



# UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN



## 2009 BUSINESS LEADERSHIP CONFERENCE

# Current Issues in Payroll

March 17, 2009 10:30am-11:45am

March 17, 2009 2:45pm – 4:00pm

# Workshop Presenter(s)

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# Workshop Presenter(s)

- Name: Larry Hanyzewski  
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- Name: Pamela Hatton  
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- Name: Don Smith  
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# Please ...

- Turn off cell phones
- Avoid side conversations
- Hold questions until the end of each topic
- Sign the attendance roster
- Complete the evaluation at the end of the workshop

# Workshop Objectives

- Fringe Assessments: How do they work and how are they charged?
- Taxable Benefits: What are they and how are they reported? How do they affect the employee?
- Adjustments: When should they be processed and why?
- Overpayments: When should they be reported and how are they collected? How do they affect an employee's W-2?

# FRINGE ASSESSMENTS

Presenter: Larry Hanyzewski

# Fringe Assessments

- Introduction
  - What is Fringe?
  - How Fringe Assessments are Calculated
  - How Fringe Assessments are Charged

# Fringe Assessments

## What is Fringe?

- Employer contribution for SURS and FICA
- Employer costs for Health, Life and Dental



# Fringe Assessments

How fringe assessments are calculated

- Deduction Codes
  - FICA (Social Security and Medicare)
  - SURS
  - HLD (Health, Life and Dental)
    - % rate differs by campus
  - Grads

# Fringe Assessments

- HLD
  - Percentage Rates determined by Campuses
    - Grants Offices at each campus
  - NHIDIST
    - HDA and HDF are the assessed rule codes

# Fringe Assessments

- Grads
  - % Calculated by Campus
  - Associated with the Grad Earn Codes
  - Activated from “Fair Share” report
  - Eclass/Employee group changes will prompt termination of fringe deduction code

# Fringe Assessments

## How fringe assessments are charged

- Finance modification determines what funds are charged
- Payroll Labor Distribution Report HRPAY00104

# Fringe Assessments

- Summary of Fringe Assessments
  - What is Fringe?
  - How Fringe Assessments are Calculated
  - How Fringe Assessments are Charged

# TAXABLE BENEFITS

Presenter: Pamela Hatton

# Taxable Benefits

Taxable Benefits are employer provided “non-cash” taxable compensation or fringe benefits; that are subject to withholding such as Federal income tax, State income tax, Social Security and Medicare if applicable. Most taxable benefits are not subject to SURS withholding.

# Taxable Benefits

- Most taxable benefits are reported to University Payroll by University Payables such as reimbursements over 60 days old or taxable moving reimbursements
- Units with multiple employees receiving benefits such as athletic tickets are reported via Excel template
- Units providing individual taxable benefits such as a gift cards are reported through ANA



# Taxable Benefits

## How they affect the employee

- Tax withholding on next available payroll
- Taxable benefits reported after employee's last pay will require gross up on OASDI and Medicare if applicable, which is charged to the employing unit
- Increases Boxes 1, 3, 4, 5, 6, 16 on form W-2 (where applicable)
- Some are reported separately in box 14 on form W-2

See handout

# Taxable Benefits

Department wants to pay the taxes associated with the Taxable Benefit

- Payroll Gross up Calculator

  - <http://www.obfs.uillinois.edu/earnings/calculator.htm>

- Request gross up in ANA, Excel template or Reimbursement

- Effect on W-2

  - Boxes 1, 3, 4, 5, 6, 16 (where applicable)

# ADJUSTMENTS

Presenter: Don Smith

# Adjustments

- Introduction
  - Why adjustments are needed
- When to process adjustments and why
  - Stage of Payment
  - Method of Correction
- How to prevent needing an adjustment

# Adjustments

- Introduction
  - Adjustments are needed to correct the results of the following errors:
    - Monthly employee job record not correct or doesn't exist
    - Biweekly employee job record not correct, doesn't exist or time not entered correctly
  - Result of these errors:
    - Employee will receive incorrect pay
    - Employee has received incorrect pay
    - Employee not paid

# Adjustments

- When to process adjustments and why
  - Stage of the payment
    - Prior to Payday
      - Before Calc
      - After Calc
    - Payday or later

# Adjustments

Method of correction is dependent upon the stage of the payment.

