



## 25.30

# Wage Computations

### 25.30.10

May 1, 1999

### Lagged payroll

RCW 42.16.010 establishes semi-monthly pay periods as a basis for paying all state officers and employees. The first pay period is from the first to the fifteenth of the month. The second pay period is from the sixteenth through the last calendar day of the month. Actual paydates are lagged but cannot be later than ten days following the close of each pay period, except when the paydate falls on a Sunday. In this case, the paydate is the following Monday. OFM establishes the paydates through WAC 82-50-021.

### 25.30.20

July 1, 2008

### Paydates

#### 25.30.20.a

#### Semi-monthly paydates

Agencies shall pay the salaries of all state officers and employees on the semi-monthly paydates identified in WAC 82-50-021, except in instances where it would conflict with contractual rights or as otherwise approved by OFM as noted in Subsection 25.30.20.b. Refer to RCW 42.16.010 and WACs 82-50-021 and 82-50-031.

Refer to Administrative and Accounting Resources at <http://www.ofm.wa.gov/resources/default.asp> for information on specific paydates and other key dates as well as information on the Department of Treasury "One Day" Deposit Rules for payrolls over \$100,000.

#### 25.30.20.b

#### Exceptions

An agency may request in writing, and the Director (or official designee) of OFM may grant in writing, paydate exceptions in the following instances:

1. For short-term, intermittent, non-career state employees;
2. For student employees of institutions of higher education;
3. For national or state guard members participating in state active duty;

4. For liquor control agency managers who receive a percentage of monthly liquor sales as part of their compensation; and
5. For a pay schedule of shorter duration than the official paydates established in WAC 82-50-021 provided that:
  - The agency still maintains a lagged, semi-monthly payroll, and
  - The official pay periods established by RCW 42.16.010(1) must be in effect.

25.30.20.c

#### **Termination of Exceptions**

The Director (or official designee) of OFM may terminate any paydate exceptions. Refer to RCW 42.16.010(2).

1. The termination notice from the Director (or official designee) of OFM to the agency head must be in writing.
2. The agency head shall receive the notice by July 1.
3. The agency shall conform to WAC 82-50-021 on January 1 of the following year.

25.30.20.d

#### **RCW 42.16.010 permits agencies to pay overtime, penalty pay, and special pay on the next paydate if:**

1. The employee fails to make an accurate and timely report of the information needed to determine the payment; or,
2. The employer lacks reasonable opportunity to verify the claim.

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### **25.30.30**

June 1, 2006

### **Pay period, workdays, and rate computations**

25.30.30.a

#### **Full-Time Employees**

When employees work a full semi-monthly pay period (RCW 42.16.010 and WAC 82-50-021), their pay rate shall be one-half of the actual monthly gross pay. **Time worked, for gross pay computations, includes paid leave and holidays.**

**Exceptions:** Gross pay computations for full-time employees change when they work less than a full semi-monthly pay period, are on a leave-without-pay status, or their pay rate changes during the pay period.

25.30.30.a.(1)

**Compute gross pay by:**

- Calculating the ratio of time worked in days or hours to the scheduled time available for work in days or hours for that pay period.
- Scheduled time available for work includes paid leave and holidays.
- In cases of promotion or demotion, two calculations are done--one for each salary level. Both calculations are based on the percentage of the days or hours worked to total days or hours available for the pay period at each salary level.
- In addition to basic salary, gross pay includes remuneration for all other compensable services and *available to employees on designated paydates* (RCW 42.16.010). Refer to Subsection 25.30.20.d for a paydate exception provided by that statute.

Other compensable services include overtime, assignment pay, call-back, standby, compensatory time, shift differential premium, performance pay, recognition payments, and other special pay provisions as provided for by law, personnel board rules, agency policy or rule, or contract.

25.30.30.a.(2)

**Use the following formula to compute pay for fractional semi-monthly pay periods:**

$$\text{Gross pay} = \frac{\text{Actual time (hours/days) worked in semi-monthly pay period}}{\text{Scheduled work time(hours/days) available in semi-monthly pay period}} \times \frac{\text{Monthly salary rate}}{2}$$

**Example:** If an employee with a monthly rate of \$2,400 works 24 hours in a pay period containing 88 scheduled working hours, the pay would be computed as follows:

$$\frac{24}{88} \times \frac{\$2,400}{2} = \$327.27$$

In the case of a promotion from \$2,400 to \$2,800 a month, effective on the third work day in the pay period, two calculations are required using the appropriate actual hours and pay rates:

