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MEMORANDUM

DATE: December 16, 2022
TO: All State Agencies
Attention: Agency CFOs and Payroll Managers
FROM: Ashley Ruiz, State Comptroller
RE: 2022 Calendar Year End Payroll Processing

It is time once again to address the end of the calendar year processing and events. In an effort to help Agency Chief Financial Officers (CFOs), Payroll Managers, and their employees, the General Accounting Office (GAO) is providing the following information that will impact payroll offices. Please review this information with appropriate personnel.

Year-End Payroll Meeting

The General Accounting Office will hold virtual meetings bi-weekly via Google Meets to discuss year-end payroll processing. These meetings are held during off compute week on Wednesdays at 3:30 p.m.

Time Record Adjustments

Any time record adjustment for current calendar year wage that is recovering an overpayment may be offset against other current calendar year wages. Any adjustments for 2022 must be entered by the compute deadline on December 27, 2022. Overpayment adjustments discovered after the stated deadline must be completed via an Overpayment Worksheet (GAO-70A) with an election to either deduct from the next paycheck or attach a personal payment. If a personal payment is received, the Agency deposits the payment and indicates the Function and Object on the GAO-70A explanation field when submitting the signed worksheet to Central.Payroll@azdoa.gov.

Canceled Payments and Overpayment Worksheets

Warrant Cancellation (GAO-70) and Overpayment Worksheet (GAO-70A) to recover current calendar year 2022 payments must be submitted to CentralPayroll@azdoa.gov no later than December 22, 2022. The General Accounting Office will not be able to process canceled payments and overpayment worksheets in HRIS before the end of the tax year if they are not received by the stated deadline, and therefore, amounts deducted for Federal and State income taxes cannot be adjusted. These amounts will be reported with other amounts on the employee's W-2. Please note: GAO Central Payroll processes overpayment worksheets (GAO-70A) as prior year adjustments on a quarterly basis due to W-2C reporting requirements.

Final Payments in 2022

December 29, 2022 will be the final payday of 2022. The final cutoff for HRIS handwrites will be December 29, 2022 at noon. Proper review of payroll transactions is always critical and at year-end even more so because it will be the final payroll of the year included on 2022 W-2. To ensure employees have constructive receipt of their pay in 2022, all payroll warrants dated between December 22nd and December 29th, 2022 are mailed directly from the GAO to the employee's address of record in HRIS. There will be no exception for warrant PULLS. Please advise employees to validate that their

mailing address is correct. There are two tabs for employee addresses, Home and Mailing. Home address is their residential address (cannot be a PO Box). Mailing address is where employees elect to receive mail (including payroll warrants, W2s and benefit information). Encourage employees to keep both addresses current. Employees can update their both addresses in real time through the Y.E.S. website by clicking “Personal Information” and then “Contact Information”.

HRIS Availability

HRIS will be unavailable for updates on Friday December 30, 2022 but will be available for view on that day. In order to process year-end adjustments and transactions, HRIS availability may be affected. Please check the HRIS homepage at <https://hr.az.gov/HRIS> for updates on availability during December and January months.

A-4s (Updated Arizona Withholding Percentage Election)

[Senate Bill 1828](#) (Laws 2021, Fifty-fifth Legislature, 1st Regular Session) amended the individual income tax withholding brackets. Arizona’s individual income tax rates were substantially reduced starting with the 2022 tax year. The previous Form A-4 withholding rates are no longer representative of the new lower income tax rates. As a result, the Arizona Department of Revenue (AZDOR) revised the withholding percentages. For more information, refer to the news story from AZDOR: [Arizona’s Employees Have New Tax Withholding Options.](#)

- **On 12/30/2022:** ALL employees defaulted to 2.0% rate. Any existing additional dollar amounts will not be changed.
- **Beginning 12/31/22:** Employees can change their tax withholding from the default 2.0% if they choose to.
- **01/10/23 by 1 pm:** Deadline to make changes to the 2.0% default rate that the state moved all employees to on 12/30/22.
- **On 01/12/2023:** the first payday with the new A-4 rates will be used for calculating AZ withholding taxes.
- **NOTE:** Employees have the option to update their A-4 at any time during the tax year but are encouraged to consult with their tax advisor related to these new updates from AZDOR to determine how they may be affected.

