

West Bonner County School District

FINANCIAL MANAGEMENT

7435

Payroll Advances

The purpose of this policy is for compliance with Internal Revenue Code Sections 6302, 3401, 3401 (b) -1 and 3402. *In the instant case the advances are paid for services and are “wage” payments; the employer’s pay period, under the circumstances would be a bimonthly payroll period for purposes of section 3401(b) of the code. Thus, the advance payment will be regarded for purposes of income tax withholding as an ordinary payment from which the tax is withheld. The employer also is required to withhold from each semimonthly payroll the employee tax under the Federal Insurance Contributions Act. It is held that the employer is required to make semimonthly deposits of the taxes withheld, together with the applicable employer tax, within three banking days after the close of the semimonthly period in which the wages are paid.*

Advances, not to exceed 30 percent (30%) of the employee’s regular monthly pay, may be requested. Advances will be paid on the 10th day of each month or the following Monday if the 10th falls in the weekend. All advances will be paid to the employee through a direct deposit into the employee’s bank account.

Employees must complete the “Employee Advance Payroll Form” to be eligible for the advance payroll.

Those employees that sign up for the advance payroll will receive semimonthly payroll checks. The advance payroll check will be paid on the 10th of the month and will be in the amount requested by the employee. This amount must be a minimum of \$100 per month and amounts must be in \$50 increments. The regular payroll check to be paid on the 25th of the month will be the balance of employee’s regular gross income less the advance payroll amount paid on the 10th.

Those employees that sign up for the advance payroll will receive the same advance amount each month on the 10th of every month for the entire school year. If the employee is a 12 month employee the commitment is from July 1 until June 30 and if the employee is a 10 month employee the commitment is from September 1 until August 31.

Changes to the amount of the advance payroll are allowed only once per year. If the employee wishes to term the advance payroll prior to the end of the school year, that employee is not eligible to re-sign again until the next school year. Changes and terminations must be in writing with the employee’s signature.

Legal Reference: Internal Revenue Code Sections 6302, 3401, 3401 (b) -1 and 3402

Policy History:

Adopted on: February 13, 2008

Revised on: