

VA Financial Policies and Procedures
Payroll: Deductions

CHAPTER 4

0401 OVERVIEW	2
0402 POLICIES	3
0403 AUTHORITY AND REFERENCES	5
0404 ROLES AND RESPONSIBILITIES	8
0405 PROCEDURES	10
0406 DEFINITIONS.....	31
0407 RESCISSIONS.....	34
0408 QUESTIONS	38
APPENDIX A: ANNUAL FEDERAL TAX UPDATES	39
APPENDIX B: DEDUCTION FORMS	40
APPENDIX C: VA ORDER OF PRECEDENCE	42
APPENDIX D: FEGLI RATES AND CODES	44

0401 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures regarding payroll deductions. The Treasury Financial Manual, Part 3, Chapter 1000, prescribes Federal policies and procedures for withholding deductions required either by law, regulation and legal decisions, or those voluntarily elected by Federal employees.

Under the E-Government Act of 2002, E-Payroll initiative, Federal agencies' payroll operations were consolidated among four payroll service providers, one of which was selected by the Office of Management and Budget (OMB) to process VA's payroll transactions¹. VA's responsibilities relating to payroll operations include entering employee information and maintaining and updating the systems needed to transmit information to the payroll provider. VA follows regulations issued by the responsible Federal agency or entity (e.g., Social Security Administration, Thrift Investment Board, Office of Personnel Management (OPM), Internal Revenue Service), when applicable.

VA is responsible for ensuring that each employee's record properly identifies both the required and voluntary deductions and the necessary information for making these deductions. The payroll provider will calculate and make the deductions from an employee's pay consistent with master record data entered by VA, employee self-service elections and court or legislative requirements. The payroll provider will submit amounts withheld to the proper authority, as discussed in Volume XV, Chapter 6, *Payments*. Annual changes to Federal Income Tax withholding requirements and related benefit limitations are provided by tax year in Appendix A, *Annual Federal Tax Updates*.

Adjustments to deductions are usually automated and may be incidental to retroactive pay entitlement change. Required deductions will be made from any additional pay issued for prior pay periods, such as for a timecard change adding overtime hours or a retroactive salary increase. VA and the payroll provider will adhere to proper due process procedures for retroactive changes when they result in employees owing money to VA, as stated in Volume XII, *Debt Management*.

Payments for pre-conversion adjustments and other transactions that require VA Financial Services Center (FSC) processing may require reference to archived payroll policy guidance in MP-6, Part V, Supplement 2.3 and applicable policy bulletins.

¹ VA's current payroll service provider is the Defense Finance and Accounting Service.

0402 POLICIES

040201 REQUIRED DEDUCTIONS.

VA and/or the payroll provider will ensure that an employee's master record reflects all deductions required by law, regulation or legal decision. VA and/or the payroll provider will enter employee-requested and other required changes to deductions by the pay period following receipt of valid documentation, subject to system limitations, unless later entry is specified. The payroll provider, on VA's behalf, will withhold payroll deductions from an employee's pay only when properly authorized by law, regulation, VA policy or court order. The VA local payroll staff will maintain documentation supporting employee elections for required deductions submitted to that office. The payroll provider will maintain an electronic record of employee deduction election through the self-service system and will maintain court-ordered offset and tax levy documents. VA will properly document all payroll deductions made from an employee's pay. Refer to Appendix B, *Deduction Forms*, for relevant deduction election forms. Deductions required by laws, regulations or legal decisions include the following:

- Retirement: Civil Service Retirement System (CSRS) under 5 U.S.C. Chapter 83; CSRS Offset under 5 C.F.R. Part 831, Subpart J; Federal Employees Retirement System (FERS) under 5 U.S.C. Chapter 84; or Non-Appropriated Fund (NAF) Employee Retirement under 5 U.S.C 8347(q) and 8461(n);
- Federal Insurance Contributions Act under 26 U.S.C. Chapter 21 (including Old Age, Survivor's and Disability Insurance (OASDI) and Medicare deductions);
- Federal Income Tax under 26 U.S.C. 3402;
- State Income Tax under 5 U.S.C. 5517; the District of Columbia Income Tax under 5 U.S.C. 5516;
- Local income tax under 5 U.S.C. 5520;
- Federal Employees Health Benefit (FEHB) program under 5 U.S.C. Chapter 89, when required by law;
- Automatic enrollment of Federal Employees Group Life Insurance (FEGLI) under 5 U.S.C. Chapter 87 as required by law;
- Federal Debts² under 5 U.S.C. 5514;
- Federal tax levies under 26 U.S.C. 6331;

² VA will follow due process and debt collection procedures outlined in Volume XII, Chapter 4, *Employee Debts*, when any amounts for deduction must be recovered from the employee.

- Garnishments for alimony and child support under 42 U.S.C. 659;
- Commercial Debts under 5 U.S.C. 5520a; and
- Bankruptcy under 11 U.S.C. 1325.

Refer to 040501 for detailed procedures relating to required deductions by deduction type.

040202 VOLUNTARY DEDUCTIONS AND ALLOTMENTS.

A. VA and/or the payroll provider will update master record information to withhold voluntary payroll deductions from an employee's pay only when properly authorized by the employee. VA and/or the payroll provider will enter employee requested deductions and changes to deductions by the pay period following receipt of valid documentation, subject to system limitations, unless later entry is specified. The VA local payroll staff will maintain documentation supporting employee elections for voluntary deductions submitted to that office. The payroll provider will maintain an electronic record of the employee deduction election through the self-service system. VA will document all payroll deductions made from an employee's pay. Refer to Appendix B, *Deduction Forms*, for relevant deduction election forms.

B. Service providers under OPM contract management will submit biweekly deduction elections to the payroll provider for employees that enroll in benefit programs including dental and/or vision insurance, long-term care and Flexible Spending Accounts. Employee inquiries about deductions for these programs should be directed to the service provider. Account information is not maintained in the employee master record. Local Human Resources (HR) staff will provide information regarding benefits offered by these programs and service provider contacts.

C. The Veterans Canteen Service (VCS) will submit biweekly deduction elections through the Austin Information Technology Center (AITC) to the payroll provider for employee-contracted installment purchases. VCS installment purchase agreements require employee agreement to offset unpaid balances from final salary payments. Employee inquiries regarding these deductions involving other than history of deductions should be directed to VCS.

Voluntary, personal allotments to designated payees include the following:

- Thrift Savings Plan under 5 U.S.C 8432;
- Thrift Loan Repayment under 5 U.S.C. 8433(g);
- Federal Employees Group Life Insurance (FEGLI) under 5 U.S.C. Chapter 87;
- Federal Employees Health Benefit (FEHB) program under 5 U.S.C. Chapter 89;

- Health Savings Account under 26 U.S.C. 223;
- Flexible Spending Accounts under 26 U.S.C. 125;
- Dependent Care Flexible Spending Account under 6 U.S.C. 129;
- Long Term Care under 5 C.F.R. 875;
- Dental and Vision Insurance under 5 C.F.R. 894;
- Combined Federal Campaign under 5 C.F.R. 550.341;
- Labor Union Dues under 5 U.S.C. Chapter 71;
- Savings allotments under Transmittal Letter 648;
- Post-56 Military Service Deposit under 5 C.F.R. Part 831.301; and
- Other Voluntary Allotments (including Quarters, Subsistence, Garage and Parking and other purposes noted in [VA Handbook 5007](#), Part VIII, Chapter 10).

