share contributions to CalPERS or CalSTRS (Not subject to federal or state income tax. CalPERS deductions are subject to FICA and Medicare, CalSTRS deductions are only subject to Medicare).
- Alt. FICA-The FICA Alternative Plan: A defined contribution plan authorized under Section 401(a) of the Internal Revenue Code. Employees in certain temporary or part-time positions are mandated to participate in lieu of earning credit for social security, not subject to federal or state income tax, but subject to Medicare.
- Employee Health & Welfare Contributions: May not be subject to federal or state income tax, FICA or Medicare, if employee chooses to participate in 125 plans.

Voluntary Deductions

Voluntary deductions are done as a "courtesy" for employees. Voluntary deductions are 100% employee paid – no employer contribution. These amounts reduce the employee's net pay, not gross pay. Some may be pre-taxed, if eligible, and the employee so chooses. These "voluntary deductions" are permitted by law but require an employee's written request to authorize the payroll deduction or salary reduction. DFS has the discretion to approve or deny requests for new types of voluntary deductions.

The following list provides some examples of currently provided voluntary deductions:

- Parking Fees
- Membership Dues for Professional Organizations
- Funds Maintained by Labor or Employee Organizations
- Life Insurance
- Disability Insurance
- Accident Insurance
- Charitable Contributions
- District Repays
- 403b
- 457b
- Roth 403b
- Roth 457b
- Dependent Care
- Medical Flex Spending Plan
- Union dues, when applicable

Note: *Do not use voluntary deductions for Health and Welfare (H&W) premiums.* All H&W deductions are part of the required ACA (Affordable Care Act) reporting on form 1095c and W-2, box 12DD and should be processed using the H&W module. Use the H&W module for both the employee and employer contribution. When H&W deductions are processed correctly using the H&W module, IRS reporting is correct. H&W deduction incorrectly processed using a voluntary deduction, will not be reported on either the 1095c or the W-2.

Reductions

Reductions in an employee's gross wages should be made with caution. Reductions are only to be made if an employee did not work those hours. If you are contemplating a reduction for any other reason, please contact DFS for assistance.

When an employee's gross earnings are reduced, all deductions that are based on an employee's gross payroll are affected, including retirement.

REMEMBER: *Reductions* affect gross income, deductions do not.

When to use Reductions:

Payroll reductions to reduce the gross wages can be made by using the 4xx and 6xx Payroll adjustment codes. Some examples of when it is acceptable to use a reductions code are:

- Late starts
- Excessive leave
- Current month salary reductions

When not to use Reductions (4xx, 6xx) :

- Collecting money owed (due to abatements, if an employee breaks something, etc.)
- To collect for a missed health & welfare deduction
- Overpaid travel advance

Requests for Voluntary Payroll Deduction Codes

Voluntary Deductions are done as a “courtesy” for employees. Voluntary deductions are 100% employee paid – no employer contribution. These amounts reduce the employee’s net pay, not gross pay.

LEA’s

- Before requesting a new code, please check to see if one already exists by following the path, Payroll System/View Payroll Information/View Voluntary Deduction Codes.
- To request a new payroll voluntary deduction code:
 - Send e-mail to DFSPayroll@rcoe.us
 - Include the following
 1. Vendor name
 2. Vendor address
 3. Warrant payable to:___(insert payee & account no. if required)___
 4. Pre- or post-tax
 5. 125 plan, 125 FSA Dependent Care, 403b or 457b, HSA, 125 FSA Medical
 - Payroll Voluntary Deduction Codes – County Only:
 - Garnishments 9XXX
 - PERS arrears contributions or redeposit 84XX
 - STRS arrears contributions or redeposit 83XX
 - Negative voluntary deduction codes 8XXX

View Voluntary Deduction Codes

Help

Search Details

County: 33-RIVERSIDE COUNTY

Total Rows: 1138

Code	Description	County Only	Restricted	TSA	125 Plan	125 Plan State Taxable	FSA Dependent Care	FSA Medical	Deferred Buyback	Other Pre-Tax
▶ 0002	TSA FRINGE BENEFIT CONSORTIUM (F	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▶ 0003	TSA VOYA FINANCIAL PLAN NUMBER V	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▶ 0004	TSA VOYA FINANCIAL, INC., PLAN NUM	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▶ 0005	TSA A G EDWARDS	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▶ 0006	TSA MERRILL LYNCH	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▶ 0007	TSA CTA RETIREMENTSAVINGS PLAN	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▶ 0008	TSA 403B CALSTRS PENSION 2	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▶ 0010	CTA VOLUNTARY RETIREMENT PLAN F	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Voluntary Deductions can have multiple addresses for a single vendor. When requesting a new Voluntary Deduction code, check to see if one is already available and specify the address for your LEA.

Modify Voluntary Deduction Codes (County Only)

Help

Search Details

County: 33-RIVERSIDE COUNTY

Total Rows: 1138

Delete	Code	Description	County Only	Restricted	TSA	125 Plan	125 Plan State Taxable	FSA Dependent Care	FSA Medical	Deferred Buyback	Other Pre-Tax	Plan 457b
<input type="checkbox"/>	1014	3PSP GRP SPOUSE CRITICALL MUTU	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1015	KAISER FOUNDATION	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
District	District Name	Payee	Address Line 1									
18	BEAUMONT UNIFIED SCHOOL DISTRICT	KAISER FOUNDATION HEALTH PLAN	FILE 5915									
10	ALVORD UNIFIED SCHOOL DISTRICT	KAISER FOUNDATION HEALTH PLAN	WORLDWAY POSTAL CENTER									
07	RIVERSIDE COMMUNITY COLLEGE DISTRICT	KAISER FOUNDATION HEALTH PLAN, INC	PO BOX 741562									
39	HEMET UNIFIED SCHOOL DISTRICT	KAISER PERMANENTE - CERTIFICATED	P.O. BOX 80204									
56	MURRIETA VALLEY UNIFIED SCHOOL DISTRICT	KAISER FOUNDATION HEALTH PLAN INC	FILE 5915									
40	SANTA ROSAACADEMY, INC.	SANTA ROSAACADEMY	27587 LA PIEDRA ROAD									
74	RIVERSIDE UNIFIED SCHOOL DISTRICT	KAISER PERMANENTE	WORLDWAY POSTAL CENTER									
98	RIVERSIDE COUNTY SUPERINTENDENT OF SCHOOLS	KAISER FOUNDATION HEALTH PLAN INC	FILE 5915									

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Save

How to Refund a Voluntary Deduction Taken in Error

If a deduction is taken in error, please analyze the type of voluntary deduction taken and use the appropriate method for refund based on the payment type. Some examples are listed below. Contact your DFS district contact for more information or questions. (*See Section 200 Communication*)

Post-Tax Deductions

- Refund employee with a commercial warrant from your district
- Refund employee with revolving cash

Pre-tax Deductions

- Contact the DFS Payroll Manager, each pre-tax situation is unique

Never Refund a Deduction to an Employee with the Following:

- A payroll adjustment code, such as a 006, 001 or a 9xx code on a future payroll
- DO NOT repay the deduction with a POD
- Never refund a pre-tax deduction without contacting DFS for assistance

Refunding Health Insurance Premiums

Refunding pre-taxed earnings requires adjusting taxable wages and adjustments may also be required to Box 12 DD of the employee's W-2 form (cost of employer-sponsored healthcare). There are a number of ways to handle this eventuality depending on the situation:

1. If the amount of the health and welfare refund is less than the employee's normal health and welfare deduction for the pay period, use the Modify Employee Benefits screen in Galaxy to enter the employee refund. The employee will receive the refund on the next pay period and Box 12DD will be updated if necessary. Please contact the Service Desk for specific instructions on the use of this screen.
2. If there are a large number of employees that require refunds, contact DFS. DFS will send the LEA a spreadsheet template to complete. Email the completed spreadsheet to DFS and send a warrant to DFS for the total amount of the refund. DFS will work with the Service Desk to upload negative voluntary deductions to refund the employees. Please note, the warrant must be received and deposited by DFS before the negative voluntary deductions can be uploaded to Galaxy. This option will not update Box 12 DD.
3. Employees close to retirement may have health and welfare as an after tax deduction. If this is the case, the LEA can issue refunds directly to the employee via accounts payable since there is no impact to the taxable earnings. After tax health insurance refunds should not be processed via payroll as this increases the taxable earnings for the employee. This option will not update Box 12 DD.

If the total cost of the employer-sponsored healthcare does not change, no changes to Box 12 DD are required. However, an increase or decrease to the total cost would require an adjustment to Box 12 DD. Adjustments can be made using the Health and Welfare screens. Please contact the Service Desk for instructions on the use of this screen.

Processing Refunds Using Negative Voluntary Payroll Deductions

DFS processes refunds of all pre-tax deductions with a Negative Voluntary Deduction code.

Galaxy makes the taxation corrections when using a Negative Voluntary Deduction to refund a pre-tax deduction so there is no longer a need to complete the end of year worksheets to adjust taxes when refunds are processed in this manner.

Post-tax deductions are to be refunded by the district since no adjustment is required to the employee’s taxable income.

Pre-tax deductions that are done by districts will require a spreadsheet to indicate the tax type for reporting purposes. If the LEA requires a large number of refunds to be processed, please contact the Service Desk.

The following page shows a screen shot of what you can expect to see when a Negative Voluntary Deduction is processed for an employee:

View Employee Voluntary Deductions Help

Search **Voluntary Deductions**

Employee Number: [Redacted] Pay Frequency: 10 Prime Position: 1 203 101
 Social Security Number: [Redacted] Pay Type: M Employee Group: 04
 Employee Name: [Redacted] FTE: 1.0000

Total Rows: 4

Voluntary Deduction Code	Voluntary Deduction Description	10-Month Billing	County Only	Fiscal Year Freq Max	Life Time Freq Max	Payroll Cycle Amt	Payroll Cycle Percent	Payroll Cycle Monthly Max	Payroll Cycle Annual Max	Payroll Cycle Lifetime Max	Include Overtime	St
0541	TSA NEW YORK LIFE	<input type="checkbox"/>	<input type="checkbox"/>	0	0	300.00	0.0000%	0.00	22,500.00	0.00	<input checked="" type="checkbox"/>	
3461	AMERICAN FIDELITY - DISABILITY (3PSP-POS)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	0	0	44.16	0.0000%	0.00	0.00	0.00	<input type="checkbox"/>	
4540	RIVERSIDE CITY TEACHERS ASSN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	0	0	129.60	0.0000%	0.00	0.00	0.00	<input checked="" type="checkbox"/>	
8941	(REFUND- TSA 403 (B))	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1	1	-300.00	0.0000%	0.00	0.00	0.00	<input checked="" type="checkbox"/>	

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Note the outlined deduction. This deduction was processed by the DFS payroll unit. This negative deduction is set up for one time (Fiscal Year/Life Time Freq Max). In other words, once the \$300.00 is returned to the employee, the deduction stops.

Scrolling to the far right hand side of the slide bar, there is a start date. If the employee is not in receipt of pay during the first payroll run, the system will continue to attempt to give the money back to the employee over that period of time. Once the employee receives payroll earnings, the refund is processed and no further action is taken. Note the “Number of Times Deducted” shows the number 1.

View Employee Voluntary Deductions Help

Search **Voluntary Deductions**

Employee Number: [Redacted] Pay Frequency: 10 Prime Position: 1 203 101
 Social Security Number: [Redacted] Pay Type: M Employee Group: 04
 Employee Name: [Redacted] FTE: 1.0000

Total Rows: 4

Payroll Cycle Percent	Payroll Cycle Monthly Max	Payroll Cycle Annual Max	Payroll Cycle Lifetime Max	Include Overtime	Starting Payroll Cycle	Starting Payroll Type	Ending Payroll Cycle	Ending Payroll Type	Start Date	End Date	Exclude On POD	Number of Times Deducted	Total to Date	Mandatory Deduction
0.0000%	0.00	22,500.00	0.00	<input checked="" type="checkbox"/>					08/18/2023		<input type="checkbox"/>	3	900.00	<input type="checkbox"/>
0.0000%	0.00	0.00	0.00	<input type="checkbox"/>					09/01/2023		<input type="checkbox"/>	2	88.32	<input type="checkbox"/>
0.0000%	0.00	0.00	0.00	<input checked="" type="checkbox"/>					08/01/2023		<input type="checkbox"/>	3	388.80	<input type="checkbox"/>
0.0000%	0.00	0.00	0.00	<input checked="" type="checkbox"/>					09/28/2023	11/30/2023	<input type="checkbox"/>	1	-300.00	<input checked="" type="checkbox"/>

Excel Print

If DFS is unable to return the money to the employee, the funds will be transferred to the LEA for distribution to the employee.

