1060.00 Overpayments

Determination and Initial Employee Contact

An employee may be overpaid due to a variety of reasons and the overpayment may be discovered by the employee, department supervisor/manager, finance manager, Human Resources Partner or the Payroll Center. Whoever discovers the error should notify the Payroll center as soon as possible by submitting an Ask HR Operations inquiry that includes the following information:

- Employee name, ID & email address
- Pay period(s) in which the employee was overpaid
- Gross amounts for what was paid and what should have been paid

The employee will be notified accordingly and provided a copy of this Overpayment Policy.

The Payroll Center is responsible for the timely correction of the employee’s compensation records and will calculate the net amount of the overpayment as well as repayment options. For purposes of this policy, overpayments include wage and salary payments; voluntary and involuntary deductions; accrued leave and benefits.

Uncashed Check: If the overpayment was paid in the form of an actual check and the check can be intercepted before delivery, the check should be forwarded to the Payroll Center for reversal processing. If the overpayment was paid in the form of an actual check that has not been cashed and is in the possession of the employee, a request will be sent to the bank to stop payment on the check and then it will be reversed in payroll. An Off-Cycle Emergency Check Request should be sent to the Payroll Center for the correct payment amount.

Direct Deposit within 5 Days: If the Payroll Center is notified within 5 business days of the pay date, an attempt will be made to retrieve the direct deposit amount from the employee’s bank account. If/when successful in retrieving the funds, the Payroll Center will reverse the transaction. An Off-Cycle Emergency Check Request should be sent to Payroll Center for the correct payment amount.

Overpayment Received by Employee: The University of Maine System will actively seek reimbursement of all overpaid wages. The Payroll Center will calculate the net amount overpaid and provide the net amount to the employee and the Human Resources Business Partner via Overpayment Employee Notification and Repayment Options letter. If the employee ceases employment before repaying the full amount, any unpaid balance will be deducted from final paycheck. Also see: How to Read an Adjusted Paycheck

Repayment Options:

1. *Gross Overpayment Reduces Future Gross Earnings: Temporary employees, including adjunct faculty agreements/contracts that are subsequently cancelled, will have future
gross earnings adjusted to ensure full payback before the end of the temporary appointment.

1. **Personal Check** payable to the University of Maine System and mailed to 65 Texas Avenue, Bangor Maine 04401.
2. **Payroll Deduction - Full Amount**: employee authorizes the University of Maine System to deduct the entire amount due from next paycheck.
3. **Payroll Deduction - Per Pay Period Amount**: employee elects to have a specific amount deducted from each pay period until the entire amount due is repaid.
4. **Debit/Credit Card Payment(s) - Payroll Repayment via Credit Card**

**Overpayments made in a Prior Calendar Year**

When making an adjustment for an overpayment that occurred in a previous year, a corrected Form W-2 (W2-C) will be issued to adjust FICA and Medicare taxes only. Corrected W2-Cs are limited to three prior tax years. In compliance with IRS regulations, adjustments to Federal and Maine State taxable gross will not be processed for either current or previous tax years. For reporting the wage repayment, see Repayments in Pub. 525 for more information.

**IMPORTANT**

It is to the employee's advantage to repay the Net overpayment within the same calendar year. The net overpayment is less if repaid in the same tax year because federal and state withholding taxes may be recalculated.

If the overpayment occurs in one tax year and is not discovered or repaid until the next tax year, additional steps and paperwork are required and per the Internal Revenue Service, the overpayment is taxable and reported on Form W-2 and the withholding taxes originally withheld must be remitted to the IRS and state thereby increasing the amount to repay the University.

**Nonpayment & Follow-Up for Former Employees**

If the individual does not respond to email notifications and/or letters mailed via US Postal Service and/or does not agree to a repayment option, the University will utilize the following alternative collection methods:

- Legally allowed payroll deductions.
- Contact a collection agency.
- State of Maine Tax Refund Setoff.