



State of North Carolina Office of the State Controller

James B. Hunt, Jr.
Governor

Edward Renfrow

May 5, 1995

MEMORANDUM NO PR95-004

TO: All Agencies Served by the State Controller's
Office-Payroll Section

FROM: Roger Farmer
Payroll Administrator

SUBJECT: Employee Repayments After Year-End

Over payment of wages to an employee may be handled as a net pc refund, as long as the repayment is made within the same calendar year. The employee is allowed to repay the net amount of their over payment, rather than the gross amount, because we are able to reclaim the Social Security, Federal Tax, NC Tax and any miscellaneous deduction amounts.

Our office provides a payroll time schedule to each agency with the final date that transactions can be entered or processed before the calendar year is closed. After this date we are unable to process either Gross or Net PC Refunds as well as check cancellations. The following situations should be noted:

1. Although an employee may have been over paid in a prior year, the wages reported on the W-2 were correct because the wages were received in the prior year.
2. Repayments of prior year wages must be made on a gross basis because our office cannot reclaim the difference between the employees gross and net pay. See below:
 - A. The Internal Revenue Service and NC Department of Revenue will not allow us to make adjustments for taxes withheld for a prior year.
 - B. In order to claim a refund of the employees social security deduction, an employee must sign a waiver letter authorizing this refund.

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After an employee has repaid the GROSS AMOUNT of any prior years wage over payment, the employee should be given a letter from your agency which states that they have repaid the prior year wage over payment for the year in question. The employee should be able to use this letter as backup when they file their tax returns for the year in which they actually made the cash repayment.

After an employee has repaid the wage over payment and signed the waiver letter to allow us to file for their employees portion of the social security deducted, our office will file a claim with the Social Security Administration requesting both the employee and employer deduction amounts. When these deduction amounts are received by our office, we will return both deduction amounts back to your agency. Your agency will deposit the employer deduction amount and refund the employee deduction back to the employee.