

Overpayment Scenarios



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Discover Overpayment

Agency discovers an employee overpayment. HRMS automatically adjusts agency expenditures and FTEs when Master Data is changed.

Enter appropriate Wage Type (WT) 3231, 3230, or negative (-) 3101 in HRMS for the gross amount of the overpayment in Additional Payments (IT0015) for pay period(s) the overpayment(s) took place. This WT increases gross pay to prevent immediate collection of the overpayment(s), completes accrual reversal for overpayment(s) and establishes receivable in Fund 035, General Ledger (GL) 1324.

Determine treatment of overpayment based on:

- Whether wages are subject to retirement, wages are not subject to retirement, or wages were for non-taxed gross.
- Current year (Employee overpaid January current year, discovered in February current year).
- Prior year (Employee overpaid October and November prior year, discovered in January subsequent year).
- Combination (Employee overpaid in November and December of prior year, and January current year, discovered in February current year).
- Conversion - Repayment crosses years - Current year overpayment but repayment plan recovers partial amount in year of overpayment and the remainder the following year.
- Separated employee.
- Whether an ACH reversal and off-cycle workbench in HRMS is appropriate, or if it needs to follow the overpayment process. Please note: if the check needs to be cancelled, an off-cycle workbench cannot be performed on separated employees, transferred out employees (crossing business areas), or if it will cross calendar years.

Determine status of employee.

- Represented or non-represented.
- Current employee or separated employee.

Notify the employee using appropriate method determined by their representation status.

Once you receive a signed repayment agreement, proceed with the appropriate collection method detailed in this document.

Please note:

- Employer Reporting Application (ERA) corrections may be necessary to report retirement wages and/or hours in the correct earnings period for any overpayment.
- Check tax rates, retirement rates, Paid Family Medical Leave (PFML) and Long Term Services and Supports (LTSS) premium rates for year overpayment occurred.

Journal Vouchers (JVs):

Auto JVs (created by WT 3231 entry):

- Account 035: Transaction Code (TC) 767R – (7140)/(5124). Reverse payroll accrual for amount of overpayment. Clears to Cash.
- Account 035: TC 024 – 1324/5124. Establish receivable; make 5124 whole for overpayment—collection isn't being made yet.

Auto JVs (created by WT 3101 entry):

- Account 035: TC 186R– (7140)/(1324)

No manual JVs are required.

The transactions will result in a cash shortage and a receivable (debit) in the agency's Account 035, GL 1324.

Notes:

- The entry of WT 3231 is done in the pay period the overpayment occurred and applies to most salary overpayment discoveries regardless of recovery method.
- Enter WT 3230 for overpayments that were not subject to retirement (vacation buyout)
- Enter negative WT 3101 for non-taxed overpayment (cell phone stipend)

Current Year - Repay by Payroll Deduction

Example: Employee overpaid \$250.00 December 16-31 (pay date January 10) and \$250.00 January 1-15 (pay date January 25) for a total of \$500.00. Overpayments are discovered in February of the same calendar year.

- When overpayment was discovered, you entered WT 3231 in Additional Payments (IT0015) with effective dates of 12/31 \$250.00 and 1/15 \$250.00 in HRMS
- Signed repayment letter received in March. The employee agreed to make 5 payments of \$100.00 each, beginning with the March 25th paycheck
- Recovery will be made in the same year the overpayment occurred. (Overpayments made December 16-31 (pay date January 10) and January 1-15 (pay date January 25) Recovery payments March 25, April 10, April 25, May 10, and May 25).
- Recovery entry WT 3223/3224 is a dynamic action entry (when you enter and save the WT 3223 entry in IT0014, the WT 3224 entry pops up in IT0015, you just need to enter the amount and save): WT 3223 represents the recovery payment and WT 3224 represents the balance of the payments.

