

Workers' Compensation Contributions Calculated: Payroll Inclusion and Exclusion

By CSD Pool

Workers' Compensation contributions are calculated based on the job classifications held by and remuneration paid to district employees during the coverage period.

In short, jobs are classified according to occupational risk, which refers to the likelihood of injury or illness due to an employee's exposure to workplace hazards; and remuneration refers to compensation paid to employees for the performance of their job duties. While remuneration includes gross wages and salaries, various forms of compensation should also be included while others should be excluded when reporting annual payrolls at renewal and during the yearend audit.

Below is a list of alternate forms of remuneration that should be included and excluded from your estimated annual payrolls reported at renewal, and the actual annual payrolls reported during the yearend audit.

Categories Included in payroll:

1. Gross wages and salaries including:
 - i. Employee payments to individual retirement accounts (IRAs), Section 125 Cafeteria Plans, 401(k) plans, 457 plans, flexible benefit spending plans, salary reduction plans, and other retirement plans;
 - ii. Employee payments of Social Security and Medicare payroll taxes.
2. Commissions.
3. Bonuses and profit-sharing (including stock bonus plans).
4. Overtime compensation excluding the amount above the regular pay rate.
5. Holiday pay, sick pay, and vacation pay.
6. Piece work pay.
7. Allowance paid to employees who bring and use their own tools, such as cellphone and car allowance.
8. Rental value of house/apartment or other lodging that is paid in lieu of wages.
9. Value of meals, store certificates, merchandise, or credits provided as part of wages.
10. Shift differential pay.
11. Davis-Bacon/prevaling wage payments (except for amounts paid directly to any irrevocable, federally-approved, third-party pension trust fund).
12. Annuity plan payments/contributions.

Categories Excluded from payroll:

1. Tips and other gratuities. Tips or other gratuities are defined as optional payments added to a bill or contract by the customer and where the customer determines the amount of payment and that the employees receive the payment in exchange for services provided.
2. Employer's contributions to group life, health, dental, disability, and pension plans.
3. Values of special rewards for individual invention or discovery.
4. Severance payments except for time worked or earned vacation.
5. Payments for active military duty.
6. Employee discount on goods purchased from employer.
7. Reimbursement of expenses incurred by employee in carrying out employer's business.
8. Supper money for late work.
9. Work uniform allowances.
10. Payments made by a third party, such as group insurance carrier, to employees while out on disability.
11. Value of perks provided by employer, such as use of auto, incentive vacation, club memberships, educational assistance, relocation and moving expenses, airplane flights, and tickets to entertainment events.