



Pay Type Inclusions, Exclusions, and Exceptions

Payroll Inclusions for Workers Compensation Premium (subject to state exceptions below):

Wages or salaries including retroactive wages or salaries

Commissions and draws against commissions

Bonuses including stock bonus plans

Straight time portion of overtime

Pay for holidays, vacations or sick pay-paid by employer

Payments by an employer of amounts otherwise required by law to be paid by employees to statutory insurance or pension plans, such as the Federal Social Security Act

Payments to employees for piece work, profit sharing or incentive plans

Payments or allowances for hand tools or power hand tools provided by employees and used in their work operations

Rental value of an apartment or house provided for an employee (permanent lodging -based upon comparable accommodations)

The value of lodging, other than an apartment or house, received by employees as part of their pay, to the extent shown in the employer's records

The value of meals received by employees as part of their pay to the extent shown in the employer's records

The value of store certificates, merchandise, credits or any other substitute for money received by employees as part of their pay

Payments for salary reduction, retirement, or cafeteria plans (IRC 125) that are made through deductions from the employee gross pay

Davis-Bacon wages paid to employees or placed into third party pension trusts (wages paid above employee's normal pay to meet prevailing wages for government jobs).

Expense reimbursements to employees to the extent that an employer record does not substantiate that the expense was incurred as a valid business expense

Jury Duty Pay

Payroll Exclusions for Workers Compensation Premium (subject to state exceptions below):

Premium portion of overtime, premium pay is the extra money paid to employees for working overtime. If overtime is paid at time and a half, 1/3 would be excludable as premium pay. If overtime is paid at double time ½ would be excludable as premium pay. (Note, an overtime credit is not permissible in PA, DE, UT, and NV. Also note that increased wages for time differentials such as extra pay for night shifts is not considered overtime).

Stock Options (Stock given as a bonus or as a substitute for a wage is chargeable)

Severance pay, (Accrued vacation is not considered severance pay).

Third party sick pay.

Payroll amounts imputed for life insurance provided by the employer.

Expense reimbursement to the extent that the employer's records substantiate that the expense was incurred as a valid business expense and that the amount of each employee expense reimbursement is shown separately in the records of the employer.

Moving expenses.

Value of special rewards for individual invention or discovery.

Tips and gratuities, (subject to State exceptions)

Payments by an employer to group insurance or pension plans.

Payments for active military duty.

Employee discounts on goods purchased from the employee's employer.

Supper money for late work.

Work uniform allowances.

Employer provided perks such as: use of an automobile (taxable amount for personal use of auto.), an airplane flight, an incentive vacation (contest winner, etc), a discount on property or services, club memberships, tickets to entertainment events.

Flex-Credits –when a specific amount is set aside for employees for the employee to purchase group insurance, any portion that is used

Most Common State Exceptions:

CA -Amounts paid by employee to a qualified IRC 125 Cafeteria Plan is excludable.

DE -Premium portion of overtime is not excludable.

KS -Exclude pay for holiday, vacation and employer paid sick pay (if summarized and shown separately)

LA -Exclude unanticipated bonuses (bonuses that are not planned in advance).

MT -Tips or other gratuities received by an employee and reported to the employer for tax purposes is included.

NV -Premium portion of overtime is not excludable. Each employee has an annual payroll limitation of \$36,000. The \$36,000 is not prorated if the employee works less than the annual period

OR -Exclude vacation pay and unanticipated bonuses

NJ -Gratuities included except when specifically excluded by classification wording (tips/gratuities under the 9079 restaurant class code are excluded).

NM -Exclude bonuses paid under Approved Safety Program

PA -Premium portion of overtime is not excludable

SD -Exclude pay for holidays, vacations or sick leave

TN -Exclude bonuses unless part of a written contract and in lieu of wages

UT -Premium portion of overtime is not excludable.

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