- Recurring Deductions (IT0014) WT 3223 effective start date 3/1 end date 5/15, amount \$100.00, payment model WA04 full amount each pay period.
- Additional payment (IT0015) effective start date default date set by system (3/1) amount \$500.00 (total overpayment amount)

WT 3223/3224, collect receivable/track balance in HRMS

- Agency expenditure of gross salary is reduced when overpayment is recognized (Master data change), not when it is collected.
- Receivable is set up for gross salary in GL 1324 when WT 3231 entry is made.
- WT 3223 (entered in Recurring Deductions IT0014) records (credits) the amount into GL 1324 reducing the receivable balance. (Note: this is done similarly to vendor payment accruals.)
- Auto JV: TC 186 – 7140/1324. Collect receivable. Cleared to Cash.
- WT 3224 (entered in Additional Payments IT0015) does not generate transactions in Agency Financial Reporting System (AFRS). It is used within Human Resource Management System (HRMS) only for balance tracking.

No manual JVs are required.

ERA corrections

ERA Corrections may be necessary to report retirement wages and/or hours in the correct earnings period.

- Check January wages and hours reported to see if they were reduced by \$500 overpayment and any hours that may need to be reduced (for the 1/10 and 1/25 overpayment).
- Check March, April and May earnings to see if you need to add the wage reductions back into the wages for those months.

Current Year – Repay by check

Example: Employee overpaid \$250.00 December 16-31 (pay date January 10) and \$250.00 January 1-15 (pay date January 25) for a total of \$500.00. Overpayments are discovered in February of the same calendar year.

- When overpayment was discovered, you entered WT 3231 in Additional Payments (IT0015) with effective dates of 12/31 \$250.00 and 1/15 \$250.00 in HRMS
- Signed repayment letter received in March. The employee has decided to repay the overpayment via personal check.

Note: To use the scenarios below and process through HRMS using WT combos 3226/3224 or 3223/3224/3101, the employee must have future payrolls in the current calendar year at your agency. If they do not, you will need to make manual adjustments to the W-2 using PU19 in HRMS and cannot use the WT combos. If you need help with PU19 adjustments, please reach out to your OFM SWA payroll consultant.

Overpayment Repayment of Gross by Personal Check

Scenario 1

The /701 on the PaySim for the period is *equal to or more than* the amount of the check received:

- Deposit the check received from the employee.
 - TC 090 – 7110/1324V, Fund 035, CR, GL 1324.
- Run PaySim and find WT /701 is **equal to or more than** the amount of the check received.
- Key WT 3226 in Recurring Deductions (IT0014) for \$500 (Gross O/P) in the current period.
- Key WT 3224 in Additional Payments (IT0015) for \$500 (Gross O/P) in the current period.
- This is not a dynamic action, and both wage types need to be keyed.

Scenario 2

The /701 on the PaySim for the period is *less than* the amount of the check received:

- Deposit the check received from the employee.
 - TC 090 – 7110/1324V, Fund 035, CR, GL 1324.
- Run PaySim and find WT /701 is **less than** the amount of the check received.
- Key WT 3226 in Recurring Deductions (IT0014) for an amount that is equal to or less than /701 WT in the current period.
- Key WT 3224 in Additional Payments (IT0015) for matching amount in the current period.
- Repeat each pay period, until the WT 3226/3224 entries equal the amount of the repayment of gross overpayment.

Example: First payroll WT /701 is \$300, key WT 3226/3224 as \$300, which leaves \$200 to account for on the next payroll. Second payroll WT /701 is \$500, key WT 3226/3224 as \$200, since this is all that is left to account for.

WT 3226 automatically reduces the employee's wages and associated taxes on the W-2 but does not reduce the employees' gross pay during payroll processing.

Overpayment Repayment of Net by Personal Check

NET = Gross overpayment less employee mandatory deductions

Using the \$500 overpayment example above, we have calculated the net as \$450.

Scenario 1

The /701 on the PaySim for the period is *equal to or more than* the amount of the gross overpayment.

