

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

FI0930 – Payroll

Topics:

Introduction	Taxation
Recording and Reporting Time	Non-resident Aliens
Payroll Deadlines	IRIS Reporting
Additional Pay	Procedures
Payroll Review and Verification	Contact

Objective:

The purpose of this policy is to provide University departments guidance for processing payroll in an accurate, timely manner with sufficient internal controls and to provide guidance to employees for reporting hours worked, leave used and other payroll related transactions. Links to applicable human resource policies are provided and these policies should also be consulted for additional guidance and information.

Policy:

[Introduction](#)

The University of Tennessee uses SAP (IRIS) as the enterprise resource planning system. This system supports the business needs of the University, including the management of human resources and financial activity. In order to use IRIS efficiently, knowledge of appropriate procedures must be in place at the campus and department level. References will be made to University policies as well as instructional material that can be found on the IRIS training website. These materials should be reviewed in conjunction with this policy to fully understand payroll policies, procedures and processes.

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

Recording and Reporting Time

1. Attendance and Leave Records

With the exception of nine month faculty, employees are required to promptly report hours worked and/or leave used. This information must be recorded on formal leave reports - timesheets, timecards, time records in the Kronos timekeeping system or another appropriate form. If a time card machine is used, it must be placed in a location where it can be monitored for abuse. The following information must be recorded:

- **Non-exempt employees:** Non-exempt employees must not complete the timesheet based on their planned work schedule. They should record the actual time worked and actual time absent.
- **Exempt employees:** Exempt employees should record the actual time absent.

The work week starts on Monday at 12:00 A.M. and ends Sunday night at 11:59 P.M. Employees may not have a negative leave balance at any time and should not be allowed to record sick or annual leave if it has not been earned. If an employee has no leave for the month, an attendance record should still be signed and approved. If an employee does not have enough leave to cover an absence, it should be recorded as leave without pay.

2. Attendance and Leave Record Approvals

The employee must sign and date their attendance record at the end of each pay period. The departmental approver must also approve and date this record at the end of each pay period. Electronic approvals are permissible. This approver should have knowledge of the actual time worked and absences taken by the employee. If a change is made to the attendance record after it has been approved, the employee and approver must initial the change or the form must

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

be approved again. After approval, the attendance record should be routed to the "timekeeper" for entry into IRIS and they should not be returned to the employee.

For departments using time clocks, a supervisor must approve and sign the timecard for any missed punches where the employee forgets to clock in or out. Additionally, an employee cannot clock in or out for another employee.

The department is the "office of record" for the attendance records and must retain these for a period of three years. The Kronos Timekeeping System will serve as the repository for time recorded in this system.

3. IRIS Entry

A "timekeeper" should enter hours into IRIS using the ZCAT transaction. Documentation for time entry can be found in the training materials on the [IRIS web site](#). The timekeeper should use the attendance record as the source document. Preferably, the timekeeper should not enter his or her own time into IRIS. If the timekeeper's immediate supervisor is the IRIS approver, it is acceptable to enter his or her own time.

For departments using the Kronos system, these hours are transmitted into IRIS after approval in Kronos and no additional entry in ZCAT is required.

4. IRIS Approval

Once time entries have been released by the timekeeper, the workflow system will create a notification to be sent to the approver letting him or her know that there are time entries requiring approval. The notifications are sent daily at 4:30 P.M. with additional notifications on Mondays and Tuesdays at 6:00 A.M. and at noon. The approver may also use the ZCAP transaction at any time, which is convenient if the time has been entered but the workflow notifications have not yet been sent.

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

The approver should review the attendance records as he or she is approving the hours entered in ZCAT. The approver should have a formal substitute approver who meets the requirements of [FI0150 - Approvals](#) and who has access to IRIS. The approver should never share his or her password with anyone else.

Payroll Deadlines

5. **Biweekly**

Biweekly payrolls encompass a two week period beginning on Monday at 12:00 A.M. and ending two weeks later on Sunday night at 11:59 P.M. The deadline for personnel changes is the Wednesday before the end of the pay period, although individual campuses may require an earlier deadline. Except in the case of a holiday, the time entry and approval deadline is at noon on the Tuesday after the end of the pay period.

6. **Monthly**

Monthly payrolls encompass a complete calendar month. Except for December, the deadline for personnel changes and time entry and approval is the fifteenth of the month, although individual campuses may require an earlier deadline.

