

HOW TO READ YOUR PAYROLL STUB AND YEARLY W2 EARNINGS STATEMENT

UNDERSTANDING YOUR PAY STUB

A cross section of a check stub below shows dollar amounts received by an employee. Note: this view will differ from a pay stub viewed in Online Paystubs (OPS) for employees with direct deposit.

YEAR TO DATE TOTALS									
TOTAL GROSS		NON-TAXED	NON-CASH	RETIREMENT	MAND SBS	PRE-TAX DED	DEFERRED COMP	TAXABLE COMP	
54,300.00		250.00	96.00	3037.50	3,313.27	1,648.62	2,550.00	43,596.61	
Y.T.D. WITHHOLDING			Y.T.D. Post	Y.T.D. EMPLOYER	Y. T. D. LEAVE USAGE		LEAVE BALANCES		
FED W/H	MEDICARE	RETIREMENT	SBS	ANNUAL/PERS.	SICK	ANNUAL/PERS.	SICK		
5,673.36	761.21		3,313.27	37.50		234.50		\$5,862.50	
CURRENT PERIOD EARNINGS					PRE-TAX DEDUCTIONS & TAXES		MISCELLANEOUS DEDUCTIONS		
NUM	DESCRIPTION	HOURS	RATE	AMOUNT	DESCRIPTION	AMOUNT	NUM	DESCRIPTION	AMOUNT
100	REGULAR			1500.00	SBS MAND	139.82	407	ASEA DUES	21.97
165	PERSNL LV			500.00	PERS TYP A	153.70	354	SHARE DONA	5.00
251	OT	7.5	36.93	276.98	DEFER COMP	75.00		NET PAY	1565.38
481	LEGAL TRUST TAXABLE ERN			4.00 2280.98	ASEA HCRA	25.00			
					HLTH INS	68.50			
					TAX GROSS	1818.96			
					FED INC TX	190.89			
					FICA-MED	31.72			
EMPLOYER-PAID HEALTH INSURANCE YTD				8510.00					

IN THE EXAMPLE ABOVE:

- **TOTAL GROSS:** \$54,300.00. All gross pay *issued* between January 1 (01/01/xx) and December 31 (12/31/xx), for the December 16 (12/16/xx) to December 15 (12/15/xx) semi-monthly pay periods. Gross pay includes your total pay before deductions, reductions and taxes have been subtracted. It can include base pay, premium pays, travel, per diem, leave cash-in amounts, etc.
- **NON-TAXED:** \$250.00. This box includes such things as non-taxable per diem amounts recorded in payroll. This amount is included in Total Gross amount. It is not included in Taxable Compensation. It is not subject to SBS.
- **NON-CASH:** \$96.00. These are benefits paid by the employer as a fringe benefit to the employee. The amounts recorded for legal trust, personal use of state vehicles, and Same Sex Domestic Partner (SSDP) benefits. The employee may be required to pay SBS and/or taxes on these amounts per IRS guidelines. *For example: Legal Trust is paid by the employer but taxed as income to the employee. It is added to the employee's tax base, taxed and subject to Medicare and SBS calculations; however it is not part of employee gross pay.*
- **RETIREMENT:** \$3,037.50. Employee mandatory retirement contribution which reduces pay and is not taxable.
- **MAND SBS:** \$3,313.27. Employee mandatory Supplemental Benefits System (SBS) contribution which reduces pay and is not taxable. Mandatory employee SBS is a type of pension plan that began January 1st, 1980 and replaced Social Security Benefits. It is currently 6.13% of all includable earnings and has a yearly maximum limit. It is excluded from Federal Tax until the employee, at termination of State service, withdraws it.
- **PRE-TAX DED:** \$1,648.62. This box includes all employee *elected* negative earnings including such items as Voluntary SBS, Health Care Reimbursement Account (HCRA), and Dependent Care Reimbursement Account (DCRA). Also included are employee premiums for health insurance. These items are employee paid premiums which reduce pay and are not taxable.
- **DEFERRED COMP:** \$2,550.00. Employee elected Deferred Compensation contributions which reduces pay and is not taxable. Deferred Comp does not reduce the Medicare base for calculating Medicare taxes.
- **TAXABLE COMP:** \$43,596.61. This is the amount remaining after taking the total gross pay above, adding in any non-cash amounts, subtracting out non-taxed amounts: retirement, mandatory SBS, pre-tax deductions and deferred compensation listed across the pay stub to the right. This is the amount reported to the IRS on the W-2 as taxable compensation.
- **FED W/H:** \$5,673.36. Mandatory federal tax withholding calculated on the Taxable Compensation amount and based on the Form W-4 submitted by the employee.
- **MEDICARE:** \$761.21. Mandatory Medicare tax withholding. Medicare has a different wage base than the total gross or the Federal withholding taxable gross. In general, it is total gross, plus non-cash items, less non-taxed amounts, Vol. SBS, HCRA, DCRA, employee health insurance, etc. Medicare is withheld for ALL employees hired April 1, 1986 or after (exceptions: specific groups are exempt from Medicare, such as Emergency Firefighters).
- **MAND SBS:** \$3,313.27. Employer mandatory Supplemental Benefits System (SBS) contribution matches the employee

