

University Payroll

Authority This Guide Memo was approved by the Controller.

Summary This Guide Memo contains general policies concerning the University payroll. Stanford Linear Accelerator Center (SLAC) currently applies the applicable policies contained herein. SLAC departments should consult SLAC Business Services Division for SLAC procedures.

Section headings for this Guide Memo are:

1. EMPLOYER/EMPLOYEE RELATIONSHIP
2. EMPLOYMENT CATEGORIES
3. COMPLIANCE WITH EMPLOYMENT LAW
4. PAYROLL ACCOUNTING
5. TAXES ON SALARIES AND WAGES
6. PAYROLL DEDUCTIONS
7. DELIVERY OF CHECKS AND BANK DEPOSIT ADVICES
8. SALARY AND WAGE CALCULATIONS
9. SPECIAL SITUATIONS

1. EMPLOYER/EMPLOYEE RELATIONSHIP

Whether an individual is a University employee or an independent contractor is a determination with important practical and legal consequences.

- a. General Rule** – Federal tax rules define an employee as follows: An employee is an individual who performs services subject to control by an employer both as to what services shall be performed and as to how they shall be performed. If the University has the legal right to control both the method and result of services that person is considered an employee and, therefore, is subject to withholding of income tax.

Questions concerning whether an individual is an employee or an independent contractor should be directed to Human Resources or the Stanford Procurement Department. See section 1.b, below.

- b. Getting Help** – In cases of doubt about an individual's status, contact Human Resources or Procurement/Special Contracts for advice. See "Paying People for Services":
http://fingate.stanford.edu/staff/buypaying/hire_contractor_consultant.html.

2. EMPLOYMENT CATEGORIES

Employees are categorized within the payroll system according to the length of the appointment, the percentage of time worked, and the type of position they fill. These categories in combination affect eligibility for most employment benefits.

a. Length of Appointment –

- (1) **Continuing** – Continuing employees are expected to remain on the payroll for six months or more (four months or more for Bargaining Unit employees).
- (2) **Temporary** – Temporary employees are expected to remain on the payroll for less than six months (less than four months for Bargaining Unit employees). Stanford students working less than 50 percent time may be appointed for the entire academic year as temporary employees. Temporary employees are not eligible for employment benefits.

- b. Scope of Appointment** – The percentage of a full-time equivalent position (%FTE) an employee works affects both eligibility and level of benefits. See Guide Memo 23.1, Definitions, http://adminguide.stanford.edu/23_1.pdf for the %FTE of a continuing appointment that grants "regular employee" status and eligibility for most benefit plans and programs.

c. **Type of Position** – The job classification defines whether the position is:

(1) **Salaried or Hourly-Paid** –

- **Salaried employees** are paid the amount of their pay-period salary (less authorized deductions) every pay period unless an exception report (such as authorized overtime or pay reduction) is submitted. Subject to exceptions, the gross amount of the paycheck is the same for each pay period, regardless of the number of working days in the period.
- **Hourly-paid employees** are paid for actual hours worked (less authorized deductions) as shown on a timecard submitted for the pay period.

(2) **Exempt or Nonexempt** – See the definitions in Guide Memo 23.1,

http://adminguide.stanford.edu/23_1.pdf. Employees who are exempt from the provisions of the Fair Labor Standards Act are not paid overtime.

3. COMPLIANCE WITH EMPLOYMENT LAW

a. **Documentation of Eligibility for Employment** –

- (1) **Completing Form I-9** – The department must submit a US Citizenship and Immigration Services (USCIS) Form I-9, Employment Eligibility Verification, within three (3) business days of employment for all new and rehired employees, including students. The employee must provide the department with evidence of eligibility to work in the U.S. Failure to comply with this requirement will result in ineligibility for employment and/or immediate termination.
- (2) **Updating Form I-9** – Eligibility to work in the U.S. may expire for certain types of temporary visitors. Documentation of continued eligibility to work must be provided prior to the work eligibility expiration date or employment must end on the expiration date. Failure to comply with this requirement will result in ineligibility for employment and/or immediate termination.
- (3) **Reverifying Form I-9** – A new or reverified Form I-9 must be completed after any break in employment. Students who are continuously employed, except during normal school break periods, are not subject to the reverification requirement.