Method of Correction	Payment Stage
Current Pay Period Adjustment	Time approved, not yet calc'd
Pay Stop or Banner Adjustment	Payment calc'd, prior to payday
Banner Adjustment or Overpayment	Payday* or later

# Adjustments

- When to process adjustments and why
  - Method of Correction:
    - ANA (Adjustment Notification Application)
      - Prior to Payday
        - » Before Calc—**Current Pay Period Adjustment**
        - » After Calc—**Pay Stop**
      - Payday\* or later, employee overpaid
        - » **Overpayment**



# Adjustments

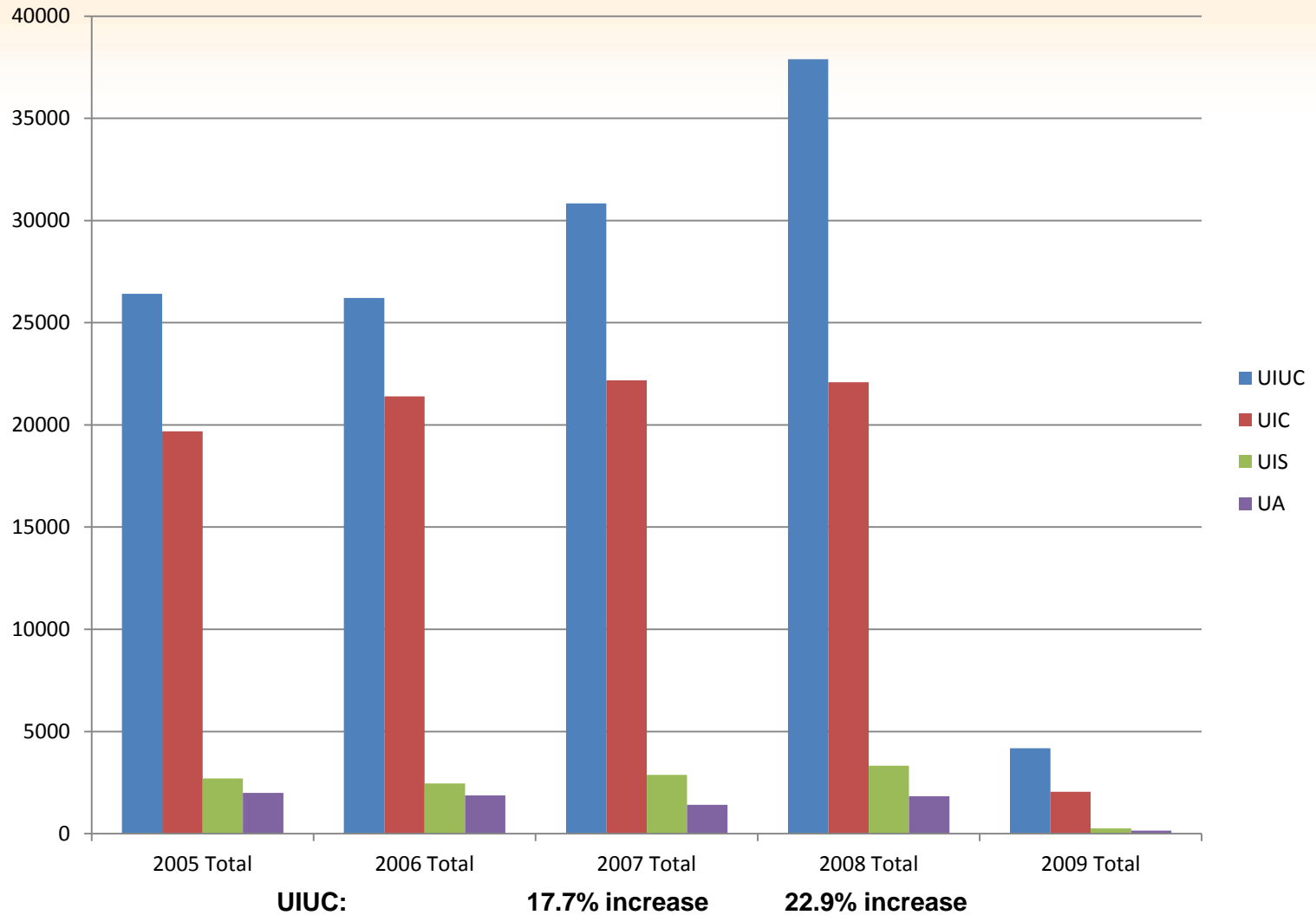
- When to process adjustments and why
  - Method of Correction: (continued)
    - Banner
      - Prior to Payday
        - » Before Calc—**Timesheet Superuser role**
        - » After Calc—**Banner Adjustment** submitted via **Workflow**
      - Payday or later, employee underpaid
        - » **Banner Adjustment** submitted via **Workflow**

# Adjustments

Method of correction is dependent upon the stage of the payment.