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contribution. It is excluded from Federal Tax until the employee, at termination of State service, withdraws it.

- **MISCELLANEOUS DEDUCTIONS:** Flat amount deductions which do not affect tax bases, such as union dues, housing rent, share campaign, optional life insurance, business expense recovery, child support, etc.
- **NET PAY:** The final amount printed on the employee's warrant or amount deposited into an employee's direct deposit account. Direct deposit results in a zero NET PAY and is listed as deduction number 600 on the paystub.
- **EMPLOYER-PAID HEALTH INSURANCE YTD:** Year-to-date premiums for health insurance paid by the employer on behalf of the employee.
- **LEAVE BALANCES:** Year-to-date leave used is totaled by leave type in the Y.T.D. Leave USAGE boxes. Those employees participating in a leave program will have their current leave balances displayed in the Leave Balance columns of the check stub.
 - Those in Annual or Personal leave programs display in the ANNUAL/PERS. box.
 - Those in the Cash Value of Leave program (Exempt, non-covered and AVTECTA units) will have a dollar amount display below the personal leave hours representing the value of the hours.
 - Those in the Annual/Sick program and LTC employees with balances display a balance in the SICK leave box.
 - Excess Sick, donated and other sick-type leave balances do not display on the check stub.

HOW IS YOUR PAYCHECK COMPUTED FROM GROSS PAY TO NET PAY

The employee submits a timesheet that reflects all activity performed in a pay period. It is analyzed and hours for each pay type are totaled and entered by pay code in to AKPAY, the State of Alaska Payroll System. A list of all earnings and deduction pay codes can be found under **Reference Sheets and Matrices** at <http://doa.alaska.gov/dof/payroll/reference.html>. Based on those entries and other information in AKPAY, the system automatically calculates pay due for the employee.

Once the total gross pay is calculated, then SBS, retirement for permanent employees and other elected negative earnings are subtracted. Applicable Medicare and Federal Taxes are calculated based on the current W-4 submitted by the employee and subtracted from the adjusted gross. Then NET deductions

are subtracted out resulting in the final amount an employee will receive.

GROSS PAY

plus: non-cash items
less: Negative Earnings or Pre-tax Deductions
equal: **TAXABLE COMP** – Federal tax base
less: Federal tax
less: Medicare tax
less: Non-cash items
less: net deductions
equal: **NET PAY** (either a paper warrant or the amount of the electronic direct deposit)

RECONCILING YOUR PAY STUB TO YOUR W-2

Employees often ask what amounts are reported on a W-2 and why the amounts on their pay stubs are different from amounts on their W-2.

