



Pennsylvania
Office of the Budget

MEMO

TO: All Human Resource Directors for
Agencies Serviced by the
Bureau of Commonwealth Payroll Operations (BCPO)

FROM: Stephen R. Burns
Director
Bureau of Commonwealth Payroll Operations

DATE: December 23, 2025

RE: BCPO Payroll Memo #25-09, Federal Taxable Wages - 2025

Beginning **January 7, 2026**, commonwealth employees' IRS Form W-2, *Wage and Tax Statement*, will be available via Employee Self Service (ESS). Employees will be able to view and print their official form from ESS under the "Payroll Information" heading. For employees who did not elect to only receive their W-2s online, the paper forms are scheduled to be mailed on **January 21, 2026**.

If employees have questions regarding their earnings on Form W-2, they can obtain their earnings and deduction totals by viewing their final pay statement for **2025**. We have attached Calculation Guidelines which will assist in the reconciliation of the Gross Earnings shown on the pay statement to the amount of Federal Taxable Wages (wages, tips, other compensation) reflected on Form W-2, Box 1. See Attachment #1.

To further assist employees in understanding their Form W-2 information, a list of Frequently Asked Questions (FAQs) is attached. See Attachment #2.

Notes:

- Box 12 -The value of health care coverage will be reported in Box 12 with the code DD. This amount is required by employers to comply with the Affordable Care Act and is for informational purposes only.
- Box 14 - Data was added for informational purposes and represents the total amount of Local Services Tax, Occupational Privilege Tax, Taxable Vehicle, Imputed Income for Flexible Spending Account (FSA) and/or Health Reimbursement Arrangement (HRA). These are NOT additional wages and are also included in Federal/State/Local/Social Security/Medicare wages. Please consult your tax preparer if you have additional questions.

This memo and Attachments can also be viewed on our web site at: [Payroll News & Memos](#)



Attachments

cc: John Kaschak, Deputy Secretary for Comptroller Operations, Office of the Budget
Jason Swarthout, Deputy Secretary for Human Resources and Management
Lisette Lindsay, IES Business Operations Human Resources Manager
Michele Wiest, IES Business Operations Payroll Manager
Bureau Directors

CALCULATION GUIDELINES**RECONCILIATION OF GROSS EARNINGS TO FEDERAL TAXABLE WAGES**

The amount of Federal Taxable Wages (Wages, Tips, Other Compensation) shown in Box 1 of the **2025** W-2, "Wage and Tax Statement", may differ from the amount of Gross Earnings received during the calendar year as shown on the "Employee Pay Statement". Any difference is a result of one or more adjustments to federal taxable wages shown below:

GROSS EARNINGS

As shown on the last Employee Pay Statement for **2025 (12/19 or 12/26)**

\$ XXXX.XX

PLUS

*TAXABLE BENEFIT STATE VEHICLE – For those employees who were permanently assigned State Vehicles and park the vehicle overnight at their residence. (IRS Code Sections 61 and 132).....	XXXX.XX
*TAXABLE BENEFIT MOVING EXPENSE – For those employees who were reimbursed for taxable moving expenses incurred. (IRS Code Section 132)	XXXX.XX
*TAXABLE BENEFIT PARKING – For those employees who have employer-provided parking more than \$325.00 per month. (IRS Code Section 132)	XXXX.XX
*TAXABLE BENEFIT GROUP LEGAL SERVICES – For those employees who are provided with an employer-prepaid group legal service. (IRS Code Section 120)	XXXX.XX
*TAXABLE MEAL PAYMENTS AND TRAVEL OT MEAL PAYMENTS (TOM) – If you received a non-overnight meal reimbursement in 2025 , you will be taxed on this payment (IRS Code Section 132).	XXXX.XX

MINUS EARNINGS

*HEART AND LUNG ACT OR ACT 534/632 EARNINGS – Nontaxable Earnings provided by statute in lieu of Workers Compensation benefits.....	XXXX.XX
*INSURANCE PREMIUM PAYMENTS – Amounts paid to an employee for reimbursement of employee-paid medical insurance premium as part of a grievance settlement.....	XXXX.XX
*NONTAXABLE PAYMENTS – Amounts paid to an employee for nontaxable reimbursements and payments.	XXXX.XX

MINUS DEDUCTIONS

*RETIREMENT PICKUP CONTRIBUTIONS (Non-Heart & Lung, or Act 534/632 Earnings).	XXXX.XX
*RETIREMENT SSI PICKUP CONTRIBUTIONS.....	XXXX.XX
*PRE-TAX MEDICAL DEDUCTIONS – (IRS Code Section 125)	XXXX.XX
*NONTAXABLE MAINTENANCE DEDUCTIONS – For those employees who had Nontaxable Maintenance Deductions during the year.....	XXXX.XX
*DEFERRED COMPENSATION DEDUCTIONS – (IRS Code Section 457)	XXXX.XX
*DEPENDENT CARE ASSISTANCE PROGRAM DEDUCTIONS – (IRS Code Section 129)	XXXX.XX
*MEDICAL FLEXIBLE SPENDING ACCOUNT (FSA) – (IRS Code Section 125)	XXXX.XX
*OVERPAYMENT RECOVERY – Taxable overpayments from a prior period reduce current period gross taxable earnings.....	XXXX.XX