Method of Correction	Payment Stage
Current Pay Period Adjustment	Time approved, not yet calc'd
Pay Stop or Banner Adjustment	Payment calc'd, prior to payday
Banner Adjustment or Overpayment	Payday* or later

# Adjustments



# Adjustments

- How to prevent needing an adjustment
  - Make sure all job records are accurate
    - Submit HR Checklist/HRFE by scheduled deadline
    - Verify Effective Dates
    - Verify E-Class and Benefits Category
    - Verify Assigned Salary for Monthly
    - Verify work schedule or default earnings/hours for Bi-Weekly

# Adjustments

- How to prevent needing an adjustment (continued)
  - Make sure time is entered correctly
    - Verify correct hours
    - Verify correct earnings codes
  - HRPAY00104 – Payroll Labor Distribution
    - Prior to payday

# OVERPAYMENTS

Presenter: Don Smith

# Overpayments

- Introduction
- When to report an Overpayment
- Collection of Overpayments
- W-2 impact of Overpayment collections
- Conclusion

# Overpayments

<http://www.obfs.uillinois.edu/obfshome.cfm?level=2&Path=earnings&XMLData=overpayments>

Overpayments may occur due to:

- Administrative error
  - Job records not ended on time
  - Work schedule / default hours not ended correctly
  - Data entry / time reporting errors during time entry

Both the employing unit and University Payroll have responsibilities to resolve overpayment situations pursuant to OBFS Policy and/or Internal Revenue Code (Publication 15).



# Overpayments

- When to Report an Overpayment
  - As soon as you identify it - HRPAY00104
  - How to report an Overpayment in ANA
    - Before Calc—**Current Pay Period Adjustment**
    - After Calc and Before Payday\*—**PayStop**
    - Payday\* or later—**Overpayment**

- Collection of Overpayments
  - Gross collections from earnings
    - Within same year of overpayment
    - Automatically recalculates deductions/withholdings
  - Net collections deduction
    - For overpayments reported from a prior year
    - Manual recalculation of deductions/withholdings
  - Personal Check / Money Order
  - Agreements

# Overpayments

- W-2 impact of Overpayment collections
  - ANA processed by payroll in same year as overpayment
    - Gross collected in same year as overpaid
      - W-2 not issued yet - No impact
    - Net collected in same year as overpaid
      - Federal / State and FICA reversed when ANA processed
      - Withholdings corrected upon repayment - No impact

# Overpayments

- W-2 impact of Overpayment collections
  - ANA processed by payroll in same year as overpayment (continued)
    - Net collected over multiple years
      - Federal / State and FICA taxes reversed when ANA processed
      - Tax letter issued for amount repaid in subsequent years
      - Separate tax letter for each calendar year of repayment
      - IRS Publication 525 (2008) page 36: “Repayments”

# Overpayments

- W-2 impact of Overpayment collections
  - ANA processed by payroll after the year overpaid
    - FICA reversed when ANA processed
      - W-2C issued for FICA earnings and FICA tax
      - No amended tax filing is needed
    - Federal and State not reversed
      - Employee repays withholdings
      - Tax letter issued for amount repaid
      - Separate letter for each calendar year of repayment
      - IRS Publication 525 (2008) page 36: “Repayments”

# Overpayments

- Summary of adjustments and overpayments
  - Can be prevented with accurate job records and correct time entry.
  - Pay can be corrected or prevented with ANA
    - Current Pay Period Adjustment (before calc)
    - PayStop (after calc, before Payday)
    - Overpayment (Payday\* or later)
  - Pay can be corrected in Banner
    - PZAADJT Underpayment
  - Overpayments can have an impact on the W2

# Workshop Summary

- Fringe Assessments: How do they work and how are they charged?
- Taxable Benefits: What are they and how are they reported? How do they affect the employee?
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- Overpayments: When should they be reported and how are they collected? How do they affect an employee's W-2?

Questions / Concerns?