

STATE CONTROLLER'S OFFICE  
PERSONNEL AND PAYROLL SERVICES DIVISION  
P.O. BOX 942850  
SACRAMENTO, CA 94250-5878

DATE: July 6, 2012

PAYROLL LETTER #12-009  
(CIVIL SERVICE ONLY)

TO: All Agencies in the Uniform State Payroll System

FROM: Lisa Crowe, Chief  
Personnel and Payroll Services Division (PPSD)

**RE: STATE DISABILITY INSURANCE (SDI) SUBJECT GROSS WAGE BASE - ADDENDUM  
#1**

Payroll Letter #12-008 reported that the SDI gross wage base does not take into consideration pre-tax deductions made under the state's Flex Elect program and an assessment of the changes needed to the payroll system was underway. Based on the review, the payroll modifications were identified and will be implemented in two phases. Note: The new MyCalPAYS payroll system does properly calculate the SDI tax withholdings.

The first phase will involve correcting the SDI taxes on a one month lag basis beginning with the July 2012 pay period payrolls for the SDI taxes withheld for the June 2012 pay period. This process entails reviewing the prior month payrolls and establishing a one-time SDI adjustment deduction to apply to the current month master payrolls (e.g., in July 2012, the SDI taxes withheld from June 2012 pay period payrolls will be re-calculated and any differences applied to the July 2012 payrolls as one-time SDI adjustment deduction).

The second phase will involve payroll system modifications to correctly calculate SDI taxes as payrolls are issued. The programming changes are in progress and scheduled to be implemented during the latter part of 2012. Also, as indicated in Payroll Letter #12-008 retroactive adjustments for the prior pay periods will also occur. The adjustments are planned to take place by the end of 2012 as well.

Further details regarding the initial changes planned for the July 2012 master payrolls are forthcoming. Before then, please direct any questions to John Ochoa at (916) 322-8115 or [JOchoa@sco.ca.gov](mailto:JOchoa@sco.ca.gov) or Maria Banuelos at (916) 327-8705 or [MBanuelos@sco.ca.gov](mailto:MBanuelos@sco.ca.gov).

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