

## **4 FAH-3 H-540 PAYROLL DEDUCTIONS AND CONTRIBUTIONS**

*(CT:FMP-37; 03-07-2007)  
(Office of Origin: A/ISS/DIR)*

### **4 FAH-3 H-541 GENERAL**

*(TL:FMP-4; 06-15-1995)*

Procedures related to mandatory and voluntary deductions from employee salaries, contributions from employers, as well as other payroll deductions are found in 4 FAH-3 H-540.

#### **4 FAH-3 H-541.1 Scope and Applicability**

*(TL:FMP-4; 06-15-1995)*

- a. This subchapter is applicable to U.S. citizen employees and personal services contractors, Foreign Service National (FSN) employees and personal services contractors, and AMCIT employees unless otherwise stated. AMCIT employees are defined in 4 FAH-3 H-516.1.
- b. Payroll deductions are those mandatory and voluntary items which are reductions from the gross pay of an employee. Payroll contributions are those payroll-related costs that are borne by the employer, such as the HI or FICA employer tax, the employer's funding for TSP, and the employer contributions to the retirement systems. Employees may also make allotments of pay for authorized purposes.

#### **4 FAH-3 H-541.1-1 Mandatory Deductions**

*(TL:FMP-4; 06-15-1995)*

- a. Mandatory deductions for U. S. citizen employees include withholding of U.S. Federal, State and local income taxes, deduction for U.S. Social Security taxes, Foreign Service retirement, Civil Service retirement, Federal Employees' Group Basic Life Insurance, and Federal Employees' Health Benefits (FEHB). The payroll system also makes deductions for indebtedness to the United States that qualifies for salary offset according

to 4 FAH-3 H-492.4, and for court ordered garnishments and bankruptcy payments.

- b. Mandatory deductions for U. S. citizen personal services contractors (PSCs) include U.S. Federal, State, and local income taxes and U.S. Social Security taxes, and court ordered garnishments and bankruptcy payments. NOTE: PSCs are ineligible for "foreign earned income" exclusion under the IRS regulations (see 26 CFR 1.911-3(c)(3)).
- c. Mandatory deductions are made from the salary of eligible Foreign Service National employees continuing in the Civil Service Retirement System. U.S. Federal income tax and U.S. Social Security taxes are withheld on Foreign Service National employees and personal services contractors who are U.S. permanent resident aliens (i.e., holders of green cards). Deductions are mandatory for local retirement, life, health, or other benefits when coverage is required by local law.
- d. Payments to AMCIT employees are subject to U.S. Federal income tax and U.S. Social Security taxes. Deductions are also mandatory for host-country retirement, life, health, or other benefits when coverage is required by local law.

#### **4 FAH-3 H-541.1-2 Voluntary Deductions**

*(TL:FMP-4; 06-15-1995)*

- a. Voluntary deductions from the pay of eligible U.S. citizen employees are made in accordance with requests for investment in the Thrift Savings Plan (TSP), repayment of TSP loans, and FEGLI optional life insurance.
- b. Voluntary deductions are made from the salaries of Foreign Service National employees and personal services contractors and AMCIT employees who participate in optional programs.

#### **4 FAH-3 H-541.1-3 Other Deductions**

*(TL:FMP-4; 06-15-1995)*

Other deductions are made from the salaries and wages of employees when determined to be legal and required or authorized by law or regulations for:

- (1) Overpayment of salary or other erroneous payments;
- (2) Outstanding travel advances;
- (3) Refunds of lump-sum payments;

- (4) Voluntary repayment of indebtedness to the United States;
- (5) Satisfaction of Federal income tax levies; and
- (6) Any purpose approved jointly by the heads of agencies in a country, authorized jointly by headquarters agencies participating in the interagency compensation agreement, and within the current capability of the payroll system.

#### **4 FAH-3 H-541.1-4 Prohibited Deductions**

*(TL:FMP-4; 06-15-1995)*

Foreign taxes or other assessments are not withheld from the FSNs, PSCs, and AMCITs salaries. FSNs, PSCs, and AMCITs employees are individually responsible for the payment of taxes imposed by the government of the host country. A post should not assume any obligation or responsibility to withhold taxes levied by the host government, except where, and in a manner, specifically approved by the Department. One basic consideration involved in handling requests to withhold taxes is that neither the host government nor the employee should be given the mistaken impression that the U.S. Government wishes to preclude or discourage the employees of its establishments from complying with the laws of their countries.

#### **4 FAH-3 H-541.1-5 Allotment of Pay**

*(TL:FMP-4; 06-15-1995)*

For purchase of prior years of CSRS service credit, U.S. Savings Bonds, Combined Federal Campaign (CFC) contribution and union dues, see later allotments of pay section.

#### **4 FAH-3 H-541.2 Authority**

*(TL:FMP-4; 06-15-1995)*

Guidance for payroll deductions and contributions is based on the following:

- (1) Chapter 8 of the Foreign Service Act of 1980, as amended, and Section 408 of the Foreign Service Act of 1980, as amended;
- (2) 5 U.S.C. Sections 5516, 5517, 5520, 5525, 8431-8440, 8701-8716, 8901-8913, 22 U.S.C. Section 4040, 26 U.S.C. Chapters 24, 31, Section 6331, and 42 U.S.C. Section 405;

- (3) GAO Title 6, Chapter 5;
- (4) 5 CFR FPM 890, Sections 1600-1699, 22 CFR, 26 CFR, and 31 CFR Sections 215, 351, 353; and
- (5) Chapter 37, Federal Acquisition Regulations (FAR), Code of Federal Regulations.

## 4 FAH-3 H-541.3 Deductions Through Automated Payroll System

*(TL:FMP-4; 06-15-1995)*

- a. Payroll systems must meet U.S. tax withholding and reporting requirements.
- b. Under the Department payroll systems, management controls must be established and maintained at a satisfactory level to ensure the accuracy of the employee deductions and the employer contributions. Detailed policy on management controls is contained in 4 FAH-3 H-510 of these regulations.

## 4 FAH-3 H-541.4 Definitions

*(TL:FMP-4; 06-15-1995)*

**Allotment of Pay**—An authorization by an employee for a recurring payroll deduction from salary or wages due, in a specified dollar amount, to be paid to a designated person or organization.

**Beneficiary**—Person or persons receiving a benefit or other recurring payment under Federal law, other than a payment of salary or wages.

**Compensation**—Wages and remuneration due an employee or PSC.

**Gross Pay**—Total monetary remuneration due an employee or PSC for services before any mandatory or voluntary deductions are effected.

**Net Pay**—The amount of monetary remuneration paid to an employee or PSC after all mandatory and voluntary payroll deductions and any allotments of pay.

**Inscription Data**—Information inscribed on bonds relating to the month and day of bond issuance.

## **4 FAH-3 H-541.5 Order of Withholding Precedence for Payroll Deductions**

*(TL:FMP-4; 06-15-1995)*

The order of precedence for deductions has been established by the General Accounting Office (GAO) in GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 6. If the gross pay (earnings) of an employee is not sufficient to permit all mandatory and voluntary deductions to be made, the following order of precedence will apply unless specified otherwise by a bankruptcy court under the bankruptcy laws of 11 U.S.C.:

- (1) Retirement (CSRS, FERS, FSRDS, FSPS or TSP);
- (2) FICA tax or Medicare tax;
- (3) Federal income taxes authorized or required by the Internal Revenue Service regulations to be withheld;
- (4) Health insurance premiums for the current pay period, and up to four prior pay periods;
- (5) Basic group life insurance premiums;
- (6) State income tax authorized or required by law to be withheld;
- (7) County or city income tax authorized or required by law to be withheld;
- (8) Indebtedness due the United States under provisions of the Debt Collection Act (see 4 FAH-3 H-490);
- (9) Garnishment for alimony and child support payments;
- (10) Commercial garnishment orders;
- (11) Court-ordered bankruptcy payments under 11 U.S.C.;
- (12) Optional life insurance and accidental death and dismemberment insurance premiums under the OPM life insurance program;
- (13) Voluntary repayments of indebtedness to the United States in the order specified by the employee;
- (14) Other voluntary deductions in the order determined by the Department; and
- (15) Levies by the Internal Revenue Service for back Federal income

taxes.