Refer to 040502 for detailed procedures relating to voluntary deductions by deduction type.

040203 ORDER OF PRECEDENCE. OPM provides general categories for deduction in an order of precedence for use whenever an employee's gross pay is not sufficient to permit all deductions. The payroll provider will follow VA's order of precedence, as outlined in Appendix C, *VA Order of Precedence*.

A. The payroll provider will deduct retirement contributions under the Civil Service Retirement System (CSRS), the Federal Employees Retirement System (FERS) or Nonappropriated Fund (NAF) employee retirement before any other deduction consistent with the order of precedence.

B. If a bankruptcy court order is issued containing deduction processing requirements, the payroll provider will follow its specified precedence of withholding.

0403 AUTHORITY AND REFERENCES

[040301 5 U.S.C. 5514, Installment deduction for indebtedness to the United States](#)

[040302 5 U.S.C. 5516, Withholding District of Columbia income taxes](#)

[040303 5 U.S.C. 5517, Withholding State income taxes](#)

- 040304 5 U.S.C. 5520, Withholding of city or county income or employment taxes
- 040305 5 U.S.C. 5520a, Garnishment of pay
- 040306 5 U.S.C. Chapter 71, Labor-Management Relations
- 040307 5 U.S.C. Chapter 83, Subpart III, Civil Service Retirement
- 040308 5 U.S.C. 8334, Civil Service Retirement, Deductions, contributions and deposits
- 040309 5 U.S.C. Section 8347(q), Administration; Regulations
- 040310 5 U.S.C. Chapter 84, Federal Employees' Retirement System
- 040311 5 U.S.C. 8432, Thrift Savings Plan, Contributions
- 040312 5 U.S.C. 8433(g), Thrift Savings Plan, Benefits and election of benefits
- 040313 5 U.S.C. Section 8461(n), Authority of the Office of Personnel Management
- 040314 5 U.S.C. Chapter 87, Life Insurance
- 040315 5 U.S.C. Chapter 89, Health Insurance
- 040316 5 U.S.C. 8905, Election of Coverage
- 040317 26 U.S.C. 125, Cafeteria Plans
- 040318 26 U.S.C. 129, Dependent care assistance programs
- 040319 26 U.S.C. 223, Health savings accounts
- 040320 26 U.S.C. Chapter 21, Federal Insurance Contributions Act
- 040321 26 U.S.C. 3101, Federal Insurance Contributions Act, Rate of tax
- 040322 26 U.S.C. 3102, Federal Insurance Contributions Act, Deduction of tax from wages
- 040323 26 U.S.C. 3402, Income tax collected at source
- 040324 26 U.S.C. 6331, Levy and Distraint
- 040325 26 U.S.C. 6334, Property Exempt from Levy

040326 42 U.S.C. 659, Consent by United States to income withholding, garnishment and similar proceedings for enforcement of child support and alimony obligations

040327 5 C.F.R. 550.311, Allotments from Federal Employees, Authority of agency

040328 5 C.F.R. 550.331, Allotments from Federal Employees, Association of Management Officials and/or Supervisors

040329 5 C.F.R. 550.341, Allotments from Federal Employees, Combined Federal Campaign

040330 5 C.F.R. 550.351, Allotments from Federal Employees, Income Tax Withholding

040331 5 C.F.R. 550.361, Allotments from Federal Employees, Alimony and/or Child Support

040332 5 C.F.R. 581, Processing garnishment orders for child support and/or alimony

040333 5 C.F.R. 581.402, Processing garnishment orders for child support and/or alimony, Maximum garnishment limitations

040334 5 C.F.R. 582, Commercial garnishment of Federal employees' pay

040335 5 C.F.R. 582.402, Commercial garnishment of Federal employees' pay, Maximum garnishment limitations

040336 5 C.F.R. 831.301, Military Service

040337 5 C.F.R. Part 831, Subpart J, CSRS Offset

040338 5 C.F.R. 875, Federal Long Term Insurance Program

040339 5 C.F.R. 894, Federal Employees Dental and Vision Insurance Program

040340 Treasury Financial Manual (TFM), Volume I, Part 3, Chapter 1000

040341 Treasury Financial Manual (TFM), Volume I, Part 3, Chapter 5000, Appendix 2

040342 Internal Revenue Service, Publication 15, Circular E, Employer's Tax Guide

040343 Internal Revenue Service Publication 969

040344 OFP Publications Library

040345 [VA Publications](#) and [VA Forms](#)

0404 ROLES AND RESPONSIBILITIES

040401 The Secretary or Deputy Secretary will ensure that effective and efficient financial policies and systems for payroll administration are established.

040402 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

040403 The Assistant Secretary for Human Resources and Administration will (through the Deputy Assistant Secretary for Human Resources Management) advise Under Secretaries, Assistant Secretaries, Other Key Officials, and field station managers and supervisors of legal and policy requirements and authorities relating to employee pay, leave, allowances, and deductions, excluding taxes.

040404 Under Secretaries, Assistant Secretaries, and Other Key Officials (through Chief Financial Officers) will provide and/or arrange for training for Fiscal/Finance Office staff and timekeepers in policy and procedures relating to automated and manual systems for employee pay, leave, allowances, and deductions.

040405 Chief Financial Officers in VA Administrations will ensure that appropriate levels of training and advisory services are provided to ensure VA policy and procedures relating to payroll administration are carried out as effectively and efficiently as possible.

040406 The Employees Accounts Section is commonly referred to as Local Payroll. A brief summary of responsibilities for this section includes: ensuring facility training and support is provided to timekeepers and supervisors for time and attendance (T&A) reporting, ensuring biweekly T&A data and daily master record update transactions are transmitted timely, and ensuring employees receive appropriate pay and leave entitlements. Specific responsibilities for the Employee Accounts Section are extensive and are specifically outlined in Volume XV, Chapter 1: *Payroll: Overview*.

040407 Director, Austin Information Technology Center (AITC), or designee specified in writing by name and position, will ensure transmission of VA timecard data to VA's payroll provider, creation of payroll reports, and storage of payroll data/reports. Required accounting/payroll processing documents (e.g., for retirement corrections) will be prepared, as needed, in accordance with applicable laws, regulations, and VA or Treasury Department policy.

040408 Director, Financial Services Center (FSC), or designee specified in writing by name and position, will ensure that payroll activity is generated and processed as needed, to include Tier 1 payroll support services. Required accounting/payroll processing documents will be prepared, as needed, in accordance with applicable laws, regulations, and VA or Treasury Department policy.

040409 The Defense Finance and Accounting Service (DFAS), one of four e-Payroll service providers, is VA's designated payroll service provider. DFAS processes payroll and makes all employee deductions and disbursements, generates leave and earnings statement file and W-2s (Wage and Tax Statement), charges VA appropriations and cost centers and reports all payroll-related financial information to the Treasury on the behalf of VA.

040410 Facility Directors will ensure appropriate local controls, policies, and procedures are established and followed to ensure compliance with all laws, regulations, and policy covering payroll and related human resources issues.