b. **Tax Requirements** –

- (1) **Withholding Tax Information** – New employees must complete a withholding declaration upon their hire. If the withholding declaration is not received before the deadline of the employee's first pay period, the payroll system will tax the employee as if a claim had been made for W-4 and DE-4 "Single" status with no exemption.
- (2) **Tax Treaties** – Some employees who are not residents of the U.S. may qualify for full or partial exemption from withholding tax based on tax treaties between the U.S. and their countries of residence. Texts of most of the treaties (in both English and the language of the other country) may be examined at the Government Documents Division of the University Libraries. Assistance may also be obtained from Payroll & Records or see

http://financialgateway.stanford.edu/students/taxinfo/quick_steps/claim_taxTreaty_salary.html

for more information.

To obtain exemption from withholding, eligible employees must complete IRS Form 8233, Exemption From Withholding on Compensation for Independent Personal Services of a Nonresident Alien Individual, and the appropriate country attachment form (CO 8233 series). Forms and attachments are available in departments, Bechtel I-Center, and Payroll & Records. Completed forms must be submitted to Payroll & Records.

- (3) **Social Security Number** – Wages or salaries cannot be paid until an employee's Social Security number is in the PeopleSoft HR system. If the employee has submitted an application for a Social Security number to the Social Security Administration, Payroll & Records will accept a copy of that application so that pay may begin.

4. PAYROLL ACCOUNTING

- a. **Semimonthly Payroll** – University employees are paid semimonthly. Pay periods are the 1st through 15th and the 16th through the last day of the month.
- b. **Salary Approvals** – Department heads or other authorized University officers approve charges of salaries and wages to their projects, tasks and awards (PTAs) in accordance with budgets, compensation policies, and collective bargaining agreements. In addition to the department head, certain offices have responsibility for reviewing salaries and wages for specific categories of employees. Salary changes, supplementary compensation, salary during leave of absence, and termination of salary require the same authorization and review. Supervisors (or, in their absence, designees with first-hand knowledge of employees' work hours) are responsible to approve employees' timecards (leave usage for exempt and nonexempt employees and work hours for nonexempt employees).
 - **Faculty and Academic Staff** – Salaries for faculty and academic staff are reviewed and approved by the cognizant dean and the Provost's Office.
 - **Salaried Staff** – Salaries for staff employees are established, reviewed, and approved by the cognizant dean, director, or equivalent University officer. In some cases review by Human Resources is also required.
 - **Hourly-paid Staff** – Hourly wages are reviewed and approved by Human Resources.
 - **Students** – See Undergraduate Student Wage Scales, <http://www.stanford.edu/dept/finaid/wagescale.html>, Guide Memo 24.2, Student Assistantships, http://adminguide.stanford.edu/24_2.pdf, and the Graduate Student Assistantship Supplement at http://www.stanford.edu/dept/DoR/TAL_tables/.
- c. **Charges to Projects, Tasks and Awards** – The Controller's Office charges salary and wage expenditures to PTAs designated by the department. Charges are reported on monthly expenditure or detail reports. Departmental staff provides the charging instructions through "Labor Schedules" in the Oracle Financials Labor Distribution module. This staff is required to take training and to sign a Confidentiality Statement, found at http://financialgateway.stanford.edu/docs/confide_agreement.pdf.
 - (1) **Multiple Activities/Accounts** – If an employee is paid from more than one PTA, the authorized portion of salary or wage is allocated to the appropriate PTA. The paycheck or bank deposit advice delivered to the employee combines all earnings into one check.
 - (2) **Salary Guarantee Activity/Account** – Each department designates an unrestricted PTA as an Organization Suspense Account to which salaries of department employees are charged whenever the source of salary funding (such as a grant or contract) runs out and is not immediately replaced by alternative funding. Charges to Organization Suspense Account PTAs, which are charged to the expenditure type 51610, should be reviewed on a timely basis to determine if transfers are needed. See Guide Memo 38, Cost Transfers, <http://adminguide.stanford.edu/38.pdf>.