- Deposit the check received from the employee.
 - TC 090 – 7110/1324V, Fund 035, CR, GL 1324.
- Run PaySim and find WT /701 is **equal to or more than** the amount of the gross overpayment (\$500).
- Key a negative WT 3101 in Additional Payments (IT0015) for the amount of the personal check (\$450)
- Key **gross amount** of overpayment (\$500) in Recurring Deductions (IT0014) WT 3223 and use current pay period for the dates, Model WA04. The amount keyed for WT 3224 in Additional Payments (IT0015) entry will equal the amount (\$500) keyed in Recurring Deductions (IT0014). The recovery entry WT 3223/3224 is a dynamic action entry (when you save the WT 3223 entry the IT0015 WT 3224 entry pops up, you just need to key the amount and save) WT 3223 represents the recovery payment and WT 3224 represents the balance of the payment(s).

Scenario 2

The /701 on the PaySim for the period is *less than* the amount of the gross overpayment:

- Deposit the check received from the employee.
 - TC 090 – 7110/1324V, Fund 035, CR, GL 1324.
- Run PaySim and find WT /701 is **less than** the amount of the gross overpayment.
- Key a negative WT 3101 in Additional Payments (IT0015) for a portion of the personal check (net amount) current period.
- Key proportionate amount of gross overpayment in Recurring Deductions (IT0014) WT 3223 using current pay period for the dates, Model WA04. The amount keyed for WT 3224 in Additional Payments (IT0015) will equal the amount keyed in Recurring Deductions (IT0014). The WT 3223/3224 is a dynamic action entry (when you save the WT 3223 entry the IT0015 WT 3224 entry pops up, you just need to key the amount and save): WT 3223 represents the recovery payment and WT 3224 represents the balance of the payments.
- Repeat each pay period, until the WT 3223/3224 entries equal the amount of the repayment of gross overpayment, and the negative WT 3101 entries equal the amount of the check received from the employee.

Example: First payroll WT /701 is \$250, key negative WT 3101 as \$225, WT 3223/3224 as \$250, leaving \$250 of gross overpayment and \$225 of the amount received by the employee via personal check to account for on the next payroll. Second payroll WT /701 is \$500, key negative WT 3101 as \$225 (remainder of the amount received via personal check and WT 3223/3224 as \$250 (the remainder of the gross overpayment), since this is all that is left to account for.

The negative entry of WT 3101 will credit Fund 035, GL 1324 (clearing the debit balance from the personal check deposited) and will “give” the employee the amount you key without affecting wages or taxes. The WT 3223/3224 entries will reduce the employees’ wages and taxes, and credit Fund 035, GL 1324 to clear the receivable set up by the WT 3231 entry.

No manual JVs are required.

ERA corrections

ERA Corrections may be necessary to report retirement wages and/or hours in the correct earnings period.

- Check January wages and hours reported to see if they were reduced by \$500 overpayment and any hours that may need to be reduced (for the 1/10 and 1/25 overpayment).
- Check overpayment recovery months’ earnings to see if you need to add the wage reductions back into the wages for those months.

Prior Year Recovery – No prior year payments have been made

Example: Employee overpaid \$500.00 October 16-31 and \$500.00 November 1-15 for a total of \$1,000.00. Overpayments were discovered in January of the current year. Signed repayment letter received in March.

HRMS automatically adjusts gross salary expenditures and FTEs when Master Data is changed.

Manual JV(s) is necessary for employer expenditures (BA, BH, BB, BK etc.)

Step 1: Follow “Discover Overpayment” on page 1-2 of this document.

Step 2: Calculate net (Gross (\$1,000) less employee Social Security (6.2%) and Medicare (1.45%) taxes = net to collect \$1,000.00 - \$76.50=**\$923.50**. (tax rates in example reflect 2024 rates, for current rates visit <https://www.ssa.gov/oact/ProgData/taxRates.html>) When overpayment was discovered, you entered WT 3231 in Additional Payments (IT0015) with effective dates of 10/31 \$500.00 and 11/15 \$500.00 in HRMS

- The employee agreed to make 5 payments of \$184.70 each payday, beginning with the March 25th paycheck.
- All prior year overpayment will be recovered in the current year. (Overpayments made 11/10 and 11/25 in the last year, Recovery payments March 25, April 10, April 25, May 10, and May 25 of current year).
- Recovery entry WT 3101/3111 is a dynamic action entry (when you save the WT 3101 entry the IT0015 WT 3111 entry pops up, you just need to key the amount and save):

- Recurring Deductions (IT0014) WT 3101 effective start date 3/1 end date 5/15, amount \$184.70 payment model WA04 full amount each pay period.
- Additional payment (IT0015) effective start date default date set by system (3/1) amount \$923.50 (total net amount).