040411 Chiefs, Human Resources Management Service will provide appropriate levels of advice and assistance to employees, beneficiaries, supervisors, and other key officials regarding laws, regulations, and policy covering human resources issues, including interpretation of rules relating to hours of duty, pay, leave, and authorization of deductions from pay. They will also ensure human resources data is accurately and timely entered into automated human resources systems which integrate with payroll systems.

040412 Facility Agent Cashiers will follow established VA policy and procedures for payroll-related collections not made through payroll deduction. Facility Agent Cashiers will receive and distribute employee salary checks as directed by payroll, and will follow established VA policy and procedures for returning any unclaimed salary checks.

040413 Service/Division Chiefs will designate an adequate number of unit timekeepers and alternates by memorandum to the Fiscal/Finance Officer indicating names (position is not sufficient for this purpose), status (timekeeper or alternate or removal from timekeeper function), and effective date.

040414 Supervisors and other leave-approving officials, as authorized in VA Directive 5011, section 3 f, and VA Handbook 5011, Part III, Chapter 1, section 2 b, are accountable for the work time and absence of employees for whom they are responsible, including leave approval and certification of attendance through appropriate time and attendance collection procedures or automated systems.

040415 Timekeepers will prepare and maintain time and attendance reports for each affected employee whose record has been assigned to their jurisdiction. Timekeepers remain under the administrative supervision of the supervisor of their own organizational element while performing the "additional duties" relating to preparation and maintenance of time and attendance reports. However, timekeepers are under the

technical supervision of the Employee Accounts Section with regard to time and attendance reporting requirements affecting employee leave and pay entitlements. Additional responsibilities for timekeepers are specifically outlined in the Payroll Policy Volume XV, Chapter 1, *Payroll: Overview*.

0405 PROCEDURES

040501 DEDUCTIONS REQUIRED BY LAW, REGULATION OR LEGAL DECISIONS.

A. Retirement.

1. Authority. Under 5 U.S.C. Chapters 83 and 84, VA local HR staff will determine retirement eligibility. VA will include retirement as a deduction for VA employees enrolled in either the CSRS, FERS, CSRS Offset, or NAF. The Office of Personnel Management (OPM) manages CSRS, CSRS Offset and FERS retirement plans and issues guidance³ for Federal agencies' personnel and payroll offices in administering these benefits. Under 5 U.S.C. Sections 8347(q) and 8461(n), employees eligible for Department of Defense Nonappropriated Fund (NAF) retirement plans may be permitted to continue with NAF retirement in a later civil service appointment. This portability, entitlement and authority is covered by OPM⁴ regulations. The Department of Defense (DoD) manages several NAF retirement plans for different branches of the U.S. Military. More detailed information on retirement can be found in Volume XV, Chapter 7, *Retirement*.

2. Eligibility and Enrollment. VA employees hired on or before December 31, 1983 and continually employed without a break in service of more than 365 consecutive days are eligible to maintain full retirement coverage under CSRS. Eligibility for CSRS Offset is available to Federal employees who have a year or more break in service and five years of creditable civilian service under CSRS. Retirement eligible employees hired after December 31, 1983 and those prior CSRS employees who chose to convert to FERS are covered by FERS. VA employees with prior service as a NAF employee may be permitted by HR to continue with their NAF retirement plan or may transfer to FERS.

3. Processing and Accounting Procedures.

a. VA will prepare the SF 50, *Notification of Personnel Action*, to enroll an employee in CSRS, CSRS Offset, FERS or NAF, as applicable. VA will maintain the SF 50 in employee records to reflect the appropriate retirement system for that employee.

b. The payroll provider will prepare and maintain the SF 2806, *Individual Retirement Record*, for CSRS employees and SF 3100A, *Individual Retirement Record*, for FERS employees. The payroll provider will submit these forms to OPM upon separation. The

³ The Office of Personnel Management's "CSRS and FERS Handbook for Personnel and Payroll Offices" can be found at <http://www.opm.gov/retire/pubs/handbook/hod.htm#Administrative>.

⁴ More information on NAF retirement and the transition to civil service can be found at the OPM's website: <http://www.opm.gov/retire/pre/naf/naf-1.htm>

payroll provider will comply with DoD and OPM regulations in submitting retirement information of NAF employees to program managers.

c. VA will enter the appropriate retirement codes, identified in more detail in Volume XV, Chapter 7, *Payroll: Retirement*, for the employee's retirement coverage. Specific retirement codes that affect deductions include retirement code 2, which identifies no retirement plan coverage and retirement code 4, which indicates exemption from OASDI (aka Social Security) tax withholding.

d. The payroll provider will deduct and withhold the appropriate percentage of basic pay as defined in 5 U.S.C Section 8334 based on the retirement code in the employee master record.

e. VA will contribute to the Retirement Fund an amount equal to the retirement deductions withheld from the pay of its employees for CSRS employees. For FERS employees, VA will contribute to the Retirement Fund an amount available in Section 30C1.1-1 of OPM's CSRS and FERS Handbook.⁵ The payroll provider will make the appropriate agency contribution on VA's behalf during payroll processing.

f. At the end of the tax year, the payroll provider will post the total of retirement deductions withheld during the year in column 6 of the SF 2806/3100A.

4. Adjustments.

a. For current VA employees, the payroll provider will make adjustments from the employee's current pay period earnings and will make a corresponding adjustment in the employer's contributions. Volume XII, Chapter 4, *Employee Debts*, discusses the collection of employee debts in more detail.

b. For separated or transferred employees, the payroll provider will make adjustments by either amending the SF 2806/3100A before submittal to OPM or by submitting an SF 2806-1/3101 for correction to OPM if the correction occurs after the original submission to OPM.

5. Reporting. The payroll provider will submit the SF 2806 and SF 3100A to OPM upon separation, and the payroll provider will submit the SF 2806-1 or SF 3101 for adjustments, as necessary. The payroll provider will electronically report total deduction and contribution amounts for FERS and CSRS. The payroll provider will report retirement total deduction and contribution amounts for NAF to program managers.

⁵ See the OPM website (contributions) for more information:
<http://www.opm.gov/retire/pubs/handbook/hod.htm>.

B. Old Age, Survivors and Disability Insurance (OASDI) and Medicare.

1. Authority. Under the Federal Insurance Contributions Act (FICA), 26 U.S.C. Chapter 21, the payroll provider will include both OASDI and Medicare as deductions from income as applicable. FICA regulation covers both OASDI (Social Security) and Medicare deductions which are made as separate line item deductions for VA employees.

2. Eligibility and Enrollment. VA will exempt the following employees from OASDI and/or Medicare deductions:

a. Non-citizens employed outside of the United States, the U.S. Virgin Islands and Puerto Rico;

b. Student nurses and other student employees of Federal hospitals as prescribed in 26 U.S.C. 3121(b)(6);

c. Qualifying visa holders including but not limited to non-immigrant foreign students in a program of study (such as a medical resident training program) as defined under 8 U.S.C. Section 1101(a)(15)(J); and

d. Employees hired temporarily to handle fires, storms, earthquakes, floods and other similar emergencies and disasters as prescribed under 26 U.S.C. 3121(b)(6).

