

What is Payroll?

HWCF follows The National Council on Compensation Insurance, Inc. Workers' Compensation and Employers' Liability regarding the classification and contribution calculation of workers' compensation policies.

Rule 2 B outlines the manner in which payroll is determined. The following information is taken from this rule.

Items to be INCLUDED as payroll:

- 1) Gross wages or salaries
- 2) Commissions and draws against commissions
- 3) Bonuses including stock bonus plans
- 4) Extra pay for overtime except as noted below
- 5) Pay for holidays, vacations and sickness
- 6) Payment by an employer of amounts that would have been withheld from employees to meet statutory obligations for insurance of pension plans such as the Federal Social Security Act or Medicare.
- 7) Payment to employees on any basis other than time worked, such as piecework, profit sharing or incentive plans
- 8) Value of lodging or meals as part of Employees pay to the extent shown in records
- 9) Value of store certificates, merchandise, credits or other substitute for money as part of Employees pay to the extent shown in records
- 10) Employee contributions for salary reduction, Retirement or Cafeteria Plans (IRC125) that are made through employee authorized salary reduction from employee's gross pay, Flexible Benefits Plans, Annuity Plans or similar savings plan
- 11) Expense reimbursements not classified as a valid business expense

Items to be EXCLUDED as payroll:

- 1) Tips & gratuities received by employees
- 2) Payments by an employer to group insurance or group pension plans other than those payments listed above. (See #6 and #10)

- 3) Dismissal or severance pay except for time worked or accrued vacation
- 4) Reimbursements for valid business expenses
- 5) Payments by Employer into trusts such as Davis Bacon Act or similar trusts qualified under IRC Sections 401(a) and 501(a)
- 6) Special awards for individual invention or discovery
- 7) Payments for active military duty
- 8) Employee discounts on goods purchased from the employee's employer
- 9) Supper money for late work
- 10) Work uniform allowances
- 11) Sick pay to an employee by a third party such as an insured's group insurance carrier that is paying disability income benefits to a disabled employee.
- 12) Employer provided perks such as:
 - Use of company-provided automobiles
 - Airplane flights
 - Incentive Vacations
 - Discounts on property or services
 - Club Memberships
 - Tickets to entertainment events
- 13) Employer contributions to employee benefit plans such as:
 - Employee Savings plans
 - Retirement Plans
 - Cafeteria Plans (IRC125)

Calculation of Overtime

Overtime means those hours worked for which there is an increase in the rate of pay:

1. Work in any day or any week in excess of the number of hours normally worked
2. Hours worked in excess of 8 hours in any day or 40 hours in any week
3. For work on Saturdays, Sundays or holidays (if the hours worked exceed 40 hours)

Example:

Overtime:	\$12,000	Column B on worksheet
Less 1/3	\$4,000	Column D on worksheet

Net Pay

Gross Payroll:	\$80,000	Column A on worksheet
Less OT Credit:	\$4,000	Column D on worksheet
Net Pay:	<u>\$76,000</u>	