7. **Longevity**

To recognize regular faculty and staff for their years of service with the university, eligible employees receive longevity payments according to the guidelines contained in [HR0432 - Longevity Pay](#). Longevity pay is distributed by a separate direct deposit on the 19th of the month following the employee's anniversary date, except for anniversaries occurring in June, which are paid in June. If the 19th falls on Saturday, the payment will be made on the 18th. If the 19th falls on a Sunday, the payment will be made on the 20th.

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

8. Published Calendars

The University-Wide Administration Payroll Office publishes the deadlines for all payrolls at <http://payroll.tennessee.edu>. These deadlines can be viewed in a calendar format.

Additional Pay

9. Faculty Compensation for Additional Work

There are no provisions for overtime compensation or compensatory time off for faculty employees. Faculty are, however, eligible to receive additional compensation in accordance with the university's supplemental pay practices and their campus/institute's guidelines. Refer to [HR0472 - Supplemental Pay Practices](#). The rate of pay does not have to equal the current salary and may be expressed as a fixed amount, daily rate, or weekly rate. Faculty should not be paid using an hourly rate. If the faculty member holds a 12 month appointment (non-academic year), the work must be done outside the employee's normal work schedule or while on annual leave.

The department for which the work is performed should complete the electronic Additional Pay Request Form in IRIS. Instructions are available on the [IRIS web site](#).

10. Exempt Staff Compensation for Additional Work

There are no provisions for overtime compensation or compensatory time off for staff exempt employees. Compensation may be paid to those employees who perform additional work unrelated to their normal duties. This work must also be done outside the employee's normal work schedule or while on annual leave. The rate of pay does not have to equal the current salary and may be expressed as a fixed amount, daily rate, or weekly rate. Exempt staff should not be paid using an hourly rate.

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

The department for which the work is performed should complete the electronic Additional Pay Request Form in IRIS. Instructions are available on the [IRIS web site](#).

11. Non-Exempt Staff Compensation for Additional Work

Non-exempt employees who, due to the needs of the University, work hours in excess of those regularly scheduled, are entitled to compensation for that additional effort. In most cases if the total effort exceeds 40 hours in a week, the employee is also due an overtime premium. [HR0445 - Overtime Compensation](#) further explains the definition of overtime and the exemptions. When employing a non-exempt individual, the following restrictions will apply:

- A record of the hours worked must be maintained for all work performed by a non-exempt employee regardless of the nature of the work.
- Non-exempt employees may be hired in multiple non-exempt jobs at different rates of pay without consequence providing the number of hours worked per week does not exceed 40 hours.
- If non-exempt employees work more than 40 hours per week, they must be compensated in accordance with the University's overtime compensation policy [HR0445 - Overtime Compensation](#)
- Exceptions: If a job qualifies as occasional and sporadic work (a determination made by the Campus Personnel/HR Office), the hours can be paid at a straight rate even if they exceed the 40 hour per week. The FLSA also allows a longer period for overtime calculations for qualified law enforcement personnel.

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

Payroll Review and Verification

12. Check Register

Departments must run the Check Register Report (IRIS transaction ZPR_Detail_check_Reg) two days prior to payday to verify the individuals listed are active employees and that the amounts paid are appropriate. This report lists the gross and net amounts paid by check and direct deposit for the requested payroll period to employees administratively responsible to the cost center. A copy of the check register that has been signed by the departmental approver must be retained in the department. If any errors are found in the payroll, please notify the campus payroll office or the System Payroll Office immediately.

13. Payroll Cost Distribution Report

As an additional verification measure, departments may also print the Payroll Distribution Report using transaction ZPR_CC_WBS_DIST prior to payday. This report details the payroll charges posted to a paying cost center or WBS element. These charges should be checked against each employee's scheduled pay or time reported. If any discrepancies are found, please notify the campus payroll office or the UWA Payroll Office immediately.

14. Annual Review

At least once a year, the business office for each campus/institute should review a report out of IRIS to determine if any employees did not record any annual or sick leave and follow-up with these employees to ensure that their leave records are accurate.

