# Overpayments

An overpayment occurs when an employee is paid for hours they did not work or were paid at an incorrect rate. If an employee is overpaid by the University of Utah, that overpayment must be paid back.

## Gross Amount

- Gross pay is the total amount of money an employee receives **before** taxes and deductions are taken out.
- If an employee is still receiving a paycheck from the U, the gross amount overpayment can be deducted from upcoming checks, which automatically adjusts the tax withholding for that payment. This is UHRM's recommended form of repayment.
- UHRM Payroll enters the information into the system as an overpayment which will reduce the taxable compensation. The system will then adjust the taxes accordingly.
- The following is a *simplified* example of a gross overpayment amount and paycheck reduction:

Example: Employee A was paid $500 on their check for the 1/31 pay period. Employee A should have been paid $400. This results in a gross overpayment of $100.

1/31 Pay Period:

| | Paid | Should Have Been |
|---|---|---|
| Earnings | $500 | $400 |
| Taxes | $100 | $80 |

The employee has a payroll reduction on the next paycheck in the gross amount of $100.

2/15 Pay Period:

| | Paid | Should Have Been |
|---|---|---|
| Earnings | $400 | $500 |
| Taxes | $80 | $100 |

In this example, the employee receives $900 for the two pay periods, reflecting what they did in fact earn. The employee also has $180 withheld in taxes, reflecting the correct amount of withholding over the two paychecks. Their W-2 for the year would also be correct.

**OR**

## Net Amount

- Net pay is the final amount of money an employee receives **after** all taxes and deductions have been subtracted.
- Net overpayments are used when the person is no longer employed or when the active employee does not work on a regular basis. The individual would repay the overpayment by submitting a check for the **net amount** of the overpayment.
- UHRM Payroll will calculate the net amount of the overpayment based on the employee's tax information. The tax amounts will be reduced from the overpayment amount as these have already been paid. Because this amount has been adjusted for taxes, it will differ from the gross amount.
- The following is a *simplified* example of a net overpayment amount and payment by check:

Example: Employee B was paid $500 on their check for the 1/31 pay period. Employee B should have been paid $400. Employee B no longer works for the University.

1/31 Pay Period:

| | Paid | Should Have Been |
|---|---|---|
| Earnings | $500 | $400 |
| Taxes | $100 | $80 |
| Net Payment | $400 | $320 |

$400 (net pay received) - $320 ( should have received) = **$80 owed by employee**

Once payment is received, Tax Services will ensure the W-2 has the correct earnings information. In our case above, it is that the employee was paid $400 for the 1/31 pay period. When the employee files their taxes for the year, that corrected W-2 wage information will adjust their yearly taxes appropriately.