3. Processing and Accounting Procedures.

a. FICA coverage identified in an employee's master record will also be reflected on the SF 50.

b. Generally, the payroll provider will include wages and differentials and exclude allowances (except Physician's Comparability Allowance (PCA)) as compensation subject to FICA taxes. See Volume XV, Chapter 2, *Payroll: Allowances*, for more information on PCA.

c. The payroll provider will deduct the applicable taxes from the gross pay of each employee covered by OASDI and/or Medicare each pay period based on rates established in 26 U.S.C. Section 3101. The payroll provider will withhold Medicare amounts from employees covered under CSRS. The payroll provider will withhold deductions as prescribed under 26 U.S.C. Section 3102 from employees' pay on VA's behalf based on the employee's master record.

d. The payroll provider will stop deducting OASDI tax when the employee's earnings reach the applicable maximum limitation as stated in IRS Publication 15, Circular E, Employers Tax Guide.⁶

e. Through the payroll provider, VA will pay an employer's contribution generally at the same rate deducted from employees. More detailed information relating to VA's employer contribution can be found in Volume VI, Chapter 7, *Federal Employees' and Veterans' Benefits Liabilities*.

f. The payroll provider will document the employees' deductions and the employer's contributions for OASDI and/or Medicare taxes on the appropriate line of DD Form 592.

4. Reporting. VA will issue IRS Form W-2, *Wage and Tax Statement*, for all employees and will show OASDI and Medicare deductions separately. The payroll provider, on VA's behalf, is responsible for collecting and reporting OASDI and/or Medicare taxes to the IRS, using an IRS Form 941. The FSC is responsible for submitting Form 941 for W-2 corrections processed by the FSC.

C. Federal Income Tax Withholding.

1. Authority. 26 U.S.C. 3402 authorizes the payroll provider to deduct Federal income taxes from wages paid to employees. The IRS prescribes rates and guidance related to Federal income tax withholding in IRS Circular E.

2. Eligibility and Enrollment. The payroll provider will withhold Federal income taxes from all employees' taxable wages as authorized by the employee or applicable laws and regulations.

3. Processing and Accounting Procedures.

a. VA employees will complete IRS Form W-4, *Employee's Withholding Allowance Certificate*, so the correct Federal income tax can be withheld from an employee's pay. VA will use the W-4 to update the employee's master record for payroll processing.

b. If an employee fails to submit an IRS Form W-4 and is subject to Federal income tax, VA will follow IRS regulations stating the employee is single and has no withholding allowances.

c. VA local payroll staff will monitor changes to Federal tax information for those payroll records of employees for whom they are aware a lock-in letter has been received from the IRS. Unauthorized change will require local payroll staff correction of employee withholding information.

⁶ Social Security tax withholding limits are prescribed in IRS Circular E. Currently, there is no wage base limit for Medicare tax; all covered wages are subject to Medicare tax.

- d. VA will generally include wages and differentials and exclude allowances (except PCA) as compensation subject to Federal income taxes. See Volume XV, Chapter 2, *Allowances*, for more information on PCA.
 - e. The payroll provider is responsible for applying the required rates set by IRS in IRS Circular E and making necessary deductions from employee pay based on the information in the employee's master record. Refer to Appendix A, *Annual Federal Tax Updates*, for the applicable rates by year.
 - f. VA will only accept valid W-4 forms from employees as outlined in IRS Publication 15.
 - g. The payroll provider will pay the appropriate authorities for amounts withheld, as outlined in Volume XV, Chapter 6, *Payments*.
4. Adjustments. The payroll provider's automated retroactive adjustment process recalculates tax withholdings and amounts subject to tax (taxable wages) for affected pay periods. The system will only correct taxes back to the start of a new tax/pay year. Taxes will be calculated on prior pay year adjustments in the pay period they are processed. Current year tax adjustments along with other recoverable deductions will be applied to offset automated debt balances. For prior year adjustments, the employee will generally be advised to seek refund of overpayment through income tax return filing with the IRS.
5. Reporting. The payroll provider is responsible for collecting and reporting Federal income taxes, using IRS Form 941. VA will submit an employee's IRS Form W-4, contained in the employee's payroll file, when requested by the IRS.

D. State, City, County or Local Income Tax Withholding.

- 1. Authority. The payroll provider will follow the authority for state taxes authorized under 5 U.S.C. 5517, city, county or local income taxes authorized under 5 U.S.C. 5520 and District of Columbia taxes authorized under 5 U.S.C. 5516. The payroll provider will include state, city, county or local income taxes as deductions from the compensation of employees as entered in the employee master record. Information may be entered in the record through VA local payroll staff entry of withholding information, employee self-service election of withholding, or system default for required withholding.
- 2. Eligibility and Enrollment. VA employees whose regular place of Federal employment is within the political boundaries of the area that has entered into an agreement with the Department of Treasury under Treasury Financial Manual (TFM), Volume I, Part Three, Chapter 5000, Appendix 2, will have the applicable state, city, county and local taxes withheld. VA employees will certify their withholding election for state, city, county or local taxes as required by the taxing authority.

3. Processing and Accounting Procedures.

a. VA local payroll staff will ensure required withholding of state, city, county or local tax is recorded in the master record based on the Treasury agreement and on the duty station location as stated on each employee's SF 50. Under 5 USC 5520(a)(2)(ii), employee consent is required for local tax withholding for an employee who resides in a state other than the state in which the worksite is located. VA local payroll staff will file tax withholding documents along with the employee's W-4 in the employee payroll file.

b. The payroll provider will identify taxable wages and compute tax withholding based on tax law established by that respective state, city, county or locality. The payroll provider is responsible for applying the current rates and making deductions from employee pay based on master record withholding information entered by VA, employee election through the self-service system and/or system default state tax.

c. VA will include local tax on wages other than income tax such as Occupational Privilege Tax and Emergency Medical Service Tax as withholding amounts when applicable. A two digit tax type code is entered into the Defense Civilian Pay System (DCPS) for income tax (01) as well as other tax types⁷.

d. VA will abide by Federal regulation and taxing authority requirements in responding to an employee's signed statement to discontinue withholding of state income tax.

e. The Military Spouse Residency Relief Act (MSRRA), enacted on November 11, 2009, permits the spouse of a service member to be relieved of taxes by the state in which they work if they identify and provide acceptable evidence that they remain subject to tax requirements of another state of permanent residence or domicile. Documentation requirements vary by state and remain subject to change. VA Employee Accounts staff may seek assistance from VA's Central Office (VACO) Payroll Policy Office to identify required documentation to authorize tax withholding and required documentation needed to maintain in the employee record.

f. VA local payroll staff will direct the employee to the proper taxing authority for information regarding personal withholding elections and requirements.

g. The payroll provider will separately identify tax remittance for each state, city, county or locality for which tax is deducted.

h. VA will maintain records of amounts withheld each pay period.

4. Adjustments. The payroll provider's automated retroactive adjustment process recalculates tax withholdings and amounts subject to tax (taxable wages) for affected pay periods. The system will only correct taxes back to the start of a new tax/pay year.

⁷ A full list of tax codes is available in the CSR Manual Glossary Section, which can be found at <https://dfas4dod.dfas.mil/systems/dcps/consolid/dcpsmanuals.htm>.