## **4 FAH-3 H-542 RETIREMENT**

### **4 FAH-3 H-542.1 Foreign Service Retirement**

*(TL:FMP-4; 06-15-1995)*

- a. There are two Foreign Service retirement systems applicable to U.S. citizens in the Foreign Service for which contributions from the employer and deductions from the employee are made: The Foreign Service Retirement and Disability System (FSRDS) and the Foreign Service Pension System (FSPS).
- b. An eligible employee hired prior to January 1, 1984, who did not elect to transfer to FSPS remains in the FSRDS. The employee is subject to only the Hospital Insurance (HI) portion of FICA taxes and may invest up to 5 percent in the Thrift Savings Plan (TSP).
- c. An eligible employee who is subject to FSRDS at the time of immediate or deferred retirement is subject to a reduction in the FSRDS Offset by an amount, explained in 5 CFR 831.1005 or 5 CFR 831.1006. Essentially, the offset or reduction described here represents the amount of the social security benefits one is entitled to receive at age 62, which is attributable to one's career federal employment after 1984, which is mandatorily subject to social security coverage. FSRDS coverage is partially offset by OASDI, thus the employee pays a reduced FSRDS rate, full FICA taxes (HI and OASDI) and may invest up to 5 percent in the TSP.
- d. An eligible employee (1) hired on or after January 1, 1984, or (2) rehired on or after that date after a break in service of more than 365 days, or (3) who elected to transfer from FSRDS, is in the FSPS. The employee is subject to both the HI and OASDI parts of the FICA taxes and may invest up to 10 percent in the Thrift Savings Plan to which the employer will also contribute up to 5 percent.

#### **4 FAH-3 H-542.1-1 Authority**

*(TL:FMP-4; 06-15-1995)*

The authority governing the Foreign Service retirement systems is contained in Chapter 8 of the Foreign Service Act of 1980, as amended (22 U.S.C. 4040). For further discussion see 3 FAM 6000.

## 4 FAH-3 H-542.1-2 Rates

*(TL:FMP-4; 06-15-1995)*

- a. Most FSRDS employees pay 7 percent of basic pay into the Foreign Service retirement system.
- b. Under FSRDS the employer contributes the same percentage as the employee.
- c. For the few employees classified as FSRDS-Offset, the FSRDS employee deduction rate that would otherwise be applicable to the employee is reduced by the OASDI tax rate until wages each year reach the Social Security contribution and benefit base. Then, the rate reverts to the full FSRDS deduction rate for the remainder of the year. There is no reduction in the employer contribution rate.
- d. Under FSPS, the employee deduction rate is 7.5 percent minus the OASDI rate.
- e. The FSPS rate for the employer contribution is the normal cost percentage, determined actuarially periodically, less the percentage the employee pays.
- f. Recent history for retirement code P is:

Effective	12/17/79	10/1/92	10/1/94
Normal Cost	23.16%	25.40%	24.34%

- g. Employee Deduction

FSPS %	7.5%	7.5%	7.5%
OASDI rate	6.2%	6.2%	6.2%
Employee Pays	1.3%	1.3%	1.3%
Employer Pays	21.86%	24.10%	23.04%

## 4 FAH-3 H-542.1-3 Compensation Base for Foreign Service Retirement Computation

*(TL:FMP-4; 06-15-1995)*

- a. The compensation upon which the FSRDS is computed is base pay inclusive of any locality-based comparability under 5 U.S.C. 5304 or

interim geographic adjustment or special law enforcement adjustment under section 302 or 404 respectively of the Federal Employees Pay Comparability Act of 1990.

- b. The compensation upon which the FSPS is computed is that in paragraph a of this section plus standby duty pay, administrative uncontrollable overtime (AUO), and tropical differential on the Isthmus of Panama. All other payments such as awards, bonuses, regular overtime, holiday pay, night differential, post differential, danger pay, and lump-sum leave are excluded.

#### **4 FAH-3 H-542.1-4 Accounting for Foreign Service Retirement Deductions and Contributions**

*(TL:FMP-4; 06-15-1995)*

The employer contribution is charged to the same appropriation and allotment which funds the individual's basic pay. All employer contributions and employee deductions are transferred directly to the appropriate Foreign Service retirement receipt accounts.

#### **4 FAH-3 H-542.1-5 Coverage While Serving With an International Organization**

*(TL:FMP-4; 06-15-1995)*

An employee transferred to an international organization under 5 U.S.C. 3581 through 3584 may elect to continue earning retirement credit under FSRDS by paying to the Federal agency the usual employee's retirement payment at least quarterly.

#### **4 FAH-3 H-542.1-6 Reemployed Foreign Service Annuitant (FSRDS or FSPS)**

*(TL:FMP-4; 06-15-1995)*

When a Foreign Service annuitant is reemployed in the Federal Government, the employer shall notify the Retirement Division (PER/RCT/RET), Room 1251, Washington, D.C. 20520 in accordance with 22 U.S.C. 4064(e). It is recommended that the annuitant also advise the Department of their reemployment. If the annuitant is reemployed in a Government appointive or elective position on a full-time basis, the annuity is suspended. An annuitant reemployed on a part-time, intermittent, or temporary basis, may elect to continue to receive the annuity. However, the sum of the annuity



and the salary of the position in which reemployed may not in any calendar year exceed the greater of:

- (1) The highest annual rate of basic pay payable during the year for full time employment in the position in which the annuitant is employed; or
- (2) The annual rate of basic pay the annuitant was entitled to receive on the date of retirement from the Service.

## **4 FAH-3 H-542.2 Civil Service Retirement**

*(TL:FMP-4; 06-15-1995)*

- a. For U.S. citizens, Civil Service retirement consists of two retirement systems: the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).
- b. Eligible employees hired prior to January 1, 1984, who did not elect to transfer to FERS remain in the CSRS. The employee is subject to only the HI portion of FICA taxes and may invest up to 5 percent in the Thrift Savings Plan (TSP).
- c. An eligible employee rehired in a CSRS position after 1983 following a more-than-one-year break in service who had more than five years of service on December 31, 1986, or when rehired, if later, is classified as a CSRS-Offset employee. CSRS coverage is partially offset by OASDI, thus the employee pays a reduced CSRS rate, full FICA taxes (OASDI and HI) and may invest up to 5 percent in the TSP.
- d. An eligible employee (1) hired on or after January 1, 1984, or (2) rehired on or after that date after a break in service of more than 365 days, or (3) who elected to transfer from CSRS, is in FERS. The employee is subject to both the OASDI and HI parts of the FICA taxes and may invest up to 10 percent in the TSP to which the employer will also contribute up to 5 percent.
- e. Foreign Service National employees hired after December 31, 1983, cannot be newly enrolled in CSRS. However, those enrolled in CSRS prior to that date may continue to participate. If the enrolled employee is also a U.S. permanent resident alien (PRA), the employee is subject to only the HI portion of FICA taxes. Foreign Service National employees are not eligible to participate in FERS or in the TSP.
- f. U.S. retirement plans are not applicable to AMCITs.

## 4 FAH-3 H-542.2-1 Authority

*(TL:FMP-4; 06-15-1995)*

The authority governing Civil Service retirement is 5 U.S.C. Chapters 83 and 84 and OPM regulations 5 CFR 831 and 841. Also see 3 FAM 6000.

## 4 FAH-3 H-542.2-2 Rates

*(TL:FMP-4; 06-15-1995)*

- a. Most CSRS employees pay 7 percent of compensation into the CSRS. The principal exception is law enforcement officers and fire fighters with retirement coverage code 6 who pay 7.5 percent. Another possible exception is discussed in paragraph c of this section.
- b. Under CSRS the employer contributes the same percentage as the employee pays.
- c. For the few employees classified as CSRS-Offset employees (retirement codes C or E) the CSRS employee deduction rate that would otherwise be applicable to the employee is reduced by the OASDI tax rate until wages each year reach the Social Security contribution and benefit base. Then the rate reverts to the full CSRS deduction rate for the remainder of the year. There is no reduction in the employer contribution rate. (5 CFR 831.1001).
- d. Under FERS the employee deduction for most employees (retirement code K) is 7 percent minus the OASDI rate. For law enforcement officers and fire fighters, retirement code M, the rate is 7.5 percent minus the OASDI rate. NOTE: The OASDI rate is as if OASDI deductions were being made even if OASDI deductions have ceased because of the amount of earnings during the year, or are not made for any other reason.
- e. The FERS rate for the employer's contribution is the normal cost percentage, determined actuarially periodically, less the percentage the employee pays.
- f. FERS rates effective 10/2/94:

Retirement Code	(K)	(M)
Normal Cost	12.2%	25.6%

Employee Deduction

FERS Rate	7.0%	7.5%
OASDI Rate	6.2%	6.2%
Employee Pays	.8%	1.3%
Employer Pays	11.4%	24.3%

#### **4 FAH-3 H-542.2-3 Compensation Base for Civil Service Retirement Computation**

*(TL:FMP-4; 06-15-1995)*

- a. The compensation upon which the rates in 4 FAH-3 H-542.2-2 are applied for General Schedule employees is the sum of base pay, standby duty pay, administrative uncontrollable overtime (AUO), and tropical differential on the Isthmus of Panama. For Federal Wage Schedule employees it also includes night differential, environmental differential and Guam recruitment differential. Payments such as awards, bonuses, regular overtime and holiday pay, night differential for General Schedule employees, post differential, danger pay, and lump-sum leave are excluded.
- b. The compensation upon which the CSRS rates are applied for FSN employees is normally the basic rate unless otherwise specified in the local compensation plan.