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

Taxation

15. Taxable Income

With few exceptions, employee wages are subject to federal income tax withholding and Social Security/Medicare taxes. Federal income taxes are calculated each pay period using tax tables provided by the Internal Revenue Service taking into account the marital status and number of exemptions reported on the employee's W-4 (Employee Withholding Exemption Certificate). The following payroll deductions, will result in a reduction of federal income tax withholding and Social Security/Medicare taxes:

- Health Insurance Premiums
- Medical Resident Health Insurance Premium
- Dental Insurance Premium
- Vision Insurance Premium
- Parking Deductions
- Flexible Benefits Plans
- Health Savings Account Deductions

In addition, Supplemental Retirement Annuity deductions are available to University employees. These deferred income plans (401(k), 403(b), and 457) allow employees to make pre-tax deductions to a savings plan. This defers the payment of income taxes until the employee receives the funds, usually as a retirement benefit. Although deferred income deductions do reduce taxable wages for income tax purposes, they do not reduce Social Security/Medicare wages or tax deductions. Employee contributions for the TCRS Hybrid and ORP Hybrid retirement plans also reduce taxable wages for income tax purposes, but not for Social Security/Medicare tax purposes.

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

16. Federal Income Tax Withholding (W-4 Form)

Employees can adjust their income tax withholding amounts by changing the marital status or the number of exemptions on their W-4 form. Employees can make changes to their W-4 using the IRIS Employee Self Service (ESS) on the My IRIS Web portal. The area on the W-4 designated "additional amount you want deducted from each pay" can be used to have additional taxes withheld each pay period. The amount indicated will be deducted in addition to the normal tax deduction calculated on monthly and biweekly payrolls. It will not be deducted on longevity or bonus payrolls. The IRIS transaction ZPTC is provided to help employees simulate the change in tax withholdings when the exemptions or marital status is adjusted.

17. Student FICA Exemption

University of Tennessee student employees who are enrolled in classes at the University may be exempt from Social Security/Medicare taxes if they meet the following guidelines

- Undergraduate students enrolled in 6 or more hours will be exempt from Social Security/Medicare taxes
- Graduate students enrolled in at least 4 hours will be exempt from Social Security/Medicare taxes
- Graduate students who receive an assistantship and are enrolled in at least 3 hours will be exempt from Social Security/Medicare taxes

These guidelines are in accordance with Internal Revenue Service Procedure 2005-11. This procedure specifically excludes post-doctoral positions from the definition of a student. Therefore, students in a post-doctoral position will not be exempt from Social Security/Medicare taxes.

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

18. Re-employed University Retirees

The State of Tennessee has a Section 218 agreement with the Social Security Administration governing Social Security coverage for all State employees, including University of Tennessee employees. Under this agreement, retired employees who are rehired with the University in a temporary position are exempt from the FICA portion of the Social Security tax if they participated in the University's retirement plan during their full-time employment and are currently receiving a benefit from that plan. The Medicare portion (1.45%) of the social security tax will still be deducted.

If a retiree returns to work in other than a temporary position with the University, the full FICA and Medicare tax will be deducted from the retiree's pay.

Non-resident Aliens

19. Tax Residency

Individuals from other countries present in the United States must be taxed according to their country of tax residency. These individuals can be Permanent Residents, Resident Aliens for Tax Purposes, or Nonresident Aliens. While Permanent Residents and Resident Aliens for Tax Purposes are taxed like U.S. Citizens, Nonresident Aliens are taxed differently. The Green Card Test and the Substantial Presence Test are used to determine tax residency.

20. Green Card Test

The Green Card test is used to determine Permanent Residency Status. A permanent resident is someone who has been granted authorization to live and work in the United States on a permanent basis. An individual meets the test on the date his or her permanent resident alien status is approved by the U.S. Citizenship and Immigration Service. The effective date is the notice date on the

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

form I-551 (Green Card or Alien Registration Card) or on the I-797 (Notice of Action).

21. Substantial Presence Test

The Substantial Presence Test is used to determine whether an individual is a Resident Alien for Tax Purposes or a Nonresident Alien. This will determine if they are taxed as a United States citizen. To meet this test, the individual must be physically present in the United States on at least:

- 31 days in the current calendar year, and
- 183 days during the 3-year period that includes the current year and the 2 years immediately before that, counting:
 - All the days present in the current year, and
 - 1/3 of the days present in the first year before the current year, and
 - 1/6 of the days present in the second year before the current year.

Teachers and Trainees - A teacher or a trainee temporarily present in the United States under a "J" or "Q" visa who substantially complies with the requirements for the visa is exempt from counting days. This exemption lasts until he or she has been physically present in the United States for any part of 2 of the current and past 6 calendar years.