5. TAXES ON SALARIES AND WAGES

- a. **Taxable Earnings** – The University withholds Federal, State, and other applicable taxes from all taxable earnings paid to employees. Taxable earnings include regular pay, overtime pay, supplementary compensation, and any additional and miscellaneous payments for work performed for the University.

The University prepares a Statement of Earnings and Income Tax Withheld, Form W-2, and sends it to each employee at their mailing address on file by January 31 each year. Employees may opt for electronic delivery of their W-2 at <https://axess.stanford.edu>. The University also sends copies of Form W-2 to the Federal and State governments.

- b. **Tax Exemptions** – Employees may not claim more withholding allowances than those allowed by the Internal Revenue Service or Franchise Tax Board. Fewer allowances may be claimed or additional dollar amount of taxes may be withheld if an employee wishes to increase the amount of tax withheld. Information about completing the IRS W-4 form and Franchise Tax Board form DE-4, used to specify withholding allowances, is located at:

http://financialgateway.stanford.edu/staff/payemployee/quick_steps/declare_withholding_allowance.html.

- c. **Student Employees** – Students who take jobs with the University while pursuing their studies are paid through the University payroll. Stanford student employees do not pay Social Security taxes or Disability Insurance.
- d. **Scholarships and Fellowships** – Scholarships and fellowships are not payments for work performed, and the recipients are not placed in an employer-employee relationship because of receipt of this money from the University.
- e. **Research and Teaching Assistants** – Research assistantships and teaching assistantships are taxable, and tax is withheld from the semimonthly check.
- f. **Non-California Residents** – All employees who physically work in California are treated as California residents for California tax purposes.
- g. **Tax Status of Non-U.S. Residents** – Salaries and wages paid to aliens come under the tax laws of the United States and the State of California. The specific provisions of the tax laws, treaties, conventions, and determinations in regard to aliens are handled by the Internal Revenue Service and the California Franchise Tax Board. The Payroll & Records Office can assist aliens in filling out University-required forms, and can provide a copy of the tax information that has been published by the Federal and State governments.

6. PAYROLL DEDUCTIONS

- a. **Deductions for Benefits** – Employees eligible for benefits (e.g., regular staff, faculty) may pay the employee's share of the cost of some insurance programs and benefits by payroll deduction authorized in writing by the employee through the Benefits Office. See <http://benefitsu.stanford.edu/>.
- b. **Other Authorized Deductions** – The University has authorized voluntary payroll deductions for payments to certain organizations (such as selected charities, an automobile insurance company and the Stanford Faculty Club). Employees are sent notices of the availability of this procedure in each case. Any employee who wishes to use this procedure should make arrangements directly with the organization for which the deduction is authorized. That organization will send the authorization to Payroll & Records.
- c. **Reporting Deductions** – Deductions from each paycheck are itemized on the pay statement. The amounts deducted are sent to the designated organizations.
- d. **Cessation of Deductions** –
- (1) **Benefits** – Payroll deductions for benefits cease during leaves of absence without pay, upon termination of employment, upon change in employment status to other than regular staff (see Guide Memo 23.1, Definitions, http://adminguide.stanford.edu/23_1.pdf) or faculty, or upon retirement. If that happens, arrangements to pay for the employee's share of the costs of applicable insurance plans and retirement annuities must be made (through the Benefits Office) in order for the employee to continue insurance coverage.
- (2) **Other Authorized Deductions** – Payroll deductions arranged through an organization external to Stanford are available to all employees, and are not affected by a change in employment status. Such deductions cease during leaves of absence without pay, upon termination of employment, or upon retirement.