Recovery of net wages

Recovery of net wages (gross overpayment less employee Social Security and Medicare=net wages) will be made using WT 3101/3111.

- Amount of WT 3101 should be the amount you will collect each period. This will generate an AFRS record reducing (crediting) Acct. 035, GL 1324.
- Amount of 3111 should be net pay (gross overpayment less Social Security and Medicare = net pay). WT 3111 does not generate transactions in AFRS. WT3111 tracks the net balance owed.
- Payments that can be recovered through adjustment wage types (Union Dues, Retirement, PFML, LTSS etc.) should be recovered using those wage types. This ensures third-party vendors have accurate information.
- WT 3101/3111 – Auto JV: TC 186 – 7140/1324. This transaction credits 1324 (clears to Cash), no manual reclassification JV needed.

Accrue employer tax receivable

- Manual JV
 - TC 025 – 1324V/7140, Fund 035, DR, GL 1324.
 - TC 670 – 7140/6510, Operating coding, SubObj BA (SocSec), CR.
 - TC 670 – 7140/6510, Operating coding, SubObj BH (Medicare), CR.
- This is an Interfund (IFT) JV – *do not send to OST!*
- This reduces the agency's expenditure for Medicare and Social Security and establishes an additional receivable for state share of payroll taxes. *This is only for employer share!*
- Remember, the employee share is built into the gross receivable established with WT 3231.

Adjustments for the employee and employer portion by the gross amount overpaid

Adjust Social Security, Medicare wages, and associated taxes for both the employee and employer portion by the gross amount overpaid. For prior year in Year-to-date (YTD) file on Tax Reporter (PU19). (See example below)

- There should be no manual adjustments for current year.
- Only modify Box 3,4,5,6 (Social Security and Medicare amounts withheld and subject.) (Not Federal Income Tax withheld or subject).
- When adjusting taxes, be sure to use the correct Social Security rate for the year the overpayment occurred.

- File a Form W-2c electronically with the Social Security Administration (SSA) using Business Services Online (BSO) and provide copies to the employee.

Tax Notes

- Federal income tax rules in the current year are the same as in the previous example. The amount collected in the current year will not appear as a reduction to the previous year or current year tax returns.
- When adjusting taxes, be sure to use the correct Social Security rate for the year the overpayment occurred.
- Tax years are open for 3 years plus current year (Example: in 2025, tax years 2022, 2023, and 2024 are still open, plus current year 2025. Tax year 2022 would close April 15 of 2026). You cannot process a 941x to recover employee or employer Social Security or Medicare taxes once the tax year is closed.
- If a tax year is closed. Contact OFMmiSWAPayroll@ofm.wa.gov for how to account for unrecoverable employee and employer taxes.

Manual PU19 adjustment for current example:

PERNR	Personnel Area	Tax Authority (FED, WA, etc)	Effective Date	Tax Group (TxGr)	Taxable or Value	Tax
12345678		FED	12/31/20XX	0003	(1,000.00)	(62.00)
12345678		FED	12/31/20XX	0004	(1,000.00)	(62.00)
12345678		FED	12/31/20XX	0005	(1,000.00)	(14.50)
12345678		FED	12/31/20XX	0006	(1,000.00)	(14.50)

Recover tax receivable

- Has 941 already been filed for period in question? In most cases, the answer will be yes. The only time the answer will be no is if you make the prior year recovery by the January 25th pay date and enter your PU19 manual adjustments prior to running and filing your quarter 4, 941 since it is due 1/31.
- No: File 941 with adjustments to
 - Social Security wages
 - Social Security tax
 - Medicare wages
 - Medicare tax
- Yes: File 941X with same adjustments.
- There should be a refund due in the amount of employee and employer SS/Medicare taxes.
- Manual Cash Receipt: When payment is received from Internal Revenue Service (IRS), record on A-8 as TC 090, Fund 035, GL 1324. Interest is deposited to revenue source 04-99 in the operating account.