Taxes will be calculated on prior pay year adjustments in the pay period they are processed. Current year tax adjustments along with other recoverable deductions will be applied to offset automated debt balances. For prior year adjustments, the employee will generally be advised to seek refund of overpayment through income tax return filing with the applicable taxing authority.

The payroll provider will make adjustments to refund tax deductions made in error. These adjustments will be made through the on-line manual pay adjustment screen. State and local tax refunds to an employee will only be made by the payroll provider if enough money to cover the refund is available and has not been disbursed to the taxing authority.

5. Reporting. VA will submit IRS Form W-4 for employees who have tax withholding deductions made to states, cities, counties or localities established as taxing authorities in automated systems.

E. Federal Employees Health Benefits (FEHB). VA employees may be required to enroll in the health benefit program self and family coverage when given a Child Support Enforcement order. In addition, when an employee elects pre-tax health insurance coverage, deductions will be required until the end of a coverage year (the end of the last pay period beginning in December of any year) or a qualifying life event. Other than coverage under the Child Support Enforcement Agency requirement and coverage period requirement, participation in the FEHB program is a voluntary employee election. See Section 040502D for primary coverage of FEHB in this chapter.

F. Federal Employees Group Life Insurance (FEGLI). VA employees are automatically enrolled in FEGLI and therefore must waive life insurance coverage to avoid required deduction of Basic Life Insurance. Other than Basic coverage, all life insurance deductions made are in response to voluntary employee elections and will be discussed in section 040502C of this chapter.

G. Collection of Debts Due the United States.

1. Federal Debts.

a. Authority. 5 U.S.C. Section 5514 states that all Federal agencies must collect indebtedness due the United States promptly in accordance with law and applicable regulations. Federal debt documents received by VA local payroll staff requiring offset of VA employee wages will be forwarded promptly to the payroll provider.

b. Processing and Accounting Procedures.

(1) Generally, all Federal agencies will give prior notice of both the indebtedness and the right to dispute the existence and amount of the debt before the initiation of salary offset. Refer to Volume XII, Chapter 4, *Employee Debts* for more information on VA notice requirements.

(2) The payroll provider will limit the amount deducted for Federal debt under 5 U.S.C. Section 5514 to 15 percent of the employee's disposable pay unless written consent is provided by the employee for a greater percentage. An employee indebted to the Federal Government may submit an installment agreement for deduction of a set dollar amount per pay period subject to approval by VA or another Federal agency. The payroll provider will continue to deduct until the debt balance is reduced to zero. The payroll provider will withhold as much of the remaining balance as the net pay will cover from final salary if the employee separates before paying all Federal debts. When the individual debt is greater than \$50, installment payments of less than \$50 per month should be accepted only if justifiable on grounds of financial hardship or another reasonable cause.

(3) The payroll provider and/or VA may make immediate offset to pay for debt owed VA due to clerical or administrative error or delay in processing pay documents, if the error occurred within the four pay periods preceding the adjustment. In addition, the payroll provider and/or VA may make immediate offset to pay for debts of \$50 or less. At the time of adjustment or as soon thereafter as practical, the employee must be provided written notice of the nature and the amount of the adjustment and a point of contact for contesting the adjustment.

2. Federal Tax Levy.

a. Authority. Under 26 U.S.C. 6331, the payroll provider will include delinquent Federal income taxes as a deduction upon receipt of a levy on the salary or wages of employees. Federal tax levies received by VA local payroll staff for offset of VA employee wages will be forwarded promptly to the payroll provider.

b. Beginning in July 2000, certain individuals with unpaid tax bills that the IRS has been unable to collect may be subject to a continuous 15 percent levy on money due to them from the Federal Government⁸.

c. Processing and Accounting Procedures.

(1) The payroll provider will make deductions from the current salary of indebted employees if either:

(a) The Notice of Levy (NOL) is served by an employee of the IRS in person or by mail.

(b) An agreement has been made in writing between the employee and the IRS to liquidate the debt through regular, voluntary deductions (in this case, IRS Form 2159 will be signed by the employee).

⁸ For more information, refer to the IRS website, <http://www.irs.gov/individuals/article/0,,id=100551,00.html>

(2) The payroll provider will apply the levy against the take home pay of the employee after required deductions and other exempt amounts have been taken out of that employee's salary. Proceeds from supplemental payments such as payment for awards may be applied in full to the indebtedness. Limitations and property exempt from levy are outlined under 26 U.S.C. Section 6334.

(3) Generally, the payroll provider will continue to deduct all of the employee's payroll deductions which were in effect when the levy was received, unless the IRS instructs otherwise.

(4) VA employees may not increase or initiate any new payroll deductions while the levy is in effect including TSP contributions, TSP Catch-up, Savings Allotments or CFC. However, while the levy is in effect, VA employees may decrease or cancel these deductions. Customer Service Representative (CSR) reports include notice to payroll of invalid transactions due to tax levy.

H. Alimony/Child Support Garnishment.

1. Authority. 42 U.S.C. Section 659 provides consent by the U.S. Government for garnishment and similar proceedings for enforcement of child support and alimony obligations. The payroll provider will include these obligations as a deduction from an employee's pay. Guidance for processing these garnishments can be found in 5 C.F.R. 581. Alimony and Child Support documents received by VA local payroll staff will be forwarded promptly to the payroll provider.

2. Processing and Accounting Procedures.

a. The payroll provider will ensure that garnishment data is properly recorded in the employee's master record.

b. The payroll provider will subject all compensation paid or payable for personal services performed by an individual, whether such compensation is denominated as wages, salary, commission, bonus, pay or otherwise, to court-ordered garnishment or attachment.

c. Under 5 C.F.R. 581.402, garnishment for support will be limited as follows:

(1) If the applicable law of the state from which the legal process was issued exempts a lesser percentage of the employee's disposable weekly pay, that percentage of earnings will be subject to garnishment.

(2) If an employee is supporting a spouse or a dependent child (other than those covered by the garnishment order), not more than 50 percent of employee's disposable weekly pay will be subject to garnishment (except as noted in item (4) below).

(3) If an employee is not supporting a spouse or dependent child (other than those covered by the garnishment order), not more than 60 percent of that employee's disposable weekly pay will be subject to garnishment (except as noted in item (4) below).

(4) An additional 5 percent of disposable weekly pay is subject to garnishment in each case if the outstanding amounts are over 12 weeks old.

d. The payroll provider will process one-time payments on the next regular payroll to the extent funds are available.

e. Payment shall be made to the party named in the legal process.

f. The payroll provider will maintain involuntary deduction data in the employee's master record.

3. Reporting. The payroll provider will indicate the total amount of all garnishments processed for the current pay period on DD Form 592.

I. Commercial Garnishment.

1. Authority. As authorized by 5 U.S.C. 5520a and regulated by 5 C.F.R. 582, the payroll provider will include commercial garnishments as a deduction from Federal civilian employees' wages. Commercial garnishment documents received by VA local payroll staff for offset from VA employee wages will be forwarded promptly to the payroll provider.