One reason is the definition of a payroll year is different from a calendar year. The payroll year is pay periods worked from December 16 (12/16/xx) to December 15 (12/15/xx) for employees paid on a semi-monthly schedule, or approximately December 27 (12/27/xx) to December 14 (12/14/xx) for employees paid on a bi-weekly schedule, which are **paid** during the calendar year between January 1 (01/01/xx) and December 31 (12/31/xx). The amount reported on a W-2 is based on the IRS rule, [Constructive Receipt](#), which refers to the calendar year in which the money is paid and could be received. For example,

pay for SEMI pay period December 1-15, 2009 is generated and mailed in year 2009. Even if the employee doesn't receive it until after the end of the year, it was mailed and the employee could have received it in 2009; therefore it is reported as 2009 wages. Also, all online warrants created between December 16-31, 2009 are reported as 2009 wages. Pay for time worked from December 16-31, 2009 is paid and received in 2010; therefore it is reported in 2010.

Another reason is due to the difference between total gross earned and taxable compensation. Total gross is everything you have earned in a year, while the amount reported on a W-2 is taxable compensation which has been reduced from total gross by non-taxable amounts such as employee SBS and retirement.

W-2 WAGE AND TAX STATEMENT

1. Box 1 - Wages, Tips, Other Compensation. This includes salary as well as legislative, uniform, cleaning, and tool allowances, taxable moving expense payments, vehicle fringe benefits, excess mileage, taxable per diem and legal trust (non-cash addition). The amount in this box has been reduced to reflect employee contributions to mandatory SBS, voluntary SBS, PERS/TRS/JRS, pre-tax health insurance, dependent care and Deferred Compensation.
2. Box 2 - Federal income tax withheld.
3. Box 3 - Social security wages. Not applicable.
4. Box 4 - Social security tax withheld. Not applicable.
5. Box 5 - Medicare wages and tips. The Medicare base amount is used for the Medicare tax calculation. The amount in this box has been reduced to reflect employee contributions to voluntary SBS, pre-tax health insurance and dependent care.

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6. Box 6 - Medicare tax withheld.
7. Box 7 - Social security tips. Not applicable.
8. Box 8 - Allocated tips. Not applicable.
9. Box 9 – Not used.
10. Box 10 - Dependent care contributions.
11. Box 11 - Non-qualified plans. Not applicable.
12. Box 12 - Reports specific amounts according to a predetermined code. The IRS identifying code appears in the box to the left of the amount being reported. The codes are:
 - **G** - Deferred compensation, E521, E522, and E523.
 - **L** - Federal rate mileage for business travel, E387, and/or nontaxable per diem, E388. Amounts are added together if both are reported.
 - **P** - Qualified moving expenses, non-taxed, E381 and E390. Amounts are added together if both are reported.
13. Box 13 – Informational.
 - Statutory employee. Not applicable.
 - Pension plan. Indicates an employee has been, at some point during the tax year, a participant in a pension plan, such as PERS, TRS, JRS, EPORS, or mandatory SBS.
 - Third party sick pay. Not applicable.
14. Box 14 - Information for the employee only. This box is used to report specific amounts of certain employee reimbursement type earnings and contributions to the Share Campaign. Any amount for Excess Mileage and/or Taxable Per Diem reported in Box 14 is already included in Box 1. Each type of earnings or deduction listed below is reported as a separate amount and is preceded by the description in the parenthesis:
 - Excess mileage (Txbl Miles). Reimbursement above the federal rate of 37.5 cents per mile.
 - Taxable per diem (Per Dm Tax).
 - Share Donation (Share Dona)
15. Boxes 15 through 20 – For state and local tax withholding and reporting.

Employees with further questions should contact the Employee Call center at 465-3009 or email at EmployeeCallCenter@alaska.gov or contact their Payroll Service Center. Those employees in departments 01, 31, 33 or 41 should contact their individual human resource payroll offices.