Employee Wage Overpayments Information and Frequently Asked Questions

Overpayments

Occasionally, errors in payroll can lead to overpayments being made to the biweekly or monthly wages of employees. Once an overpayment is identified, the employee and their local payroll center will discuss pay recovery options.

Common questions related to identifying overpayments:

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. Employees are responsible for contacting the local payroll center with questions concerning the payment amount when overpayment is suspected. Overpayments are often identified by payroll centers and HR-Payroll when reviewing reports and validating account balances.

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 invalid or incorrect, discuss with your employment or payroll center. They will research the situation and provide details of the overpayment.

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

Purdue offers options for repayment. The easiest and preferred repayment method is often a payroll deduction plan. However, with approval, employees may be billed through the University Receivables and Collection Office (URCO). This would allow for credit card payments and other longer payment plans.

What happens if I do not repay the overpayment?

If an employee does not create a payment plan with the payroll center or HR-Payroll within 30 business days of notification, Purdue will bill the overpayment amount through URCO. Students 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. The easiest payment option is through a payroll deduction agreement. Overpayments must be repaid within the current tax year in order to prevent having to repay gross.

Why does Purdue not limit payroll deductions to 25 percent of disposable income per state law?

Due to remote employees residing and working in multiple states, Purdue strives to remain consistent in treatment of repayment options. Therefore, Purdue's practice is to have employee consent to payroll deductions. The employee may authorize Purdue to payroll deduct an amount that exceeds 25 percent of disposable income through a payroll deduction plan.

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. Reversing of direct deposit payments are only allowable if no wages were owed for the entire period. Once five business days pass, the employer is no longer allowed to reverse the direct deposit.

Payment Options

When an overpayment is identified, the employee and their local employment or payroll center work together to identify the best repayment plan. The center will work directly with HR-Payroll to process and recover the total amount.

Below are the options for repayment:

1. Complete a payroll deduction agreement. An employee agrees to reduction in future paychecks in order for Purdue to recover the overpayment.
2. Receive a bill through URCO. They can create payment plans outside of payroll. They can also process a credit card payment.

Common questions related to payment options:

What are the benefits of a payroll deduction agreement?

Payroll deductions allow applicable taxes to be adjusted each pay period as taxable wages are reduced each pay period with a payroll deduction. Please note that crossing tax years has different tax implications.

Will my taxes be adjusted when I repay through University Receivables and Collection Office (URCO,) other than a payroll deduction?

1. When utilizing a payroll deduction agreement, deductions in the same tax calendar year as the overpayment will reduce applicable taxable wages; therefore, taxes will be reduced. As stated above, payroll deductions that cross into the next calendar year will be post-tax.
    a. When crossing years, keep in mind the following:
        - Once the overpayment is recovered in full, for Social Security and Medicare taxes, the Tax Department 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.

2. When working with URCO, the NET pay is submitted to URCO from Payroll and then URCO creates the invoice. If payment is not received by December 31st of the tax year which the overpayment occurred in, a gross up amount will be submitted to URCO in January of the next tax year.

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 Purdue 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 through URCO within the Tax Year the overpayment occurred in, allows taxes to be adjusted accordingly.
    - Repaying in the same year, avoids a W2c needed for adjusting Social Security and Medicare wages and taxes.
2. Repaying in a year following when the overpayment occurred, gross pay must be repaid to the University, per IRS regulations.
    - Once the overpayment is recovered in full, the Tax Department 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.

If repayment is through the University Receivables and Collection Office, will it hurt my credit rating?

As long as the payment schedule agreed upon with URCO is followed, credit will not be affected. Students could be encumbered if payments are not received per agreement.