**First Computation:**

$$\frac{16}{88} \times \frac{\$2,400}{2} = \underline{\$218.18} \text{ (Payment for first two days of pay period)}$$

**Second Computation:**

$$\frac{72}{88} \times \frac{\$2,800}{2} = \underline{\$1,145.45} \text{ (Payment for remaining days in pay period)}$$

**Total Gross:**

$$\$218.18 + \$1,145.45 = \underline{\$1,363.63} \text{ (Total payment for pay period)}$$

25.30.30.a.(3)

**Colleges and Universities**

With written OFM approval, colleges and universities may use the employee's annualized straight time hourly pay rate for calculating leave-without-pay salary reductions. The annualized hourly rate is determined by dividing the monthly rate by 174, the average number of working hours during a month. If an institution of higher education historically has used an average number of monthly working hours rate other than 174, written OFM approval is required to continue using the other rate.

25.30.30.a.(4)

**State Elected Officials**

Use calendar days, including all holidays or workdays, when computing a partial pay period for elected state officials.

$$\text{Gross pay} = \frac{\text{Calendar days to pay in semi-monthly pay period}}{\text{Calendar days in semi-monthly pay period}} \times \frac{\text{Monthly salary rate}}{2}$$

## 25.30.30.b

**Employees Paid on an Hourly Basis**

Compute employees' gross pay by multiplying the hours worked in the semi-monthly pay period times their hourly pay rate. The gross pay computation includes paid leave, if eligible.

$$\text{Gross pay} = \text{Actual hours worked} \times \text{Hourly rate}$$

**Example:**

$$\begin{array}{rcl} 25 \text{ hours} & & \$10.00 \text{ hourly} \\ \text{worked} & \times & \text{rate} \end{array} = \underline{\$250.00}$$

Holidays are paid proportionate to the amount of time in pay status during the month to that required for full-time employment, if eligible (WAC 357-31-015, 020, 025 or CBAs).

$$\text{Gross holiday pay} = \frac{\text{Total month's actual hours worked*}}{\text{Total month's work hours available*}} \times 8 \times \text{Hourly rate}$$

\*Includes eligible sick/vacation leave but excludes holidays for calculation.

**Example:** An hourly employee worked 90 hours (excluding vacation and sick leave) out of 175 hours (includes 1 holiday) for the month of May 1 – 30, 19xx. The hourly rate is \$10.00. During this period the employee took one day each of vacation leave and sick leave.

90 actual hours worked + 8 hours vacation leave taken + 8 hours sick leave taken = 106 hours. Total month's work hours available: 175 Hours – 8 hours (holiday) = 167 hours.

Regular pay	106 hours x \$10.00	=	\$ 1,060.00
Holiday pay	106/167 hours x 8 x \$10.00	=	<u>\$ 50.78</u>
Total pay		=	<u>\$ 1,110.78</u>

25.30.30.c **Payments to Commissioners and Board Members**

Commissioners and board members are classified in five groups.

25.30.30.c.(1) **Members of a Class 1 Group**

These members are generally volunteers and do not receive any compensation. Contact the Department of Labor and Industries regarding the appropriateness of medical aid coverage for these volunteers. Refer to RCW 51.12.035.

25.30.30.c.(2) **Members of a Class 2, 3, 4, or 5 Group**

Consider members of a Class 2, 3, 4, or 5 groups as state employees and process their compensation through the payroll system. (Refer to RCW 43.03.220 through 43.03.265 for group definitions.) For purposes of FTE computation, *each day of pay is considered equal to eight hours.*

25.30.30.c.(3) **Compensation**

Class 2, 3, 4, or 5 group members qualify for compensation for each calendar day they attend official group meetings and/or perform statutory duties approved by their chairperson. Maximum daily rates are defined in RCW 43.03.230 through 43.03.250. A calendar day of compensation includes all meetings or work performed on that day, regardless of how many hours worked or meetings attended. Compensation may only be paid to a member if it is authorized under the law dealing with the specific group to which a member belongs or dealing in particular with members of the specific group.

25.30.30.c.(4) **Exception**

If a member is employed full-time by the federal government, any Washington State agency, or local governments and receives any compensation from such government for working that day, the member is ineligible for compensation as a board or commission member.

Administering agencies of the Boards or Commissions are to require a written statement from the public employers that no compensation for work was paid for the same days a board or commission paid the member.

25.30.30.c.(5) **Expenditure Object Coding**

These payments are coded to Subobject AE--State Special.