2. Processing and Accounting Procedures.

a. The payroll provider will ensure that all garnishment data is recorded in the employee master record, to include the date served, date withholding will end, limitations on percentages, and payee addresses.

b. The payroll provider will subject all compensation paid or payable for personal services performed by an individual, whether such compensation is denominated as wages, salary, commission, bonus, pay or otherwise to court-order garnishment or attachment. The payroll provider may not subject certain required deductions to garnishment.

c. The payroll provider will limit garnishments for commercial debts to 25 percent of an employee's disposable pay. The payroll provider will not deduct for commercial debts when the total deduction for child support and alimony equals or exceeds 25 percent of an employee's disposable pay. Limitations can be found in 5 C.F.R. 582.402.

d. The payroll provider will process deductions each pay period as either a fixed biweekly amount or as a percentage amount, as directed.

- e. VA will pay the administrative fee to the payroll provider on behalf of the employee for the commercial garnishment. These amounts will be charged to Budget Object Code (BOC) 1288. See Volume XIII, Chapter 2, *Budget Object Code*, for more information on BOCs.
 - f. The payroll provider will continue making deductions until the end of the pay period in which the termination date falls.
 - g. The payroll provider will maintain all documents related to commercial garnishments.
3. Reporting. The payroll provider will report the total amount of all garnishments processed for the current pay period on DD Form 592 and submit to VA.

J. Bankruptcy.

- 1. Authority. 11 U.S.C. Section 1325 authorizes the payroll provider to include approved Wage Earner's Plans as deductions from wages of an employee designed to liquidate all or part of a creditor's claim. Bankruptcy documents received by VA for offset of employee salary payments will be forwarded promptly to the payroll provider.
- 2. Processing and Accounting Procedures. The payroll provider will honor U.S. bankruptcy court orders and make deductions based on these orders without regard to the VA order of precedence as established in Appendix C, *VA Order of Precedence*. If a bankruptcy court orders that a certain amount of net pay shall be paid an employee regardless of deductions, then:
 - a. The amount of the net pay shall be deducted from gross pay first.
 - b. Deductions based on gross pay (for example, OASDI/Medicare deductions which are calculated by multiplying applicable portions of the gross pay by a required percentage) shall be computed on applicable portions of the full gross pay, that is, gross pay before subtracting court-ordered net pay.

040502 DEDUCTIONS FOR VOLUNTARY OR PERSONAL ALLOTMENTS.

A. Thrift Savings Plan.

- 1. Authority. Under 5 U.S.C. 8432, the payroll provider will include Thrift Savings Plan (TSP) allotments as a deduction from base pay of eligible employees. VA will follow guidance issued by the Federal Retirement Thrift Investment Board which administers the plan solely for the benefit of the participants and their beneficiaries. More detailed information on TSP can be found in Volume XV, Chapter 8, *Thrift Savings Plan*.
- 2. Eligibility and Enrollment. VA employees enrolled in FERS, CSRS or CSRS Offset retirement programs will be eligible to contribute to TSP.

3. Processing and Accounting Procedures.

- a. VA employees may submit Form TSP-1, TSP Election Form, to local HR staff with their contribution election or may enter their election through the self-service system. Employee direction of investment among different TSP funds is accomplished by employee interaction with TSP through submission of forms or on-line access through www.tsp.gov. Employees should be directed to HR for information and assistance regarding TSP changes.
- b. Effective August 1, 2010, all newly hired employees under the Federal Employees Retirement System (FERS) and rehired employees under the Civil Service Retirement System (CSRS) are automatically enrolled in the Thrift Savings Plan with a contribution rate of 3 percent unless they take action to change or cancel the contribution. VA employees may initiate a retroactive adjustment if they cancel enrollment within the first 90 days to recover amounts contributed to TSP. Employees should be directed to local HR staff for information and assistance regarding these retroactive changes.
- c. VA local payroll staff will receive a copy of the Form TSP-1 from local HR staff and ensure contribution election information is updated in the employee master record. There is no limit on the portion of base pay that may be contributed; however, the IRS sets annual limits for tax-deferred contribution.
- d. VA will match contributions up to 5 percent of basic pay for FERS employees each pay period, to be matched dollar for dollar on the first 3 percent contributed and fifty cents on the dollar for the next 2 percent (providing a maximum of 4 percent in matching contributions). VA will automatically contribute 1 percent of basic pay to accounts of employees enrolled in FERS whether or not the employee contributes to their TSP account.
- e. VA will not make any matching or automatic contributions for CSRS employees.
- f. VA employees may elect to contribute either a whole percentage of base pay or a whole dollar amount to their TSP account. Employees at or over 50 years of age by the end of the calendar year who expect to reach the maximum for regular contributions may contribute additional amounts as TSP Catch-Up. Once the employee reaches the maximum amount, contributions may no longer be made for that year. Both regular and catch-up limitations are included in the attachment in Appendix A, *Annual Federal Tax Updates* and are subject to change annually. Regular contributions that are stopped due to reaching the annual maximum will automatically resume in the next year. Catch-up contribution elections must be resubmitted each year to continue catch-up contribution.
- g. The payroll provider will make deductions for all contributions on a biweekly basis.

4. Adjustments. Guidance for correction of errors can be found in TSP regulations under TSP Bulletin 97-3.
5. Reporting. The payroll provider will prepare and certify Form TSP-2 and will forward it to TSP together with the TSP file produced for that pay period no later than 2 workdays prior to the actual payroll payment date.

B. Thrift Loan Repayment.

1. Authority. 5 U.S.C. 8433(g) authorizes the payroll provider to include thrift loan repayments to an employee's TSP account as a deduction from an employee's pay.
2. Eligibility and Enrollment. VA employees participating in the TSP are eligible to obtain a TSP loan for either residential or general purpose stated in TSP Bulletin 96-33.
3. Processing and Accounting Procedures.
 - a. TSP will limit the number of current TSP loans per employee.
 - b. The payroll provider will establish TSP loans in the employee master record based on information provided by TSP.
 - c. TSP will charge interest based on the posted rate for the G Fund at the time the terms of the loan are established. TSP will fix the rate at that level for the life of the loan. Interest paid on the loan will go back to the employee's own TSP account.

C. Federal Employees Group Life Insurance.

1. Authority. Under 5 U.S.C. Chapter 87, VA will include deductions for Federal Employees Group Life Insurance for covered employees and their families.
2. Eligibility and Enrollment.⁹ Employees in eligible positions are automatically covered under Basic life insurance, unless they choose to waive that coverage. Employees must have Basic insurance in order to have or elect Optional insurance. Employees must take action, within strict time limits, to elect Optional insurance. Coverage is not automatic. The VA local HR staff will provide enrollment information and requirements to individuals.
3. Processing and Accounting Procedures.
 - a. VA will indicate on the SF 50 an employee's life insurance enrollment status using codes established by OPM¹⁰. For additional life insurance, VA employees will complete the SF 2817, *Life Insurance Election*.