The SECURE 2.0 Act of 2022 enacts a variety of changes to retirement plans. Please consult with your third-party plan administrators for more information.

According to Section 603 of the SECURE 2.0 Act of 2022, as of January 1, 2026, employees whose wages exceed \$145,000 (indexed for inflation) in the prior tax year, may only contribute catch-up contributions (for those who are 50 or older) to 403(b) and/or 457(b) plans as *Roth contributions* (post-tax). Currently, catch-up contributions for employees, regardless of the amount of their prior year earnings, could be contributed to a traditional pretax 403(b) and/or 457(b). It should be noted that Section 603 states that this provision takes effect beginning after December 31, 2023. However, the first two taxable years (2024 and 2025) are regarded as an administrative transition period. The provisions of this section will be in effect beginning January 1, 2026.

Additional resources in the links below.

[Secure 2.0 Act of 2022](#)

[IRS Notice 2023-62](#) Guidance on Section 603 of the SECURE 2.0 Act with Respect to Catch-Up Contributions

[IRS Notice 2024-2](#) Miscellaneous Changes Under the Secure 2.0 Act of 2022

Tax Shelter Annuity 403(b)

A 403(b) plan (also called a tax-sheltered annuity or TSA plan) is a retirement plan offered by public schools and certain 501(c) (3) tax-exempt organizations. Employees save for retirement by contributing to individual accounts. Employers can also contribute to employee's accounts.

- The IRS sets annual limits.
- 403(b) reporting in Box 12 code E on W-2

Board members are not eligible to participate in a TSA, they are not considered employees, they are instead, elected officials.

“Catch-Up” Contribution Plans

Employees with at least 15 years of service may be eligible to make additional contributions to a 403(b) plan in addition to the regular catch-up for participants who are age 50 or over. Contact your third-party administrator for eligibility.

403(b) Roth

A 403(b) Roth is a tax-sheltered account developed by the IRS to encourage employees of educational institutions and certain non-profit organizations, to save post-tax dollars for retirement.

Contributions to a Roth 403(b) are deducted after-taxes so they are subject to all applicable wage-withholding requirements. The contributions made to a Roth 403(b) are combined with the 403(b) contributions for the annual limit.

- IRS sets annual limits.
- 403(b) Roth reporting in Box 12 code BB on W-2

The age 50 and special 15+ years of service catch-up are eligible for participants who contribute to the Roth 403(b).

Roth accounts are not eligible for employer contributions. If the employer offers matching contributions and the participant is contributing to a Roth 403(b), the employer contributions must be posted to a pre-tax 403(b) account.

A qualified distribution is a distribution taken after a 5-taxable-year period of participation. This means that the participant can take a distribution consisting of contributions and earnings tax-free. The participant must have maintained the account for five full tax years and meet one of the following criteria:

Withdrawal of Funds

403(b) and 403(b) Roth funds may be withdrawn in these events.

- Separation of Service/Retire
- Attainment of Age 59 ½
- Hardship
- Permanent & total disability
- Death

Deferred Compensation 457(b)

The 457(b) plan is a type of nonqualified, tax advantaged deferred-compensation retirement plan that is available for governmental and certain non-governmental employers in the United States. These plans allow employees to defer compensation on a pre-tax basis. Board members can participate in 457(b) plans.

- The IRS sets annual limits.
- 457(b) reporting in Box 12 code G on W-2

“Catch-Up” Contribution Plans

Employees with at least 15 years of service may be eligible to make additional contributions to a 457(b) plan in addition to the regular catch-up for participants who are age 50 or over. Contact your third-party administrator for eligibility.

457(b) Roth

A Roth 457(b) is a type of retirement plan that allows employees to make after-tax contributions to a 457(b) plan. The contributions are not taxed when the assets are withdrawn, and earnings may also be withdrawn tax-free if certain criteria are met.

- IRS sets annual limits.
- 457(b) Roth reporting in Box 12 code EE on W-2

Eligibility

- 457(b) plans are available to employees of state and local governments, as well as certain non-profit organizations and educational institutions.

Taxation

- Contributions to a Roth 457(b) are included in the employee's gross income and are subject to wage-withholding requirements.

Withdrawal of Funds

457(b) and 457(b) Roth funds may be withdrawn in these events.

- Separation of Service/Retire
- Attainment of Age 59 ½
- Unforeseeable Emergency
- Death
-

Annual Notice

LEAs must provide written notice to employees regarding their right to participate in these plans and their right to change their contributions.

Retirement Contribution Refunds

Employee refunds of PERS and STRS contributions are no longer being processed via commercial warrants which required manual earnings corrections. Refunds are now processed via payroll through the use of negative voluntary deductions. District Fiscal Services sends the negative voluntary deductions to the IT department for upload into Galaxy.

An employee in active status will receive the refund the next time they receive their payroll earnings. Employees in 700 status will never be refunded through this process since no future payroll will be processed. The refunds that are due to employees in 700 status are refunded to the former employer and on the View Employee Voluntary Deductions screen in Galaxy the “Start Date” and “End Date” of the voluntary deduction code will be the same date.

The negative voluntary deductions that were uploaded in Galaxy, but were not processed before the effective ending date assigned to the negative voluntary deduction code, will be refunded to the district and on the View Employee Voluntary Deductions screen in Galaxy the “Number of Times Deducted” and the “Total to Date” of the voluntary deduction code will have zero in both columns.

Please see pages 530-3 for instructions and report samples for the Employee Contribution Refund Process for PERS and STRS.

Monthly Audit Refunds – Employee Contributions

Through the normal monthly audit process of the retirement records, DFS Retirement staff identifies the employees requiring a refund. These adjustments require monetary changes, which are recorded in each district’s Control Sheet. Following the completion of each retirement report audit, Control Sheets are submitted to the affected districts with the financial transaction for the PERS or STRS Fixed Charges.

CalSTRS Return of Excess Contributions DB vs DBS – Process Started in October of 2015

With the passage of the CalSTRS 2014 Full Funding Plan, enacted in AB 1469, contribution rates for the Defined Benefit Program are now greater than contribution rates for the Defined Benefit Supplement Program. As a result, when contributions on compensation that is earned for service in excess of one school year (excess service credit) are transferred to the Defined Benefit Supplement Program, the contributions that exceed the required amount are deemed to be excess contributions and by law must be returned.

Excess contributions for both members and employers will be returned to the employer that remitted the contributions associated with the excess service credit. It is the responsibility of employers to return excess member contributions to employees. Returned pre-tax contributions will be considered taxable income in the year employees receive them regardless of when the contributions were initially paid.

Any excess contributions accumulated for members who refund, retire, receive a disability benefit or die will be returned to the employer following the end of each quarter. Excess contributions for active members will be returned annually in October. Interest is not paid on excess contributions as CalSTRS has no legal requirement or authority to pay interest on the return of excess contributions.

CalSTRS is currently reviewing on a monthly basis and issuing a refund when the excess contributions countywide are in excess of \$10



Return of Excess Contributions

2014 Funding Plan AB 1469

(6/15)

2014 Funding Plan Contribution Rates

The following table shows the increased contribution rate for the Defined Benefit Program, the unchanged rate for Defined Benefit Supplement compensation and the difference between the two that results in excess contributions on compensation earned for service in excess of one school year. CalSTRS will return excess member and employer contributions to the employer that remitted the contributions associated with the excess service credit. Employers are responsible for returning excess member contributions to employees.

Effective Date	2% at 60 Members			2% at 62 Members ¹			Employers		
	DB	DBS	Excess	DB	DBS	Excess	DB	DBS ²	Excess
7/1/2014	8.150%	8.000%	0.150%	8.150%	8.000%	0.150%	8.880%	8.250%	0.630%
7/1/2015	9.200%	8.000%	1.200%	8.560%	8.000%	0.560%	10.730%	8.250%	2.480%
7/1/2016	10.250%	8.000%	2.250%	9.205%	8.000%	1.205%	12.580%	8.250%	4.330%
7/1/2017	10.250%	8.000%	2.250%	9.205%	8.000%	1.205%	14.430%	8.250%	6.180%
7/1/2018	10.250%	8.000%	2.250%	9.205%	8.000%	1.205%	16.280%	8.250%	8.030%
7/1/2019	10.250%	8.000%	2.250%	9.205%	8.000%	1.205%	18.130%	8.250%	9.880%
7/1/2020	10.250%	8.000%	2.250%	9.205%	8.000%	1.205%	19.100%	8.250%	10.850%
7/1/2021	10.250%	8.000%	2.250%	9.205%	8.000%	1.205%	19.100% ³	8.250%	10.850%

1. Pursuant to the Public Employees' Pension Reform Act of 2013, the base 2% at 62 member contribution rate is approximately one half of the normal cost of benefits for the Defined Benefit Program and is required to be adjusted if the normal cost changes by more than 1 percent from the time of the last contribution adjustment in 2013. These contribution rates assume no change is required.

2. The Defined Benefit Supplement contribution rate includes 0.25 percent to pay for the cost of service credit in the Defined Benefit program for unused sick leave. The remaining 8 percent employer contribution is credited to member accounts.

3. Beginning in the 2021-22 school year, the Teachers' Retirement Board is required to adjust the employer contribution rate by no more than 1 percent per year up to 20.25 percent to eliminate the remaining unfunded liability by June 30, 2046, for service credit earned prior to July 1, 2014. These contribution rates assume no adjustment is required.

Employee Contribution Refund Process

1. The Retirement Unit will work directly with the IT Department to mass upload the negative voluntary deductions (refunds) to Galaxy.
 - Employees in 700 status are immediately identified after the negative voluntary deductions are processed.
2. A financial transaction will be processed to transfer the funds to the district for employees in 700 status. *See DFS-Notify on page 530-6.*
3. The negative voluntary deductions are uploaded to Galaxy monthly, for all refunds that were identified during the prior month's retirement auditing process.
 - The negative voluntary deduction will automatically be transacted the next time the employee gets paid in their normal pay frequency, A/B/M; no refunds will be processed on PODs due to tax issues.
4. Negative voluntary deductions that were uploaded to Galaxy, but were not processed by the effective ending date assigned to the negative voluntary deduction code, will be refunded to the district.
5. The employee's retirement contributions were originally taken pre-tax. The refunds of retirement contributions are now taxable wages and should be processed as such when the district issues the refunds to employees.
6. For the funds received for employees in 700 status or the negative voluntary deductions that were not processed, districts should issue claims through accounts payable by December 14th.
7. Refunds for former employees are processed through commercial claims and must be coded as Tax Type 9. For the refund of retirement contributions to correctly reflect an increase in taxable wages for former employees (paid on a commercial warrant):
 - Set-up each employee as a vendor; include the employee's social security number in the vendor's profile.
 - Check the commercial claim as Tax Type 9.
 - Please note, the mass claim upload process with vendor number "0" will not create the proper record to generate a W-2 entry.
8. Refunds to a deceased employee's beneficiary are also processed through commercial claims and must be coded as Tax Type 2. This tax type may generate a 1099 MISC to the beneficiary if the refund is above the \$600 reporting limit for Box 3 (Other Income) in the calendar year that the commercial warrant was issued.
 - Set-up the beneficiary of record as a vendor.
 - Check the commercial claim as Tax Type 2.
9. Employer refunds are processed through the monthly "fixed charges" for retirement adjustments.

