

## Collecting a 2009 (or prior) Overpayment in 2010

- Why do we have to change to a net overpayment instead of a gross when an overpayment crosses the calendar year?
  - The IRS says that:
    - § Overpayments for prior years are not reductions of current year amounts subject to FIT withholding.
    - § Overpayments for prior years should not cause a reduction of FIT withholding tax paid this year.
    - § Any FIT tax overpayment the employee has made should be recovered by the employee on his next tax return, as a deduction from income.
    - § If the overpayment is never repaid, it is considered taxable wages.
  - The SSA says that:
    - § Medicare and Social Security overpayments should be reported to the Social Security Administration as soon as they are repaid, but for the correct tax year.
  - If we keep collecting the gross overpayment in the new year, we break most of the above rules
    - § Gross subject to FIT will be understated.
    - § FIT withheld will be incorrect.
    - § Reductions to Social Security and Medicare subject amounts are reported in the wrong year.
    - § Social Security and Medicare taxes might be correct if the base/tax hasn't changed, but the contribution is reported in the wrong year.

· **Example:**

**Portion of PC\_PAYRESULT (Collapsed Display) for sample employee.**

Personnel No. 12345432 SAMPLE JOHN Q - USA  
 Seq. number 00195 - accounted on 11/17/2009 - current result  
 For-Period 22. 2009 (11/01/2009 - 11/15/2009)  
 In-Period 22. 2009 (Fin. : 11/15/2009)

* /R00 Regular Ra	21.08	96.00	2,023.91
* 2143 LTD 01 B 04			38.04-
* 2260 N2 PSERS 2 01 B 03			135.23-
* 2360 N2 ER PSER B 03			175.98
* 2538 Reg BlueSh 01 B 02			69.50-
* 2550 Health - E B 02			353.50
* 2575 Health - P 01 B 02			423.00
* 3223 RepayPlan			50.00-
* 3224 RePay bal a			300.00
* 3225 RePay Tota			750.00-
* 9182 PO/T0 Base			2,058.23
* 9188 PSERS 2 Ba			2,058.23

· **Overpayment Details:**

- As of 11-25-2009, how much has the employee paid?

§ \$750 total  
 § - 300 balance remaining  
 § = 450 paid already!

- We originally had a gross overpayment of \$750.
- The employee agreed to pay it back \$50 per pay period.
- The employee has paid back \$450
- EE will make two more payments on Dec. 10 and Dec. 24, adding another \$100.
- \$450 + \$100 = **\$550** repaid as of the end of 2009
- \$750 - \$550 = **\$200** gross to be paid in 2010

· Turn off the 2009 gross deduction in HRMS, **before** 12/24 payroll exits.

- IT 0014 Recurring Payments/Deductions

§ Use the **Pencil** to change the end date of WT 3223 to 12/15/2009

- Remember, 12/1 to 12/15 is paid on 12/24
- We don't want to take any more gross deductions in 2010.

- IT 0015 Additional Payments:

§ Use the **Pencil**

- Change the **amount** of WT 3224 to \$550
  - We will only collect \$550 in 2009
  - We can easily see that \$550 will be collected in 2009
  - If we have another overpayment later, the leftover balance could cause problems with the new overpayment.
- How much are we going to collect from the employee?
  - **\$ 200.00** gross.
  - - **12.40** (6.2% Social Security OASDI) (We'll get this back from the Feds later.)
  - - **2.90** (1.45% Medicare HI) (We'll get this back, too.)
  - **\$ 184.70** Net pay recovered in 2010.
- How many payments were left?
  - $\$200.00 / \$50.00 = 4$  payments
  - So,  $\$184.70 / 4$  payments =  $\$46.18$
  - $\$46.18 \times 4 = 184.72$ , so take \$0.02 off of the final payment.
- Key 3101/3111 combination
  - \$46.18 payment (3101)
  - \$184.70 balance (3111).
  - Employee is only paying back the gross, less SS and Medicare!
- What about the employer taxes?
  - When we pay back gross in the same year, taxes are automatically adjusted, including EE and ER share.
  - When we pay back net in the next year, taxes aren't adjusted at all!
  - We want to get the agency's money back as soon as possible, so recover taxes immediately:
    - § Agency cost is same as employee cost, SS \$12.40, Med \$2.90
    - § Write a JV to reverse the Social Security and Medicare expenditure on the agency side.
      - Account 035, TC 025 (1324V/7140) DR \$15.30
      - Operating, TC 670 (7140/6510) SubObject BA CR \$12.40

- Operating, TC 670 (7140/6510) SubObject BH CR \$ 2.90

- *IFT JV: Don't send to OST!!!*

§ Basically, we're carrying a receivable in Account 035 until we get it back from the Feds!

- As the employee pays back the money, it will accrue as a debit in Account 035, GL 1324
  - Change from 2008/2009: *WT 3101 no longer accrues to GL 5199*
  - No additional JV is necessary for the net pay collection.
- After the employee is done paying back, we have \$15.30 + \$15.30 = **\$30.60** left as a receivable in Account 035, GL 1324.
  - This is the money we get from the Feds.
  - We have to file a tax return to get it.
  - We can't file the tax return until the employee has paid it all back (or we can file lots of little amended returns...)
- Once the employee has paid us back in 2010:
  - Make adjustments to:
    - § Employee OASI/Med Taxable and Tax
    - § Employer OASI/Med Taxable and Tax
    - § We don't change 2009 FIT *at all*. Employee can claim as a deduction on 2010 (for 2009) tax return.
  - Use DOP's **Agency Adjustment Worksheet** (available online:)

PERNR	Personnel Area	Tax Authority (FED, WA, etc)	Effective Date	Tax Group (TxGr)	Taxable or Value	Tax	Note
12345432	9898	FED	12/24/2009	0003	-200.00	-12.40	EE Social Sec.
12345432	9898	FED	12/24/2009	0004	-200.00	-12.40	ER Social Sec.
12345432	9898	FED	12/24/2009	0005	-200.00	-2.90	EE Medicare
12345432	9898	FED	12/24/2009	0006	-200.00	-2.90	ER Medicare

- This results in \$30.60 due back from IRS for 4<sup>th</sup> quarter.
  - § File 941 (or 941-X if we've already filed.)
  - § File W-2c, provide employee with copy. (Remember, don't change Box 1 or 2!)
- When we get the check back from the U.S. Government:
  - Make a deposit:
    - § AFRS Form A-8
    - § Account 035: TC 090 (7110/1324V) \$30.60
  - 1324 should be clear with respect to this overpayment.
  - If there was interest paid by IRS, check with your revenue officer on how to process interest revenue.
- What about Retirement, union dues, etc.?
  - Any other changes that must be made should be done manually, with retirement adjustment codes, union adjustment codes, etc.
  - In the subsequent year, employee will **always** pay back gross, less Social security and Medicare.
  - Any other money owed to the employee should be paid back with adjustment codes.
    - § If retirement, make adjustments to WBET based on the overpayment dates, not the repayment dates.
  - This keeps our current year taxable amounts correct (some of those deductions are pretax.)