

9.2 Prior Year Overpayments

Purpose: Use this document to understand the general rules for prior year overpayments.

Audience: Local HR/Payroll Teams



NOTE: Most of these instructions are for actions taken outside ctcLink.
For activities to be done in ctcLink, links are provided to the appropriate QRG.

General Rules

1. Payments cannot reduce current year taxable wages, so deductions have to be after-tax.
2. Federal taxable gross and federal tax withheld, Box 1 & 2 on the W-2 are not reduced by the repaid amount.
3. Total repayment should be gross wages minus FICA, Medicare & retirement if the below conditions are satisfied.
 - a. A signed statement is received from the employee that they have not and/or will not claim a refund from SSA.
 - b. Currently employed for retirement reduction. If the employee is separated do not reduce retirement as they may have withdrawn their funds.
4. Once the employee has repaid the overpayment, calculated in step 3, they are entitled to a refund for any deduction that the employer can recover from the vendor.
 - a. This will be specific to each employee but may include L&I, PFML & union dues.
 - b. Garnishments, medical premiums, FSA, HSA, or VEBA may or may not be recoverable.

Personal Check Repayments

- Adjust the prior year balances for FICA & Medicare taxable gross wages, both employee & employer portion.
- The employee should not receive a refund for FICA & Medicare taxes. The employer is entitled to any refunds from SSA, both the employee & employer amounts.
- Complete and file a W-2C with SSA and send a copy to the employee. Record the W2-C in ctcLink.
Refer to QRG: [9.2 Enter W-2C in ctcLink](#)
- Complete and submit a 941X to request a refund of FICA and Medicare taxes.
- Enter a one-time deduction refund for any recoverable deductions.
- DRS Members
 - Adjust earnings and hours in ERA for the overpayment period.

- Using the employer non-taxable retirement deduction code, enter a one-time refund for the total amount of the employee & employer portion of retirement.
- Once the refund is processed in HCM, submit a DRS credit redistribution form to move the refund to the correct month(s)/year.
- TIAA members
 - Adjust the prior year balances for the TIAA deduction, both employee & employer.
 - Submit a mistake of fact to TIAA to request a refund of employee & employer contributions.

Payroll Deduction Repayment

- Set up the employee with general deduction **000025** - Prior Year Overpayment Payback. Refer to QRG: [9.2 Creating and Ending General Deductions](#)
- Include a goal amount. This will be the calculated overpayment amount from step 3 above minus any payments already made.
- Once the goal amount is reached, use the process outlined above under personal check repayments to complete the overpayment.