



IRIS - Human Resource Management



Providing insight to Alaskans

How to Read Your Payroll Advice and Yearly W-2 Earnings Statement

UNDERSTANDING YOUR PAY ADVICE


A cross section of a Payroll Advice (paystub) below shows dollar amounts received by an employee.

STATE OF ALASKA			
State Employee			
Pay Period End Date	08-15-2017	Employee Number	123456
		Department / Unit	02 / Z401
Issued Date	08-28-2017	Employer Paid Benefits	\$1,230.06
		YTD Employer Paid Benefits	\$30,163.28
		Total Gross Amount	\$3,529.00
		Total Deductions Amount	\$1,568.56
		Net Pay Amount	\$1,960.44
		YTD Gross Amount	\$54,961.58

EARNINGS				DEDUCTIONS		
Description	Pay Rate	Hours	Pay Amount	Description	Deduction Amount	YTD Deduction Amount
REGULAR	\$3,529.00	80:15	\$3,474.87	FED TAX	\$434.58	\$6,788.03
LV PER	\$3,529.00	1:15	\$54.13	MEDICARE EE	\$48.56	\$764.71
				SBS MAND	\$216.57	\$3,380.12
				PERS DB A	\$238.21	\$3,709.97
				DEF COMP	\$350.00	\$5,600.00
				GGU HI BU	\$147.50	\$1,760.00
				SEL LIFE INS	\$3.60	\$28.80
				GGU HFSA	\$30.00	\$540.00
				SBS OPT LIF	\$4.00	\$64.00
				SBS OPT ADD	\$1.35	\$21.60
				SBS OPT STD	\$1.02	\$16.32
				GGU DUES	\$43.17	\$672.85
				SHARE DON	\$50.00	\$800.00

LEAVE			
Description	YTD Used	Accrued	Balance
PERSONAL LV	121:30	713:08	591:38

PLEASE DIRECT ANY PAYCHECK QUESTIONS TO YOUR AGENCY PAYROLL OFFICE

<p>STATE OF ALASKA PAYROLL ADVICE</p> <p>The amount listed below will be deposited to the designated account by payday.</p>		<p>Date of Issue: 08-28-2017</p>
<p>One Thousand Nine Hundred Sixty And 44/100 Dollars</p>		<p>\$1,960.44</p>
<p>STATE EMPLOYEE PO BOX 112233 JUNEAU, AK 99801</p>		<p>NOT NEGOTIABLE</p>

IN THE EXAMPLE ABOVE:

- **EMPLOYER PAID BENEFITS:** \$1,230.06. Current pay period total of charges paid by the employer on behalf of the employee including costs such as the employer’s contribution for SBS, retirement, Health Insurance premiums, Unemployment Insurance, Medicare, Workers Compensation, Cashin and Terminal Leave liability. This does not include any amounts paid by the employee and is informational only.
- **YTD EMPLOYER PAID BENEFITS:** \$30,163.28. Year-to-date total of charges paid by the employer on behalf of the employee including costs such as the employer’s contribution for SBS, retirement, Health Insurance premiums, Unemployment Insurance, Medicare, Workers Compensation, Cashin and Terminal Leave liability. This does not include any amounts paid by the employee and is informational only.
- **TOTAL GROSS AMOUNT:** \$3,529.00. Current pay period gross pay *issued*. 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.
- **TOTAL DEDUCTIONS AMOUNT:** \$1,568.56. Current pay period total of all deductions including such items as Federal Tax Withholding, Supplemental Benefits System (SBS) Mandatory contribution, Voluntary SBS, Health Flexible Spending Account (HFSA), union dues, and employee premiums for health insurance. These items are employee paid premiums which reduce pay. Also included in this total are any flat amount deductions distributed to financial institutions; this does not include the final net pay distribution.
- **NET PAY AMOUNT:** \$1,960.44: The final amount printed on the employee’s warrant or amount deposited into an employee’s direct deposit account.
- **YTD GROSS AMOUNT:** \$3,529.00. All gross pay *issued* between January 1 (01/01/xx) and December 31 (12/31/xx). Gross pay includes your total pay before deductions have been subtracted. It can include base pay, premium pays, travel, per diem, leave cash-in amounts, etc.
- **EARNINGS:** A detail of all current pay period payroll earnings which contribute to the Total Gross Amount displayed above.
- **DEDUCTIONS:** A detail of all current pay period deduction which contribute to the Total Deductions Amount displayed above.

Taxable Fringe Benefits:

Deductions such as federal taxes, employee Medicare contributions, and SBS contributions may be impacted by non-cash taxable fringe benefits paid for by the employer such as Legal Trust, Group Term Life Insurance over \$50,000, etc. Non-cash taxable fringe benefits are not included in the Total Gross Amount or Earnings column of the paystub because it is an employer paid fringe benefit.

- **LEAVE:** Year-to-date (YTD) leave used is totaled by leave type in the YTD Used column, the leave accrued in the current pay period will be displayed in the Accrued column, and the leave balance as of the check issue date is displayed in the Balance column.
 - The cash value of personal/annual leave does not display on the payroll advice.

HOW IS YOUR PAYCHECK COMPUTED FROM GROSS PAY TO NET PAY

The employee submits a timesheet that reflects all activity preformed in a pay period. It is analyzed and hours for each pay type are totaled and entered by pay event type in the IRIS Human Resource Management (HRM) application. A list of all earnings and deduction pay event types 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 HRM, the system automatically calculates pay due for the employee. Once the total gross pay is calculated, then pre-tax deductions such as SBS, retirement (if applicable), and other deductions are subtracted. Applicable Medicare and

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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/Taxable Fringe Benefit Items
- Less: Pre-Tax Deductions
= Equals: **TAXABLE COMPENSATION** – Federal Tax Base
- Less: Federal Tax
- Less: Medicare Tax
- Less: Non-Cash/Taxable Fringe Benefit Items
- Less: Net Deductions
= Equals: **NET PAY** (either a paper warrant or the amount of the electronic direct deposit)

DIFFERENCES FROM YOUR PAY STUB AND 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, 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-monthly pay period December 1-15, 2017 is generated and mailed in year 2017. 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 2017; therefore, it is reported as 2017 wages. Also, all supplemental warrants created through December 31, 2017 are reported as 2017 wages. Pay for time worked from December 16-31, 2017 is paid and received in 2018; therefore, it is reported as 2018 wages.

Another reason is due to the difference between total gross earned and taxable compensation.

The Pay Stub YTD Gross Amount is all earnings 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, health premiums and retirement.

W-2 WAGE AND TAX STATEMENT

- **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 taxable fringe benefit additions such as legal trust, 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, retirement, pre-tax health insurance, and Deferred Compensation.
- **Box 2 - Federal income tax withheld.**
- **Box 3 - Social security wages. Not applicable.**
- **Box 4 - Social security tax withheld. Not applicable.**
- **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 includes non-cash taxable fringe benefits.

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- **Box 6 - Medicare tax withheld.** Includes amounts withheld for Medicare taxes and surtaxes.
- **Box 7 - Social security tips.** Not applicable.
- **Box 8 - Allocated tips.** Not applicable.
- **Box 9 – Verification code.** Not used.
- **Box 10 - Dependent care benefits.** (D522)
- **Box 11 - Non-qualified plans.** Not applicable.
- **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 (D486).
 - **G** - Deferred compensation (D521, D522, and D52C).
 - **EE** - ROTH IRA (D057, D058, and D05C).
 - **L** – Non-taxable employee business expense reimbursement (383, 384, 387, and 388). Amounts are added together if multiples reported.
 - **P** - Qualified moving expenses, non-taxed (381 and 390). Amounts are added together if both are reported.
 - **DD** - Cost of employer provided health insurance-both employee and employer contributions (informational only)
- **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 retirement or mandatory SBS.
 - Third party sick pay. Not applicable.
- **Box 14 – Other.** 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, Taxable Per Diem, and/or Taxable Lodging 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 Reimbursement above the federal rate per mile (TX MILG) (377).
 - Taxable per diem (TX PER DIEM) (378).
 - Taxable Lodging (TX LODG) (382)
 - Share Donation (SHARE) (D354)
- **Boxes 15 through 20.** For state and local tax withholding and reporting.

Employees with further questions should contact the Employee Call center at (907) 465-3009 or email at EmployeeCallCenter@alaska.gov or contact their Payroll Service Center. Those employees in department 01, the Judicial Branch, or the Legislative Branch should contact their individual human resource payroll offices.