#### **4 FAH-3 H-542.2-4 Accounting for Civil Service Retirement Deductions and Contributions**

*(TL:FMP-4; 06-15-1995)*

- a. Employer contributions and employee deductions for Civil Service retirement are paid to OPM receipt account 24X8135.8 on the biweekly payroll voucher. A Journal Voucher and Form SF-812, Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement is mailed to the Office of Personnel Management.
- b. The FSN payroll offices pay in a like manner the U.S. dollar equivalent of contributions and deductions for FSN employees who are in the CSRS.

#### **4 FAH-3 H-542.2-5 Reemployed Civil Service Annuitant (CSRS or FERS)**

*(TL:FMP-4; 06-15-1995)*

According to 5 U.S.C. 8344(a) and 8468 an amount equal to the annuity allocable to the period of reemployment must be deducted from the pay of a reemployed CSRS or FERS annuitant whose annuity continues during reemployment. This applies to an annuitant serving in an appointive or elective position unless excepted by OPM for exceptional employment needs or emergency. The amounts deducted are deposited into the U.S. Treasury to the credit of the Civil Service Retirement Fund, 24X8135.8, and reported on Form SF-2812.

## **4 FAH-3 H-543 TAXES**

### **4 FAH-3 H-543.1 Employment Tax**

#### **4 FAH-3 H-543.1-1 Authority**

*(TL:FMP-4; 06-15-1995)*

- a. As a part of the U. S. Social Security and Medicare programs there are income and health insurance benefits for the aged for which the Federal Insurance Contributions Act (FICA) levies an employee tax and an employer tax on wages paid (26 U.S.C. 3100 and 26 CFR 31.3100). Thus the tax may be called an employment tax or FICA tax.
- b. The FICA tax consists of two parts:
  - (1) Old-Age, Survivors, and Disability Insurance (OASDI) also referred to as social security; and
  - (2) Hospital Insurance also referred to as HI, HIT, or Medicare.
- c. Any request by the host government for levy of an employment tax should immediately be brought to the attention of PER/FSN and the Office of the Legal Adviser.

#### **4 FAH-3 H-543.1-2 Payments Subject to FICA Tax**

*(TL:FMP-4; 06-15-1995)*

Base pay and the following kinds of remuneration actually paid in a calendar year to persons eligible under 4 FAH-3 H-543.1-3 and 4 FAH-3 H-543.1-4 are subject to FICA tax. OASDI tax is applicable on remuneration only up to the OASDI wage ceiling; there is no wage ceiling for HI tax.

- (1) Other types of compensation:
  - Charge pay
  - Overtime
  - Holiday, Night, and Sunday Pay
  - Standby Duty
  - Administratively Uncontrollable Overtime Work
  - Special Differential for Substantial Amounts of Extra Work
  - Post Differential
  - Physicians Comparability Allowance
  - Danger Pay
  - Language Incentive Differential
- (2) All cash awards and lump-sum leave payments;
- (3) Certain fringe benefits;
- (4) The unpaid salary, unused annual leave and other compensation of a deceased employee within the ceiling specified, if paid in the same calendar year in which death occurred. If paid after the year of death, FICA taxes are not applicable.(26 CFR 31.3121 (a) (14)-1);
- (5) All payments made to Foreign Service National employees and PSC's who hold green cards. The exemption of various allowances provided by 26 U.S.C. 912 is not applicable to FSN/PRAs;
- (6) All payments made to AMCIT employees. The exemption for various allowances provided by 26 U.S.C. 912 is not applicable.

#### **4 FAH-3 H-543.1-3 Personnel Subject to Full FICA Tax**

*(TL:FMP-4; 06-15-1995)*

Remuneration paid to the following personnel is subject to full FICA tax (i.e., both the OASDI and the HI components):

- (1) U.S. citizen employees not covered by the Civil Service Retirement System (CSRS) or the Foreign Service Retirement and Disability

System (FSRDS);

- (2) U.S. citizen employees termed CSRS-offset employees described in 4 FAH-3 H-542.2-2, paragraph c and FSRDS-offset employees described in 4 FAH-3 H-542.1-2 paragraph c;
- (3) U.S. citizen personal services contractors;
- (4) Foreign Service National employees who are U.S. permanent resident aliens (PRAs) and who do not participate in the Civil Service Retirement System (CSRS). The post personnel officer should check bilateral social security totalization agreement for any possible exception.
- (5) Foreign Service National personal services contractors who are U.S. permanent resident aliens (PRAs). The post personnel officer should check bilateral social security totalization agreements for any possible exception.
- (6) AMCIT employees. Post personnel offices should check bilateral social security totalization agreement for possible exception.

#### **4 FAH-3 H-543.1-4 Personnel Subject To HI Tax**

*(TL:FMP-4; 06-15-1995)*

Remuneration paid to the following persons is subject to only the HI portion of FICA:

- (1) U. S. citizen employees who have continuously performed service since December 31, 1983, covered by the CSRS or the FSRDS. Service is considered continuous if any break in service did not exceed 365 consecutive days;
- (2) Foreign Service National employees who are U.S. permanent resident aliens (PRAs) who have continuously performed service since December 31, 1983 covered by the CSRS. Check bilateral Social Security totalization agreements for possible exception.

#### **4 FAH-3 H-543.1-5 FICA Tax Withholding Rates**

*(TL:FMP-4; 06-15-1995)*

It is the responsibility of the employer to withhold the proper employment tax from employees' pay and to make the prescribed employer's contribution. Rates are as stated in 26 U.S.C. 3101 (a) and (b). The

maximum annual amount of earnings on which FICA taxes are paid is announced by the Social Security Administration by November 1 for the upcoming calendar year. Both the rates and the wage ceiling are published in IRS Circular E: Employer's Tax Guide which is reissued annually.

FICA Rates	1993	1994	1995
OASDI			
Employer	6.20%	6.20%	6.20%
Employee	6.20%	6.20%	6.20%
Wage Ceiling	\$57,600	\$60,600	\$61,200

HI

Employer	1.45%	1.45%	1.45%
Employee	1.45%	1.45%	1.45%
Wage Ceiling	\$135,000	Unlimited	Unlimited

#### **4 FAH-3 H-543.1-6 Accounting for FICA Deductions and Contributions**

*(TL:FMP-4; 06-15-1995)*

The FICA taxes and any withheld income tax must usually be paid to the appropriate Federal Reserve Bank biweekly. A completed Federal Tax Deposit Coupon should accompany the payment to assure proper identification and posting. FSN payroll offices pay to the appropriate Federal Reserve Bank the U.S. dollar equivalent of contributions and deductions of FSN/PRA's and AMCIT employees. Deductions are also reported on Form W-2, issued annually.

#### **4 FAH-3 H-543.2 U.S. Federal Income Tax Withholding**

##### **4 FAH-3 H-543.2-1 Authority**

*(TL:FMP-4; 06-15-1995)*

The authority for withholding U.S. Federal Income Tax is contained in 26 U.S.C. Chapter 24 (Sections 3401-3405).

#### **4 FAH-3 H-543.2-2 Personnel Subject to Withholding**

*(TL:FMP-4; 06-15-1995)*

Every employee, personal services contractor, or any other individual providing services who meets IRS's common-law rules on employer-employee relationship and falls into one of the following categories is subject to tax withholding rules:

- (1) U.S. citizens, including dual nationals;
- (2) Resident alien performing service in or outside the United States;
- (3) Nonresident alien working in the United States; or
- (4) Foreign Service National employee or PSC who has U.S. permanent resident alien status (PRA), i.e., holds a green card.

#### **4 FAH-3 H-543.2-3 Payments Subject to Withholding**

*(TL:FMP-4; 06-15-1995)*

Payments subject to FICA taxes are generally also subject to U.S. Federal income tax withholding. One exception to this arises when an employee invests in the TSP. Deductions from pay for investment in the TSP reduce the amount of compensation on which Federal income tax is withheld.

#### **4 FAH-3 H-543.2-4 Payments Exempt From Withholding**

*(TL:FMP-4; 06-15-1995)*

- a. The payroll office will not deduct and withhold U.S. Federal Income tax from employee salaries and wages when the employee certifies exempt status, i.e., that no income tax liability was incurred the preceding year nor is anticipated for the current year. Such employee must file a new Form W-4 each year by February 15.
- b. Allowances paid to U.S. citizens through the payroll system that are exempt from FICA are generally also exempt from income tax withholding, including the following:
  - Temporary quarters subsistence allowance and overseas quarters allowance;
  - Post allowance; and
  - Separate maintenance allowance.