Negative Voluntary Deduction Codes for Retirement Contribution Refunds

Negative Voluntary Deduction Codes for the refund of PERS and STRS Employee Contributions Due to Monthly Normal Retirement Audit					
CalSTRS			CalPERS		
CODE	DESCRIPTION	RESOURCE	CODE	DESCRIPTION	RESOURCE
8350	<REFUND-STRS CONTRIB JAN>	9818	8450	<REFUND-PERS CONTRIB JAN>	9818
8351	<REFUND-STRS CONTRIB FEB>	9818	8451	<REFUND-PERS CONTRIB FEB>	9818
8352	<REFUND-STRS CONTRIB MAR>	9818	8452	<REFUND-PERS CONTRIB MAR>	9818
8353	<REFUND-STRS CONTRIB APR>	9818	8453	<REFUND-PERS CONTRIB APR>	9818
8354	<REFUND-STRS CONTRIB MAY>	9818	8454	<REFUND-PERS CONTRIB MAY>	9818
8355	<REFUND-STRS CONTRIB JUN>	9818	8455	<REFUND-PERS CONTRIB JUN>	9818
8356	<REFUND-STRS CONTRIB JUL>	9818	8456	<REFUND-PERS CONTRIB JUL>	9818
8357	<REFUND-STRS CONTRIB AUG>	9818	8457	<REFUND-PERS CONTRIB AUG>	9818
8358	<REFUND-STRS CONTRIB SEP>	9818	8458	<REFUND-PERS CONTRIB SEP>	9818
8359	<REFUND-STRS CONTRIB OCT>	9818	8459	<REFUND-PERS CONTRIB OCT>	9818
8360	<REFUND-STRS CONTRIB NOV>	9818	8460	<REFUND-PERS CONTRIB NOV>	9818
8361	<REFUND-STRS CONTRIB DEC>	9818	8461	<REFUND-PERS CONTRIB DEC>	9818

The month refers to the month when the refund was processed (uploaded to Galaxy)

Effective Ending Date of Negative Voluntary Deductions for Retirement Contribution Refunds

The negative voluntary deduction codes have two ending dates which were set-up to coincide with the calendar and fiscal year end dates.

Deduction Codes with May through December descriptions have an effective ending date of November 30th (8354–8361 for STRS and 8454–8461 for PERS). Deduction Codes with January through April descriptions have an effective ending date of May 31st (8350–8353 for STRS and 8450–8453 for PERS).

Negative Voluntary Deduction Codes for Excess Contribution Refunds- DB vs. DBS

Negative Voluntary Deduction Codes for the refund of Excess STRS Employee Contributions – DB vs DBS		
CalSTRS		
CODE	DESCRIPTION	RESOURCE
8981	<REFUND-STRS DB VS DBS>	9819

The negative voluntary deduction code **8981 “Refund-STRS DB vs DBS”** is for the ongoing Employee Refunds for Excess Contributions from CalSTRS which are processed throughout the year. The excess contributions for employees who refund, retire or die are processed on a monthly basis; the excess contribution refunds for active members are processed in September and returned to the county office in late September or October.

Effective Ending Date of Negative Voluntary Deductions – DB vs DBS

The negative voluntary deduction code for the Excess Contributions for active members that are returned in September/October have an effective date of October 1st through November 30th.

The negative voluntary deduction code for the Excess Contributions that are returned any other time during the fiscal year will have an effective date of two months and will be returned to the appropriate district if the employee does not receive payroll earnings within two month. These Excess Contributions are being returned because the employee has refunded, retired, received disability benefits or died, therefore the district will most likely not process any future payrolls for the employee.

From: DFS-NOTIFY
Sent: Monday, November 09, 2015 10:58 AM
To: jeff.hinshaw@alvord.k12.ca.us; beth.davis@alvord.k12.ca.us; cbagnara@banning.k12.ca.us; choff@banning.k12.ca.us; cmeza@beaumontusd.k12.ca.us; msalcedo@cvusd.us; suescott@eaglemtnschool.com; tammiedye@eaglemtnschool.com; karen.stone@desertsands.us; carol.cole@leusd.k12.ca.us; lynne.fargo@leusd.k12.ca.us; trevor.johnson@leusd.k12.ca.us; pbuckhou@hemetusd.org; Afogerty@hemetusd.org; krussell@jusd.k12.ca.us; cgarcia@jusd.k12.ca.us; pgillette@menifeeusd.org; rhanson@menifeeusd.org; dcherry@murrieta.k12.ca.us; smatusek@murrieta.k12.ca.us; jsimmons@nuview.k12.ca.us; cfreeburg@nuview.k12.ca.us; ehernandez@psusd.us; vbraden@pvusd.us; sbarnes@pvusd.us; tdaigneault@perris.k12.ca.us; spelerine@perris.k12.ca.us; chris.rabing@puhsd.org; jcollier@rusd.k12.ca.us; dgadelmawla@rusd.k12.ca.us; smeekins@rusd.k12.ca.us; hmurrallo@romoland.net; kowen@romoland.net; sheeren@sanjacinto.k12.ca.us; rkurylowicz@sanjacinto.k12.ca.us; satiyota@sanjacinto.k12.ca.us; jbenenson@tvusd.k12.ca.us; rhensley@tvusd.k12.ca.us; nlash@tvusd.k12.ca.us; kmerritt@valverde.edu; jmgarcia@valverde.edu; Melinda Gluckmar; Philip Kornblum; Mike Stribling; Bill Spires; Sue Valles; Paula Prieto; Ellen Yufa; Ivalkenburg@collegeofthedesert.edu; jramont@collegeofthedesert.edu; tjerabek@msjc.edu; jvenable@msjc.edu; gjensen@msjc.edu; russi.egan@paloverde.edu; Bill.bogle@rccd.edu; majd.askar@rccd.edu; khaled.khalil@rccd.edu; lbadillo@sra.mn; dgraves@sra.mn; Miguel.contreras@rcc.edu; michael.wright@rcc.edu; brandon.dahl@imagineschools.com; blanca.kabeary@imagineschools.com; debbie.dejong@riverspringscharter.org; amy.podratz@riverspringscharter.org; Sue Valles
Cc: Lisa Coleman; Ana Lambert; Nancy Sheets; Suzanne Tanenbaum; Yara Pacheco; Reyna Philp; Nicole Gunkel; Lindsay Whitelaw; Julie Portillo; Brenda Frankin; Shabana Berket; Maricela Bermudez; Parul Bhakta; debbie.dejong@riverspringscharter.org; Lisa Hopkins; Frances Davenport; Kathy Rhodes; Amal Qaqish
Subject: Retirement: Employee Retirement Contribution Refunds
Attachments: Retirement Refund Sample.pdf

Importance:

High

Information Only

Good Afternoon:

Employee contribution refunds are transferred to the districts when an employee is in termed status or does not receive payroll earnings during the active period of the Negative Voluntary Deduction Code

As of Monday November 2, 2015, the Retirement Unit in District Fiscal Services started processing retirement contribution refunds to the districts' holding account. These refunds are for employee contributions only; supporting documentation will be sent to each district via regular mail with a cover letter explaining what the refund is for:

1. PERS employee contribution refunds due to the monthly audit of retirement records
2. STRS employee contribution refunds due to the monthly audit of retirement records
3. STRS excess contribution refunds – DB vs DBS

Attached is a sample of the information that will be sent via regular mail. Documentation will be sent to the primary contact in the FMAC list, charter school payroll supervisors and community colleges accounting managers. Please distribute the information to the appropriate departments in your district.

If you have any questions regarding these refunds, please contact Frances Davenport at (951) 826-6426 for PERS and Lisa Hopkins at (951) 826-6294 for STRS questions.

Thank you,

Ana M. Lambert, Administrator I
 District Fiscal Services/Payroll & Retirement
 Division of Administration and Business Services
 Riverside County Office of Education
 (951) 826-6538
 (951) 826-6961 Fax
alambert@rcoe.us

AML:df
 Attachment

DFS Notify – Refund Process

Riverside County Office of Education
District Fiscal Services Payroll and Retirement
Retirement Refunds

DATE: 07/11/2016
DISTRICT: Riverside County Office of Education
 PERS Refund- Monthly Audit of Retirement Records
 STRS Refund- Monthly Audit of Retirement Records
 STRS Excess Contribution DB vs DBS

Notification transferring funds to districts for employees in termed status

X Terminated Employees. The employee is no longer in active status. DFS has processed a transfer to refund the contribution to the district’s holding program (see below). The MD# is 002 dated 07/07/2016. Attached are the employees that will need to be issued a commercial warrant from the district before December 31st and W-2 the claim as a tax type “9” Refunds – No Longer a District Employee. A W-2 will be issued for the refund. For deceased employees, issue a commercial warrant to the beneficiary of record and 1099 the claim as a tax type “2” Other. This tax type may generate a 1099MISC to the beneficiary if the refund is above the \$600 reporting limit for Box 3 (Other Income).

- Districts/Santa Rosa Academy 03-900-0999-0-0000-7200-3999
- Temecula 01-900-0999-0-0000-7200-3999
- Community Colleges 11-900-0999-0-0000-0000-3999
- Charters in Fund 62 62-900-0999-0-0000-7200-3999

Remaining Balance. The employee was to receive a refund as a negative voluntary deduction through the payroll process. The employee was not paid on a regular scheduled payroll before the end of the specific time frame (May for fiscal year-end and November for calendar year-end). DFS has processed a transfer to refund the contribution to the district’s holding program (see below). The MD# is _____ dated _____. Attached are the employees that will need to be issued a commercial warrant from the district before December 31st and W-2 the claim as a tax type “9” Refunds – No Longer a District Employee. A W-2 will be issued for the refund. For deceased employees, issue a commercial warrant to the beneficiary of record and 1099 the claim as a tax type “2” Other. This tax type may generate a 1099MISC to the beneficiary if the refund is above the \$600 reporting limit for Box 3 (Other Income).

- Districts/Santa Rosa Academy 03-900-0999-0-0000-7200-3999
- Temecula 01-900-0999-0-0000-7200-3999
- Community Colleges 11-900-0999-0-0000-0000-3999
- Charters in Fund 62 62-900-0999-0-0000-7200-3999

If you have any questions regarding these refunds, please contact Frances Davenport for PERS or Lisa Hopkins for STRS related questions.

SCHOOL DISTRICT UNIFIED **Negative Voluntary Deductions - No Longer in Active Status** September 1, 2016
 Deduction Code: 8981 (REFUND-STRS DB VS DBS)
 Start Date: 10/09/2015
 End Date: 10/09/2015

Note: The deduction amount is negative because the employee was to receive a refund as a negative voluntary deduction through the payroll process.

District Instructions: The employee is no longer in active status for the district. DFS will refund the contribution to the district. Please issue a commercial warrant before December 31st to the former employee and W-2 the claim as a tax type "9" Refunds - No Longer a District Employee. A W-2 will be issued for the refund in the calendar year that the commercial warrant was issued.

District Instructions for Deceased Employees: DFS will refund the contribution to the district. Please issue a commercial warrant before December 31st to the beneficiary of record and 1099 the claim as a tax type "2" Other. This tax type may generate a 1099 MISC to the beneficiary if the refund is above the \$600 reporting limit for Box 3 (Other Income) in the calendar year that the commercial warrant was issued.

Fund 78 WARRANT PASS THROUGH-STRS

Employee Number	Employee Name	Deduction Amount
2481		-1.06
0608		-0.58
1103		-6.24
1068		-2.40
0890		-3.23
0723		-0.74
1942		-0.15
2310		-0.05
2337		-7.97
2402		-4.85
2482		-2.95
0480		-11.17
1536		-0.65
2196		-0.89

Employee Count: 14 Total District Deductions: -42.93

DISTRICT UNIFIED SCHOOL **Negative Voluntary Deductions - Employees with Remaining Balance** September 1, 2016
 Deduction Code: 8981 (REFUND-STRS DB VS DBS)
 Start Date: 10/09/2015
 End Date: 11/30/2015

Note: The deduction amount is negative because the employee was to receive a refund as a negative voluntary deduction through the payroll process.

District Instructions: The employee was not paid on a regular scheduled payroll before the end of the specific time frame (May for fiscal year-end and November for calendar year-end). DFS will refund the contribution to the district. Please issue a commercial warrant before December 31st to the employee and W-2 the claim as a tax type "9" Refunds - No Longer a District Employee. The refund will be included in the W2 issued.

