

Employee Wage Overpayments Information and Frequently Asked Questions

Overpayments

Occasionally, errors in payroll can lead to overpayments being made to the bi-weekly 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 is often a payroll deduction plan. However, employees can also write a check for the total amount or 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, 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?

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. 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 employee will sign an agreement stating the method and terms of repayment. The center will work directly with HR-Payroll to process and recover the total amount.

There are several options for payment:

1. Write a check payable to Purdue University and provide it to your employment or payroll center. They will forward it to HR-Payroll.
2. Complete a payroll deduction agreement. An employee agrees to reduction in future paychecks in order for Purdue to recover the overpayment.
3. 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 options other than a payroll deduction?

1. When writing a check, a net pay amount will be provided, which is the gross pay minus applicable taxes. Payment must be received within 30 days. **(When overpayments are identified in November/December, it is important to repay by December 31.)**
 - Allow up to four weeks for the payroll adjustment to be reflected in the Year-to-Date (YTD) on the pay statement.
 - If payment has not been received within the required timeframe, net pay will be billed through URCO.
2. 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.
3. When working with URCO, the net pay is submitted to URCO from Payroll and then URCO creates the invoice. Similar to above, allow up to four weeks once the total overpayment has been received to view payroll adjustments reflected in the YTD amount on the pay statement.
4. If you have elected a one-time payment to URCO (i.e., credit card payment), a net pay amount can then be provided (the gross pay minus applicable taxes). Payment must be received within 30 days. **(When overpayments are identified in November/December, it is important to repay by December 31.)**
 - Allow up to four weeks for the payroll adjustment to be reflected in the YTD amount on the pay statement. After 30 days of no payment, the amount submitted to URCO will be changed to gross pay.

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 writing a check to Purdue within the required timeframe allows taxes to be adjusted accordingly.
 - Most payments made through URCO will only have Social Security and Medicare taxes adjusted. Federal, state and county income tax will be adjusted when filing the personal tax return.
 - 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](https://www.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.