- c. Other payments such as unpaid salary and unused annual leave of deceased employees are not subject to income tax withholding. (See 4 FAH-3 H-543.1-2 (4) for the Social Security rules.)

#### **4 FAH-3 H-543.2-5 U.S. Federal Income Tax Withholding Certificate**

*(TL:FMP-4; 06-15-1995)*

- a. Each individual who is subject to U. S. income tax is required to complete and submit a Form W-4, Employee's Withholding Allowance Certificate, to the employer.
- b. Until such time as Form W-4 is received, tax will be withheld on the basis of zero allowances at the rate applicable to a single person. A withholding deduction based on a new or revised W-4 becomes effective at the beginning of the pay period following receipt of the form. Changes in withholding deductions are not made effective retroactively.
- c. If an employee expects to owe more income tax for the year than will be withheld by claiming every withholding allowance as indicated by the W-4 work sheet, the employee may increase the withholding by claiming a smaller number of withholding allowances on Form W-4.
- d. Withholding requested in excess of the amount produced by zero allowances may be indicated on the Form W-4 in multiples of \$5.
- e. Copies of Form W-4 received during a quarter which claim more than 10 withholding allowances or which claim exemption from income tax withholding although wages exceed \$200 per week are required to be sent by the payroll office to the IRS with Form 941, Employer's Quarterly Federal Tax Return.

#### **4 FAH-3 H-543.2-6 Tax Withholding Computation**

*(TL:FMP-4; 06-15-1995)*

- a. The Internal Revenue Code allows a number of different methods for figuring tax withholding. The payroll systems calculate withholding by the percentage method.
- b. When a payment of regular salary is being made for two or more pay periods, tax withholding deductions are computed individually for each pay period.
- c. Tax withholding deductions from large one-time payments such as

awards are at a flat 28 percent rate unless the employee is exempt.

## **4 FAH-3 H-543.3 State Income Tax Withholding**

### **4 FAH-3 H-543.3-1 Authority**

*(TL:FMP-4; 06-15-1995)*

Pursuant to 5 U.S.C. 5516 - 5517, the Secretary of the Treasury executes agreements with States for Federal agencies to withhold State income tax from applicable compensation (1 TFM 3-5000).

### **4 FAH-3 H-543.3-2 Employee's Declaration of State Tax Withholding**

*(TL:FMP-4; 06-15-1995)*

- a. Each employee or PSC hired in the United States regardless of where stationed, shall have on file with the CAPPs a certification which currently identifies their obligation, or absence thereof, for state income tax withholding.
- b. As withholding rules may vary from state to state and with the individual's particular circumstances, the employee must ascertain his or her proper filing status. In the Washington area with the three taxing entities Virginia, Maryland, and D.C., the taxing entity is that in which the employee resides. Note that Foreign Service officers resident in the District of Columbia can no longer claim the nondomiciliary exemption as they could prior to 1988.
- c. Employees are alerted that change in residence or assignment may require refileing.
- d. State income taxes will be withheld from compensation in accordance with each individual's certification. If a certification is not filed in accordance with paragraph a above, tax shall be withheld at the maximum rate applicable to the individual's last known U.S. address.

### **4 FAH-3 H-543.3-3 Payments Subject to Withholding**

*(TL:FMP-4; 06-15-1995)*

Generally the same elements of compensation subject to Federal income tax withholding (see 4 FAH-3 H-543.2-3) are subject to state income tax withholding. However, the States of Pennsylvania and New Jersey do not

exclude employee's investment deductions for the TSP as the Federal Government and other States do.

#### **4 FAH-3 H-543.3-4 Tax Withholding Computation**

*(TL:FMP-4; 06-15-1995)*

Withholding is calculated at the state's prescribed rates. State tax withholding on large one-time payments such as awards is at a flat 5 percent rate unless the employee is exempt or there is no state tax.

#### **4 FAH-3 H-543.4 Local Income Tax Withholding**

*(TL:FMP-4; 06-15-1995)*

City or county withholding is made for any employee who is subject to a local tax and (1) whose regular place of employment is within the boundaries of the county or city or (2) is a resident of the city or county. If the residence and place of employment are not both within the State in which the city or county is located, withholding is at the option of the employee. The employee should complete a withholding certificate accordingly. Tax withholding on large one-time payments such as awards is at a flat 2 percent rate if there is a local tax.

### **4 FAH-3 H-544 FEDERAL EMPLOYEES' GROUP LIFE INSURANCE (FEGLI)**

#### **4 FAH-3 H-544.1 Authority**

*(TL:FMP-4; 06-15-1995)*

The Federal Employees' Group Life Insurance Act of 1954 (5 U.S.C. 8701 - 8716) provides low-cost group insurance for employees of the Federal Government. See 3 FAH-1.

#### **4 FAH-3 H-544.2 Eligibility**

*(TL:FMP-4; 06-15-1995)*

In general, all U.S. citizen full-time or part-time permanent employees are eligible to participate in the group life insurance plan unless excluded by law or regulation. The specifics on temporary appointments of U. S. citizens are found in the Employee Benefits Handbook, 3 FAH-1. Foreign Service National

and AMCIT employees are not eligible.

## **4 FAH-3 H-544.3 Coverage of Employees**

*(TL:FMP-4; 06-15-1995)*

- a. Eligible employees automatically acquire Basic Insurance coverage as of the first day that they are in a pay status unless they waive it on Form SF-2817, Life Insurance Election-Federal Employees' Group Life Insurance Program.
- b. Eligible employees may also elect optional life insurance coverages (Option A-Standard, Option B-Additional, and Option-C Family) on Form SF-2817.
- c. Employees in nonpay status:
  - (1) An employee in a nonpay status retains insurance coverage without cost to the employee or the agency for up to twelve months, after which the insurance terminates. See FEGLIA pamphlet SF-2817-A for guidance on the conversion right to a private nongroup contract;
  - (2) Insurance coverage that is terminated after twelve months of Leave Without Pay (LWOP) is restored automatically when the employee returns to nonexcluded employment or if the employee is granted an annuity effective no later than one month after the employee's insurance is terminated; and
  - (3) An employee serving in an international organization under 5 U.S.C. 3582 may elect to continue insurance coverage by paying the employee's share of the premium to the Federal agency at least quarterly.

## **4 FAH-3 H-544.4 Waiver of Life Insurance Coverage**

*(TL:FMP-4; 06-15-1995)*

Execution of the waiver section of Form SF-2817 by an employee with insurance coverage authorizes the discontinuance of life insurance deductions. Deductions cease as of the last day of the pay period in which the waiver is properly filed. A properly executed waiver, once submitted to the employing agency, remains in effect until canceled, even if the employee transfers to another agency or is reappointed after a break in service of less than 180 days.

## **4 FAH-3 H-544.5 Request for Cancellation of Waiver of Life Insurance Coverage**

*(TL:FMP-4; 06-15-1995)*

An employee who desires to be insured, and/or who has previously waived coverage, may request insurance by submitting Form SF-2822, Request For Insurance-Federal Employees' Group Life Insurance Program, if:

- (1) At least one year has elapsed between the effective date of the last waiver and the date of request for insurance;
- (2) The employee provides adequate medical evidence of insurability.

## **4 FAH-3 H-544.6 Basic Life Insurance**

### **4 FAH-3 H-544.6-1 Amount Of Insurance**

*(TL:FMP-4; 06-15-1995)*

- a. The annual pay upon which the amount of an employee's insurance is based is the employee's annual pay rate as fixed by law or regulation. This includes any interim geographic adjustment or locality based comparability or special law enforcement adjustment. It also includes any:
  - (1) Standby duty pay;
  - (2) Administratively uncontrollable overtime (AUO);
  - (3) Tropical differential on the Isthmus of Panama; and
  - (4) Night, environmental and Guam recruitment differential for Federal Wage Schedule employees.
- b. The amount of Basic Insurance on which the premium is computed is the annual pay rate rounded to the next higher thousand, plus \$2,000. The minimum possible is \$10,000 and the maximum is the above computation for Federal Executive Level II.

### **4 FAH-3 H-544.6-2 Employee Deduction**

*(TL:FMP-4; 06-15-1995)*

The deduction for Basic Life Insurance is made from the employee's pay biweekly. The biweekly rate since 1993 is 16.5 cents per \$1,000.

#### **4 FAH-3 H-544.6-3 Agency Contribution**

*(TL:FMP-4; 06-15-1995)*

The employer contributes an amount equal to 50 percent of the employee's deduction for Basic Life.

#### **4 FAH-3 H-544.7 Optional Insurance**

*(TL:FMP-4; 06-15-1995)*

The total premium cost for the optional insurance coverages is deducted from the employee's pay. For coverage and rates see FPM Supplement 870-1 in 3 FAH-1, Employee Benefits Handbook.

