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**Procedure on Recovery of Payroll Overpayment**

Overpayments are defined as wage and salary payments in excess of what an employee is owed. Departments have the responsibility to review Payroll Earnings and Benefit reports each pay period to identify errors and should report any discrepancies immediately. Employees are responsible to verify the accuracy of their pay each pay period and immediately report any discrepancies to their supervisor or the payroll department.

**Recovery Method**

Once the Payroll Department has calculated the amount of repayment to Rutgers, the employee will be sent a communication via email and/or regular mail detailing the amount due to Rutgers. The employee can repay the overpayment by personal check, credit card or directly through a payroll deduction (if actively employed) in accordance with the state regulations.

**Current Calendar Year**

If repayment is made in the same calendar year as the overpayment, the employee will repay the net pay amount of the overpayment. The Payroll Department will reduce the employee’s taxable wages and associated taxes for that calendar year to ensure the year-end W-2 Form is correct.

If the repayment is made through payroll deduction, the payroll deduction schedule may call for partial payments over multiple pay periods, but in no cases should the repayment occur over a longer period of time than the overpayment occurred. For example:

* *Employee is overpaid for one period; the employee's pay should be reduced by the amount of the overpayment in one pay period.*
* *Employee is overpaid for four pay periods; the employee's pay should be reduced over four pay periods to recover the overpayment.*

**Prior Calendar Year(s)**

If repayment is not made in the same calendar year that the overpayment occurred, the employee must repay the net pay amount of the overpayment plus the associated federal and state taxes (Taxes are permanently credited to the employee on December 31 and cannot be subsequently recovered by the University).

The University can only recover the overpaid Social Security and Medicare taxes. Since the University can recover the Social Security and Medicare taxes, the university will reduce the repayment amount by those associated taxes, if applicable. To this end, the employee must provide a written statement that he/she will not request a refund of Social Security and Medicare taxes as well from the IRS. This is to be done using the FICA Release Letter Form.

The wages paid in error in the prior year remain taxable to the employee for that year because the employee received and had use of those funds during that calendar year. The employee is not entitled to file an amended tax return for that year. Instead, the employee is entitled to a deduction (or credit, depending upon the amount repaid) for the wages repaid on their personal income tax return in the year of repayment.

Once repaid, the Payroll Department will issue a corrected W-2 Form, reducing only applicable Social Security and Medicare wages and taxes and issuing the employee a W-2c. The employee should consult IRS Publication 525 (Repayments) with respect to reporting the repayment of wages for a prior year.

**Terminated Employees**

Overpayments for terminated employees will be handled in accordance with the previously outlined process with the exception that terminated employees will only have the check and credit card payback option.

**Uncollectible Overpayments Due**

If an employee fails to reimburse the university for the overpayment, a letter will be sent to the individual from the Payroll Department. The unpaid balance must be repaid within 30 days from the date of the letter. Any unpaid balances will be handled using collection processes including collection agencies, state tax refund garnishments or any other means of collection appropriate to the situation.