Students - A student temporarily present in the United States on an "F," "J," "M," or "Q" visa and who substantially complies with the requirements of that visa is exempt from counting days. This exemption lasts until he or she has been physically present in the United States any part of more than 5 calendar years.

H-1B Visa Holders – A foreign worker present in the United States under the H-1B non-immigrant visa must count days under the substantial presence test from their first day of presence in the United States.

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

Substantial Presence Test Worksheet

	Number of Days (not including exempt years)		Total
Current Year	_____		_____
1st Preceding Year	_____	Divide by 3	_____
2nd Preceding Year	_____	Divide by 6	_____
		Total	_____

If the grand total number of days in the column on the right side of the worksheet is 183 days or greater and the individual will be present in the United States for 31 days in the current calendar year, the individual is a U.S. resident for tax purposes.

Please note that individuals falling under the Teacher/Trainee and Student categories who exclude days of presence in the United States must file a completed IRS form 8843 with their tax return.

22. Tax Residency and Taxes

- **Social Security and Medicare Taxes**

Nonresident aliens are not subject to social security during the time period they are exempt from counting days. Once they become a resident for tax purposes, even if it is partially through the year, the University must withhold Social Security and Medicare taxes on all income earned through the year. This will be deducted from the first paycheck after the individual has been notified that they are a tax resident under the substantial presence test. However, the student FICA exclusion still applies and may still exempt a 'F' or 'J' student from coverage. Individuals

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

present in the United States in an H-1B status are always subject to Social Security and Medicare taxes.

[HR0375 - Retirement Plans](#) prohibits nonresidents from participating in a retirement plan until they are eligible for Social Security Coverage. Once a nonresident pays Social Security and Medicare Taxes and meet all the other participation guidelines for retirement coverage listed in Policy HR0375, he or she must be enrolled for membership in a retirement plan.

- **Income Tax Treaties**

The United States has tax treaties with a number of foreign countries. Under these treaties, tax residents of foreign countries are taxed at a reduced rate or are exempt from United States taxes on certain items of income they receive from sources within the U.S. Most income tax treaties contain a "savings clause" which prevents citizens or tax residents of the United States from using the provisions of a tax treaty in order to avoid taxation of U.S. source income. Some treaties, including China, have an exception to the "savings clause" that allows some tax residents to claim the benefits of the tax treaty.

[Tax Treaties for Independent Services](#)

[Tax Treaties for Student Wages](#)

[Tax Treaties for Student Scholarships](#)

[Tax Treaties for Teachers and Researchers](#)

23. Income Tax Withholding

Unless exempted by tax treaty, the University must withhold income taxes on wage payments to nonresidents. The amount to be withheld is based on the IRS tax tables for the payment year. Except for nonresident alien students from India

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

and business apprentices from India, an additional amount is added to wages solely for the purpose of calculating income tax withholding. This additional amount is determined by the Internal Revenue Service on an annual basis.

24. W4 Information

All non-resident alien employees are required to complete a Form W-4. According to the Internal Revenue Service, nonresident aliens are required to:

- Not claim exemption from income tax withholding,
- Request withholding as if they are single, regardless of their actual marital status,
- Claim only one allowance (if the nonresident alien is a resident of Canada, Mexico, or Korea, he or she may claim more than one allowance), and
- Write "Nonresident Alien" or "NRA" above the dotted line on line 6 of the Form.

A nonresident alien employee may request additional withholding on form W-4 at his or her option.

IRIS Reporting

25. IRIS reports have been developed to help both central office and departmental users retrieve information from the human resources system. Access to these reports requires proper security and only displays those employees for whom the requester has authority to view.

Detailed information regarding these reports is available from <http://iris.tennessee.edu/> and a list with menu paths and a brief description is also available in [the Payroll Manual on the Payroll's website](#).

System-wide Policy: FI0930 - Payroll	
Version: 2	Effective Date: 10/01/2017

PROCEDURES:

Knoxville:	http://budget.utk.edu/fiscal-policy/
Health Science Center:	https://uthsc.policymedical.net/policymed/home/index?ID=de47aa28-16aa-408b-9c96-cb04f232964f&
Institute of Agriculture:	https://ag.tennessee.edu/Pages/UTIApolicies.aspx
Martin:	http://www.utm.edu/departments/finadmin/procedures.php
Chattanooga:	http://www.utc.edu/business-financial-affairs/fiscalpolicies.php

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