#### **4 FAH-3 H-544.8 Life Insurance After Retirement**

*(TL:FMP-4; 06-15-1995)*

If the eligible retiree retains life insurance, the retiree's portion of the premium is deducted from the monthly annuity and OPM pays the Government's contribution.

### **4 FAH-3 H-545 FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB)**

#### **4 FAH-3 H-545.1 Authority**

*(TL:FMP-4; 06-15-1995)*

The Federal Employees Health Benefits Act of 1959 as contained in 5 U.S.C. 8901-8913 and FPM Chapter 890 and Supplement 890-1 is the basis for health benefits available to U. S. citizen employees. See 3 FAH-1.

#### **4 FAH-3 H-545.2 Eligibility**

*(TL:FMP-4; 06-15-1995)*

Most U. S. citizen, career or career-conditional employees (except those serving under appointments limited to one year or less and AMCIT employees) are eligible to participate in the health benefit plans. Refer to 3 FAM 3600 and 5 CFR 890 for specific criteria.

## **4 FAH-3 H-545.3 Employee Deductions and Employer Contributions**

*(TL:FMP-4; 06-15-1995)*

FEHB deductions are made from the employee's salary at the biweekly rate applicable to the employee's elected health plan in the Schedule of Subscription Charges. The employing agency contributes the appropriate amount as determined by OPM.

## **4 FAH-3 H-545.4 Coverage While on Leave Without Pay (LWOP)**

*(TL:FMP-4; 06-15-1995)*

- a. FEHB coverage continues for an employee on LWOP for up to 365 days unless it is canceled by submitting Form SF-2809, Health Benefits Registration Form-Federal Employees Health Benefits Program. An employee entering on LWOP should execute a statement for the employing agency (State employees should contact the FMP/F/DFS/OCP/CAPD Health Benefits Desk) on how the employee premium will be paid. The agency continues to pay the employer's contribution.
- b. If the employee does not sign a statement canceling the benefits, it is deemed that the employee has consented to continue the FEHB coverage, subject to the 365 day limit and any outstanding indebtedness for health benefit premiums will be deducted from salary upon return to pay status or recovered from any lump sum payable or other sources available for recovery of an indebtedness due the United States.
- c. Before expiration of the 365 days, an employee may complete the reverse side of Form SF-2810, Federal Employees Health Form Benefits Program-Notice of Change in Health Benefits Enrollment, for conversion to a private nongroup insurance contract.
- d. The employee may request cancellation of coverage at anytime by completion of Form SF-2809.

## **4 FAH-3 H-545.5 Coverage While Serving With an International Organization**

*(TL:FMP-4; 06-15-1995)*

An employee serving with an international organization under 5 U.S.C. 3343 or 3581 through 3584 may elect to continue FEHB coverage by paying to the Federal agency the employee's premium at least quarterly.

## **4 FAH-3 H-545.6 Others Eligible For FEHB Coverage**

*(TL:FMP-4; 06-15-1995)*

Other groups qualifying for FEHB coverage include:

- (1) An annuitant's FEHB premium is deducted from the monthly annuity. OPM funds the Government's contribution;
- (2) Former spouses of employees or former employees eligible for continued FEHB coverage under Section 832 or 833 of the Foreign Service Act, as amended, must arrange to pay both the employee and agency share of the premium. If the insured is not entitled to annuity or apportionment payments, he or she must remit premiums monthly to the Foreign Service Retirement Accounts Division (FMP/F/DFS/OCP/RAD); and
- (3) Temporary continuation of FEHB coverage for 18 months or 36 months is provided beginning January 1, 1990, under Pub. L. 100-654 to certain separated employees, children, and former spouses. The program is called "FEHB 18/36 TCC" and participants must pay the full premium (the employee and Government portions) plus a two percent surcharge. In the Department of State this program is completely handled by the Retirement Division (PER/RCT/RET), from eligibility to collection of funds.

## **4 FAH-3 H-546 THRIFT SAVINGS PLAN (TSP)**

*(TL:FMP-4; 06-15-1995)*

TSP consists of three investment funds. Eligible employees may direct their TSP deductions and any employer contributions into the:

- The G Fund, Government Securities Investment Fund;
- The C Fund, Common Stock Index Investment Fund; and
- The F Fund, Fixed Income Index Investment Fund.



## 4 FAH-3 H-546.1 Authority

*(TL:FMP-10; 05-01-1998)*

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for Federal employees as authorized by 5 U.S.C. 8431 - 8440 and 5 CFR, Sections 1600-1690. Additional information is published periodically by the Federal Retirement Thrift Investment Board in the booklet Thrift Savings Plan for Federal Employees.

## 4 FAH-3 H-546.2 Definitions

*(TL:FMP-4; 06-15-1995)*

**Open Season**—A period of time lasting two and one-half months during which an employee may elect to begin, stop, or change their investment deductions to the plan. Open seasons are held every six months: May 15 to July 31, and November 15 to January 31.

**Basic Pay**—Compensation upon which TSP deduction and contribution are computed is base pay inclusive of any locality-based comparability under 5 U.S.C. 5304 or interim geographic adjustment or special law enforcement adjustment under section 302 or 404 of the Federal Employees Pay Comparability Act of 1990, respectively. Also include any standby pay, administratively uncontrollable overtime (AUO), tropical differential on the Isthmus of Panama, and for Federal Wage Schedule (FWS) employees night differential, environmental differential, and Guam recruitment differential.

## 4 FAH-3 H-546.3 Eligibility

*(TL:FMP-4; 06-15-1995)*

- a. Employees in the Civil Service Retirement Systems (CSRS and FERS), and in the Foreign Service Retirement Systems (FSRDS and FSPS) are usually eligible to participate in the TSP. TSP is not available to any FSN or AMCIT employees nor to U.S. citizen employees on temporary or intermittent appointments.
- b. Employees must be in pay status for TSP deductions to be withheld from pay or to be eligible for employer contributions to the plan. Generally, new or rehired employees are eligible to elect to participate in TSP at the second open season.

## 4 FAH-3 H-546.4 Enrolling, Changing Or Stopping

## Investment

*(TL:FMP-4; 06-15-1995)*

- a. An employee may elect to invest in the TSP during open seasons held twice a year. An employee eligible to participate in the TSP, must submit the completed TSP Election Form (TSP-1) to their personnel office to elect a percentage of basic pay or fixed dollar amount for the TSP. The employee also indicates (by percentages in multiples of 5 percent) into which of the three funds future deductions and contributions are to be placed.
- b. An employee who stops investing during an open season may re-enroll at the next or any later open season. If participation terminates at any time outside of an open season, the employee must wait until the second open season following termination before re-enrolling.

## 4 FAH-3 H-546.5 Employee Deductions

*(TL:FMP-4; 06-15-1995)*

- a. The employee may elect to invest either a whole percentage of basic pay or a specified whole dollar amount per pay period. If an employee elects a whole dollar amount and the amount exceeds the equivalent of the maximum allowable rate, then the maximum allowable rate will be invested for that pay period.
- b. Total employee investment in a tax year may not exceed the ceiling limitation set in the U.S. Tax Code (26 U.S.C. 402(g)(1)). This limitation, published in the Thrift Savings Plan for Federal Employees booklet, changes annually. This annual ceiling on tax-deferred investment is inclusive of any retroactive payments made during the year.
- c. FERS and FSPS employees—The maximum deduction for the TSP may not exceed 10 percent of basic pay. When the annual ceiling for employee investment is reached, employee deductions and employer matching contributions are suspended for the remainder of the tax year. Therefore, it is to a higher-salaried employee's advantage to elect a rate of investment that spreads employee TSP deductions evenly throughout the tax year so that agency matching contributions will be made throughout the tax year.
- d. CSRS and FSRDS employees—CSRS and FSRDS employees may invest a maximum of 5 percent of their basic pay.

## 4 FAH-3 H-546.6 Partial Deductions

*(TL:FMP-4; 06-15-1995)*

When the net pay available for the TSP deduction in a pay period is less than either the amount computed based on the elected percentage of basic pay or the elected whole dollar amount, no TSP employee deduction will be made for the pay period.

## 4 FAH-3 H-546.7 Employer Contributions

*(TL:FMP-4; 06-15-1995)*

- a. FERS and FSPS Employees—The employer contributes 1 percent of basic pay to the TSP account of a FERS or FSPS employee, regardless of whether the employee elects to invest in TSP. Generally, the agency's automatic 1 percent contribution begins the first full pay period in the last month of the second open season. If the employee does not submit Form TSP-1 to indicate their investment choice, the 1 percent will be invested in the G fund. The employer also equally matches the first 3 percent the employee invests and matches in half the next 2 percent the employee invests.

