2.2.3 University Payroll

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

Authority:
Approved by the Controller.

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 an individual who performs services subject to control by an employer both as to what services shall be performed and 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 subject to income tax withholding. 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.

b. Getting Help
In cases of doubt about an individual's status, contact Human Resources or Procurement/Special Contracts for advice. See "Hiring Contractors and Consultants [1]."

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% 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 2.2.2 [2]: Definitions, 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 Non-exempt
See the definitions in Guide Memo 2.2.2 [2]. 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 U.S. Citizenship and Immigration Services (USCIS) Form I-9, Employment Eligibility Verification, within three 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 before the work eligibility expiration date. Failure to comply with this requirement will result in ineligibility for employment and/or immediate termination.

(3) Re-verifying Form I-9
A new or re-verified 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 re-verification requirement.

b. Tax Requirements
(1) Withholding Tax Information
New employees must complete a withholding declaration at 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 the employee had claimed “Single” status with no exemption on their W-4 and DE-4.

(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 country of residence. Texts of most treaties (in both English and the language of the other country) may be examined at the Government Documents Division of the University Libraries. Assistance is available from Payroll & Records, or for more information go to How to: Claim Tax Treaty for Salary Payments [3]. To obtain an 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 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 employee timecards (leave usage for exempt and non-exempt employees and work hours for non-exempt 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 [4], Guide Memo 10.2.1 [5]: Graduate Student Assistantships, and the Graduate Student Assistantship Supplement [6].

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 [7].

(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 3.2.2 [8]: Cost Transfers.

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. At the end of each tax year (January 1 through December 31), Stanford compiles and distributes a W-2
Statement for each employee. As a default, W-2 Statements are mailed to the employee's mailing address listed in the PeopleSoft Human Resources database. Employees may elect to have their W-2 Statement sent to them electronically at https://axess.stanford.edu [9], enabling download into tax preparation software programs. 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 How to: Declare or Change WithHolding Allowances [10].

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
Scholarship and fellowship payments are not considered 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 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 tax information 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. For more information, go to http://benefits.stanford.edu [11].

b. Other Authorized Deductions
The University has authorized voluntary payroll deductions for payments to certain organizations
such as 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. If that happens, the employee will receive information from the University's leave administrator on how to pay for the employee's share of the costs for applicable insurance plans. Benefit deductions also stop when an employee's status changes to a non-benefits-eligible position (see Guide Memo 2.2.2 [2]: Definitions) and when employment terminates. At that time, terminated employees may call Stanford Benefits at (650) 736-2985 (press option 3) to determine when they can start the paperwork to receive payment from their retirement savings.

(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, at termination of employment, or on 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 can accept electronic fund transfers. Direct deposit enrollment instructions are available at How to: Enroll/Update/Cancel Direct Deposit [12].

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 [13].
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 can mail the check if requested by the employee. Checks 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 one 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, 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, 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.

8. Salary and Wage Calculations

a. Vacation Payment and Vacation Credit
Vacation earned but unused at 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 the same manner. (See Guide Memo 2.1.6: Vacations, and Policy Notes: Vacation Balance Funding). For more information about policy on accrual and use of vacation leave; contact Financial Information & Reporting Systems (FIRS) in the Controller's Office. The Vacation Accrual template found at Calculate Vacation Accrual 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. (Find information on salary advances for Bargaining Unit members in the applicable agreement.)

(1) Vacation Advance
An employee scheduled to take vacation leave of at least 10 consecutive workdays outside 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/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 12-month period.

b. Faculty Terminations
A faculty member leaving after completing the employment obligation but before the designated end date of his/her appointment may receive the balance of salary through a special processing procedure. If this option is exercised, the faculty member's status as an employee ends on the termination date. The termination date must not be later than the date of the final check.

Guidelines on requesting a memo change can be found at https://adminguide.stanford.edu/change-request-guidelines


Links