District Instructions for Deceased Employees: DFS will refund the contribution to the district. Please issue a commercial warrant before December 31st to the beneficiary of record and 1099 the claim as a tax type "2" Other. This tax type may generate a 1099 MISC to the beneficiary if the refund is above the \$600 reporting limit for Box 3 (Other Income) in the calendar year that the commercial warrant was issued.

Fund 78 WARRANT PASS THROUGH-STRS

Employee Number	Employee Name	Deduction Amount
247		-0.31
183		-26.90
064		-0.36
056		-0.07
024		-24.29
177		-4.61
204		-0.41
060		-0.05
231		-0.36
064		-0.09
142		-0.23
006		-3.37

Employee Count: 12 Total District Deductions: -61.05

DFS Notify- Remaining Balance

From: DFS-NOTIFY
Sent: Wednesday, November 25, 2015 3:24 PM
To: jeff.hinshaw@alvord.k12.ca.us; beth.davis@alvord.k12.ca.us;
 cbagnara@banning.k12.ca.us; choff@banning.k12.ca.us;
 cmeza@beaumontusd.k12.ca.us; msalcedo@cvusd.us; suescott@eaglemtnschool.com;
 tammiedye@eaglemtnschool.com; karen.stone@desertsands.us;
 carol.cole@leusd.k12.ca.us; lynne.fargo@leusd.k12.ca.us;
 trevor.johnson@leusd.k12.ca.us; pbuckhou@hemetusd.org; Afogerty@hemetusd.org;
 krussell@jusd.k12.ca.us; cgarcia@jusd.k12.ca.us; pgillette@menifeeusd.org;
 rhanson@menifeeusd.org; dcherry@murrieta.k12.ca.us; smatusek@murrieta.k12.ca.us;
 jsimmons@nuview.k12.ca.us; cfreeburg@nuview.k12.ca.us; ehernandez@psusd.us;
 vbraden@pvusd.us; sbarnes@pvusd.us; tdaigneault@perris.k12.ca.us;
 spelerine@perris.k12.ca.us; chris.rabing@puhsd.org; jcollier@rusd.k12.ca.us;
 dgadelmawla@rusd.k12.ca.us; smeekins@rusd.k12.ca.us; hmurallo@romoland.net;
 kowen@romoland.net; sheeren@sanjacinto.k12.ca.us; rkurylowicz@sanjacinto.k12.ca.us;
 satiyota@sanjacinto.k12.ca.us; jbenson@tvusd.k12.ca.us; rhensley@tvusd.k12.ca.us;
 nlash@tvusd.k12.ca.us; kmerritt@valverde.edu; jmgarcia@valverde.edu; Melinda
 Gluckman; Philip Kornblum; Mike Stribling; Bill Spires; Sue Valles; Paula Prieto; Ellen
 Yufa; Ivalkenburg@collegeofthedesert.edu; jramont@collegeofthedesert.edu;
 tjerabek@msjc.edu; jvenable@msjc.edu; gjensen@msjc.edu; russi.egan@paloverde.edu;
 Bill.bogle@rccd.edu; majd.askar@rccd.edu; khaled.khalil@rccd.edu; lbadillo@sra.mn;
 dgraves@sra.mn; Miguel.contreras@rcc.edu; michael.wright@rcc.edu;
 brandon.dahl@imagineschools.com; blanca.kabeary@imagineschools.com;
 debbie.dejong@riverspringscharter.org; amy.podratz@riverspringscharter.org; Sue
 Valles
Cc: Lisa Coleman; Ana Lambert; Nancy Sheets; Suzanne Tanenbaum; Yara Pacheco; Reyna
 Philp; Nicole Gunkel; Lindsay Whitelaw; Julie Portillo; Brenda Frankin; Shabana Berket;
 Maricela Bermudez; Parul Bhakta; debbie.dejong@riverspringscharter.org; Lisa Hopkins;
 Frances Davenport; Kathy Rhodes; Amal Qaqish; Anabel Gonzalez
Subject: Retirement: Employee Retirement Contribution Refunds-Remaining Balances

Importance: High

Information Only

Good Afternoon:

Notification transferring funds to districts for employees who did not receive payroll during the active period of the negative voluntary deduction

On November 25, 2015, the Retirement Unit in District Fiscal Services processed the last financial transactions for the calendar year related to retirement contribution refunds. These refunds are for employee contributions only and are being refunded to the districts' holding account. Supporting documentation will be sent on Monday to each district via regular mail with a cover letter explaining what the refund is for:

1. PERS employee contribution refunds due to the monthly audit of retirement records
2. STRS employee contribution refunds due to the monthly audit of retirement records
3. STRS excess contribution refunds – DB vs DBS

Documentation will be sent to the primary contact in the FMAC list, charter school payroll supervisors and community colleges accounting managers. Please distribute the information to the appropriate departments in your district.

If you have any questions regarding these refunds, please contact Frances Davenport at (951) 826-6426 for PERS and Lisa Hopkins at (951) 826-6294 for STRS questions.

Thank you,

Ana M. Lambert, Administrator I
 District Fiscal Services/Payroll & Retirement
 Division of Administration and Business Services
 Riverside County Office of Education
 (951) 826-6538
 (951) 826-6961 Fax
alambert@rcoe.us

Health and Welfare Vendors

The Health and Welfare (H&W) module is used for more than just health plans, often LEAs agree to share the costs of benefits with the employees. When benefit costs are shared by the employee and employer and the LEAs need to request a new employee premium contribution vendor number:

- Send email to DFSPayroll@rcoe.us
- Include the following:
 1. Vendor name & vendor address
 2. Warrant payable to: (insert payee & account no. if required)
 3. No need for pre-tax or post-tax information to DFS; there is an indicator you must click on the Health and Welfare (H&W) screen for each employee to identify the taxing option for the plan.
- Employee Health & Welfare deductions are processed via the Galaxy Health and Welfare System, they are NOT voluntary deductions. Only deductions that are 100% employee paid (zero employer contributions) should be placed on the Galaxy voluntary deduction screens.
- The Employer Paid Contribution for Health & Welfare is a different vendor. The vendor should be obtained from the LEAs purchasing or accounts payable department, not RCOE DFS.
- The H&W module is also used for HSAs, TSAs, 403(b), and 457(b) when there is an employer contribution involved.

Processing of Garnishments and Withholding Orders

The Payroll Unit in District Fiscal Services processes garnishments and withholding orders for all LEAs participating in Galaxy. LEAs have a responsibility to timely respond to any notice received for an employee wage garnishment, or financial loss could result to the LEA from a failure to comply. Following the basic steps outlined below will help ensure that both DFS and LEAs remain in legal compliance with all employee wage attachment orders.

Types of Garnishments which Require Timely Action

Please immediately forward the following to the Payroll Unit in District Fiscal Services:

1. Wage Assignments
 - Child Support
 - Spousal Support
2. Earnings Withholding Orders
 - Franchise Tax Board
 - Sheriff
 - Student Loans
 - Employment Development Department
 - Board of Equalization
3. Internal Revenue Service (IRS) Levies
4. Bankruptcies

Exceptions

The National Medical Support Notice (NMSN) is the only garnishment document that should be completed by the LEA.

Employment Confirmation/Verification Requests from authorized agencies are not garnishments. They are simply requests for employee information, usually for a loan, rental agreement, etc. Complete these requests and return them directly to the requesting agency. Contact the DFS Payroll Unit if you have questions regarding completion of the document.

Confidentiality

- Garnishment information is confidential.
- Please do not discuss employee garnishment issues with other staff.
- All wage order information and documents must be handled in this manner.

LEA Action

1. Original garnishment documents and correspondence, in their entirety, should be forwarded immediately to the Payroll Unit in DFS.
 - Documents should be sent via US Mail to RCOE DFS-Payroll:
Riverside County Office of Education
District Fiscal Services-Payroll
PO Box 307
Riverside, CA 92502-0307
 - Documents should be forwarded the same day they are received due to legal timelines which must be observed.
 - Failure to respond promptly to items could result in a valid garnishment not being processed against one or more payrolls.

- Complications could result when documents are delayed or when employees call the DFS Payroll Unit before a copy of the garnishment is received.
 - Please do not e-mail documents containing social security numbers to DFS. Most e-mail messages can be read over servers during transmission.
 - Modifications, Releases, and/or Terminations of Garnishments should be faxed immediately to:
 - [951] 826-6961
 - Attention: Payroll Unit
 - DFS Payroll will send the employee’s copy of garnishment documents directly to the employee.
2. LEAs must accept service of the garnishment orders when served in person and must forward them to the DFS Payroll Unit.
 3. Documents should only be accepted from originating agencies not from employees.
 - Documents handled by the employee could be altered.
 - Contact the DFS Payroll Unit with questions about document sources.
 4. Documents should not be given directly to the employee.
 - Direct inquiries regarding garnishments to the DFS Payroll Unit.
 - Do not attempt to answer inquiries regarding garnishments.
 - Employees seeking modifications or releases should be directed to the originating agency and should be given the DFS Payroll Unit’s facsimile (FAX) number below.
 - Refer calls from employees, creditors, or tax agencies to the DFS Payroll Unit.

<i>DFS Payroll Contact Information</i>	
Phone number	951-826-6538
Fax number	951-826-6961
Email	DFSPayroll@rcoe.us

5. Due to privacy laws, the DFS Payroll Unit staff cannot discuss garnishment matters with anyone other than the employee. If the employee wishes to have LEA personnel involved in the discussion, the LEA staff person(s) must be present and the employee must personally inform the DFS Payroll Unit staff member that they wish to have the LEA staff person(s) involved in the discussion of their garnishment.
6. Garnishments are calculated and entered by the Payroll Unit in DFS after the Gross/Preliminary process for the A, B, C, D, and M payrolls. LEA adjustments to employee preliminary wages after the prelim report has printed may prevent an employee’s wages from being garnished properly.
7. PODs: After the 11:00 a.m. LEA approval, the garnishments are calculated and entered prior to the net running at 12:00 p.m.

Questions specifically related to the garnishments and amount of withholdings, and all phone calls, e-mails, and faxes regarding claims against an employee’s salary should be directed to the DFS Payroll Unit. Please do not share garnishment information with any other members of your staff.

Payroll Tax Types

The term “payroll tax” is used to describe two different types of similar taxes. The first type, known as withholding tax, is withheld from an employee’s wages by their employer. The employer then sends the withheld amount to the appropriate taxing authority. It is also referred to as a “pay-as-you-go” tax. The second type of payroll tax is paid by the employer, from his/her own funds. The amount of payroll tax that an employer owes depends on the jurisdiction and may be fixed or a percentage of the employee’s salary.

Employers withhold payroll taxes (and income taxes) from their employees’ wages. Payroll taxes are then collected by both federal and state taxing authorities, which use the revenues to fund programs such as Social Security, Medicare, unemployment compensation, and worker’s compensation.

Calculating Taxable Income

Most tax withholdings are calculated against taxable earnings not necessarily the gross amount an employee earns. Special provisions in the Internal Revenue Code dictate what income an employee receives is taxable and which deductions can reduce the taxable amount an employee earns. For the most part, the state of California follows the same guidelines for calculating taxable income.

Below is a chart that shows the type of payment or deduction and how they affect taxable income:

Type of Payment	Federal Taxable Reduction	State Taxable Reduction	Social Security/Medicare Reduction
CalSTRS	Yes	Yes	No
CalPERS	Yes	Yes	No
Alt FICA	Yes	Yes	No
403b/457	Yes	Yes	No
125 IRC*	Yes	Yes	Yes
Ride Share	No	Yes	No
Workers’ Compensation	Yes	Yes	Yes
HSA 125 (withholding)	Yes	No	Yes
Domestic Partner (125 H&W)	No	Yes	No

Most earnings an employee receives in their paycheck will be part of the gross pay for withholding purposes unless they are reimbursements such as mileage or business expenses from an accountable plan.

