MEMORANDUM

To: Division Heads, Deans, Directors and Department Chairs

From: Lisa H. Ridpath
Associate Vice President for Finance and Administration

Date: January 19, 2012

Subject: Supplement Payments Information (Originally distributed in January 2000)

In compliance with federal and state regulations, the University taxes all supplemental payments at the corresponding federal and state flat percentage rates. Currently, the federal rate is 25% and the state rate is 5.75%.

Supplemental payments include all pay in addition to the regular payment. For faculty, supplemental payments include but are not limited to summer school, extra duties/projects not included in a regular teaching/administrative contract, grant payments, bonuses and taxable fringe benefits. For classified positions, supplemental payments include but are not limited to bonuses, taxable fringe benefits, and payments for services in addition to normal job duties.

Employees may want to determine how their supplemental payment and the related withholding taxes will affect their overall tax situation. If the employee determines that too much or not enough tax will be withheld, the employee can adjust the amount of taxes being withheld from their regular payment. The adjustment is made by changing the number of allowances claimed on Form W-4 for federal taxes and Form VA-4 for Virginia taxes. For example, a faculty member who is receiving summer school pay may increase his/her exemptions for their regular contractual payments at the beginning of the summer session. This change may increase their regular take home pay. At the end of the summer session, he/she can then change their exemptions back to their previous amount.

Please note that the withholding of income taxes on all regular payments made to an employee during the summer session will be processed in accordance with the most recent Forms W-4 and VA-4 on file. Any supplemental payments will be withheld at the supplemental rates mentioned above.

The Payroll Office can assist with these changes and accommodate employees as appropriate. Two payroll transactions will typically be processed when supplemental payments are made to full-time employees, one for the regular payment and one for the supplemental payment.

If you have any questions regarding the supplemental payments procedures, you can contact Rhonda Mah, Tax Compliance Manager, at extension #7020 or rmah@radford.edu. You can also contact Cindy Eller, Payroll Manager, at extension #7610 or celler@radford.edu for questions regarding Forms W-4 and VA-4.