

## Collecting Payroll Overpayments

**Effective Date:** July 1, 2015

**Function:** Payroll

**Contact:** RFFinance@rfsuny.org

### Basis for Procedure

On occasion, payments are made to an employee that they have not earned due to an input error or when notification of termination and/or leave is not submitted to the payroll office in a timely fashion. All such errors should be corrected as soon as possible. This document outlines the methods used to recoup the payment in the current, prior, or subsequent calendar year.

### Procedure Summary

#### Overpayment Discovered Prior to Distribution of Check

When it is discovered that a check has been issued in an incorrect amount and this issue is discovered before the check has been distributed to the employee, the operating location should return the original payroll check to Central Office and request that the check be reversed. The assignment record should be updated to reflect any changes in status.

### Recoupment Methods

When the overpayment is discovered after the check has been issued or in the case of a direct deposit see the following methods for recouping the payment.

#### Payroll Recoupment

Where practicable and when the employee is currently active on payroll (e.g., is currently employed on the RF payroll and is not on an unpaid leave of absence, recoupment should generally be made through payroll deductions.

When taking the overpayment through payroll, you must inform the employee via a completed Salary Adjustment Form within eight weeks of the date the overpayment occurred and three weeks prior to the proposed deduction. The Salary Adjustment Form need not be returned or signed by the employee in order to take the payroll deduction. You must also provide the employee the Notice of Salary Adjustment Appeal Process.

For example, if the overpayment occurred on April 17, the Salary Adjustment Form must be provided to the employee by June 12. If you are moving forward with a payroll deduction, you could begin payroll deductions three weeks following the date the Salary Adjustment Form is provided to the employee. The adjustment for the overpayment can be made in a subsequent payroll period or over multiple payroll periods using the recurring element Recur Adj Prior Payment Retro.

Repayment may not exceed 12.5% of the gross wages earned in that wage payment and may not reduce the effective hourly wage below the state minimum wage.

Example:

An employee's repayment plan provides that the employee will repay an overpayment at \$25/week. The employee works 40 hours at \$8.75, earning \$350 gross income. While the repayment does not exceed 12.5% of the employee's gross wages, the deduction would result in an hourly rate of \$8.13 - below the state minimum wage. The deduction is therefore not permitted for that pay period.

### Vacation Payment

If an individual's employment has ended or will end in the near future and where there is payment for accrued, unused vacation due to be paid to the employee, it is possible to recoup overpayments from the vacation payment.

Operating locations must notify the employee in writing at least 3 days in advance of recouping the overpayment from the vacation payment. The notification must be kept in the employee's file. As above, the Notice of Salary Adjustment Appeal Process must also be provided to the employee.

It is important to load the full value of the vacation payment in the vacation element and then reduce the payment by adding the Adj Prior Pmt Retro element. This will ensure that the awards will be properly charged/credited.

As noted above, an employee may appeal the deduction with the Corporate Payroll Manager. If an employee has filed a timely appeal with Corporate Payroll Manager, then no recoupment may be made until the appeal process has been completed.

### Appeal Process

An employee may appeal the salary adjustment with the Corporate Payroll Manager not later than one week of employee's receipt of the Salary Adjustment Form. If recoupment will be made in one lump sum from payroll or a vacation cash-out payment, then the employee must submit his/her appeal within 2 days to postpone the recoupment. If an employee has filed a timely appeal with the Corporate Payroll Manager, then no recoupment may be made until the appeal process has been completed. This means you must not input these payroll adjustments for the next payroll if it will run sooner than one week or 2 days from the date the notice was sent. If these deadlines are not met, the employee can still appeal but the deductions will occur. Further adjustments will be made at a later date if the outcome of the appeal process makes it necessary.

In general, the Corporate Payroll Manager handles all the details of the appeal, but will notify the campus immediately upon receiving the appeal and work with them to ensure the proper actions are taken in accordance to the appeal process.

### Repayment of Overpayment by Check

If the employee is not active on payroll or the employee didn't receive a timely completed Salary Adjustment Form, repayment must be made pursuant to a personal check, cashier's check or money order.

