# 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.

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<thead>
<tr>
<th>YEAR TO DATE TOTALS</th>
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<td>96.00</td>
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## 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). 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 and non-taxable cell phone allowances. 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, imputed income for group term life insurance over $50,000, 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, 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 1, 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 Flexible Spending Account (HFSAs), 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-taxable 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.

- **MEDI_CARE**: $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-taxable amounts, Vol. SBS, HFSAs, 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). It is 1.45% of the Medicare base and also includes the Medicare surtax of .9% of wages over $200,000.
HOW TO READ YOUR PAYROLL STUB AND YEARLY W2 EARNINGS STATEMENT

- **MAND SBS**: $3,313.27. Employer mandatory Supplemental Benefits System (SBS) contribution matches the employee 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, Select 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. This does not include any amounts paid by the employee and is informational only.

- **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 (GGU employees hired after 7/1/2013, exempt, non-covered, and AVTEC TA units) will have a dollar amount display below the personal leave hours representing the value of the hours.
  - Those employees with sick or excess sick leave balances display a balance in the SICK/EXCESS leave box.
  - Donated, flex time, compensatory time, and other 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 into 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](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, 2013 is generated and mailed in year 2013. 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 2013; therefore it is reported as 2013 wages. Also, all online warrants created through December 31, 2013 are reported as 2013 wages. Pay for time worked from December 16-31, 2013 is paid and received in 2014; therefore it is reported in 2014.

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 non-cash additions such as legal trust, SSDP, and imputed income for group term life insurance over $50,000. 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.

6. Box 6 - Medicare tax withheld, including any amounts withheld for Medicare surtax.

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:
   - C – Taxable cost of group-term life insurance over $50,000 (E486).
   - G - Deferred compensation (E521, E522, and E523).
   - I - ROTH IRA (V057 and V058).
   - E - 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.
   - DD - Cost of employer provided health insurance-both employee and employer contributions (informational only)

   - 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 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.