Refund Retirement

- Refund calculated employee amount through HRMS option 1.
 - Use WT 2987 for post-tax adjustments or 2989 for pre-tax adjustments. A refund of employee share will be a negative (-) deduction in HRMS.
 - Makes the employee whole for excess retirement contributions paid.
 - Accrues the amount to recover from the Department of Retirement Systems (DRS) in GL 5199 as a Debit.
 - If the debit transaction will not be recovered from DRS immediately, please reclassify to GL 1324—Call Office of Financial Management (OFM) for guidance.
- Refund calculated employee amount through HRMS option 2.
 - Use WT 2992 for post-tax adjustments or 2993 for pre-tax adjustments. A refund of employee share will be a negative (-) deduction in HRMS.
 - Makes employees whole for excess retirement contributions paid.
 - Accrues the amount to recover from DRS in 1324 as a Debit.
 - No reclassification JV necessary.

If you are attempting to refund any Plan 3 Defined Contribution amounts to an employee, Contact the Department of Retirement Systems (DRS) before refunding. DRS can best determine if this is an appropriate transaction.

- Calculate employer amount.
- Make corrections in ERA if applicable. Ensure the amount you calculated and the ERA auto calculation matches.
- Manual JV Option 1:
 - Line 1: TC 264 – 7140/6510, operating coding, Sub Obj BB (Retirement), CR, employer amount.
 - Line 2: TC 966 – 7140/5199V, Fund 035, CR, GL 5199, employee amount.
 - Line 3: No transaction code, Agency 1240, appropriate fund for system and plan (consult ERA System Manual), total of employee and employer amounts.
 - Send the original to Office of the State Treasurer (OST) and copy to DRS with Payment Advice form.
- Manual JV Option 2:
 - Line 1: TC 264 – 7140/6510, operating coding, Sub Obj BB (Retirement), CR, employer amount.
 - Line 2: TC 966 – 7140/1324V, Fund 035, CR, GL 1324, employee amount.
 - Line 3: No transaction code, Agency 1240, appropriate fund for system and plan (consult ERA System Manual), total of employee and employer amounts.
 - Send original JV to OST and copy to DRS with Payment Advice form.

Refund Employee and Employer PFML

To help with calculation use ESD calculator <https://paidleave.wa.gov/estimate-your-paid-leave-payments/>

Refund employee amount through HRMS.

- Use WT 3100 in Additional Payments (IT0015). A refund of employee share will be a negative (-) deduction in HRMS.
- Makes the employee whole for excess PFML contributions paid.
- Accrues the amount in GL 5199 as a Debit.
- Contact OFM at heretohelp@ofm.wa.gov to correct reporting to ESD to receive credit to quarterly invoice.
- Process JV to reclass 5199 to GL 5180 PFML (credit 5199, debit 5180).
- Manual JV:
 - Line 1: TC 347 – 9920/5199V. Fund 035, CR, GL 5199, employee amount.
 - Line 2: TC 348 – 5180V/9920, Fund 035, DR, GL 5180, employee amount.
 - This is an Interfund (IFT) JV – *do not send to OST!*

Calculate employer amount

- Process JV to credit operating account and debit PFML (GL5180).
- Manual JV:
 - Line 1: TC 670 – 7140/6510, operating coding, Sub Obj BK (PFML), CR, employer amount.
 - Line 2: TC 025 – 5180V/7140, Fund 035, DR, GL 5180, employer amount.
 - This is an Interfund (IFT) JV – *do not send to OST!*

Refund LTSS

- Refund employee amount through HRMS.
- Use WT 3100 in Additional payment (IT0015). A refund of employee share will be a negative (-) deduction in HRMS.
- Makes the employee whole for excess LTSS contributions paid.
- Accrues the amount in GL 5199 as a Debit. (The normal balance of a receivable is a credit).
- Contact OFM at heretohelp@ofm.wa.gov to correct reporting to Employment Security Department (ESD) to receive credit to quarterly invoice.
- Process JV to credit 5199 and debit LTSS (GL5183).
- Manual JV:
 - Line 1: TC 347 – 9920/5199V. Fund 035, CR, GL 5199, employee amount.
 - Line 2: TC 348 – 5183V/9920, Fund 035, DR, GL 5183, employee amount.
 - This is an Interfund (IFT) JV – *do not send to OST!*

There is no employer premium for LTSS.

