

## Chapter 13. Employee Payroll Deductions

### I. Procedure Summary

Employee payroll deductions are either mandatory or voluntary.

Mandatory deductions are required based on federal, state, and local regulations; and court and bankruptcy orders.

Voluntary deductions are optional to the employee.

### II. Responsibilities

#### Office of Human Resources

- Authenticate employee benefit-related payroll deduction requests.

#### Payroll Department

- Withhold and remit tax deductions.
- Withhold and remit other mandatory deductions.
- Withhold and remit voluntary deductions.
- Prepare and file mandatory payroll tax reports.
- Comply with federal, state and local compensation related regulations.

#### University Tax Department

- Provide guidance to the Payroll Department regarding federal, state and local tax compliance as required.

#### University Employees

- Authorize voluntary deductions.
- Provide tax withholding information.
- Validate accuracy of withholdings by reviewing pay statements.

### III. Procedure:

#### 1. Mandatory Deductions

A. The University identifies or receives:

1. Federal state and local tax requirements
2. Domestic relations orders
3. Specific tax levies
4. Bankruptcy orders
5. Garnishments

B. The Payroll Department withholds the deduction and processes payment to the appropriate entity.

2. Voluntary Deductions

A. The Employee selects from University offered benefits or requests an offered non-benefit voluntary deduction.

B. The department offering the benefit or service approves the deduction.

C. The Payroll Department withholds the deduction and processes payment to the appropriate entity.

#### **PROCEDURE INFORMATION**

1. Mandatory deductions

The University is required to make certain deductions from employee gross earnings, including income and social security taxes, and certain non-tax mandatory deductions. Payroll deductions are specified as the only acceptable method of payment for certain benefit programs which require payments by participants.

A. Employee payroll tax deductions:

Employee payroll tax deductions are mandated by various federal, state, and local regulations. Payroll tax deductions include:

1. Federal income tax

Federal income tax is generally withheld based on the employee completed IRS Form W-4, "Employee's Withholding Allowance Certificate".

2. Social Security and Medicare taxes

The Federal Insurance Contributions Act ("FICA") requires that contributions be withheld from all U.S. Citizens and residents, subject to certain exemptions and limits.

3. State income tax

State income tax is withheld in accordance with Pennsylvania or other applicable state regulations.

4. Local income taxes (city and school districts)

Local income taxes are withheld in accordance with Pennsylvania statutes.

## 5. Local services and other local taxes

Municipal taxes are withheld in accordance with Pennsylvania statutes.

## 6. State unemployment contributions

Unemployment contributions are withheld in accordance with Pennsylvania statutes.

### B. Other mandatory deductions include:

#### 1. Domestic relations orders

#### 2. Tax levies (federal, state or local)

#### 3. Bankruptcy orders

#### 4. Garnishments for educational loans, etc., including the Pennsylvania Higher Education Assistance Agency ("PHEAA")

In cases where a deduction is mandated by a court order, the University complies with the direction of the court for designated amounts. Deductions may be specified in detail by the court or may be based on employee disposable income after other deductions. Generally, the levies remain in effect until the court or other organization indicates that the amount due has been paid in full. The University only accepts changes or suspensions of these deductions from the entity issuing the garnishment.

### 2. Voluntary deductions:

The University provides payroll withholding for a variety of voluntary deductions. In all cases, employees must be eligible for and must authorize each of the various deductions made.

Voluntary deductions include:

#### 1. Employee benefits

#### 2. University parking

#### 3. Pitt internal campaign

#### 4. Credit union contributions

The Office of Human Resources is responsible for authorizing benefit related deductions. Authorization may take the form of enrolling in a particular benefit program which requires employee withholdings.

The Payroll Department is responsible for the processes used to authenticate requests for all other voluntary deductions.