Income Tax Withholding

Employers are required to subtract taxes from an employee’s pay and employers are required to pay those withholdings to federal and state taxing agencies on behalf of the employee. Both the state and federal withholding programs are based on the “pay-as-you-go” principle and tax tables are set up using this premise. At the end of each calendar year, employees use a federal Form 1040 and the CA 540 form to calculate their annual liability and claim the amount of the withheld taxes reported annually on the form W-2 as a credit against their annual liability.

Withholding tax (also known as “payroll withholding”) is essentially income tax that is withheld from wages and sent directly to the IRS. In other words, it’s similar to a credit against the income taxes liability that employees must pay for the year.

Flat Tax Method

Flat tax withholding, or supplemental withholding, is required when an employee is getting an additional amount over and above their normal salary. For example, if an employee is being paid a retroactive payment on a POD that one-time payment, per the IRS, should be taxed a flat or supplemental rate.

- Federal Supplemental (Flat Tax) = 22%
- California Supplemental (Flat Tax) = 6.6%

To use the flat tax on a POD, make sure the flat tax check box is marked; otherwise Galaxy will use the employees Form W-4 to calculate withholdings. The employee could be over or under withheld depending on the employee’s tax liability. Form W-4 withholding method assumes the employee is receiving the same amount every pay period therefore, payments received over and above an employee’s normal salary are supplemental and should be taxed at the flat tax rate.

Employee Information

Employee Number: [] Prime Pos Retirement Code: S1 Gross Amt.: 0.00 Payroll Nbr.: 10P
 Soc. Sec. Number: [] Retirement Account: 57 Extra Pay Amt.: 0.00 P.O.D.: 0330201601
 Employee Status: 104 Pay Freq.: 11 Payroll Type: M Exclude Vol. Deductions Exclude Cash Option Flat Tax
 Employee Name: [] Exclude Health & Welfare Exclude Regular Extra Pay
 Exclude Deferred Pay Exclude Additional W/H

Position	Fund Line	Adj. Code	Unit	Amount	Actual Adj. Amount	Begin Date to Adj.	End Date to Adj.	Adj. Multiplier	AB 1522 Hours Worked
[Empty Table]									

Position	Position Description	FTE	Sched. Rate	Salary	Per Payroll Salary Amount
1-804-002	INSTRUCTOR, AUTO MECHANI	1.0000	57,758.000	5,250.727	
Total					5,250.727

Buttons: + Add, Dup, Delete, Print, Save, Cancel

Federal - Form W-4

When you hire an employee, you are required to have the employee complete a Form W-4, Employee's Withholding Allowance Certificate. If an employee fails to give you a properly completed Form W-4, you must withhold federal income taxes from the employee's wages as if they were single and claiming no withholding allowances. Be sure to not give employees any tax advice when they are completing this form. Instead, refer them to the information listed on the form and their personal tax professional.

Using the Form W-4 Prior to 2020

The IRS overhauled the W-4 form in 2020. The IRS did not require employees to turn in a 2020 Form W-4. Instead, they allowed employees to continue to use the previous withholding allowances if they **did not** wish to change their withholding status. (A sample of the 2019 Form W-4, prior to the changes to the form in 2020, is located on the following pages.) However, if an employee wishes to change their filing status, employers will be required to issue them the most recent version of Form W-4.

An employee may want to change their filing status on Form W-4 for any number of reasons, such as a change in marital status, number of dependents, or a change in the amount of itemized deductions or tax credits anticipated for the tax year. Per the IRS, *"If you receive a revised Form W-4 from an employee, you must put it into effect no later than the start of the first payroll period ending on or after the 30th day from the date you received the revised Form W-4. You must honor the request unless the [Form W-4 is invalid] and Lock-in Letters apply."* The IRS gives employers a great deal of time to process the Form W-4, but best practice is to update the employee's records as soon as possible.

Declaring Exempt from Tax Withholding

The IRS requires employees complete a new Form W-4 when they are renewing their **EXEMPT** status or changing withholdings. An employee may claim exempt from withholding using the most recent Form W-4 by writing the word **EXEMPT** under line 4(c) of the W-4. If an employee marks that they are exempt from withholding, the Form W-4 is only valid for the calendar year for which it was received. A new Form W-4 must be completed and submitted by the employee by the 15th of February of the following year or the employer is obligated to change the employee to single "without a check box".

Note: An employee who wishes to claim exempt from California withholding, must also claim exempt from Federal withholding. The employee must check the box on line 3 (Exemption from Withholding) of the DE-4.

The most recent W-4 form is available on both the IRS and RCOE websites.

<https://www.irs.gov/pub/irs-pdf/fw4.pdf>

Using the Form W-4 Prior to 2020

Below is an example of the Galaxy screen for those employees who remain under the version of the W-4 prior to 2020. As noted earlier, if an employee wishes to change their filing status, employers will be required to issue them the most recent version of Form W-4.

When an employee turns in a current version of Form W-4, the LEA must check the box marked “Use TCJA W-4” to allow entry into the TCJA Federal Tax section. Once the “Use TCJA W-4” is checked, the box will not be available for updating. For those employees that do not wish to make changes to their withholdings, the withholding allowance entered on this screen will continue to be used to calculate employee withholding.

Galaxy Screen for Form W-4 Prior to 2020

Add / Modify Employee Information

Start 1. Personal 2. Education/Experience 3. Employee Information 4. Payroll Information 5. Extra Pay / Leave Info 6. Positions 7. Requirements

County: 33 - RIVERSIDE COUNTY District: [REDACTED]
SSN: [REDACTED]

Payment Information
Pay Location: [REDACTED] ...
Paycheck / Stub Disposition: N - None
 Credentials Check
 Direct Deposit Date Updated: [REDACTED]

Employee Status
Status Code: 112 - ACTIVE - MANAGEMENT / CL ...
Status Change Code:
004 - SALARY OR STIPEND ADJUSTMENT
Status Change Date: 07/01/2023
Term Date: Risk Billing: [REDACTED]

Direct Deposit Information
Total Rows: 2

Delete	Financial Institution	Account Type	Routing Number	Account Number	Amount	Deposit Balance	Suspend Deposit
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Add Dup

Federal Tax Prior
 Federal Tax-Exempt
Filing Status: 2 - Married filing [REDACTED]
Withholding Allowances: 0
Additional Withholding Amount: 0.00
Earned Income Credit: [REDACTED]
Nonresident Alien Status: [REDACTED]
Date Updated: 12/18/2015
 Federal Restrictions

State Tax
 State Tax-Exempt
Filing Status: 2 - Married (one [REDACTED])
Withholding Allowances: 0
Additional Withholding Amount: 0.00
 SDI
Date Updated: 12/18/2015
 State Restrictions

Use TCJA W-4

Check this box to update withholding information for employees previously using the version of the W-4 form prior to 2020.

Calculating the W-4 Taxes Withheld (FOR W-4s SUBMITTED PRIOR TO January 1, 2020)

Several factors are taken into consideration when calculating the amount an employee should have withheld for federal income tax withholding. Marital status, number of withholding allowances, the amount of the gross earnings as well as deductions for CalPERS, CalSTRS, IRC 125 plans, 457bs, and 403bs. In addition, annual changes are made by the IRS to the dollar amount of the exemptions, the tax brackets, and the percentage to withhold. The Galaxy system uses the Percentage Method to calculate the correct amount to withhold from an employee’s paycheck.

For more information regarding how federal withholding taxes are calculated, please refer to Publication 15, (Circular E), Employer’s Tax Guide. This guide documents how withholdings are calculated using the Percentage Method of income tax withholding.

Most recent version of Form W-4

Below is the Galaxy screen that aligns with the most recent version of Form W-4.

Add / Modify Employee Information

Start	1. Personal	2. Education/Experience	3. Employee Information	4. Payroll Information	5. Extra Pay / Leave Info	6. Positions	7. Requirements
-------	-------------	-------------------------	-------------------------	------------------------	---------------------------	--------------	-----------------

County: 33 - RIVERSIDE COUNTY

SSN: SEID: Employee Name:

Payment Information

Pay Location: ...

Paycheck / Stub Disposition: N - None

Credentials Check

Direct Deposit Date Updated: 09/21/2022

Direct Deposit Information

Total Rows: 1

Delete	Financial Institution	Account Type	Routing Number	Account Number	Amount	Deposit Balance	Suspend Deposit

Employee Status

Status Code: 112 - ACTIVE - MANAGEMENT / CL ...

Status Change Code: 001 - EMPLOYMENT

Status Change Date: 09/07/2023

Term Date: Risk Billing: 0 - None

Not Eligible for Rehire

Termination Cause: ...

Termination Note: ...

TCJA Federal Tax

Federal Tax-Exempt

1. Filing Status: 2 - Married filing jointly or Qualif

2. Multiple Jobs or Spouse Works

3. Claim Dependents: 0.00

4a. Other Income: 0.00

4b. Deductions: 0.00

4c. Extra Withholding: 0.00

Nonresident Alien Status: 0 - N/A

Date Updated: 11/06/2023

Federal Restrictions

State Tax

State Tax-Exempt

Filing Status: 1 - Single or Mar

Withholding Allowances: 1

Additional Withholding Amount: 0.00

SDI

Date Updated: 09/22/2022

State Restrictions

Complete the entry of the information directly from the Form W-4 you receive from the employee. If on Step 3 of the form, the employee does not have any entries or the two amounts do not add together, you can ask the employee for clarification, if the employee fails to make the change take the amount entered on line 3 regardless of the two amounts entered in Step 3.

The following pages show a copy of the 2023 Form W-4. Previous version of the Form W-4 allowed for writing on the form above the dotted line, this new version is a full page. The only employer identified space is located on the bottom of the form in a box "Employers Only". Until we have further clarification regarding writing on the form by anyone other than the employee, please refrain from writing on the form itself and instead attempt to use the margins or the "Employers Only" box for LEA notations such as employee ID.

Refrain from giving employees advice when completing the form, instead tell them the purpose of the various section of the form for example:

1. Name, address, SSN (full SSN required).
2. Marital Status, (Single, Married filing joint, Head of Household).
3. Check box if employee wishes to use, will use a separate table that withholds less.
4. Annual amount for dependents, if desired.

5. Annual amount for additional income, if desired.
6. Annual amount for deductions, if desired.
7. Additional withholding per pay period (works like previous Form W-4).
8. Spot where employee can claim EXEMPT (write the word EXEMPT in this area).
9. Signature and date the form.

<p>Form W-4</p> <p>Department of the Treasury Internal Revenue Service</p>	<p>Employee's Withholding Certificate</p> <p>Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Give Form W-4 to your employer. Your withholding is subject to review by the IRS.</p>	<p>OMB No. 1545-0074</p> <p>2023</p>										
<p>Step 1: Enter Personal Information</p>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:40%;">(a) First name and middle initial</td> <td style="width:20%;">Last name</td> <td style="width:40%;">(b) Social security number</td> </tr> <tr> <td colspan="2">Address</td> <td rowspan="2">Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov.</td> </tr> <tr> <td colspan="2">City or town, state, and ZIP code</td> </tr> <tr> <td colspan="3"> (c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly or Qualifying surviving spouse <input type="checkbox"/> Head of household (Check only if you're unmarried and you pay more than half the costs of keeping up a home for yourself and a qualifying individual.) </td> </tr> </table>	(a) First name and middle initial	Last name	(b) Social security number	Address		Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov .	City or town, state, and ZIP code		(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly or Qualifying surviving spouse <input type="checkbox"/> Head of household (Check only if you're unmarried and you pay more than half the costs of keeping up a home for yourself and a qualifying individual.)		
(a) First name and middle initial	Last name	(b) Social security number										
Address		Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov .										
City or town, state, and ZIP code												
(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly or Qualifying surviving spouse <input type="checkbox"/> Head of household (Check only if you're unmarried and you pay more than half the costs of keeping up a home for yourself and a qualifying individual.)												
<p>Complete Steps 2–4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, other details, and privacy.</p>												
<p>Step 2: Multiple Jobs or Spouse Works</p>	<p>Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.</p> <p>Do only one of the following.</p> <p>(a) Reserved for future use.</p> <p>(b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below; or</p> <p>(c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is generally more accurate than (b) if pay at the lower paying job is more than half of the pay at the higher paying job. Otherwise, (b) is more accurate <input type="checkbox"/></p> <p>TIP: If you have self-employment income, see page 2.</p>											
<p>Complete Steps 3–4(b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3–4(b) on the Form W-4 for the highest paying job.)</p>												
<p>Step 3: Claim Dependent and Other Credits</p>	<p>If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly):</p> <p>Multiply the number of qualifying children under age 17 by \$2,000 \$ _____</p> <p>Multiply the number of other dependents by \$500 \$ _____</p> <p>Add the amounts above for qualifying children and other dependents. You may add to this the amount of any other credits. Enter the total here 3 \$ 4</p>											
<p>Step 4 (optional): Other Adjustments</p>	<p>(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income 4(a) \$ 5</p> <p>(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here 4(b) \$ 6</p> <p>(c) Extra withholding. Enter any additional tax you want withheld each pay period 4(c) \$ 7</p> <p style="text-align: right;">8</p>											
<p>Step 5: Sign Here</p>	<p>Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.</p> <p style="text-align: center;">9</p> <p>_____ Employee's signature (This form is not valid unless you sign it.)</p> <p style="text-align: right;">_____ Date</p>											
<p>Employers Only</p>	Employer's name and address	First date of employment	Employer identification number (EIN)									
<p>For Privacy Act and Paperwork Reduction Act Notice, see page 3. Cat. No. 10220Q Form W-4 (2023)</p>												

General Instructions

Section references are to the Internal Revenue Code.