Federal Income Tax (FIT) Withholding:

- FIT/Subject to FIT (W-2 Box 1/2) for the previous year will not be reduced.
- FIT/Subject to FIT (W-2 Box 1/2) for the previous year will also not be reduced in the current year.
- For all overpayments collected in the current year for prior year, please advise employees to consult a tax advisor to see if they can deduct the amount collected in the current year for the previous year's overpayment on their tax return for the current year.

For more information on wage repayments for previous years, see “Wage Repayments” in [IRS Publication 15](#).

Convert overpayment began in prior year—complete collection in the current year:

Example: Employee overpaid \$1,000.00 September 1-15 and \$1,000.00 September 16-30 for a total of \$2,000.00. Overpayments were discovered in October of the current year. Signed repayment letter received late October. The employee agreed to make 8 payments of \$250.00 each, beginning with the 11/10 paycheck.

If you know at the time you receive the repayment agreement that it will cross tax years, we recommend you make the current and prior year recovery entries at that time, versus waiting until the end of the year to end the WT 3223/3224 entry and start a WT 3101/3111 collection.

HRMS automatically adjusts gross salary expenditures and FTEs when Master Data is changed.

Manual JV(s) is necessary for employer expenditures (BA, BH, BB, BK, etc.)

Step 1: Follow “Discover Overpayment” on pages 1 and 2 of this document.

Step 2: Calculate current year repayment and convert remainder to collect as prior year repayment (Employee is only paying \$1,000.00 in current year, \$250.00 11/10, 11/25, 12/10, and 12/24, which leaves \$1,000.00 owed that will be collected in the next tax year) You will need to collect the remaining overpayment of \$1,000.00 as a net repayment (Gross remaining \$1000 less employee Social Security (6.2%) and Medicare (1.45%) taxes = \$923.50 net to collect)
 $\$1,000.00 - \$76.50 = \$923.50$

- When overpayment was discovered, you entered WT 3231 in Additional Payments (IT0015) with effective dates of 9/15 \$1,000.00 and 9/30 \$1,000.00 in HRMS.
- The employee agreed to make 8 payments of \$250.00 each payday, beginning with the November 10th paycheck.

- You will recover \$1,000.00 of the overpayment in the year the overpayment occurred. (\$250.00 11/10, 11/25, 12/10, and 12/24, which will leave \$1,000.00 that needs to be converted to collect as net (gross minus Social Security and Medicare tax).
- Entry for the current year recovery:
- Recovery entry WT 3223/3224 is a dynamic action entry (when you save the WT 3223 entry the IT0015 WT 3224 entry pops up, you just need to key the amount and save):
 - Recurring Deductions (IT0014) WT 3223 effective start date 10/16 end date 12/15, amount \$250.00 payment model WA04 full amount each pay period.
 - Additional payment (IT0015) effective start date default date set by system (10/16) amount \$1,000.00 (total balance of current year overpayment to be collected).