⁹ Refer to OPM FEGLI guidance, <http://www.opm.gov/insure/life/reference/handbook/feglihandbook.pdf>

¹⁰ Refer to OPM for FEGLI election codes, <http://www.opm.gov/insure/life/reference/handbook/sf50tbl.asp>

b. VA will contribute one third of the total cost for basic insurance for an employee; the remaining amount will be deducted from an employee's pay. More detailed information relating to VA's employer contribution for life insurance can be found in Volume VI, Chapter 7, *Federal Employees' and Veterans' Benefits Liabilities*.

c. FEGLI deductions will increase in the pay period following the employee's birthday when they reach a new age bracket. Refer to Appendix D, *FEGLI Rates and Codes*, for detailed information.

d. The payroll provider will deduct the entire cost of any optional life insurance plan from employee's pay.

4. Reporting. The payroll provider will report employee deductions and employer contributions on OPM Form 2812 to OPM each pay period.

D. Federal Employees Health Benefits (FEHB).

1. Authority. Under 5 U.S.C. Chapter 89, the payroll provider will include Federal Employees Health Benefit (FEHB) deductions for employees enrolled in the program.

2. Eligibility and Enrollment.¹¹ VA local HR staff will determine FEHB eligibility and will offer enrollment to those eligible. In some cases, VA may involuntarily enroll eligible employees in a self and family FEHB plan under the Federal Employees Health Benefits Children's Equity Act of 2000 (5 U.S.C. 8905) for those employees who do not comply with a court or administrative order to provide health coverage for their children.

3. Processing and Accounting Procedures.

a. VA local HR staff will complete and certify SF 2809, *Health Benefits Election Form*, to enroll or elect not to enroll, or SF 2810, *Notice of Change in Health Benefits Enrollment*, to change or cancel enrollment of FEHB coverage. VA will use the payroll office ID of 97381600 on VA health enrollment and change documents. VA will use the Transmittal and Summary Report to Carrier form to transmit Standard Forms 2809 and 2810 weekly to insurance providers.

b. For employees covered as a result of the Federal Employees Health Benefits Children's Equity Act of 2000, FEHB enrollment may not be cancelled, changed to self-only or changed to a self and family plan which does not provide full benefits and services in an area in which the child(ren) live as long as the court or administrative order is in effect. VA will use the FEHB indicator to lock in a self and family FEHB plan and block any cancellations or changes not permitted by the order.

¹¹ Refer to OPM FEHB guidance, to include rates, plans and options, <http://www.opm.gov/insure/health/reference/handbook/FEHBhandbook.pdf>.

c. VA will enter enrollment codes designated by OPM in the employee’s master record to identify health benefit plans. VA local payroll staff will use Personnel and Accounting Integrated Data (PAID) screen A400 to update health insurance records and the effective date of changes upon receipt of enrollment documents certified by the employee and/or HR staff. The following health benefit codes do not require health benefit deduction.

Health Benefit Codes – no deduction required	
000	Ineligible
001	Declined
002	Undetermined
003	Canceled
004	Transfer to OWCP-Temporary Change

d. Part-time employees with normal hours of 32 to 64 per pay period require proration of the regular agency contribution amount for a full-time employee under the same plan based on Normal Hours divided by 80 hours. That portion of agency contribution in excess of the prorated agency contribution will be added to the employee premium. Changes to the Health Benefit Proration Indicator will be entered by HR staff or will be confirmed by HR staff prior to payroll entry.

Proration Indicator	
P	Subject to Prorated Health Benefits Deduction
N	Not Subject to Prorated Health Benefits Deduction

If otherwise eligible, any part-time employee in an appointment with normal hours less than 32 or part-time employee with more than 64 normal hours per pay period will receive full Government contributions. In addition, all part-time employees serving on April 7, 1979 (with continuous part-time service since that date) and who were covered by health insurance (or who have since elected such coverage) are unaffected by the proration requirement. VA local HR staff will determine FEHB eligibility and will offer enrollment to those eligible.

e. New intermittent appointments will normally not be eligible for FEHB participation. However, change to an intermittent appointment from one in which the employee was insured may allow continued coverage.

f. Employees may elect to waive the pre-tax benefit of Federal health insurance premiums prior to the start of a coverage period and when other changes to coverage are allowed. Possible advantages of premium conversion waiver are explained in question and answer format by OPM.¹²

¹² Refer to <http://www.opm.gov/insure/health/faq/premconversion/30.asp> for more information.

g. VA will advance Federal Employees Health Benefits (FEHB) premiums during periods of insufficient or leave without pay. Requirements for notice to the employee regarding advanced premiums includes presentation of options to: (1) cancel FEHB, (2) elect to continue coverage with the employee providing taxable premium payments through the VA Agent Cashier or (3) continue coverage while incurring a debt. A lack of timely response from the employee electing to continue coverage may result in HR action to terminate employee FEHB coverage. VA employees will repay FEHB premiums for periods of insufficient or leave without pay by deduction from their pay in order for repayments to be tax exempt. Employees who repay premiums via cash or check through the agent cashier are not eligible for the pre-tax benefit.

h. VA may waive collection of all or any part of the requirement that employees pay their share of advanced FEHB premiums under 5 U.S.C. 8906 (e)(1)(B) or 5524a(c) for advanced salary subject to restrictions or for military service as limited below. VA will pay both the employees' and Government's share of FEHB premiums for up to 24 months for employees who are:

- Enrolled in FEHB and elect to continue FEHB enrollment, and
- In a leave without pay status (for any part of a pay period fully within the covered 24 month period) due to a call or order to active military duty in excess of 30 days to support a contingency operation as defined in 10 U.S.C. Section 101(a)(13).

i. VA will contribute amounts towards the cost of each type of enrollment as specified by OPM. More detailed information relating to VA's employer contribution for health benefits can be found in Volume VI, Chapter 7, *Federal Employees' and Veterans' Benefits Liabilities*.

j. The payroll provider will make required deductions each pay period based on the rate applicable to the plan, option and coverage identified in the master record.

4. Adjustments.

a. The payroll provider will comply with 5 C.F.R. 890.103(e) and 890.502(b)(2)(ii) when insufficient health benefit premium funds are deducted for prior periods.

b. The payroll provider will refund any over-deductions of FEHB premiums to the employee and adjust the employer contribution.

5. Reporting. The payroll provider will report employee deductions and employer contributions on OPM 2812 to OPM each pay period.

E. Health Savings Account (HSA).

1. Authority. IRS regulations under 26 U.S.C. Section 223 authorize the payroll provider to include HSA voluntary allotments as deductions from employee pay.

2. Eligibility and Enrollment. VA employees who are enrolled in High Deductible Health Plans (HDHP) are eligible to establish a pre-tax allotment to HSAs. VA employees may enroll in the HSA account or make account changes through the self-service system. The following employees are not eligible to participate in contributing to pre-tax HSA allotments:

- Employees covered by another health plan that is not an HDHP;
- Employees who can be claimed as a dependent on someone else's tax return;
- Employees whose spouse is enrolled in a family Health Maintenance Organization;
- Employees enrolled in a general Health Care Flexible Spending Account (or covered by a spouse's FSA);
- Employees covered by a non-HDHP, such as TRICARE and TRICARE for Life; or
- Employees covered by VA benefits who have used VA medical services within the previous 3 months.

3. Processing and Accounting Procedures. The payroll provider will follow procedures established for savings allotments under 040502G and will limit the maximum contribution as required by the IRS.

F. Flexible Spending Accounts: Dependent Care Flexible Spending Account (DCFSA) and Health Care Flexible Spending Account (HCFSA).

