

2012 INSTRUCTIONS FOR REPORTING PAYROLL

1. DEFINITIONS

PAYROLL means money, or substitutes for money, which includes the following:

- Wages or salaries (including retroactive wages or salaries)
- Total cash received by an employee for commissions and draws against commissions
- Bonuses including stock bonus plans
- Extra pay for overtime work except as provided below
- Pay for holidays, vacations or periods of illness
- Payment by an employer of amounts that would have been withheld from employees to meet statutory obligations for insurance or pension plans such as the Federal Social Security Act or Medicare
- Payment to employees on any basis other than time worked, such as piecework, profit sharing or incentive plans
- Payment or allowances for hand tools or hand-held power tools used by employees in their work or operations for the insured. These tools may be supplied directly by the employee or to the employee through a third party
- The rental value of an apartment or house provided to an employee based on comparable accommodations
- The value of store certificates, merchandise, credits or any other substitute for money received by employees as part of their pay
- Payments for salary reduction, employee savings plans, retirement or cafeteria plans that are made through employee-authorized salary reduction from the employee's gross pay
- Davis-Bacon wages or wages from a similar prevailing wage law
- Annuity plans
- Expense reimbursements to employees to the extent that an employer's records do not confirm that the expense was incurred as a valid business expense

PAYROLL EXCLUSIONS

- Tips and other gratuities received by employees
- Payments by an employer to group insurance or group pension plans for employees
- The value of special rewards for individual invention or discovery
- Dismissal or severance payments except for time worked or accrued vacation

OVERTIME

- This is the premium pay amount only, of hours worked for which an additional premium pay is made. **Premium pay is that amount which is in excess of regular pay**
- In the case of guaranteed wage agreements, overtime means only those hours worked in excess of the number specified in such agreements

EXCLUSION OF OVERTIME PAYROLL

- Extra (premium) pay for overtime is excluded from payroll on which tax premium is calculated, provided payroll records are kept to show overtime pay separately, by employee, and summarized by classification code
- Extra (premium) pay is the difference between an employee's regular pay rate and their overtime pay rate multiplied by the number of overtime hours worked

EXAMPLE

Bob earns \$10/hour for a regular 40-hour workweek and \$15/hour for anything over 40 hours. Bob worked 46 hours last week. His payroll is calculated by:

\$15 (overtime pay) - \$10 (regular pay) = \$5 (extra/premium pay)

46 hours @ \$10/hour = \$460 (regular pay)

6 hours @ \$ 5/hour = \$ 30 (extra/premium pay)

Only the \$30 may be excluded from the payroll as overtime (extra/premium) pay.

EXECUTIVE OFFICER PAYROLL

- For executive officers and classifications with notes indicating payroll limitations, the payroll on which premium is based shall exclude that part of the employee's average weekly pay in excess of applicable weekly limitations provided employer maintains accurate records by employee and separate records are maintained in summary by classification code (Include \$3,700 weekly or \$192,400 annually maximum annual reportable per individual)

2. FORM COMPLETION BY COLUMN

- COLUMN A – Classification code as determined by NCCI Scopes Manual for the State of Arizona
- COLUMN B – Regular pay as determined above
- COLUMN C – Pay for piecework, profit sharing, etc. as noted above
- COLUMN D – Overtime pay as determined above
- COLUMN E – Executive officer as determined above (Include \$3,700 weekly or \$192,400 annually maximum annual reportable per individual)
- COLUMN F – Commissions
- COLUMN G – Bonuses
- COLUMN H - Holiday, sick or vacation days
- COLUMN I - Payment or allowance for hand or power tools used by hand provided by employees and used in their work or operations. Also include the value of meals received by employees as part of their pay to the extent shown in your records, and the value of stock certificates, merchandise, credits or any other substitute for money received by employees as part of the employee's pay
- COLUMN J – Total columns B, C, E, F, G, H, I (**do not include COLUMN D, overtime pay, in the total**)

All payrolls shall be shown to the nearest dollar. A partial week shall be treated as a full week in determining average weekly pay.

BE SURE TO INCLUDE YOUR EMPLOYEE COUNT FOR THE CALENDAR YEAR. FOR AN ACCURATE ACCOUNTING FOR THE YEAR USE THE NUMBER OF W-2s GENERATED FOR THE CALENDAR YEAR.

NOTE: It is not necessary to segregate payroll into each of the columns, B thru I, that is shown on the payroll report form. However, all payroll categories must be included in the Total Payroll column. At a minimum you must segregate all payrolls by workers' compensation classification code and show the total payroll amount.