

**STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION**

TOPIC	PAYROLL	SUB-SECTION 20.20.05
SECTION	PROCESSING	ISSUANCE DATE May 30, 2008
SUB-SECTION	TAXES	REVISED - 2018

TAXES

Federal and state taxes are calculated in SPAHRS using information provided by each individual. These withholdings are based on the pay date, not the pay period. SPAHRS treats retirement withholdings as taxes which are set at a predetermined rate.

FORM W-4

An individual must complete a Form W-4 Employee's Withholding Allowance Certificate when they begin employment with the state or transfer to another agency. Based on this information, SPAHRS calculates the amount of federal income tax to be withheld. The agency must have a Form W-4 on file for each individual. A new Form W-4 should be submitted to refigure an individual's withholding if their tax situation changes.

If an individual does not sign a Form W-4, the agency should withhold tax as if the individual is single, with no withholding allowances. Individuals that claim 'exemption from withholding' must file a new Form W-4 each year.

The Form W-4 and instructions are available at <http://www.irs.gov/pub/irs-pdf/fw4.pdf>.

FORM W-5

An individual eligible to receive part of the earned income credit (EIC) in advance must complete a Form W-5 Earned Income Credit Advance Payment. Based on this information, SPAHRS calculates the amount of EIC to be paid.

Form W-5 remains effective until December 31st of the calendar year. Eligible individuals must file a new Form W-5 each year. The EIC tax record must be expired on December 31. The SPAHRS EIC report can be run to assist in identifying those records that need to be expired. A new Form W-5 should be submitted if the individual's situation changes. If the individual receives advance EIC payments and finds they are not eligible for the EIC, they must pay back these payments when filing their federal tax return.

The Form W-5 and instructions are available at <http://www.irs.gov/pub/irs-pdf/fw5.pdf>.

PUBLICATION 15 - CIRCULAR E

Circular E, Employer's Tax Guide, explains the requirements for withholding, depositing, reporting, and paying taxes. Detailed guidance regarding Forms W-4 and W-5 is discussed. This publication should be reviewed by the payroll officer in order to understand responsibilities of the employer.

Based on the tax tables contained within Circular E, DFA updates the related tax information in SPAHRS. DFA deposits, reports and pays the taxes withheld.

Circular E is available at <http://www.irs.gov/pub/irs-pdf/p15.pdf>.

STATE WITHHOLDINGS

An individual must complete a Mississippi Employee's Withholding Exemption Certificate (form 89-350-98-1) when they begin employment with the state or transfer to another agency. Based on this information, SPAHRS calculates the amount of state income tax to be withheld. If an individual does not file an exemption certificate, the agency will withhold state income tax on total wages without the benefit of exemption.

The agency must have this certificate on file for each individual. A new exemption certificate must be submitted within 30 days after any change in exemption status.

The Mississippi Employee's Withholding Exemption Certificate (form 89-350-98-1) and instructions are available at

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<http://www.mstc.state.ms.us/taxareas/withhold/89-350001.pdf>.

OUT-OF-STATE TAX WITHHOLDINGS

An individual that works for the State, but lives and performs the duties of their job out-of-state, is not subject to MS taxes. However, the individual is subject to taxes of the state in which they live, if applicable. In order to withhold these taxes, MMRS must establish a separate deduction code in SPAHRS. In addition, a MS state tax record must be created for the individual in SPAHRS with an exempt status.

A warrant is created for withholdings payable to another state. The warrant is received by the agency and must be sent to DFA. BFR mails the warrant along with a payment coupon to the appropriate state. The individual's W-2 will reflect the taxes withheld for the other state.

RETIREMENT WITHHOLDINGS

Every employee in a covered position must complete an Enrollment Form (PERS Form 1) and a Beneficiary Nomination Form (PERS Form 1B) at the time of employment. Any changes in an employee's information (i.e. change of beneficiary, change in marital status, etc.) should be made using the Change of Information Form (PERS Form 1-C). Periodically agencies should advise employees to update their beneficiaries with PERS.

The employee eligibility sequence number in SPAHRS determines an individual's participation in a retirement plan. The retirement plans are linked to the employee's position. Retirement calculations are automatically calculated and require no input.

PERS establishes maximum wages on which retirement contributions must be withheld. When an individual reaches the maximum during the fiscal year (July 1 - June 30), the withholdings are suspended until the next fiscal year. The PERS Member Handbook contains the fiscal year limits.

Retirement wages must be transferred from one agency to another if an individual is employed by more than one agency in a fiscal year. This is entered on the Maintain Retirement Programs screen within SPAHRS.

PERS forms and the Member Handbook are available at <http://www.pers.state.ms.us>.

SOCIAL SECURITY WITHHOLDINGS

FICA and Medicare taxes are withheld at a rate set by the Federal government. While FICA has an annual maximum wage base amount that is subject to taxation, Medicare does not. Once the maximum FICA wage base amount is reached, SPAHRS no longer withholds FICA during the calendar year.

If an individual is employed by multiple agencies at the same time during a calendar year and the maximum FICA wage base is reached, special processing instructions will be provided by BFR to ensure correct withholdings.

If an individual transfers from one agency to another during a calendar year, enter FICA wages from the old agency on the federal tax record of the new agency. If wages are transferred during a calendar year, the federal tax record must expire on December 31 of that year and a new record created with an effective date of January 1 of the next year. If an individual comes from a non-state entity, the FICA wages are not entered.