7. DELIVERY OF CHECKS AND BANK DEPOSIT ADVICES

- a. **Direct Deposit of Paychecks** – Employees are encouraged to have their paychecks deposited directly into their bank accounts. Employees may use any bank, savings and loan, or credit union that is a member of the Automated Clearing House and that can accept electronic transfer of funds. Direct deposit enrollment instructions are available at http://financialgateway.stanford.edu/staff/payemployee/quick_steps/enroll_direct_deposit.shtml.
- b. **Delivery of Semimonthly Paychecks and Advices** – Pay statements are provided for all employees electronically at <https://axess.stanford.edu>. Payroll & Records distributes live paychecks and paper pay statements for Bargaining Unit employees through interdepartmental mail. Other employees who wish to receive a paper pay statement must select this option at <https://axess.stanford.edu>.
- c. **Undelivered Checks** – A paycheck for an absent employee may be held by the department until the employee's return, if the absence is for no longer than one pay period. The department may mail the check if requested by the employee. Any check that is returned by the Post Office should be forwarded to Payroll & Records for handling. Paychecks issued in error must be returned to Payroll & Records for cancellation and reversal of earnings from employee's W-2.
- d. **Stale-Dated Checks** – Paychecks are negotiable for six months from date of issue. Stale-dated checks should be returned to Payroll & Records for reissue. Funds from checks not cashed after 1 year from date of issue must be remitted to the State of California Unclaimed Property Bureau.
- e. **Delivery of Final Paycheck** – An individual's final paycheck must include the total amount of salary or wages owed as of the date of termination. This includes all payments due, including accumulated, unused vacation leave, PTO and floating holiday, less authorized deductions. The department should contact Employee & Labor Relations in advance if questions arise.
 - (1) If the University initiates the termination, or if the employee initiates the termination and gives at least 72 hours notice of the termination, the final paycheck must be given to the employee on the date of termination.
 - (2) When an employee initiates the termination and gives less than 72 hours notice of the termination, the final paycheck is due to the employee within 72 hours after termination.

Departments are responsible for making sure final paychecks are delivered to employees under the time limitations provided by law. A completed Termination Transaction must be submitted to Payroll & Records in order to process the final paycheck. Further information is available at http://hrweb.stanford.edu/hrms/terminations/13_terminations.html.

8. SALARY AND WAGE CALCULATIONS

- a. **Vacation Payment and Vacation Credit** – Vacation earned but unused upon termination is paid on the basis of the employee's hourly rate at termination. For salaried employees at 100% FTE, the hourly rate is calculated by dividing the annual salary by 2080 (hours in a working year). If an employee terminates or changes departments, accumulated vacation as of September 1, 2003 is transferred with an online expense transfer to the central vacation accrual account computed in this same manner. (See Guide Memo 22.5, Vacations, http://adminguide.stanford.edu/22_5.pdf, for more information about policy on accrual and use of vacation leave; contact Financial Information Systems (FIS) in the Controller's Office. The Vacation Accrual template at http://financialgateway.stanford.edu/docs/vacation_accrual.xls can be used to calculate vacation when an employee terminates or transfers.
- b. **Partial Pay Period Pay Calculation** – Pay for less than a full pay period for new or terminating salaried employees is calculated by dividing the annual salary by 2080 (hours in a working year) and multiplying that number by the number of days the employee actually worked, including adjacent holidays, in the pay period times 8 (assume 8 hours/day for a full-time exempt employee.) Holidays are counted as workdays when the employee works or is on paid leave (including vacation) both the day immediately preceding and the day following a holiday.

9. SPECIAL SITUATIONS

- a. **Salary Advances** – Under certain circumstances as described below, salary advances are available to regular staff employees who are not in bargaining units. (Information on salary advances for Bargaining Unit members will be found in the applicable agreement.)
- (1) **Vacation Advance** – An employee who is scheduled to take vacation leave of at least 10 consecutive workdays and will not be in the San Francisco Bay Area, may request early payment of any regular paychecks that would be issued during that period.
 - (2) **Emergency Advance** – Only in an emergency, and with the concurrence of his or her department, a regular employee may receive an advance of salary already earned in one pay period prior to the regular payday for that pay period. No more than two emergency advances for the same employee will be processed in a twelve-month period.
- b. **Faculty Terminations** – A faculty member leaving after completing the employment obligation but prior to the designated end date of his or her appointment may receive the balance of salary through the special processing procedure. If this option is exercised, the faculty member's status as an employee and all accompanying benefits end at the termination date. The termination date must not be later than the date of the final check.