Employee Impact Notice: 27 Pay Period Earning Year

DATE: December 29, 2014

SUBJECT: Understanding 27 Paydays in Pay Year 2015

RESOURCE:
- DFAS-Indianapolis Civilian Payroll Office

Subject: 27 Paydays in Pay Year 2015 – **First Friday Pay Customers Only**

Periodically, the pay year will be comprised of 27 paydays instead of the more common 26 paydays. When this occurs as it does for pay year 2015, some deduction and withholding amounts may be affected. The purpose of this memorandum is to provide information to assist in answering questions regarding the impact of the 27 paydays.

Deductions Impacted Due to 27 Paydays in Pay Year 2015

1. Federal Tax - The Defense Civilian Pay System (DCPS) annualizes biweekly earnings to determine the tax deduction amount. For Pay Year 2015, 27 paydays of earnings will be used in the calculation, which may result in an increase in the biweekly tax deduction.

2. State Tax - DCPS also annualizes biweekly earnings to determine the State Tax deduction amount. Because there are 27 pay periods, there is one additional payday of earnings and also one more payday used in the annualizing process, which may result in an increase in the biweekly state tax deduction.

3. Local Tax Deduction – Most local taxes are based on percentages applied to subject earnings, and as such would not be impacted. However, there are some local taxes that are based on the Federal withholding and therefore could be impacted. If there are any questions about the calculation of a local tax, please consult the DCPS Users Guide for additional information.

4. Thrift Savings Plan (TSP) – Federal Employees Retirement System (FERS) employees may exceed the TSP maximum deduction amount if 27 paydays is not used to determine the pay period deduction amount. Care should be taken when determining the biweekly deduction so that the employee will receive the maximum amount of matching Government contributions. If the TSP contribution is calculated based on 26 paydays versus 27 paydays, the employee will reach the maximum contribution prior to the end of the pay year. This will result in the loss of matching Government contributions. Employees are encouraged to review their TSP elections during the next open season for 2015 to avoid a potential loss of TSP matching Government contributions.

5. TSP Catch-Up Contributions – The amount to be withheld each payday may be calculated using 27 paydays versus the normal 26 paydays.

Deductions Not Impacted Due to 27 Paydays in Pay Year 2015

1. Charity – There is no impact because Charity deductions begin the first full pay period of the calendar year and only 26 deductions will be withheld as normally done.

2. Flexible Spending Account (Dependent Care and Health Care) – The Flexible Spending Account provider will stop the deduction when the annual authorized amount has been deducted and restart the deduction in the next pay year if authorized. The provider will also make any necessary adjustments to the deduction amount to ensure that no more than the annual authorized amount is collected.

3. Long Term Care (Dependent Premium and Employee Premium) – Deductions for Long Term Care will be stopped by the provider when the annual authorized amount has been deducted and restarted in the next pay year. The provider will also make any necessary adjustments to the deduction amount to ensure that no more than the annual authorized amount is collected.

4. TSP Loans and Military Deposits – 27 deductions will be taken because deductions are calculated as a biweekly amount.

5. Voluntary Child Support, Voluntary Alimony, Voluntary Payment of Back Taxes and Savings Allotments – The normal biweekly amount requested by the employee will be deducted for 27 paydays.

6. Federal Employees Group Life Insurance (FEGLI) for nine-month educators - The prorated deduction amount will not change.