<u>EQUALS FEDERAL TAXABLE WAGES</u>	\$ <u>XXXX.XX</u>
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MISCELLANEOUS INCOME

*MISCELLANEOUS INCOME PAYMENTS – Amounts paid to an employee for a taxable grievance settlement, or a reimbursement of overpaid retirement contribution (IRS Form 1099-MISC)	XXXX.XX
*INTEREST PAYMENTS – Amounts paid to an employee for interest award by a court or arbitrator, or interest on overpaid retirement contribution (IRS Form 1099-INT)	XXXX.XX
*SURVIVOR PAYMENTS – Payments made on behalf of deceased employees to a survivor, beneficiary, or personal representative (IRS Form 1099-MISC)	XXXX.XX



W-2 Frequently Asked Questions

What's New

1. **Question:** How is my overtime being treated under the One Big Beautiful Bill Act?

Answer: The IRS has deemed tax year 2025 as a transition period and as a result the amount of qualified overtime does not appear on your 2025 W-2. While not required to do so, the Commonwealth will be issuing a separate letter to eligible employees who received FLSA qualified overtime compensation during tax year 2025. The letter will be sent via US Mail in mid-January 2026 to the employee's mailing address on record in SAP.

Taxes

1. **Question:** Why is there a number 22 in Box 20 instead of my residence or work locality?

Answer: With the passage of Pennsylvania Act 32 (effective January 1, 2012) the Commonwealth, as an employer, withholds and remits local earned income taxes to a single tax collector instead of to the various municipalities. The Commonwealth has elected to remit taxes withheld for all employees outside of Philadelphia to the designated collector for Dauphin County, Keystone Collections Group, which is represented on the Form W-2 as code 22.

2. **Question:** My Box 20 says "Philadelphia" instead of "22". Is that correct?

Answer: Philadelphia is exempt from Act 32. If you live or work in Philadelphia, your W-2 should continue to show Philadelphia for any wage tax deducted and remitted to the City of Philadelphia.

3. **Question:** I lived in multiple municipalities. How do I prorate local wages that were reported to "22"?

Answer: Unfortunately, the Commonwealth is unable to offer tax advice to employees. Please check with your tax preparer or county appointed collector for questions regarding proper filing methods.

- 4. Question:** My residence locality levies a 1% tax, but my workplace locality levies a 1.5% tax. Why is 1.5% being withheld?

Answer: The Commonwealth, as an employer, is obligated to withhold taxes for the locality (residence or work) that levies the highest rate. If the rates of the residence and work localities are equal, withholding is to the residence. This policy is unchanged by Act 32.

- 5. Question:** Why are there no taxable wages reported in Box 18?

Answer: If you both live and work in a municipality with no local withholding tax, Box 18 will be blank.

- 6. Question:** Why is there no federal income tax withheld on my Form W-2?

Answer: Check your last employee pay statement for the year to verify if you had taxes withheld on your earnings. If not, you may not have enough taxable earnings to pay income tax, you may have claimed exemptions that reduce your taxable gross to a level that no tax is withheld, or you may have claimed exempt from federal withholding. You may verify your exemptions via ESS > Payroll Information or by contacting the HR Service Center* at 866.377.2672.

- 7. Question:** Why aren't my state taxes listed on my Form W-2?

Answer: If you receive multiple Form W-2's that are mailed separately, your state taxes will be on only one of your Form W-2's. See question #1 in the FAQ section "Multiple W-2s, No W-2, Corrected W-2s" below to determine if you may have received multiple W-2's.

- 8. Question:** Why am I paying more state taxes than the 3.07% required?

Answer: You may verify if you have additional state withholding tax deductions via ESS > Payroll Information or by contacting the HR Service Center* at 866.377.2672.

- 9. Question:** Why is there an amount in Box 14 on my Form W-2?

Answer: Box 14 data was added for informational purposes and represents the total amount of Local Services Tax, Occupational Privilege Tax, Taxable Vehicle, Imputed Income for Flexible Spending Account (FSA) and/or Health Reimbursement Arrangement (HRA). Please consult your tax preparer if you have additional questions.

- 10. Question:** Why are military stipends showing in Box 1 of the Form W-2 as opposed to Form 1099-Misc?

Answer: The IRS has determined that military stipend payments are properly reported on Form W-2 for federal tax payments.

- 11. Question:** I discovered that my address and residence locality were not changed in the HR/payroll system after I moved in 2025. May I request a retroactive address change for 2025 to correct the taxes?

Answer: No. Local taxes cannot be changed after the final processing of the year. You should file with the proper municipality or prorate between the old and new municipality. The proper municipality will collect from the municipality that received the taxes in error.

Earnings

- 1. Question:** Why don't the total gross earnings on my employee statement match the amounts on my Form W-2?

