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More than wages: Imputed income is an important tax consideration at year-end [1]



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As the 2025 calendar year winds down, all employee income and taxes must be paid by Dec. 31. This includes more than just wages or salary. It also includes taxes on eligible imputed income.

Imputed income is the cash value of benefits or services an employee receives that are considered income and are subject to federal income tax and Federal Insurance Contribution Act (FICA) taxes.

At the University of Colorado, this includes the Tuition Assistance Benefit, awards or gift cards, expense reimbursements submitted more than 90 days after the expense was made, pre-paid moving expenses for employees and some benefits expenses for covered civil union and domestic partners.

When an employee receives a taxable benefit, it posts in the paycheck as an employer paid benefit. It can be viewed on the pay advice under taxable benefits. The employee (and employer) payroll taxes are processed with the normal taxes in the corresponding pay period. As long as there is enough employee net pay to cover the cost of the employee portion of the tax, the tax is collected from the employee paycheck.

Occasionally, an employee will have terminated university employment or is no longer receiving other compensation when imputed income is entered on a paycheck. In that case, there is no employee pay in which to offset the employee portion of the employee payroll taxes. But the taxes must still be collected.

At the end of each calendar year, any unpaid employee payroll taxes are redirected to the employer. ES Payroll will create a paycheck using the deduction code PYTXER (Prior Year Tax Adjustment-ER) to collect outstanding employee payroll taxes from the employer. The taxes post according to position funding or to suspense if position funding has expired.

Sometimes it can be confusing to see only payroll taxes post to the general ledger without corresponding earnings. These imputed income taxes may be the reason. To solve the mystery, use the HCM Query “Paycheck Distribution” to return earnings, taxes and deductions on an employee paycheck.

When a general deduction 00 is returned in the query, PYTXER may be the reason. For more detail, query the paycheck on the Payroll Expense Transaction page (from the HCM Community Users drop-down menu, via the Pay Actions tile) and check the deductions tab. The deduction code 00 will display the code’s detail. If you see PYTXER, then you’ll know the deduction was an employee payroll tax redirected to the employer.

Need extra help?

Learn more about imputed income on the Employee Services website [3]. You can also email hcm_community@cu.edu [4] or System.HRGL.Team@cu.edu [5].

Additionally, you can find HCM queries here:

1. Log into the **employee portal**.
2. Open the **CU Resources** dropdown menu and click **Business Tools**.
3. Select the **HCM** tile and choose **HCM Community Users** from the drop-down menu.
4. Click the **HCM WorkCenter** tile.
5. Select the **Resources** tab and click the query you desire.

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