Illustration:

When	Agency	Agency
Employee	Automatic	Matching
Invests	Contribution	Contribution
0%	1%	0%
1%	1%	1%
2%	1%	2%
3%	1%	3%
4%	1%	3.5%
5%	1%	4%
6%	1%	4%
7%	1%	4%

8%	1%	4%
9%	1%	4%
10%	1%	4%

The agency 1 percent automatic contribution continues throughout the tax year, even after a high-salaried employee's investment deductions reach the tax code annual limitation discussed in 4 FAH-3 H-546.5.

- b. CSRS and FSRDS Employees—Employees in the CSRS and the FSRDS are not eligible for the agency automatic 1 percent contribution or the agency matching contributions.

## **4 FAH-3 H-546.8 Taxability Of Employee's Deductions For TSP**

*(TL:FMP-4; 06-15-1995)*

Employee investments in the TSP are tax-deferred for U.S. federal income tax, i.e., they are deducted from pay before U.S. federal income tax is computed. These payments are also tax-deferred for State income tax except in Pennsylvania and New Jersey. However, TSP deductions are subject to FICA taxes.

## **4 FAH-3 H-546.9 Loans**

*(TL:FMP-4; 06-15-1995)*

If the employee obtains a loan from their TSP account, the payroll system will facilitate repayment through recurring deductions from biweekly pay to the TSP in accordance with a properly executed Form TSP-22, TSP Loan Payment Allotment Form.

## **4 FAH-3 H-546.10 TSP Account Statements**

*(TL:FMP-4; 06-15-1995)*

The employee will receive a TSP Participant Statement twice a year directly from the TSP Office at the National Finance Center (NFC). The employee should review his or her biweekly earnings and leave statement and the semi-annual TSP statement to make certain that proper deductions and any agency contributions are reflected.

## **4 FAH-3 H-546.11 Change of Fund (Interfund Transfer)**

*(TL:FMP-4; 06-15-1995)*

An employee may transfer any portion of their existing TSP account balance among the G, C, and F funds by submitting a completed Interfund Transfer Request Form (TSP-30) to the TSP Service Office, National Finance Center, P. O. Box 60012, New Orleans, LA., 70160-0012. To change future biweekly investment deductions and Government contributions, Form TSP-1 should be completed and submitted to the agency personnel office as discussed in 4 FAH-3 H-546.4.

## **4 FAH-3 H-546.12 Correction of Agency Administrative Error**

### **4 FAH-3 H-546.12-1 Administrative Error**

*(TL:FMP-10; 05-01-1998)*

- a. An employee may present a claim for retroactive correction of an act or omission by the employing agency that was not in accordance with applicable statutes, regulations or administrative procedures, such as:
  - Failure to participate
  - Delay in participation
  - Insufficient deduction or contribution
  - Excess deduction or contribution
  - Incorrect investment fund
  - Ineligible participation
- b. The Department of State may correct an administrative error that is brought to or comes to its attention, regardless of whether an employee submits a claim. Administrative errors under this section shall be addressed consistent with 5 CFR part 1605.
- c. If any Department of State employee believes that an error has occurred, the employee must make a formal claim to the Director, Office of Compensation and Pension, FMP/F/DFS/OCP, Department of State, PO Box 9487, Arlington, Virginia 22219. The employee must make the claim

in writing and include the employee's social security number, a complete description of the claim, and include all supporting documentation.

- d. The claim must be filed within one year of the earlier of:
  - (1) receipt of a pay stub, earnings and leave statement, or other document reflecting the error, or
  - (2) the close of the first TSP election period following the employee's receipt of a TSP Participant Statement reflecting the error.
- e. The Director, Office of Compensation and Pension, shall issue the employee a written decision regarding the claim within 30 days of receipt of the employee's written claim. The Director shall review each claim as to validity in order to seek appropriate resolution.
- f. If the claim is denied in whole or in part, the written decision of the Director, Office of Compensation and Pension, must contain the determination of the claim (approval or denial). In the case of a denial, the notification must contain:
  - (1) a determination on the claim;
  - (2) the reasons for denial;
  - (3) all appropriate references to applicable statutes or regulations;
  - (4) any additional material or information that would enable the Director to grant the employee's claim (if applicable);
  - (5) an opportunity for employee to perfect the case;
  - (6) a description of the employee 's appeal rights;
  - (7) the name and address of the appeal officer; and
  - (8) the appeal time limits (30 days from date of receipt).
- g. Within 30 days of receipt of the decision denying the claim, the employee may appeal the decision. The appeal must be in writing and submitted to the Managing Director, Domestic Financial Services Directorate, FMP/F/DFS, Department of State, PO Box 9487, Arlington, Virginia 22219. The employee must include any appeal documents or information that the employee deems relevant to the claim, which may enable the Managing Director to grant the appeal.
- h. The Managing Director shall issue the employee a written decision within 30 days of receipt of the employee's request regarding the appeal. If the

appeal is denied in whole or in part, the written decision of the Managing Director must contain the determination of the appeal (approval or denial). In the case of denial, the notification of the appeal decision must contain:

- (1) a determination on the appeal;
  - (2) the reasons for denial;
  - (3) all appropriate references to applicable statutes or regulations;
  - (4) any additional material or information that would enable the Managing Director to grant the employee's claim (if applicable);
  - (5) an opportunity for employee to perfect the case;
  - (6) a description of the employee 's appeal rights;
  - (7) the name and address of the appeal officer; and
  - (8) the appeal time limits (30 days from date of receipt).
- i. Within 30 days of receipt of the written decision denying the appeal, the employee may make a written appeal to the Deputy Chief Financial Officer, FMP/F, Department of State, Room 4316, SA-15, 1800 North Kent Street, Arlington, Virginia 22209. The employee must submit any additional material that would enable the Deputy Chief Financial Officer to perfect the appeal.
- j. The Deputy Chief Financial Officer shall issue the employee a written decision within 30 days of receipt of the appeal. The Deputy Chief Financial Officer is the final resolution authority and must provide a written decision to the employee (including citations to any applicable statutes, regulations or procedures). In the event of a denied appeal, the employee will be deemed to have exhausted his or her administrative remedy and will be eligible to file suit against the employing agency in the appropriate Federal district court pursuant to 5 U.S.C. 8477. There is no administrative appeal to the Federal Retirement Thrift Investment Board of a final agency decision.
- k. Consult 5 CFR 1606.14 and 1606.15 for additional details of employee claims for lost earnings.

#### **4 FAH-3 H-546.12-2 Lost Earnings**

*(TL:FMP-10 05-01-1998)*

- a. The employing agency shall pay into the employee's TSP account earnings lost by a TSP participant which are attributable to certain administrative errors made by the employer (5 CFR 1606).
- b. Only errors exceeding the de minimis rules are eligible for calculation of lost earnings. Lost earnings will not be calculated where the amount of money for a source of contributions (Agency Automatic 1 percent, Employee Deduction, or Agency Matching Contribution) to a participant's account is less than \$1.00 (applied separately to each pay period involved). Also, where the error involves delay in submitting deduction or contribution or loan allotment to the TSP, lost earnings are not payable unless the belated payment was received by the TSP record keeper more than thirty days after the pay date associated with the pay period for which the payment would have been submitted had the employing agency error not occurred. The 30-day rule does not apply to investment in an incorrect investment fund.
- c. Lost earnings are not payable with respect to employee deductions that should have been deducted but were not (regardless of whether participant makes up those payments in later pay periods). Since the employee had the use of the money, requiring the agency to pay lost earnings would result in a windfall to the employee. Lost earnings are payable on Agency Matching Contributions if the participant does make up previously missed TSP deductions. Lost earnings are paid on Agency 1 percent Contributions delayed more than thirty days after the date they should have been paid.
- d. The Department of State may pay lost earnings when authorized regardless of whether an employee submits a claim. Lost earnings under this section shall be addressed consistent with 5 CFR part 1606.
- e. If any Department of State employee believes that an agency error has occurred that has resulted in lost earnings, the employee may file a claim. Claims for lost earnings must be filed within one year of the later of:
  - (1) January 1, 1991, or
  - (2) employee's receipt of the earliest of the TSP Participant Statement, TSP Loan Statement, agency earnings and leave statement or other document that indicates that the agency error has affected the employee's TSP account.
- f. Claims for lost earnings must be made and will be decided consistent with the procedures outlined in 4 FAH-3 H-546.12-1 (b) through (k).



## **4 FAH-3 H-546.12-3 Accounting**

*(TL:FMP-4; 06-15-1995)*

The TSP record keeper charges lost earnings or investment loss to the submitting payrolling office. When CAPPs is the submitting payrolling office, the charge will be passed to the appropriation/allotment which funds the employee's basic pay and the allottee will receive a manually prepared Form SF-1081, Consolidated American Payroll Voucher and Schedule of Withdrawals and Credits, with detailed information. Just as with other CAPPs payments, the recipient agency should not enter Form SF-1081 on its Statement of Transactions as CAPPs will complete the transfer on its own Form SF-224, Statement of Transactions.