HRIS PR14 BSI Formula	NEW RATES % of gross taxable wages starting January 2023	
8	0.0%	See Note 1
15	0.5%	
9	1.0%	
14	1.5%	
13	2.0%	New default rate
12	2.5%	
11	3.0%	
10	3.5%	
Note 1: Only available if the employee had no tax liability last year and does not expect to have any tax liability in the current year. Annual renewal required.		

Please note: The State, as an employer, cannot give tax advice to employees and should direct employees with questions to their personal tax advisor.

A-4s (Arizona Withholding Percentage Election / Exempt Status)

The 2022 DOR Form A-4 that indicated an employee as “Exempt” from paying state income taxes expires on February 15, 2023. Employees must file a new 2023 DOR Form A-4 to claim exempt status for the 2023 calendar year. If the employee does not provide a new Form A-4 by February 15, 2023, agencies must change the tax status on PR14 to withhold taxes at the default 2.0% (Formula 13). Reports are available in the HRIS Data Warehouse for agencies to obtain this data on-demand. Direct employees to www.AZDOR.gov for the new form.

W-4s (Employee’s Withholding Allowance Certificate / Exempt Status)

A 2022 IRS Form W-4, which indicated an employee as “Exempt” from paying federal income taxes, expires on February 15, 2023. Employees must file a new 2023 IRS Form W-4 to claim exempt status for the 2023 calendar year. Agencies must change the tax status on PR13 to withhold taxes as if the employee is single by February 16, 2023 if the employee was previously exempt and if no 2023 W-4 is on file. Reports are available in the HRIS Data Warehouse for agencies to obtain this data on-demand. Direct employees to www.IRS.gov for the new form.

In 2020, the IRS released a redesigned version of the Form W-4 to reduce complexity and increase transparency and accuracy of the withholding system. Although employees are not required to submit a new 2023 Form W-4, they are encouraged to use the Tax Withholding Estimator (for their personal tax situation) on the IRS website at <https://www.irs.gov/individuals/tax-withholding-estimator>. Please note: The State, as an employer, cannot give tax advice to employees and should direct employees with questions to their personal tax advisor.

Federal and State Income Tax Withholding Tables

The GAO will post updated tax tables in the Agency Payroll Guide when new rates become available.

Social Security Tax Deductions

Effective January 1, 2023, the maximum amount of earnings subject to Social Security will increase from \$147,000 to \$160,200. The tax rate for employees and employers will be 6.2%.

Medicare Tax Deductions

Still effective since January 1, 2013, The Patient Protection and Affordable Care Act includes a provision that imposes an additional 0.9% Medicare Tax on taxpayers receiving wages from their employer in excess of \$200,000 per year. Therefore, 2023 Medicare Tax will be 1.45% for the employer. For the employee, the Medicare Tax will be 1.45% up to \$200,000 and 2.35% for the employee on applicable wages in excess of \$200,000.

Leave Roll Back

For the payday of January 12, 2023, an employee's annual leave balance will be adjusted to show the following:

- Deduction of annual leave used during the 12/24/2022 to 1/06/2023 pay period.
- Forfeiture of any annual leave hours in excess of the maximum.
 - 240 hours for covered employees and 320 hours for uncovered employees.
- Addition of annual leave accrued during the 12/24/2022 to 1/06/2023 pay period.

Holiday leave balances are not included in the calculation of determining excess leave.

Additionally, on December 30, 2022, the Family Sick leave balance will be reset to 40 hours.

2022 W-2s (Wage & Tax Statement) – Consenting to Electronic Delivery & Availability

In an effort to protect employee sensitive information, we recommend that individuals consent to receive their W-2s electronically. Additionally, those who consent to receive their W-2 online will have advance access to their W-2 beginning in early January 2023. Mailing of any printed W-2s will not occur until close to the January 31, 2023 deadline. Please encourage employees to consider receiving their W-2 online.

To consent to getting W-2s online:

- Visit <https://hrsystems.azdoa.gov/>
- Click “Login” in the YES Portal section, enter YES username (yourEIN@hris.az.gov) and password, and click “Sign in”.
- Click “Your Employee Services”, click “Pay”, click “Pay Documents”, the MHC Software window displays. If prompted, enter YES username (yourEIN@hris.az.gov) and password.
- If you have already authorized, a green “Authorized” displays under W2 in My Delivery Settings. If not, click “Authorization Required”.
- Click “Print Test”.