25.30.30.c.(6) **The following deductions apply to the compensation paid to Class 2, 3, 4, and 5 group members:**

- Federal Withholding Tax.
- OASI and Medicare--Deduct the employee's portion of OASI and Medicare contributions.
- Labor and Industries--Labor and Industry programs cover all compensated members of Class 2, 3, 4, and 5 groups.
- Contact Membership Services of the Department of Retirement Systems for information regarding the appropriateness of retirement contributions.

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**25.30.40**

October 1, 2005

**Taxable fringe benefits**

Any property or service that an employee receives from an employer in place of or along with regular wages is a fringe benefit that may be subject to federal employment taxes. If taxable, these benefits are included in gross income and subject to federal income, OASI, and Medicare taxes.

Refer to IRS regulations for the appropriate calendar year regarding specific taxation, valuation, and reporting information. IRS Publication 15-B "Employer's Guide to Taxable Fringe Benefits" provides detailed information on several types of benefits and is available at:

<http://www.irs.gov/pub/irs-pdf/p15b.pdf>. Additionally, an IRS training handout on taxable fringe benefits is available on the IRS Federal, State & Local Governments website at:  
<http://www.irs.gov/govt/fslg/content/0,,id=117706,00.html>.

Agencies are strongly encouraged to attend training classes that are made available to the state by the IRS and the Social Security Administration (SSA) to obtain an understanding of federal tax requirements.

Fringe benefits that are taxable under certain circumstances include, but are not limited to:

- Gift certificates
- Awards and prizes
- Personal use of agency provided vehicles, such as commuting between official residence and official workstation
- Clothing allowances
- Educational assistance
- Lodging
- Meals
- Moving expenses
- Unspent, unreturned travel advances

Contact Membership Services of the Department of Retirement Systems to determine which, if any, fringe benefits are included in earnable compensation for retirement purposes.

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**25.30.50**

October 1, 2005

**Compensatory time - Cash-out payments**

25.30.50.a

**General**

Overtime-eligible state employees may be compensated at the rate of time-and-one-half in cash or in compensatory time off. The Fair Labor Standards Act, administered by the U.S. Department of Labor (USDOL), sets standards regarding overtime pay. Based on this Act, the Washington State Department of Personnel (DOP) provides personnel rules for non-represented employees on overtime in addition to specific rules regarding compensatory time in WAC 357-28-255 through 285. For represented employees, refer to the applicable CBA. Agencies are advised to review these personnel rules for more complete information.

Cash compensation for overtime is subject to federal employment taxes (income, Medicare, and OASI) and state retirement.

25.30.50.b

**Recording compensatory time payable**

Agencies are to record a liability for accumulated compensatory time not cashed out by the end of the fiscal year. Refer to Subsection 85.72.65 for instructions on how to estimate and record the compensatory time payable in both governmental and proprietary/trust type accounts.



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**25.30.60**

June 1, 2006

**Other compensation**

## 25.30.60.a

**Performance Pay**

Under WAC 357-28-295, agencies that have received **performance management confirmation** for decentralized compensation administration may authorize additional pay to individuals or groups of employees on a lump sum basis to recognize outstanding accomplishments or the achievement of pre-defined work goals by individual employees or units. Any additional pay granted under this section is a **premium** that is not part of base salary.

This provision is for non-represented employees only.

Performance pay is to be recorded using the sub object used for the associated work effort and is subject to federal employment taxes and retirement.

## 25.30.60.b

**Relocation Payments**

An agency head may authorize a lump sum relocation payment, within existing resources, whenever:

1. It is reasonably necessary that a person make a domiciliary move in accepting a transfer or appointment; or
2. It is necessary to successfully recruit or retain a qualified candidate or employee who will have to make a domiciliary move in order to accept the position.

If the employee receiving the relocation payment terminates or causes termination with the state within one year of the date of the appointment or transfer, that employee may be required to pay back the lump sum payment. If the termination is a result of layoff, disability separation, or other good cause as determined by the agency head, the employee will not have to pay back the relocation payment.

Refer to WAC 357-28-310 through 320 or individual CBAs.

Relocation payments are subject to federal employment taxes and should be coded to sub-object BZ "Other Employee Benefits."

25.30.60.c

**Recruitment and Retention Premiums**

An employer may adjust an employee's base salary within the salary range to address issues that are related to recruitment, retention or other business related reasons. Under certain conditions, an employer may authorize additional pay to support the recruitment or retention of the incumbent or candidate for a specific position. Refer to WAC 357-28-090 and 095.

Recruitment and retention premiums are coded to the sub-object used for the employee's normal salaries and wages.