## **4 FAH-3 H-547 OTHER DEDUCTIONS**

### **4 FAH-3 H-547.1 Pay Adjustments**

*(TL:FMP-17; 05-05-2003)*

- a. Upon determination of overpayment, adjustment is usually made in the next pay period, or a check is requested, or a recurring deduction is initiated, depending on the particular circumstances and the amount involved.
- b. Immediate deduction from pay may be made for adjustments to pay arising out of an employee's election of coverage or a change in coverage under a federal benefits program or ministerial adjustments in pay if the amount to be recovered was accumulated over four pay periods or less (See 22 CFR 34.16).
- c. Employee indebtedness incurred while in a nonpay status for the employee share of health insurance premiums should be recovered promptly upon employee's return to duty. The employee should be advised of the amount due and given an opportunity to establish a reasonable payment plan. The agency may deduct the indebtedness from pay without the employee's consent provided the deduction rate does not exceed 25 percent of the employee's disposable pay (unless it is the employee's final check) (FPM Supplement 890-1, S20-2).
- d. In accordance with 5 U.S.C. 5514 collection of a debt an employee owes the U.S. Government may be made by offset from salary without the employee's consent provided proper notification and opportunity to exercise administrative rights have been made. The amount of the offset may not exceed 15 percent of the employee's disposable pay as defined

in 4 FAH-3 H-492.2-3 c. If employment ends before salary offset is completed, the remaining debt will be liquidated by an offset from payment of any nature due the employee (22 CFR 34.16-25).

- e. For provisions for waiving overpayments see section 4 FAM 497. Who may waive claim against the employee is determined by the aggregate gross amount of overpayment without regard to any repayments. In accordance with standards prescribed by the Comptroller General, where conditions warrant, collection of overpayments made by CAPPs may be waived by the Director of the Office of Compensation and Pensions for claims of \$500 or less and by the Director, Domestic Financial Services Directorate for claims of \$1,500 or less. A claim in excess of \$1,500 may only be waived by the Comptroller General (5 U.S.C. 5584). When denying waiver of a claim in any amount, the employee should be advised of the right to appeal the denial to the Comptroller General.

**Note:** The principal officer has authority to waive collection of post overpayments aggregating \$1,500 or less and this authority may be redelegated in writing to the post management officer.

## 4 FAH-3 H-547.2 Delinquent Travel Advances

*(TL:FMP-4; 06-15-1995)*

A delinquent travel advance may be collected though offset against accrued pay (5 U.S.C. 5705). The amount deducted for any pay period may not exceed 50 percent of disposable pay as defined in 4 FAH-3 H-492.2-3 c, unless it is the employee's final check.

## 4 FAH-3 H-547.3 Garnishment

*(TL:FMP-4; 06-15-1995)*

- a. **Child Support or Alimony**—The maximum part of aggregate disposable earnings subject to garnishment for child support or alimony shall not exceed 50 percent to 65 percent as detailed in 5 CFR 581.402. An order by a court of competent jurisdiction within any State, territory, or possession of the United States or the District of Columbia or a court of competent jurisdiction in any foreign country with which the U.S. has entered into an agreement that requires the U.S. to honor such process will be recognized.
- b. **Commercial**—Commercial garnishment is allowed by Pub. L. 103-94 beginning February 3, 1994. Garnishment by order of a court of competent jurisdiction within any State, territory, or possession of the

United States or the District of Columbia is limited to not more than 25 percent of disposable earnings. See 5 CFR 582.

- c. **State or local tax**—Garnishment of disposable earnings for a state or local tax obligation has no percentage or earnings limit.
- d. A request for payments pursuant to court-ordered garnishments for Department of State employees and personal services contractors shall be submitted to the Executive Director (L/EX), Office of the Legal Adviser, Department of State, Room 5519A, 22nd and C Streets, N.W., Washington, D.C. 20520.
- e. An agency's administrative costs in executing commercial garnishment action may be added to the garnishment and the agency may retain costs recovered as offsetting collections.

## **4 FAH-3 H-547.4 Levy for U.S. Taxes**

*(TL:FMP-4; 06-15-1995)*

Levy may be made upon salary or wages of any employee or elected or appointed official of the United States by serving a notice of levy on the employer of the delinquent taxpayer. Biweekly wages exempt from levy are equal to the sum of the taxpayer's standard deductions, any additional standard deductions due to blindness or age, and personal exemptions divided by 26. Also exempt from levy are amounts necessary to comply with judgments for support of minor children (26 CFR 301.6331 - 301.6334).

## **4 FAH-3 H-547.5 Judgment Offsets**

*(TL:FMP-4; 06-15-1995)*

Where a court determines an employee is indebted to the United States, collection of debt by deduction is made in reasonable amounts from the current pay account of the employee. The maximum amount deducted for any period ordinarily may not exceed 25 percent of the net disposable pay from which the deduction is made unless deduction of a greater amount is necessary to make collection within the expected period of employment. At a minimum, the amount deducted must equal at least 15 percent of the net disposable pay from which the deduction is made (Federal Personnel Manual 552).

## **4 FAH-3 H-548 ALLOTMENTS OF PAY**

## 4 FAH-3 H-548.1 Authority

*(TL:FMP-4; 06-15-1995)*

- a. The basic authority for allotments is 5 U.S.C. 5525 and 5 CFR 550.300. See also Federal Personnel Manual Supplement 990-2, Subchapter S3 and Treasury Financial Manual 1-TFM 3-6000 and 7000. Making an allotment of pay is a voluntary act by an employee which carries no corresponding obligations on the part of the U.S. Government and requires no administrative adjudication to become effective.
- b. Allotments are revocable at the will of the allotter and invest no property rights in the allottee unless and until they have been paid to the allottee. Allotment records are for official use only and their disclosure is protected by 22 CFR 171.

## 4 FAH-3 H-548.2 Certain Specified Purposes

### 4 FAH-3 H-548.2-1 Combined Federal Campaign Allotments

*(TL:FMP-4; 06-15-1995)*

Under 5 CFR 550.341 an employee may make an allotment for contribution to the Combined Federal Campaign if the employee is employed in an area in which a Combined Federal Campaign authorized by OPM is established. The allotment will be an equal amount deducted each pay period for a term of one year beginning with the first pay period which begins in January and ending the last pay period which begins in December. The minimum biweekly amount is \$1 and the amount of the allotment may not be changed. The employee may discontinue the allotment at any time.

### 4 FAH-3 H-548.2-2 U.S. Savings Bonds

*(TL:FMP-4; 06-15-1995)*

- a. **Authority**—The purchase of U.S. Savings Bonds, Series EE, is governed by 31 CFR 351 and 353.
- b. **Employees Who are Eligible**—The Voluntary Payroll Savings Plan is provided to U. S. citizen employees and personal services contractors payrolled by CAPPs. The FSN payroll system does not handle bond deductions.
- c. **Initiation or request for change of bonds**—Requests by an employee

to participate in the Voluntary Payroll Savings Plan for the initiation or change of a bond deduction must be submitted to the servicing payroll office on Form SBD-1928, Authorization for Purchase and Request for Change, U.S. Series EE Savings Bonds. Form SBD-1928 must show the Social Security number of the owner and should contain the Social Security number of any co-owner or beneficiary.

- d. **Available Bond Denominations**—The available denominations and purchase prices are:

Denomination	Purchase Price
\$100	\$50
200	100
500	250
1,000	500

- e. **Amount of payroll deduction**—The minimum allowable deduction for a U.S. Series EE bond purchase is \$3.75 per biweekly period. Payroll deductions in amounts greater than the minimum allowable deduction may be made in any amount.

- f. Time and date of issuance:

- (1) The “issue date” shown on the bond is the month and year in which interest will begin to accrue. This issue date is determined under average-dating rules, i. e., the month in which the end of a pay period falls when at least one-half of the purchase price is accumulated, regardless of the number of consecutive payroll deductions required to complete the full purchase price;
- (2) The bond is not printed by the U.S. Treasury until the accumulated deductions equal the purchase price of the bond. Depending on delivery time variations, the bond should be received by the owner about two weeks after the close of the pay period in which the accumulated deductions equal the purchase price of the bond.