Printing to PDF and saving to the Desktop is ok.

• Click “I Agree”.

• Under My Delivery Options W2 tab, designate a secondary email address.

Primary email address: auto-populated from HRIS (for active employees only)

Secondary email address: defined by the current/former employee

• Click “Submit”.

Encourage employees to keep their Mailing address current. Employees can update their Home and Mailing addresses in real time through the YES website by clicking “Personal Information” and then “Contact Information”. The last day to update the Mailing Address for W-2s is December 29, 2022.

2022 1095-C (Employer-Provided Health Insurance Offer and Coverage) Statements

Form 1095-C includes information about health insurance coverage offered to employees. The Affordable Care Act (ACA) requires that the State must offer employees compensated for 30 or more hours of service, health coverage for employees and their dependents at an affordable price and meets minimum essential standards. Therefore, all State employees with benefit coverage through ADOA during 2022 are mailed an IRS 1095-C Statement by the IRS deadline of January 31, 2023. These statements are mailed independent of the W-2 document.

If you have any questions about the information provided, please email Central.Payroll@azdoa.gov or contact Tracey Smith at (602) 542-6086.

HRIS Critical Dates - November - December 2022

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
20 NOVEMBER	21	22	23	24 THANKSGIVING HOLIDAY	25	26 PAY PERIOD BEGIN
27	28	29 COMPUTE	30 NOVEMBER	1 DECEMBER PAYDAY 24	2 PAY PERIOD END	3
4	5	6	7	8	9	10 PAY PERIOD BEGIN
11	12	13 COMPUTE	14	15 PAYDAY 25	16	17
18	19 Recommend Agency run Data Warehouse Reports of 2022 Tax Exempt Employees	20	21	22 Deadline to submit Overpays with adjustments to Federal/State tax	23	24 PAY PERIOD BEGIN
25	26	27 COMPUTE	28	29 PAYDAY 26	30 PAY PERIOD END	31
Overpays for years 2022 and prior cannot refund Federal/State withholding taxes						
	CHRISTMAS HOLIDAY				Deadline for W2 address changes via YES	HRIS SECURITY ON FOR ALL (CYE Updates)
	PAYMENTS MAILED			PAYMENTS MAILED	Last chance to pay in 2022	Family Sick Leave Reset
		PAYMENTS MAILED				NO HANDWRITES

HRIS Critical Dates - January - February 2023

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
25 DECEMBER	26	27 COMPUTE	28	29 PAYDAY 26	30	31
Overpays for years 2022 and prior cannot refund Federal/State withholding taxes						
	CHRISTMAS HOLIDAY			Deadline for W2 address changes via YES	HRIS SECURITY ON FOR ALL (CYE Updates)	
	PAYMENTS MAILED	PAYMENTS MAILED	PAYMENTS MAILED	Last chance to pay in 2022	Family Sick Leave Reset	
1 JANUARY	2	3	4	5	6	7 PAY PERIOD BEGIN
	NEW YEARS HOLIDAY				Last day to use Excess Annual Leave before Roll	
					Target Date: 2022 W2s online for those consented. Notification e-mails will be sent per IRS requirements	
					PAY PERIOD END	
8	9	10 COMPUTE	11	12 PAYDAY 1	13	14
	Last day to consent to <u>NOT</u> receive W-2 by mail	ANNUAL LEAVE ROLL				
15	16	17	18	19	20	21 PAY PERIOD BEGIN
	MARTIN LUTHER KING JR. HOLIDAY		Prior Year Adjustments System unavallable until 10 am YES available			
					PAY PERIOD END	
22	23	24 COMPUTE	25	26 PAYDAY 2	27	28
				Target Date: W-2s mailed to address as of 12/29/22	W-2s online for ALL (direct employees wanting a duplicate W-2 to YES)	
29	30	31 JANUARY	1 FEBRUARY	2	3	4 PAY PERIOD BEGIN
			Form GAO - W-2 for requesting paper duplicates accepted			
					PAY PERIOD END	
5	6	7 COMPUTE	8	9 PAYDAY 3	10	11
12	13	14	15	16	17	18 PAY PERIOD BEGIN
		2022 A-4 Exempt expires. If 2023 A-4 Exempt not filed Set to 2.0% (13) 2022 W4 Exempt expires. If 2023 W-4 Exempt not filed set to Single				
					PAY PERIOD END	