Future Developments

For the latest information about developments related to Form W-4, such as legislation enacted after it was published, go to www.irs.gov/FormW4.

Purpose of Form

Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. If too little is withheld, you will generally owe tax when you file your tax return and may owe a penalty. If too much is withheld, you will generally be due a refund. Complete a new Form W-4 when changes to your personal or financial situation would change the entries on the form. For more information on withholding and when you must furnish a new Form W-4, see Pub. 505, Tax Withholding and Estimated Tax.

Exemption from withholding. You may claim exemption from withholding for 2023 if you meet both of the following conditions: you had no federal income tax liability in 2022 **and** you expect to have no federal income tax liability in 2023. You had no federal income tax liability in 2022 if (1) your total tax on line 24 on your 2022 Form 1040 or 1040-SR is zero (or less than the sum of lines 27, 28, and 29), or (2) you were not required to file a return because your income was below the filing threshold for your correct filing status. If you claim exemption, you will have no income tax withheld from your paycheck and may owe taxes and penalties when you file your 2023 tax return. To claim exemption from withholding, certify that you meet both of the conditions above by writing "Exempt" on Form W-4 in the space below Step 4(c). Then, complete Steps 1(a), 1(b), and 5. Do not complete any other steps. You will need to submit a new Form W-4 by February 15, 2024.

Your privacy. If you have concerns with Step 2(c), you may choose Step 2(b); if you have concerns with Step 4(a), you may enter an additional amount you want withheld per pay period in Step 4(c).

Self-employment. Generally, you will owe both income and self-employment taxes on any self-employment income you receive separate from the wages you receive as an employee. If you want to pay income and self-employment taxes through withholding from your wages, you should enter the self-employment income on Step 4(a). Then compute your self-employment tax, divide that tax by the number of pay periods remaining in the year, and include that resulting amount per pay period on Step 4(c). You can also add half of the annual amount of self-employment tax to Step 4(b) as a deduction. To calculate self-employment tax, you generally multiply the self-employment income by 14.13% (this rate is a quick way to figure your self-employment tax and equals the sum of the 12.4% social security tax and the 2.9% Medicare tax multiplied by 0.9235). See Pub. 505 for more information, especially if the sum of self-employment income multiplied by 0.9235 and wages exceeds \$160,200 for a given individual.

Nonresident alien. If you're a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Specific Instructions

Step 1(c). Check your anticipated filing status. This will determine the standard deduction and tax rates used to compute your withholding.

Step 2. Use this step if you (1) have more than one job at the same time, or (2) are married filing jointly and you and your spouse both work.

If you (and your spouse) have a total of only two jobs, you may check the box in option (c). The box must also be checked on the Form W-4 for the other job. If the box is checked, the standard deduction and tax brackets will be cut in half for each job to calculate withholding. This option is roughly accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld, and this extra amount will be larger the greater the difference in pay is between the two jobs.



Multiple jobs. Complete Steps 3 through 4(b) on only one Form W-4. Withholding will be most accurate if you do this on the Form W-4 for the highest paying job.

Step 3. This step provides instructions for determining the amount of the child tax credit and the credit for other dependents that you may be able to claim when you file your tax return. To qualify for the child tax credit, the child must be under age 17 as of December 31, must be your dependent who generally lives with you for more than half the year, and must have the required social security number. You may be able to claim a credit for other dependents for whom a child tax credit can't be claimed, such as an older child or a qualifying relative. For additional eligibility requirements for these credits, see Pub. 501, Dependents, Standard Deduction, and Filing Information. You can also include **other tax credits** for which you are eligible in this step, such as the foreign tax credit and the education tax credits. To do so, add an estimate of the amount for the year to your credits for dependents and enter the total amount in Step 3. Including these credits will increase your paycheck and reduce the amount of any refund you may receive when you file your tax return.

Step 4 (optional).

Step 4(a). Enter in this step the total of your other estimated income for the year, if any. You shouldn't include income from any jobs or self-employment. If you complete Step 4(a), you likely won't have to make estimated tax payments for that income. If you prefer to pay estimated tax rather than having tax on other income withheld from your paycheck, see Form 1040-ES, Estimated Tax for Individuals.

Step 4(b). Enter in this step the amount from the Deductions Worksheet, line 5, if you expect to claim deductions other than the basic standard deduction on your 2023 tax return and want to reduce your withholding to account for these deductions. This includes both itemized deductions and other deductions such as for student loan interest and IRAs.

Step 4(c). Enter in this step any additional tax you want withheld from your pay **each pay period**, including any amounts from the Multiple Jobs Worksheet, line 4. Entering an amount here will reduce your paycheck and will either increase your refund or reduce any amount of tax that you owe.

Step 2(b) – Multiple Jobs Worksheet *(Keep for your records.)*



If you choose the option in Step 2(b) on Form W-4, complete this worksheet (which calculates the total extra tax for all jobs) on **only ONE** Form W-4. Withholding will be most accurate if you complete the worksheet and enter the result on the Form W-4 for the highest paying job. To be accurate, submit a new Form W-4 for all other jobs if you have not updated your withholding since 2019.

Note: If more than one job has annual wages of more than \$120,000 or there are more than three jobs, see Pub. 505 for additional tables.

- 1 **Two jobs.** If you have two jobs or you're married filing jointly and you and your spouse each have one job, find the amount from the appropriate table on page 4. Using the "Higher Paying Job" row and the "Lower Paying Job" column, find the value at the intersection of the two household salaries and enter that value on line 1. Then, **skip** to line 3 **1** \$

- 2 **Three jobs.** If you and/or your spouse have three jobs at the same time, complete lines 2a, 2b, and 2c below. Otherwise, skip to line 3.
 - a Find the amount from the appropriate table on page 4 using the annual wages from the highest paying job in the "Higher Paying Job" row and the annual wages for your next highest paying job in the "Lower Paying Job" column. Find the value at the intersection of the two household salaries and enter that value on line 2a **2a** \$
 - b Add the annual wages of the two highest paying jobs from line 2a together and use the total as the wages in the "Higher Paying Job" row and use the annual wages for your third job in the "Lower Paying Job" column to find the amount from the appropriate table on page 4 and enter this amount on line 2b **2b** \$
 - c Add the amounts from lines 2a and 2b and enter the result on line 2c **2c** \$

- 3 Enter the number of pay periods per year for the highest paying job. For example, if that job pays weekly, enter 52; if it pays every other week, enter 26; if it pays monthly, enter 12, etc. **3**

- 4 **Divide** the annual amount on line 1 or line 2c by the number of pay periods on line 3. Enter this amount here and in **Step 4(c)** of Form W-4 for the highest paying job (along with any other additional amount you want withheld) **4** \$

Step 4(b) – Deductions Worksheet *(Keep for your records.)*



- 1 Enter an estimate of your 2023 itemized deductions (from Schedule A (Form 1040)). Such deductions may include qualifying home mortgage interest, charitable contributions, state and local taxes (up to \$10,000), and medical expenses in excess of 7.5% of your income **1** \$

- 2 Enter:

{	• \$27,700 if you're married filing jointly or a qualifying surviving spouse
	• \$20,800 if you're head of household
	• \$13,850 if you're single or married filing separately

 **2** \$

- 3 If line 1 is greater than line 2, subtract line 2 from line 1 and enter the result here. If line 2 is greater than line 1, enter "-0-" **3** \$

- 4 Enter an estimate of your student loan interest, deductible IRA contributions, and certain other adjustments (from Part II of Schedule 1 (Form 1040)). See Pub. 505 for more information **4** \$

- 5 **Add** lines 3 and 4. Enter the result here and in **Step 4(b)** of Form W-4 **5** \$

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Internal Revenue Code sections 3402(f)(2) and 6109 and their regulations require you to provide this information; your employer uses it to determine your federal income tax withholding. Failure to provide a properly completed form will result in your being treated as a single person with no other entries on the form; providing fraudulent information may subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation; to cities, states, the District of Columbia, and U.S. commonwealths and territories for use in administering their tax laws; and to the Department of Health and Human Services for use in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

Married Filing Jointly or Qualifying Surviving Spouse

Higher Paying Job Annual Taxable Wage & Salary	Lower Paying Job Annual Taxable Wage & Salary											
	\$0 - 9,999	\$10,000 - 19,999	\$20,000 - 29,999	\$30,000 - 39,999	\$40,000 - 49,999	\$50,000 - 59,999	\$60,000 - 69,999	\$70,000 - 79,999	\$80,000 - 89,999	\$90,000 - 99,999	\$100,000 - 109,999	\$110,000 - 120,000
\$0 - 9,999	\$0	\$0	\$850	\$850	\$1,000	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,870
\$10,000 - 19,999	0	930	1,850	2,000	2,200	2,220	2,220	2,220	2,220	2,220	3,200	4,070
\$20,000 - 29,999	850	1,850	2,920	3,120	3,320	3,340	3,340	3,340	3,340	4,320	5,320	6,190
\$30,000 - 39,999	850	2,000	3,120	3,320	3,520	3,540	3,540	3,540	4,520	5,520	6,520	7,390
\$40,000 - 49,999	1,000	2,200	3,320	3,520	3,720	3,740	3,740	4,720	5,720	6,720	7,720	8,590
\$50,000 - 59,999	1,020	2,220	3,340	3,540	3,740	3,760	4,750	5,750	6,750	7,750	8,750	9,610
\$60,000 - 69,999	1,020	2,220	3,340	3,540	3,740	4,750	5,750	6,750	7,750	8,750	9,750	10,610
\$70,000 - 79,999	1,020	2,220	3,340	3,540	4,720	5,750	6,750	7,750	8,750	9,750	10,750	11,610
\$80,000 - 99,999	1,020	2,220	4,170	5,370	6,570	7,600	8,600	9,600	10,600	11,600	12,600	13,460
\$100,000 - 149,999	1,870	4,070	6,190	7,390	8,590	9,610	10,610	11,660	12,860	14,060	15,260	16,330
\$150,000 - 239,999	2,040	4,440	6,760	8,160	9,560	10,780	11,980	13,180	14,380	15,580	16,780	17,850
\$240,000 - 259,999	2,040	4,440	6,760	8,160	9,560	10,780	11,980	13,180	14,380	15,580	16,780	17,850
\$260,000 - 279,999	2,040	4,440	6,760	8,160	9,560	10,780	11,980	13,180	14,380	15,580	16,780	18,140
\$280,000 - 299,999	2,040	4,440	6,760	8,160	9,560	10,780	11,980	13,180	14,380	15,870	17,870	19,740
\$300,000 - 319,999	2,040	4,440	6,760	8,160	9,560	10,780	11,980	13,470	15,470	17,470	19,470	21,340
\$320,000 - 364,999	2,040	4,440	6,760	8,550	10,750	12,770	14,770	16,770	18,770	20,770	22,770	24,640
\$365,000 - 524,999	2,970	6,470	9,890	12,390	14,890	17,220	19,520	21,820	24,120	26,420	28,720	30,880
\$525,000 and over	3,140	6,840	10,460	13,160	15,860	18,390	20,890	23,390	25,890	28,390	30,890	33,250