The check or money order should be in the amount of the net value of the overpayment. The net value of the overpayment is determined by subtracting the payment that should have received (after taxes) from the amount that was received (again, after taxes).

Example:

	<b>Total Paid Amounts</b>	<b>Total Earned</b>	<b>Total Difference</b>
Gross Pay	\$ 5,832.75	\$ 5,408.63	\$ 424.12
FIT Withheld	\$ 1,346.47	\$ 1,227.71	\$ 118.76
Medicare	\$ 84.58	\$ 78.42	\$ 6.16
SS Withheld	\$ 361.63	\$ 335.33	\$ 26.30
SIT Withheld (NY)	\$ 376.27	\$ 342.00	\$ 34.27
Health Insurance Deductions	\$ 100.00	\$ 100.00	\$ -
<b>Net Pay</b>	<b>\$ 3,563.80</b>	<b>\$ 3,325.17</b>	<b>\$ 238.63</b>
Total Net Pay received in excess of earnings			<b>\$ 238.63</b>

An employee received gross \$5,832.75 and paid taxes of \$2,169.85 and \$100 in health insurance. In this case, the employee received a net payment of \$3,563.80.

If the employee was entitled to receive \$5,408.63, less taxes of \$1,983.46 and they would also have to pay their health insurance deduction, the employee should have received a net payment of \$3,325.17.

The net value of the over payment is calculated as follows: net received payment (\$3,563.80) – net payment employee was entitled to receive (\$3,325.17) = \$238.63. The net value of the overpayment is \$238.63.

In general, health, voluntary, and retirement deductions should still be withheld if the partial pay is enough to cover these deductions.

Once the operating location has received the payment, the payment should be sent to central office along with the "Payroll Check Correction Form" (pdf) (word). Refer to Payroll Check Correction Form Instructions. The assignment record should be updated to reflect any changes in status.

#### Special Rule for when Overpayment was recovered in Different Calendar Year

When the overpayment being recovered was paid in the prior calendar year, there is a special rule if the employee is NOT active on the payroll. In that case, the amount requested must include the amount for federal and state taxes. IRS rules for repayment of prior year wages allow for adjustments to Social Security and Medicare wages and taxes only. Federal and state income taxes cannot be adjusted once the

original W-2 has been reported (for the RF, this is usually at the beginning of January). Therefore, the RF cannot adjust Box 1 Federal Wages, Box 2 Federal income taxes, or any state wages or income tax on the employees W-2. Instead, once the overpayment has been received, the employee receives a letter from Central Office as a receipt of the funds, stating the employee may take a credit on his/her following year's personal income tax return.

### Prior Year Overpayments

When prior year overpayments are received on or after April of the following year, the last payroll in December of the year that the overpayment occurred is used to process the reversal for the labor schedule. Therefore, the credit for the overpayment will post to the labor schedule that was in effect during that pay period. In cases where the project, task, and award dates are no longer valid, a pregenerated distribution may be requested to move the credit to the correct project, task, and award. Refer to the "Pregenerated Distribution Lines" instructions and forms to request the pregenerated distribution.

### **Definitions**

*None*

### **Related Information**

*None*

### **Forms**

[Salary Adjustment Form-One time Deduction \(doc\)](#)

[Salary Adjustment Form One time Deduction \(pdf\)](#)

[Salary Adjustment Form-Multiple Deductions \(doc\)](#)

[Salary Adjustment Form Multiple Deductions \(pdf\)](#)

[Notice of Salary Adjustment Appeal Process](#)

### **Change History**

<b>Date</b>	<b>Summary of Change</b>
February 28, 2024	Updated Contact
August 4, 2023	Updated contact information
July 1, 2015	Revised to reflect changes in regulation
May 12, 2011	Revised entire procedure to reflect change to Prepayment wording
December 21, 2009	Revised current and prior year overpayment information
January 24, 2006	New Document

### **Feedback**

Was this document clear and easy to follow? Please send your feedback to [webfeedback@rfsuny.org](mailto:webfeedback@rfsuny.org).