Answer: The total gross earnings on your employee statement are a total of all the payments made to you for the tax year, including taxable and non-taxable payments. This is not the same as taxable wages shown in Box 1 of your Form W-2. Some examples of non-taxable payments are Act 534/632 or Heart and Lung injury leave. Certain deductions are treated as pre-tax deductions and are subtracted from your taxable gross earnings such as overpayment deductions, retirement, deferred compensation and pre-tax medical. Also, certain non-cash compensation adds to your gross taxable wages such as taxable vehicle, taxable moving expense and taxable parking. Please see the [calculations guidelines](#) provided by the Office of the Budget, Bureau of Commonwealth Payroll Operations (BCPO).

- 2. Question:** Why are my Federal Taxable Wages (Box 1 on Form W-2) lower than my other wages?

Answer: Federal taxable wages are reduced by pre-tax deductions such as retirement and deferred compensation. Please see the [calculations guidelines](#) provided by the Office of the Budget, Bureau of Commonwealth Payroll Operations (BCPO).

- 3. Question:** I was on Act 534/632 or Heart and Lung injury leave for the entire year. Should I receive a Form W-2?

Answer: Even if you have no taxable earnings or withholding, you will receive a Form W-2 if you paid either occupational privilege tax (OPT) or local services tax (LST). These amounts are included in Box 14 for informational purposes.

- 4. Question:** I retired this year and received annuity payments. Why aren't these payments reflected on my Form W-2?

Answer: Retirement payments are not reported on Form W-2. You will receive a Form 1099-R from the State Employees' Retirement System or the Public School Employees' Retirement System.

- 5. Question:** Why aren't my retirement pickup contributions listed in Box 12 on my Form W-2?

Answer: Form W-2 does not show the amount of retirement contributions, only a check in the retirement plan box.

- 6. Question:** What are the amounts listed in Box 12 of my Form W-2?

Answer: Box 12 is for items specifically defined by the IRS. The most common are elective deferrals such as our deferred compensation program (code G) or Roth IRA contributions (code EE) and the actuarial value of your employer provided Health Benefits (code DD). This value of health benefits is not related to either employee or employer contributions and may vary based on benefit plan, dependent coverage and the number of pay periods in an active status. This value is listed for informational purposes only in accordance with the Affordable Care Act and is **not** taxable income.

Multiple W-2s, No W-2, Corrected W-2s

- 1. Question:** Why did I receive multiple Form W-2's?

Answer: You may receive multiple Form W-2's for any of the following reasons:
You lived in more than one state during the calendar year.

You lived in a state other than PA but worked in PA during the calendar year.

You changed either your residence or work location to or from Philadelphia during the calendar year.

You were in a dual employment situation (held two distinct positions concurrently for the Commonwealth).

- 2. Question:** I moved during the year and had multiple taxing jurisdictions. Why didn't I receive multiple Form W-2's?

Answer: With the passage of Pennsylvania Act 32 (effective January 1, 2012) the Commonwealth, as an employer, withholds and remits local earned income taxes to a single tax collector for all municipalities except Philadelphia. The primary reason for receiving two Form W-2's is moving into or out of Philadelphia or changing your work location into or out of Philadelphia. If you did so (or meet any of the other criteria listed in #1 above) and still only received one Form W-2, please verify the accuracy of your records with the HR Service Center* at 866.377.2672.

- 3. Question:** I worked in two different agencies this year. Will I be receiving two Form W-2's?

Answer: No. Earnings are maintained in the HR/payroll system by personnel number. You will receive multiple Form W-2's only if you were a dual employee and were assigned two or more personnel numbers.

- 4. Question:** I started working in December of 2025, why didn't I receive a Form W-2?

Answer: Please check your first employee pay statement. If you did not receive your first payment until 2026, you will not receive a Form W-2 for 2025. Taxes are based on when wages are paid, not earned.

- 5. Question:** I changed my name effective February 2, 2025. Why did I receive a corrected Form W-2 for a prior year?

Answer: Please check with the HR Service Center* at 866.377.2672 to verify that the effective date was entered properly.

Miscellaneous

- 1. Question:** Why is the Bureau of Commonwealth Payroll Operations (BCPO) shown as the employer on my Form W-2 instead of my agency?

Answer: The Commonwealth's HR/payroll system cannot have multiple employers, which is what would be necessary to provide an agency name on your Form W-2. Therefore, the employer's name listed on all Form W-2's is BCPO.

- 2. Question:** I did not receive/can't find my W-2. Where can I get a duplicate copy?

Answer: Employees with access to Employee Self Service (ESS) can print a duplicate copy of their W-2 any time after February 1. Go to ESS > Payroll Information > Print Duplicate W2/W2C Forms". Employees without ESS access should contact the HR Service Center* at 866.377.2672 for assistance.



Need more info?

www.myWorkplace.state.pa.us

No ESS access?

www.myHRonline.state.pa.us

Mail to:

HR Service Center
P.O. Box 824 | Harrisburg PA 17108-0824

* Employees of the Liquor Control Board, Office of the Attorney General, Gaming Control Board, Public Utility Commission and other agencies not under the Governor's jurisdiction should contact their local HR office for assistance.