Entry for remaining balance that will be collected in the following year

There will be two entries, since the net collection of \$923.50 is not evenly divisible by the 4 remaining payments (\$923.50 divided by 4 = \$230.875, so take 3 payments of \$230.88 and 1 payment of \$230.86

- Entry 1:
 - Recovery entry WT 3101/3111 is a dynamic action entry (when you save the WT 3101 entry the IT0015 WT 3111 entry pops up, you just need to key the amount and save):
 - Recurring Deductions (IT0014) WT 3101 effective start date 12/16 end date 1/31, amount \$230.88 payment model WA04 full amount each pay period.
 - Additional payment (IT0015) effective start date default date set by system (12/16) amount \$692.64 (total balance of the 3 payments of \$230.88).
- Entry 2:
 - Recovery entry WT 3101/3111 is a dynamic action entry (when you save the WT 3101 entry the IT0015 WT 3111 entry pops up, you just need to key the amount and save):
 - Recurring Deductions (IT0014) WT 3101 effective start date 2/1 end date 2/15, amount \$230.86 payment model WA04 full amount each pay period.
 - Additional payment (IT0015) effective start date default date set by system (2/1) amount \$230.86 (total balance of the 1 payment of \$230.86).

If you did not calculate current year/prior year collections at the time of initial entry of repayment (as in the example above), you will need to do the following.

Same as above, except:

- WT 3223/3224 must be ended—Follow HRMS procedure (found on Support Hub).
- WT 3101/3111 must be established. Amount of 3111 should be gross overpayment remaining, less Social Security and Medicare = net pay.

Refunds processed on the gross amount

All refunds done via HRMS (retirement, PFML, LTSS etc.) and manual JVs in the prior year collection example will need to be processed on the gross amount.

In this example \$1,000.00 - that was converted to net (\$923.50):

- Accrue employer tax receivable to GL 1324.
- Refund retirement in HRMS and recover from DRS.
- Refund PFML in HRMS and process manual JV's.
- Refund LTSS in HRMS and process manual JV's. Contact heretohelp@ofm.wa.gov to correct PFML and LTSS reporting.
- When net overpayment recovery is completed:
 - Enter manual YTD adjustments in HRMS to prior year using PU19.
 - File W2c with the Social Security Administration electronically using their Business Online Services (BSO) and provide copies to the employee.
 - File 941x with IRS.
- When payment is received from IRS, record on A-8 as TC 090, Fund 035, GL 1324. Interest is deposited to revenue source 04-99 in the operating account.

For more information on wage repayments for previous years, see “Wage Repayments” in [IRS Publication 15](#).

Discover overpayment in current year and prior year:

Example: Employee was overpaid for November, December of the previous year and January, February of the current year. The overpayment was discovered in March of the current year.

Determine gross amount that is overpaid in each year. (Use your pay simulation.)

Treat each amount as a separate overpayment.

- Current year portion (January, February) will be accounted as a current-year-only recovery.
- Prior year portion will be accounted as a prior year recovery. Manual JV's and HRMS adjustments to refund employee will be required for the prior year portion.

Collect the current year overpayment first, then the prior year. This will help prevent 941/W2 corrections in multiple years.

For more information on wage repayments for previous years, see “Wage Repayments” in [IRS Publication 15](#).

Terminated Employee Pays via Personal Check (Current Year Only)

Example: An employee who left state service in February of the current year pays the net overpayment to the agency in April of the current year via personal check.

Note: Use this procedure for current calendar year only, IF the terminated employee repays via personal check!

- Deposit the check received from the terminated employee.
 - TC 090 – 7110/1324V, Fund 035, CR, GL 1324.

WT 1120/3101, collect taxes and net pay.

- Deposit the check received from the terminated employee.
 - TC 090 – 7110/1324V, Fund 035, CR, GL 1324.
- Post the gross pay as a negative number, using WT 1120 in Additional Payments (IT0015) with effective date of the last day on staff.
- Run another pay sim to compute the net pay.
 - Post the net pay as a positive number, using WT 3101/3111 in the current pay period.
 - WT 3101/3111 is a dynamic action entry (when you save the WT 3101 entry the IT0015 WT 3111 entry pops up, you just need to key the amount and save):
 - This wage type will set up the deduction to be deposited to Fund 035, GL 1324 when payroll interfaces to AFRS.
 - The only deductions should be for federal taxes and retirement.
- Net pay + taxes = gross pay.

Questions?

For accounting questions contact **OFM Statewide Accounting Payroll Unit**
ofmmiswapayroll@ofm.wa.gov

For HRMS assistance, Contact: heretohelp@ofm.wa.gov