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EMPLOYEE SERVICES

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Overpayment of Wages

State Fiscal Rules [1] and CU policy [2] require employers to collect any wages that were erroneously paid to an employee.

When an employee is overpaid, use the following process.

Notice of Overpayment Adjustment

Whenever an overpayment of wages has occurred, the employing department completes the Notice of Overpayment Adjustment Form [3].

Fill out the form completely for timely processing. Be sure to correct any HRMS entry errors that may have contributed to the cause of the overpayment. **The department must notify the employee that an overpayment has occurred, and it must make necessary corrections to the employee's HRMS records.**

Once the form is completed and the HRMS system has been corrected (if necessary), the department distributes as follows:

1. Employee Services (original)
2. employee (copy)
3. department (copy)

Calculation of Overpayment Amount

Employee Services will calculate the repayment amount due (net overpayment amount), and follow up in writing with the employee and the department.

Overpayment Recovery Schedule and Process

Employee Services establishes a recovery schedule based upon guidelines described in the Overpayment Policy, and notifies the employee by mail. The criteria used in making this determination include consideration of employment status, the time frame of the overpayment and the percentage of regular gross pay that it represents.

Acceptable methods of payment are personal check or payroll deduction (active CU employees only). Please refer questions about the repayment schedule and methods to an Employee Services overpayment counselor.

All checks or cash for overpayment recoveries must be sent or delivered (for cash) directly to Employee Services. Departments should not deposit checks and/or cash received from their employees as repayment for an overpayment. All overpaid employees must send all repayment monies directly to Employee Services?not to their department.

Failure to Repay

If the employee fails to complete payment within the established recovery schedule, the remaining amount due will be turned over to the state of Colorado Central Collection Services. Once an overpayment goes to collections, the employee must pay the debt, plus any associated court costs and penalties.

Reporting of Overpayments on Form W-2

Per IRS regulation, any overpaid amount not repaid by the end of the calendar year must be reported as taxable income. In addition, once the tax year has ended, federal and state withholding can no longer be adjusted and must be included in the overpay due amount. This will increase the amount owed by the employee.

Payroll liaisons should pay special attention to identifying and processing overpayments that occur near the end of the tax year. Overpayments that cross tax years can have a significant negative impact on an employee's taxes and repayment amounts. It is always preferable if the overpayment can be discovered and repaid during the same tax year as it occurred.

It is also important to keep employees' appointment dates, employment statuses and mailing addresses current in the HRMS; this data can have an impact on the recovery process.

Questions and Assistance

For assistance with an overpayment calculation, contact an Employee Services payroll counselor at 303-860-4200, option 2. For assistance with the repayment process, employees should refer to the instructions included in the Notice of Overpayment letter.

Source URL: <http://www.cu.edu/employee-services/business-partners-pplddl/business-partner-resources/employee-services-procedure-21>

Links:

[1] <https://www.colorado.gov/pacific/sites/default/files/Chapter%209%20Payroll.pdf>

[2] <http://www.cu.edu/sites/default/files/overpayment-policy.pdf>

[3] <http://www.cu.edu/sites/default/files/policies/975-overpayment-notice/files/overpayment-notice-2014.xls>