Single or Married Filing Separately

Higher Paying Job Annual Taxable Wage & Salary	Lower Paying Job Annual Taxable Wage & Salary											
	\$0 - 9,999	\$10,000 - 19,999	\$20,000 - 29,999	\$30,000 - 39,999	\$40,000 - 49,999	\$50,000 - 59,999	\$60,000 - 69,999	\$70,000 - 79,999	\$80,000 - 89,999	\$90,000 - 99,999	\$100,000 - 109,999	\$110,000 - 120,000
\$0 - 9,999	\$310	\$890	\$1,020	\$1,020	\$1,020	\$1,860	\$1,870	\$1,870	\$1,870	\$1,870	\$2,030	\$2,040
\$10,000 - 19,999	890	1,630	1,750	1,750	2,600	3,600	3,600	3,600	3,600	3,600	3,760	3,970
\$20,000 - 29,999	1,020	1,750	1,880	2,720	3,720	4,720	4,730	4,730	4,890	5,090	5,290	5,300
\$30,000 - 39,999	1,020	1,750	2,720	3,720	4,720	5,720	5,730	5,890	6,090	6,290	6,490	6,500
\$40,000 - 59,999	1,710	3,450	4,570	5,570	6,570	7,700	7,910	8,110	8,310	8,510	8,710	8,720
\$60,000 - 79,999	1,870	3,600	4,730	5,860	7,060	8,260	8,460	8,660	8,860	9,060	9,260	9,280
\$80,000 - 99,999	1,870	3,730	5,060	6,260	7,460	8,660	8,860	9,060	9,260	9,460	10,430	11,240
\$100,000 - 124,999	2,040	3,970	5,300	6,500	7,700	8,900	9,110	9,610	10,610	11,610	12,610	13,430
\$125,000 - 149,999	2,040	3,970	5,300	6,500	7,700	9,610	10,610	11,610	12,610	13,610	14,900	16,020
\$150,000 - 174,999	2,040	3,970	5,610	7,610	9,610	11,610	12,610	13,750	15,050	16,350	17,650	18,770
\$175,000 - 199,999	2,720	5,450	7,580	9,580	11,580	13,870	15,180	16,480	17,780	19,080	20,380	21,490
\$200,000 - 249,999	2,900	5,930	8,360	10,660	12,960	15,260	16,570	17,870	19,170	20,470	21,770	22,880
\$250,000 - 399,999	2,970	6,010	8,440	10,740	13,040	15,340	16,640	17,940	19,240	20,540	21,840	22,960
\$400,000 - 449,999	2,970	6,010	8,440	10,740	13,040	15,340	16,640	17,940	19,240	20,540	21,840	22,960
\$450,000 and over	3,140	6,380	9,010	11,510	14,010	16,510	18,010	19,510	21,010	22,510	24,010	25,330

Head of Household

Higher Paying Job Annual Taxable Wage & Salary	Lower Paying Job Annual Taxable Wage & Salary											
	\$0 - 9,999	\$10,000 - 19,999	\$20,000 - 29,999	\$30,000 - 39,999	\$40,000 - 49,999	\$50,000 - 59,999	\$60,000 - 69,999	\$70,000 - 79,999	\$80,000 - 89,999	\$90,000 - 99,999	\$100,000 - 109,999	\$110,000 - 120,000
\$0 - 9,999	\$0	\$620	\$860	\$1,020	\$1,020	\$1,020	\$1,020	\$1,650	\$1,870	\$1,870	\$1,890	\$2,040
\$10,000 - 19,999	620	1,630	2,060	2,220	2,220	2,220	2,850	3,850	4,070	4,090	4,290	4,440
\$20,000 - 29,999	860	2,060	2,490	2,650	2,650	3,280	4,280	5,280	5,520	5,720	5,920	6,070
\$30,000 - 39,999	1,020	2,220	2,650	2,810	3,440	4,440	5,440	6,460	6,880	7,080	7,280	7,430
\$40,000 - 59,999	1,020	2,220	3,130	4,290	5,290	6,290	7,480	8,680	9,100	9,300	9,500	9,650
\$60,000 - 79,999	1,500	3,700	5,130	6,290	7,480	8,680	9,880	11,080	11,500	11,700	11,900	12,050
\$80,000 - 99,999	1,870	4,070	5,690	7,050	8,250	9,450	10,650	11,850	12,260	12,460	12,870	13,820
\$100,000 - 124,999	2,040	4,440	6,070	7,430	8,630	9,830	11,030	12,230	13,190	14,190	15,190	16,150
\$125,000 - 149,999	2,040	4,440	6,070	7,430	8,630	9,980	11,980	13,980	15,190	16,190	17,270	18,530
\$150,000 - 174,999	2,040	4,440	6,070	7,980	9,980	11,980	13,980	15,980	17,420	18,720	20,020	21,280
\$175,000 - 199,999	2,190	5,390	7,820	9,980	11,980	14,060	16,360	18,660	20,170	21,470	22,770	24,030
\$200,000 - 249,999	2,720	6,190	8,920	11,380	13,680	15,980	18,280	20,580	22,090	23,390	24,690	25,950
\$250,000 - 449,999	2,970	6,470	9,200	11,660	13,960	16,260	18,560	20,860	22,380	23,680	24,980	26,230
\$450,000 and over	3,140	6,840	9,770	12,430	14,930	17,430	19,930	22,430	24,150	25,650	27,150	28,600

Withholding instructions for W-4

Publication 15-T is available on the IRS website to assist employers in the calculations for Form W-4. If you have questions about how withholdings are calculated for your employee, please refer to the publication.

Percentage Method Tables

Withholdings for employees in Galaxy will be based on the Percentage Method. All automated payroll systems, including Galaxy, work off the Percentage Method.

California Withholding – DE 4

With the passage of the TCJA and the release of the revised Form W-4 in 2020, employees are no longer able to use the Form W-4 and need to provide a DE-4 when they wish to change their withholdings. Please have employees give you a DE-4 whenever they give you a current version of Form W-4 in order to correctly calculate California withholdings.

As a result of the changes to the 2020 W-4, California developed a new version of the DE-4. A sample of the most recent Form DE 4 (12-2022) is on the following pages. Form DE 4 no longer includes “Number of Itemized Deduction Allowance.” The form allows entry of regular withholding allowances, and an additional amount of money to be withheld each pay period. Unlike previous versions of the Form DE-4, this version has a check box for employees to claim exempt from California withholding. The entry screen for the most recent version of Form DE 4 in Galaxy is shown below:

State Tax

State Tax-Exempt

Filing Status: 1 - Single or Mar ▼

Withholding Allowances: 1

Additional Withholding Amount: 0.00

SDI

Date Updated: 09/22/2022

State Restrictions

Note: Do not mark the SDI box unless your district participates in state SDI.

The most recent DE-4 form is available on both the IRS and RCOE websites.

https://edd.ca.gov/pdf_pub_ctr/de4.pdf

Worksheets

Instructions — 1 — Allowances*

When determining your withholding allowances, you must consider your personal situation:

- Do you claim allowances for dependents or blindness?
- Will you itemize your deductions?
- Do you have more than one income coming into the household?

Two-Earners/Multiple Incomes: When earnings are derived from more than one source, under-withholding may occur. If you have a working spouse or more than one job, it is best to check the box "SINGLE or MARRIED (with two or more incomes)." Figure the total number of allowances you are entitled to claim on all jobs using only one DE 4 form. Claim allowances with **one** employer.

Do **not** claim the same allowances with more than one employer. Your withholding will usually be most accurate when all allowances are claimed on the DE 4 filed for the highest paying job and zero allowances are claimed for the others.

Married But Not Living With Your Spouse: You may check the "Head of Household" marital status box if you meet all of the following tests:

- (1) Your spouse will not live with you **at any time** during the year;
- (2) You will furnish over half of the cost of maintaining a home for the entire year for yourself and your child or stepchild who qualifies as your dependent; **and**
- (3) You will file a separate return for the year.

Head of Household: To qualify, you must be unmarried or legally separated from your spouse and pay more than 50% of the costs of maintaining a home for the **entire** year for yourself and your dependent(s) or other qualifying individuals. Cost of maintaining the home includes such items as rent, property insurance, property taxes, mortgage interest, repairs, utilities, and cost of food. It does not include the individual's personal expenses or any amount which represents value of services performed by a member of the household of the taxpayer.

Worksheet A		Regular Withholding Allowances	
(A) Allowance for yourself — enter 1		(A)	<input type="text"/>
(B) Allowance for your spouse (if not separately claimed by your spouse) — enter 1		(B)	<input type="text"/>
(C) Allowance for blindness — yourself — enter 1		(C)	<input type="text"/>
(D) Allowance for blindness — your spouse (if not separately claimed by your spouse) — enter 1		(D)	<input type="text"/>
(E) Allowance(s) for dependent(s) — do not include yourself or your spouse		(E)	<input type="text"/>
(F) Total — add lines (A) through (E) above and enter on line 1a of the DE 4		(F)	0 <input type="text"/>

Instructions — 2 — (Optional) Additional Withholding Allowances

If you expect to itemize deductions on your California income tax return, you can claim additional withholding allowances. Use Worksheet B to determine whether your expected estimated deductions may entitle you to claim **one or more additional** withholding allowances. Use last year's FTB Form 540 as a model to calculate this year's withholding amounts.

Do not include deferred compensation, qualified pension payments, or flexible benefits, etc., that are deducted from your gross pay but are not taxed on this worksheet.

You may reduce the amount of tax withheld from your wages by claiming one additional withholding allowance for each \$1,000, or fraction of \$1,000, by which you expect your estimated deductions for the year to exceed your allowable standard deduction.

Worksheet B		Estimated Deductions	
Use this worksheet only if you plan to itemize deductions, claim certain adjustments to income, or have a large amount of nonwage income not subject to withholding.			
1. Enter an estimate of your itemized deductions for California taxes for this tax year as listed in the schedules in the FTB Form 540	1.		<input type="text"/>
2. Enter \$10,404 if married filing joint with two or more allowances, unmarried head of household, or qualifying widow(er) with dependent(s) or \$5,202 if single or married filing separately, dual income married, or married with multiple employers	– 2.		<input type="text"/>
3. Subtract line 2 from line 1, enter difference	= 3.	0 . 0 0	<input type="text"/>
4. Enter an estimate of your adjustments to income (alimony payments, IRA deposits)	+ 4.		<input type="text"/>
5. Add line 4 to line 3, enter sum	= 5.	0 . 0 0	<input type="text"/>
6. Enter an estimate of your nonwage income (dividends, interest income, alimony receipts)	– 6.		<input type="text"/>
7. If line 5 is greater than line 6 (if less, see below [go to line 9]); Subtract line 6 from line 5, enter difference	= 7.	0 . 0 0	<input type="text"/>
8. Divide the amount on line 7 by \$1,000, round any fraction to the nearest whole number enter this number on line 1b of the DE 4. Complete Worksheet C, if needed, otherwise stop here .	8.	0 . 0 0	<input type="text"/>
9. If line 6 is greater than line 5; Enter amount from line 6 (nonwage income)	9.		<input type="text"/>
10. Enter amount from line 5 (deductions)	10.	0 . 0 0	<input type="text"/>
11. Subtract line 10 from line 9, enter difference. Then, complete Worksheet C.	11.	0 . 0 0	<input type="text"/>

*Wages paid to registered domestic partners will be treated the same for state income tax purposes as wages paid to spouses for California PIT withholding and PIT wages. This law does not impact federal income tax law. A registered domestic partner means an individual partner in a domestic partner relationship within the meaning of section 297 of the Family Code. For more information, please call our Taxpayer Assistance Center at 1-888-745-3886.

