

**GRCC – Human Resources/Payroll  
Work Instruction/Departmental Procedure**

Date: October 16, 2017

Subject: Procedures for Recovery of Payroll Overpayment

Employee Groups Affected: All GRCC Employee Groups

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**Related Documents:** Employee Acknowledgement of Overpayment/Authorization to Reduce Wages Form

**Purpose:** This document will provide guidelines to human resources/payroll, supervisors and employees regarding recovery of a payroll overpayment.

**Recovery of Payroll Overpayment**

Once the Human Resources Payroll Department has determined an overpayment has occurred, the amount of repayment will be calculated, and the employee will receive a communication from the Director of Payroll regarding the overpayment.

The employee will be given the option to make repayment through a payroll deduction (if actively employed) or by personal check. Once a repayment plan has been determined, the employee will sign an Employee Acknowledgment of Overpayment/Authorization to Reduce Wages Form.

If an agreement for a repayment plan is not determined in a timely manner, the Payroll Department will proceed with overpayment deductions as allowed by the Michigan Wage & Hour Division.

**Repayment in current calendar year**

If the repayment is made through payroll deduction, the overpayment adjustment will be for the gross wage amount. The repayment will typically occur over the same number of pay periods that the overpayment occurred. There may be circumstances that call for repayment to be made over a different schedule, if mutually agreed upon.

If the repayment is made by personal check, the employee will repay the net pay amount. The Human Resources Payroll Department will reduce the employee's taxable wages and associated taxes for the current calendar year to ensure the year-end W-2 Form is correct.

### Repayment in prior calendar year

If the repayment is not made in the same calendar year that the overpayment occurred, the employee must repay the net pay amount plus the associated Federal and State taxes, as these taxes were permanently credited to the employee as of December 31<sup>st</sup>.

The Human Resources Payroll Department can only recover the overpaid Social Security and Medicare Taxes, and will reduce the repayment amount by the associated taxes, if applicable. This will require the employee to provide a written statement indicating that he/she will not request a refund of Social Security and Medicare Taxes.

Once repaid, the Human Resources Payroll Department will issue a corrected W-2 form, reducing only the applicable Social Security and Medicare wages and taxes.