

## Employee Wage Overpayments Information and Frequently Asked Questions

Occasionally, errors in payroll can lead to overpayments being made to wages of employees. Once an overpayment is identified, the department will be notified. The department will notify and work with the employee on the recovery process. The department will then work with UHRM Payroll to coordinate the repayment.

### **Do I have to repay an overpayment that was not an error I made but an error of the University?**

Yes. Per federal guidelines and payroll laws, the University is only responsible for paying wages earned or services rendered. Any overpayment must be repaid. A suggested best practice is to not spend the amount of the potential overpayment. If an overpayment is confirmed, it will be easier to repay.

### **What if I do not agree that I have been overpaid?**

If you feel the overpayment is incorrect, discuss the matter with your department's Payroll Reporter. They will work with UHRM Payroll to research the situation and provide details of the overpayment.

### **What if I do not have the money to repay the overpayment I received?**

The University of Utah offers options for repayment. Current employees will have the overpayment deducted from future checks.

If an employee does not create a payment plan within 30 business days, UHRM will submit the overpayment amount through Income Accounting. The employee's credit could be encumbered if repayment is not made to the University.

### **How long do I have to repay an overpayment?**

Overpayments should be repaid immediately. Overpayments must be repaid by December 15<sup>th</sup> within the current tax year.

### **Can an employer take back direct deposit?**

Yes, the guidelines created by the National Automated Clearing House Association (which manages electronic payments) permit the employer to reverse a direct deposit within five business days. Once five business days pass, the employer is no longer allowed to reverse the direct deposit without employee consent.

### **Payment Options**

The options for payment are:

1. **Gross Amount Payroll Deduction:** Current employees will have a reduction to future paychecks in order for the University of Utah to recover the overpayment.
2. **Net Amount Check:** Terminated employees will pay back the overpayment with a check payable to the University of Utah and provide it to UHRM Payroll. UHRM Payroll is responsible for calculating the net amount of the payment based on the employee's tax information.



3. **Letter of Indemnity:** Employees can request UHRM Payroll to submit a letter of indemnity to their respective bank to recall the overpaid funds.

### **Why is payroll deduction the preferred method of repayment?**

Payroll deductions allow applicable taxes to be adjusted each pay period as taxable wages are reduced with a payroll deduction. This ensures you are taxed appropriately and receive a W-2 with the correct information. Please note that crossing tax years has different tax implications.

### **How are my taxes adjusted if I write a check for the net amount of the overpayment?**

1. When writing a check, a net pay amount will be provided. This is gross pay minus applicable taxes. Payment must be received within 30 days.
  - If payment has not been received within the required timeframe, net pay will be billed through Income Accounting.
2. Once payment is received, Tax Services will ensure the W-2 has the correct earnings information. When the employee files their taxes for the year, the corrected W-2 wage information will adjust yearly taxes appropriately.

### **What is the difference in repaying in the same year as the overpayment versus repaying in the following year?**

1. It is always best to repay within the same year as the overpayment.
  - This allows the University to adjust the W-2 so there will not be tax liability on those wages that have been repaid. Repaying through payroll deduction agreement or writing a check to the University within the required timeframe allows taxes to be adjusted accordingly.
  - Repaying in the same year avoids a W2c needed for adjusting Social Security and Medicare wages and taxes.
  - Crossing a tax year will increase the amount of the overpayment owed as the Federal and State taxes can no longer be adjusted.
2. Repaying in a year following when the overpayment occurred, the gross amount will need to be repaid to the University, per IRS regulations.
  - Once the overpayment is recovered in full, Tax Services will provide a W2c for Social Security and Medicare wages and taxes only.
  - For further tax information or discussion, consult a personal tax advisor or review information at [irs.gov](http://irs.gov).

### **If repayment is through Income Accounting, will it hurt my credit rating?**

As long as the payment schedule agreed upon is followed, and all funds are received, credit will not be affected.