

NUMBER: FINA 6.06 (formerly BUSF 6.06)
SECTION: Administration and Finance
SUBJECT: Payroll Checks -- Items Withheld
DATE: November 1, 2006
REVISED: February 17, 2015
Policy for: All Campuses
Procedure for: All Campuses
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Issued by: University Finance - Controller's Office

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I. Policy

This document sets forth the University of South Carolina policy on items withheld from payroll checks. The University requires or allows certain items to be withheld from employee paychecks.

II. Procedures

The University requires or allows the following items to be withheld from employee paychecks.

A. Mandatory

1. Federal Income Tax

With the exception of certain cases involving non-resident aliens, Federal income taxes will be withheld on the basis of W-4 forms filed with the Payroll Department. In the event no W-4 is on file with this office for an individual

employee, Federal and State taxes are withheld on a mandatory basis of single with zero exemptions.

- a. An employee who wishes to pay more or less Federal income tax should review the Federal income tax withholding regulations at <http://www.irs.gov/Individuals/Employees/Tax-Withholding>. If changes in withholding are appropriate, a new W-4 can be submitted to the Payroll Department.
- b. An employee who estimates having no Federal income tax liability for a particular year, and had no liability for the prior year, has the option of having no Federal income tax withheld provided he/she files an "employee's exempt certificate" with the Payroll Department. This must be submitted using the paper form. Such certificates must be renewed annually.

2. South Carolina Income Tax

Generally, the same guidelines for Federal income tax withholdings are applicable to State income tax withholdings except the State of South Carolina will not allow an employee to claim total exemptions or allowances which exceed the number of allowances claimed for Federal purposes.

3. FICA Taxes

Commonly referred to as Social Security Taxes, this item must be withheld from wages paid all employees with the exception of monies paid to (1) students, and (2) certain non-resident aliens. FICA tax is comprised of two parts: Social Security and Medicare. Social Security is withheld at a rate of 6.20% until the employee's taxable base reaches an established limit. The taxable base limit for Social Security for each calendar year is available at <http://www.finplan.admin.sc.edu/payroll>. Medicare is withheld at a rate of 1.45% on of all wages. An additional Medicare tax withholding of 0.9 percent is withheld for compensation exceeding \$200,000.

4. South Carolina Retirement or Optional Retirement Program

South Carolina Retirement or Optional Retirement contributions are withheld from wages paid to a USC employee unless he/she is (1) primarily a student, (2) considered to be employed in non-permanent position and does not have an account with the South Carolina Retirement System and elects not to be a member, or (3) a member of the S.C. Police Retirement System. A new employee has a choice of the two retirement plans if he/she does not have an established account with the South Carolina Retirement System. See <http://www.retirement.sc.gov/employers/default.htm> for current rate of withholding. As of July 1, 1982 retirement contributions are exempt from Federal income tax withholding. Additionally, as of January 1, 1985 such contributions are excluded from South Carolina taxable gross income.

5. **South Carolina Police Officers Retirement**
Full-time employees engaged in law-enforcement work contribute to a separate retirement system. All wages paid these individuals are subject to a withholding rate as established by the South Carolina Retirement System. (See <http://www.retirement.sc.gov/pors/default.htm>) The same Federal and State tax exemptions as stated in item 4 above are applicable to Police Officers Retirement.
6. **Federal and State Tax Liens**
In cases where either the Internal Revenue Service or the South Carolina Department of Revenue has levied against an employee's wages, the Payroll Department is required to withhold in accordance with terms set forth on the levy document. The IRS and the South Carolina Department of Revenue are obligated to furnish the employee a copy of the levy.
7. **Family Court Orders**
If the University receives an official court order stipulating that a certain deduction be made from an employee's pay, with subsequent remittances of the funds to be forwarded to the court, such deductions will be made until the order is rescinded.

B. Optional Payroll Deductions

1. The University of South Carolina has many optional deductions available for our employees. A listing of the deductions is available at <http://busfinance.admin.sc.edu/payroll/>
2. **Tax Sheltered Annuities**
 - a. A list of companies authorized to provide tax-sheltered annuities to USC employees is also available at <http://adminfin.sc.edu/payroll/>.
 - b. To add another tax-sheltered annuity carrier to the above list requires at least ten (10) participants in each new plan, with a minimum contract of at least \$25.00 per employee per month. A new carrier must submit a written request to provide services to the Director of Payroll prior to enrolling ten participants. In addition to the letter, the carrier should provide financial statements for review.
 - c. The University does not endorse or recommend any particular company or particular group of companies over any other company or group of companies.
 - d. Any agent inferring said endorsement of a particular plan by USC is guilty of ethical misconduct and should be reported to the Director of Payroll or the South Carolina Insurance Commission for appropriate action.

- e. Companies on the approved list must maintain a minimum of five active participants. Companies that have previously been on the approved list for offering tax-sheltered annuity programs to University employees but have shown no activity by payroll deduction for a period of four (4) months, shall be deleted from said list and must re-qualify according to section b. above to be re-approved.

III. Reason for Revision

Policy revised due to departmental reorganization and departmental name changes.