- g. **Cashing bonds**—USDOS and cashiers are not permitted to cash U. S. Savings Bonds. Overseas, an owner may cash a bond at a local branch of a U. S. bank. Or, after certification by a consular officer, mail the bond to one’s bank in the United States, or as a last recourse, mail the bond to the Federal Reserve Bank, Federal Reserve Post Office Station, New York, New York, 10045.

h. Maintenance of individual bond accounts:

- (1) The CAPPS maintains in the automated files the Individual Bond Account Record for each employee participating in the payroll deduction plan for the purchase of U. S. Savings Bonds. Bond deductions are held in deposit fund 19X6050, Employees' Payroll Allotment Account, U.S. Savings Bonds, until the accumulated deductions for the employee equal the bond purchase price.
- (2) When an employee transfers from CAPPS to another payroll system within the Federal Service, the allotment authorization will be part of the employee's official records sent to the transferee agency which will continue deductions on the basis of the transferred authorization. However, any unapplied balance remaining in the employee's bond account at the time of the transfer is refunded to the employee on a current payroll voucher.

i. **Cancellation of payroll deduction**—Once initiated, payroll deductions will continue, providing gross pay is adequate, until the employee cancels the deduction by submitting a memo authorizing the cancellation. Any unapplied balance remaining in the employee's bond account upon cancellation of the payroll deduction or separation from employment will be refunded to the employee.

j. Undeliverable, lost or erroneously issued bonds:

- (1) **Undeliverable bond**—When an undeliverable bond is returned to Treasury, Treasury seeks a more current address from the agency payrolling office and remails it. In the event of an employee's death, the bond should be delivered to the co-owner or beneficiary and a receipt obtained. If the bond cannot be delivered, it should be returned to the Treasury Regional Finance Center which issued it;
- (2) **Nonreceipt of bond**—If the owner has not received a bond but adequate time has elapsed, notify the agency payrolling office. CAPPS will send the owner a form to complete and mail to the Bureau of the Public Debt, Box 1328, Parkersburg, WV 26106-1328 for issuance of a replacement bond. The employee can anticipate receipt of the replacement bond within three months;
- (3) **Lost or stolen bond**—If a U.S. Savings Bond is lost or stolen after delivery, the owner should notify in writing the agency payrolling office or the Claims Branch, Division of Transactions and Rulings, Bureau of the Public Debt, Box 1328, Parkersburg, WV 26106-1328;

- (4) **Erroneously issued or damaged bond**—To reissue an erroneously issued or damaged bond, CAPPs prepares a TFS Form 258, Request for Reissuance or Cancellation of U. S. Savings Bonds, stating the reason for reissue and submits it with the bond to the issuing Treasury Regional Financial Center.

#### **4 FAH-3 H-548.2-3 Labor/Management Organization Dues**

*(TL:FMP-4; 06-15-1995)*

- a. **Authority for labor/management organization membership dues deductions**—Under provisions of agreements negotiated with U.S. citizen employee organizations under Executive Order 11636, members of such organizations may have membership dues withheld from their pay.
- b. **Request for dues withholding**—Form SF-1187, Request for Payroll Deductions for Labor Organization Dues, is used for requesting and authorizing the withholding of membership dues and payment to the appropriate organization. The employee completes the form except for Section A and sends it to the labor/management organization which completes Section A and forwards it in accordance with the agreement. The labor/management organization will provide the payroll office with a list of officials authorized to certify Form SF-1187.
- c. **Deduction of dues by the payroll office**—Withholding will commence with the first full pay period after the payroll office processes Form SF-1187. There will be no retroactive withholding by the payroll office except to correct errors made by the payroll office.
- d. Discontinuance of membership dues withholding:
- (1) **Employee revocation**—An employee who has authorized the withholding of organization dues may request revocation of such authorization by submitting a completed Form SF-1188, Cancellation of Payroll Deductions For Labor Organization Dues, or a memorandum in accordance with the agreement. Cancellation will not be effective until the pay period beginning on or after the next established cancellation date.
- (2) **Loss of recognition by an organization**—Should an organization lose its right to exclusive representation of the employees of an agency under Executive Order 11636, it is the responsibility of the agency union representative to notify the payroll office. The payroll office will cease withholding membership dues upon receipt of such notification.

- (3) **Discontinuance due to removal from agency's payroll**— Removal from an agency's payroll, such as in the case of termination of employment by that agency, will automatically terminate employee organization dues withholding.

## **4 FAH-3 H-548.3 Other Allotments**

*(TL:FMP-4; 06-15-1995)*

In addition to the allotments specified in 4 FAH-3 H-548.2, employees may make general purpose allotments. See 4 FAH-3 H-548.3-1.

### **4 FAH-3 H-548.3-1 Purposes for Which Allotments May Be Made**

*(TL:FMP-17; 05-05-2003)*

- a. Employees in the United States may make an allotment for voluntary child support and/or alimony payments, for credit to savings accounts with financial institutions, and for purchase of retirement credit for prior years' service (except where prohibited by OPM).
- b. U.S. citizen employees overseas may make allotments for the following purposes:
  - (1) For the support of relatives or dependents of the allottees including voluntary child support and/or alimony;
  - (2) For fixed amounts to checking and savings accounts (other than net pay to banks);
  - (3) For payment of insurance premiums;
  - (4) For installment payments on the purchase of an automobile;
  - (5) For payment to the State Department Federal Credit Union and the Lafayette Credit Union;
  - (6) For payment to lawfully appointed attorneys;
  - (7) For the purchase of retirement credit for prior years' service (except where prohibited by OPM); and
  - (8) For other similar purposes, not specifically prohibited and when approved by the authorized certifying officer.



- c. Foreign Service Nationals and AMCITs may make allotments for the following purposes:
- (1) For checking and savings accounts;
  - (2) For the support of relatives or dependents of the allotter;
  - (3) For group insurance in a private company underwritten by a U.S. insurance company;
  - (4) For group insurance in a private company not underwritten by a U.S. insurance company, when approved by the post management officer;
  - (5) For purchase of prior years of service credit under the Civil Service Retirement System; and
  - (6) For any purpose approved jointly by the heads of agencies in a country and authorized jointly by the agencies headquarters participating in the interagency compensation agreement.
  - (7) Department of State policy is to pay FSNs and AMCITs in the currency of the country where employed. Accordingly, allotments are paid in the currency in which the local compensation plan is stated except as provided in 4 FAH-3 H-550.

#### **4 FAH-3 H-548.3-2 Purposes for Which Allotments May Not Be Made**

*(TL:FMP-4; 06-15-1995)*

- a. U.S. citizen employees may not make allotments for the following purposes:
- (1) Contributions to charities except through the Combined Federal Campaign;
  - (2) Dues to civic, fraternal, or other organizations, except to labor organizations or associations of management officials and supervisors, with which the agency has agreed in writing to deduct members' dues;
  - (3) For payment of indebtedness, except as specifically provided in 4 FAH-3 H-548.3-1 b; and
  - (4) For any other purpose for which a payroll deduction is prohibited.

- b. Foreign Service National and AMCITs may not make allotments for the following purposes:
- (1) Contribution to charities;
  - (2) Dues to civic, fraternal, or other similar organizations;
  - (3) Indebtedness, except as specifically provided above in 4 FAH-3 H-548.3-1 c;
  - (4) Taxes or other assessments levied by foreign governments against employees except where authorized by U.S. statute, treaty, or Executive Agreement; and
  - (5) Any purpose for which a payroll deduction is prohibited.

#### **4 FAH-3 H-548.3-3 Limitations on Allotments**

*(TL:FMP-4; 06-15-1995)*

- a. Employees within the United States may have up to three allotments, of which not more than two may be for credit to savings accounts with financial institutions. The number of allotments for U.S. citizen employees stationed overseas may not exceed three, one of which may be made toward the support of dependents or relatives.
- b. The number of allotments for Foreign Service Nationals and AMCITs may not exceed three, one of which, may be made toward the support of dependents or relatives.
- c. Allotments must be made on a pay period basis only.
- d. An allotment must be stated in a fixed dollar (or other unit of currency) amount unless it is an allotment of net pay.
- e. An employee may not have more than one allotment of pay payable to the same allottee at the same time.
- f. Allotment of pay may be denied or restricted for U.S. citizen temporary employees or personal services contractors.

#### **4 FAH-3 H-548.3-4 Initiation, Change or Discontinuance of an Allotment of Pay**

*(TL:FMP-4; 06-15-1995)*

- a. An allotment of pay may be initiated by submitting Form SF-1199-A, Direct Deposit Sign-Up Form. Employees are responsible for making the necessary arrangements with their banks or other financial institutions for the disposition of allotment payments prior to the submission of Form SF-1199-A. Form OF-212, Allotment of Pay-Application and Authorization to Make, Change or Discontinue, is used to request an allotment of pay to an individual or other instance not permitting payment by electronic funds transfer.
- b. An allotment is discontinued on:
  - (1) The written request of the allotter;
  - (2) The retirement, death, or separation from the service of the allotter; or
  - (3) In instructions from the Department, other agency, or the principal officer of the applicable agency or when conditions under which allotment was permitted no longer exist.

## **4 FAH-3 H-549 UNASSIGNED**