Worksheet C	Additional Tax Withholding and Estimated Tax
1. Enter estimate of total wages for tax year 2023.	1. <input type="text"/>
2. Enter estimate of nonwage income (line 6 of Worksheet B).	2. <input type="text"/>
3. Add line 1 and line 2. Enter sum.	3. <input type="text"/>
4. Enter itemized deductions or standard deduction (line 1 or 2 of Worksheet B, whichever is largest).	4. <input type="text"/>
5. Enter adjustments to income (line 4 of Worksheet B).	5. <input type="text"/>
6. Add line 4 and line 5. Enter sum.	6. <input type="text"/>
7. Subtract line 6 from line 3. Enter difference.	7. 0.00
8. Figure your tax liability for the amount on line 7 by using the 2023 tax rate schedules below.	8. 0.00
9. Enter personal exemptions (line F of Worksheet A x \$154.00).	9. 0.00
10. Subtract line 9 from line 8. Enter difference.	10. 0.00
11. Enter any tax credits. (See FTB Form 540).	11. <input type="text"/>
12. Subtract line 11 from line 10. Enter difference. This is your total tax liability.	12. 0.00
13. Calculate the tax withheld and estimated to be withheld during 2023. Contact your employer to request the amount that will be withheld on your wages based on the marital status and number of withholding allowances you will claim for 2023. Multiply the estimated amount to be withheld by the number of pay periods left in the year. Add the total to the amount already withheld for 2023.	13. <input type="text"/>
14. Subtract line 13 from line 12. Enter difference. If this is less than zero, you do not need to have additional taxes withheld.	14. 0.00
15. Divide line 14 by the number of pay periods remaining in the year. Enter this figure on line 2 of the DE 4.	15. <input type="text"/>

Note: Your employer is not required to withhold the additional amount requested on line 2 of your DE 4. If your employer does not agree to withhold the additional amount, you may increase your withholdings as much as possible by using the "single" status with "zero" allowances. If the amount withheld still results in an underpayment of state income taxes, you may need to file quarterly estimates on Form 540-ES with the FTB to avoid a penalty.

These Tables Are for Calculating Worksheet C and for 2023 Only

**Single Persons, Dual Income
Married or Married With Multiple Employers**

IF THE TAXABLE INCOME IS		COMPUTED TAX IS		
OVER	BUT NOT OVER	OF AMOUNT OVER...	PLUS	
\$0	\$10,099	1.100%	\$0	\$0.00
\$10,099	\$23,942	2.200%	\$10,099	\$111.09
\$23,942	\$37,788	4.400%	\$23,942	\$415.64
\$37,788	\$52,455	6.600%	\$37,788	\$1,024.86
\$52,455	\$66,295	8.800%	\$52,455	\$1,992.88
\$66,295	\$338,639	10.230%	\$66,295	\$3,210.80
\$338,639	\$406,364	11.330%	\$338,639	\$31,071.59
\$406,364	\$677,275	12.430%	\$406,364	\$38,744.83
\$677,275	\$1,000,000	13.530%	\$677,275	\$72,419.07
\$1,000,000	and over	14.630%	\$1,000,000	\$116,083.76

Married Persons

IF THE TAXABLE INCOME IS		COMPUTED TAX IS		
OVER	BUT NOT OVER	OF AMOUNT OVER...	PLUS	
\$0	\$20,198	1.100%	\$0	\$0.00
\$20,198	\$47,884	2.200%	\$20,198	\$222.18
\$47,884	\$75,576	4.400%	\$47,884	\$831.27
\$75,576	\$104,910	6.600%	\$75,576	\$2,049.72
\$104,910	\$132,590	8.800%	\$104,910	\$3,985.76
\$132,590	\$677,278	10.230%	\$132,590	\$6,421.60
\$677,278	\$812,728	11.330%	\$677,278	\$62,143.18
\$812,728	\$1,000,000	12.430%	\$812,728	\$77,489.67
\$1,000,000	\$1,354,550	13.530%	\$1,000,000	\$100,767.58
\$1,354,550	and over	14.630%	\$1,354,550	\$148,738.20

Unmarried Head of Household

IF THE TAXABLE INCOME IS		COMPUTED TAX IS		
OVER	BUT NOT OVER	OF AMOUNT OVER...	PLUS	
\$0	\$20,212	1.100%	\$0	\$0.00
\$20,212	\$47,887	2.200%	\$20,212	\$222.33
\$47,887	\$61,730	4.400%	\$47,887	\$831.18
\$61,730	\$76,397	6.600%	\$61,730	\$1,440.27
\$76,397	\$90,240	8.800%	\$76,397	\$2,408.29
\$90,240	\$460,547	10.230%	\$90,240	\$3,626.47
\$460,547	\$552,658	11.330%	\$460,547	\$41,508.88
\$552,658	\$921,095	12.430%	\$552,658	\$51,945.06
\$921,095	\$1,000,000	13.530%	\$921,095	\$97,741.78
\$1,000,000	and over	14.630%	\$1,000,000	\$108,417.63

If you need information on your last California Resident Income Tax Return, FTB Form 540, visit [FTB](http://ftb.ca.gov) (ftb.ca.gov).

The DE 4 information is collected for purposes of administering the PIT law and under the authority of Title 22, CCR, section 4340-1, and the California Revenue and Taxation Code, including section 18624. The Information Practices Act of 1977 requires that individuals be notified of how information they provide may be used. Further information is contained in the instructions that came with your last California resident income tax return.

Calculating California Withholding – DE 4

California withholding calculations are not the same as federal withholdings. Encourage your employees to review the information provided on the DE 4, but as with the Form W-4, do not give out tax advice and instead encourage employees to speak to their tax professional if they have any questions about how many exemptions to withhold.

Galaxy performs California withholding calculations using the “Method B – Exact Calculation Method”. Each calendar year, California (Employment Development Department) adjusts the withholding tables. These tables can be found in the EDD DE 44, California Employer’s Guide.

IRS “Lock-in” Letter

If the IRS determines an employee does not have enough withholdings, the LEA will receive a “Lock-in” letter. The “Lock-in” letter will specify the maximum number of withholding allowances permitted for the employee. The employer must disregard any Form W-4 that results in less tax withheld, until the IRS notifies the employer otherwise.

Once a release of a “Lock-in” letter is received, the employee’s withholding allowances can be altered to reflect the last valid Form W-4 received from the employee. If the last Form W-4 states the employee is exempt, and that Form W-4 is over one year old, set the employee’s Form W-4 panel to Single/”no check box” until a new valid Form W-4 is received.

How to Process a “Lock-in” Letter

- In Galaxy (Add/Modify Employee Information) add the Date Updated and mark the “Federal Restrictions” box.

TCJA Federal Tax	State Tax
<input type="checkbox"/> Federal Tax-Exempt	<input type="checkbox"/> State Tax-Exempt
1. Filing Status: 2 - Married filing jointly or Qualif ▼	Filing Status: 1 - Single or Mar ▼
<input type="checkbox"/> 2. Multiple Jobs or Spouse Works	Withholding Allowances: 1
3. Claim Dependents: <input type="text" value="0.00"/>	Additional Withholding Amount: <input type="text" value="0.00"/>
4a. Other Income: <input type="text" value="0.00"/>	<input type="checkbox"/> SDI
4b. Deductions: <input type="text" value="0.00"/>	Date Updated: <input type="text" value="09/22/2022"/>
4c. Extra Withholding: <input type="text" value="312.00"/>	<input type="checkbox"/> State Restrictions
Nonresident Alien Status: 0 - N/A ▼	
Date Updated: 09/21/2022	
<input type="checkbox"/> Federal Restrictions	

If the employee no longer works for you, complete the section on the “Lock-in” letter indicating the employee is no longer your employee and send or Fax that page to the IRS as indicated on the letter.

California Withholdings When a “Lock-in” Letter is Received

California changed the DE-4 significantly in 2020. These changes include a statement indicating they will no longer require employers to follow the IRS Lock-in letter and instead, require employees to complete a DE-4. Subsequently, if the employee is not being withheld to the satisfaction of the FTB (Franchise Tax Board), they may send the employer “special instructions” similar to the IRS Lock-in.

Notification: The burden of proof rests with the employee to show the correct California income tax withholding. Pursuant to section 4340-1(e) of [Title 22, California Code of Regulations \(CCR\)](#) (govt.westlaw.com/calregs/Search/Index), the FTB or the EDD may, by special direction in writing, require an employer to submit a Form W-4 or DE 4 when such forms are necessary for the administration of the withholding tax programs.

Penalty: You may be fined \$500 if you file, with no reasonable basis, a DE 4 that results in less tax being withheld than is properly allowable. In addition, criminal penalties apply for willfully supplying false or fraudulent information or failing to supply information requiring an increase in withholding. This is provided by section 13101 of the [California Unemployment Insurance Code](#) (leginfo.legislature.ca.gov/faces/codes.xhtml) and section 19176 of the [Revenue and Taxation Code](#) (leginfo.legislature.ca.gov/faces/codes).xhtml).

Social Security (FICA) and Medicare Tax

Social Security (FICA) and Medicare tax are federal taxes. The current rates for these taxes are:

- FICA = 6.2%
- Medicare = 1.45%
- Additional Medicare = .09%

Employers pay the matching amount of the FICA and Medicare taxes.

FICA

FICA is paid by employees who pay into CalPERS, while those who are eligible for CalSTRS do not pay FICA taxes. In addition, employees who are ALT-FICA eligible also do not pay FICA taxes, i.e., substitute teachers prior to CalPERS eligibility if a district participates in an Alt-FICA plan.

The FICA tax is calculated only on earnings that are deemed FICA taxable; see Section 550-1 for a table of deductions that reduce FICA taxable as well as earnings that are exempt from FICA taxable.

There are additional circumstances that exclude employees from FICA, if you are unsure about the correct FICA status for an employee, contact DFS for guidance.

FICA limits are set annually by the Social Security Administration. Once an employee's FICA limit is reached, the employee no longer has FICA taxes withheld (see Section 105-1 for the annual limits on FICA taxes).

Medicare Tax

Most employees, with very few exceptions such as students working on campus and employees hired prior to April 1, 1986 pay Medicare. As is the case with FICA, questions about an employee's Medicare status should be directed to DFS.

Medicare tax, like FICA, is calculated only on earnings that are deemed Medicare taxable; see Section 550-1 for a table of deductions that reduce Medicare taxable as well as earnings that are exempt from Medicare tax.

Medicare tax does not have a limit and remains at a rate of 1.45% for the employee regardless of the accumulated Medicare earnings. The Medicare rate is subject to change annually.

Additional Medicare

Additional Medicare went into effect on January 1, 2013 and has remained at a constant rate of .09 %. This tax is placed on wages in excess of \$200,000 and is not matched by employer contributions. The IRS threshold amount for taxpayers who are married and file jointly is actually \$250,000 so an employee may be eligible for a refund on their form 1040; however, employers are directed to begin to withhold the additional Medicare tax when employees reach \$200,000 in taxable wages. Additional Medicare is also subject to change annually (calendar year).

Unemployment and Disability Insurance

The Unemployment Insurance (UI) program pays benefits to workers who have lost their job and meet the program's eligibility requirements. If an employee has become unemployed, they may file an unemployment claim.

State Disability Insurance (SDI) is a partial wage-replacement insurance plan for California workers. The SDI program is state-mandated and funded through employee payroll deductions. SDI provides affordable, short-term benefits to eligible workers.

Federal Unemployment Tax Act (FUTA)

- California School Districts and Community Colleges exempt.

State Unemployment Insurance Program (SUI)

- Covers California public employers, rates and contributions structured under "School Employers Fund". Tax Deposit and Reporting processed quarterly by RCOE-DFS. The employer is responsible for state unemployment contributions.
- See Section 110-1 for current employer rate.

California State Disability Insurance (CASDI)

- Voluntary program for California school districts. Tax Deposits and Reporting processed at the district level.
- State Disability Taxable Earnings Limits are set by the State of California and subject to change annually.
- SDI withholding rate is subject to change annually.
- See Section 110-1 for the current SDI withholding rate and annual contribution and maximum withholding limits.