1. Authority. Under 26 U.S.C. Section 129 and Section 125, the payroll provider will include DCFSA allotments and/or HCFSA allotments as voluntary deductions for employees¹³. Pre-tax benefits of flexible spending accounts may be lost if not used during the plan year. Reimbursement requires submission of acceptable evidence of medical and/or dependent care expense incurred.

2. Eligibility and Enrollment.

a. VA employees may elect to contribute pre-tax funds to a Dependent Care Flexible Spending Account (DCFSA) to cover eligible dependent care expenses that allow the employee to work, look for work or attend school full-time. DCFSA eligible expenses include care for:

- Dependent children under age 13; or

¹³ Also see [IRS Publication 969](#)

- A person of any age claimed as a dependent on a Federal Income Tax return and who is mentally or physically incapable of self-care. This would include an elder or other adult dependent.

b. VA employees may elect to contribute pre-tax funds to a Health Care Flexible Spending Account to cover eligible health care expenses¹⁴.

3. Processing and Accounting Procedures. VA will follow procedures established for savings allotments under 040502I. VA will limit DCFSA amounts in combination with child care subsidy amounts to total pre-tax limits set by the IRS. Adjustment may be required at the end of a tax year to correct excess pre-tax benefits recognized. Employees should be directed to the IRS or to qualified tax specialists for information regarding pre-tax limits applicable to members of the employee's household, not just to the individual employee, for dependent care expense and for health care expense.

G. Combined Federal Campaign.

1. Authority. As authorized by OPM under 5 CFR 550.341, VA employees may initiate a Combined Federal Campaign (CFC) allotment.

2. Eligibility and Enrollment. Generally, VA employees must serve in full-time or part-time appointments other than temporary appointments of less than one year in order to make a CFC allotment. VA local HR staff will respond to inquiries regarding eligibility to participate.

3. Processing and Accounting Procedures.

a. VA employees will submit completed authorization forms for the CFC allotment to their service CFC key worker or other campaign officials. All voluntary deductions will be based on the employee's written authorization. VA will update the employee's master record to reflect this election.

b. The payroll provider will make allotments for enrolled employees in 1-year terms starting with the first full pay period in January and ending with the last pay period starting in December.

c. VA employees may elect to make a single allotment of an equal amount to be deducted each pay period during the year, at a minimum of \$1 biweekly. Employees may not change the allotment amounts but may discontinue the allotment at any time with written notification. Once cancelled, VA will not reinstate an allotment.

d. The payroll provider, on behalf of VA, will continue to make allotments if an employee transfers within VA during the 1-year term of the allotment.

¹⁴ Maximum pre-tax contribution limits and more information on benefits and coverage is available at www.FSAFEDS.com and in IRS publication 969

e. CFC deductions are not recoverable once deducted from prior salary payments. Employees may contact charities to seek reimbursement.

f. The payroll provider will make deductions from employee pay on VA's behalf for CFC allotments.

H. Union Dues.

1. Authority. Under 5 U.S.C. 71, VA will include labor organization dues as a deduction from employee's pay when elected by the employee.

2. Eligibility and Enrollment. Any eligible VA employee may make a voluntary allotment for the payment of dues to an eligible labor organization.

3. Processing and Accounting Procedures.

a. VA employees will complete the SF 1187, Request for Payroll Deductions for Labor Organization Dues, to request and authorize an allotment of pay, effective the first pay period beginning after receipt of the form. VA will update the employee master record to reflect this election.

b. The payroll provider will divide the amount of an employee's dues on the SF 1187 by 26 when stated as an annual amount. If the amount on the SF 1187 is a monthly amount, the figure will be multiplied by 12 then divided by 26.

c. The payroll provider will withhold these amounts as directed by VA entry of union deduction information in the employee master record.

d. VA employees will use either SF 1188, Cancellation of Payroll Deductions for Labor Organization Dues, or a written request to revoke an allotment. Contract requirements vary among labor organizations with regard to permissible cancellation effective dates. Contracts may require a full year of contribution before an opportunity to discontinue withholding and/or may only allow cancellation on or after a particular date or anniversary of enrollment, unless agreement to earlier cancellation is granted by a union representative.

e. VA will terminate all allotments if the union loses its eligibility for exclusive recognition effective the beginning of the first pay period after notification is received.

f. VA will terminate an allotment if the employee is suspended or expelled from the union.

g. Union contributions are not recoverable once deducted from prior salary payments. Employees may contact unions to seek reimbursement.

h. The payroll provider will make deductions from employee pay on VA's behalf for union dues.

I. Savings Allotments.

1. Authority. VA will allow voluntary savings allotments from an employee's pay under Treasury Transmittal Letter 648.

2. Eligibility and Enrollment. VA employees may authorize a maximum of eight (8) allotments to financial organizations. In addition, the payroll provider will no longer include paper savings bond allotments as deductions from employee pay. VA employees will establish an account with TreasuryDirect¹⁵ to purchase bonds through payroll deduction. The payroll provider will make automatic payroll deductions to employee TreasuryDirect accounts for the purchase of electronic Treasury securities as a savings allotment.

3. Processing and Accounting Procedures.

a. VA employees may authorize allotments to any U.S. bank, savings bank, savings and loan association or similar institution or Federal or state chartered credit union. The following restrictions are placed on allotment authorizations:

- (1) The employee's place of employment must be within the United States (the 50 States and the District of Columbia);
- (2) The allotment may not be for credit to an account in a foreign financial organization;
- (3) The allotment must be in a full dollar amount (\$1, \$5, \$10, etc.);
- (4) The allotment authorization must cover successive payrolls. One-time allotments are not permitted;
- (5) The employee must have a regularly scheduled tour of duty. Authorizations will not be accepted from intermittent employees;
- (6) Authorizations will not be accepted while the employee is on extended leave without pay; and
- (7) Allotment authorizations will not be transferred between agencies.

b. Once the employee authorizes a savings allotment, VA or the employee, through the self-service system, will update the employee's master record to reflect this election.

¹⁵ More information on TreasuryDirect can be found at www.treasurydirect.gov

c. The payroll provider will automatically make deductions based on the master record, the employee's elected amounts and funds available in relation to the order of precedence.

J. Post 56 Military Service Deposit (MSD).

1. Authority. 5 C.F.R. Part 831.301 authorizes the payroll provider to include deductions for Post 56 Military service deposits when elected by the employee.

2. Eligibility and Enrollment. VA employees first employed in a position subject to the CSRS on or after October 1, 1982, will receive credit for post-1956 military service if that employee deposits a sum equal to 7 percent of the military basic pay received for post-1956 military service along with required interest. VA employees who were employed under CSRS before October 1, 1982, will have the option of making deposits for post-1956 military service without an annuity reduction. VA will provide FERS employees credit for post-1956 military service only if the employee deposits a sum equal to 3 percent (and additional fractions of one percent for Jan 1, 1999 through Dec 31, 2000; 3.25 percent for 1999, and 3.4 percent for 2000) of the military basic pay the employee earned during military service along with interest for those amounts.

3. Processing and Accounting Procedures.

a. VA employees may elect to pay military service credit (in the amount defined in 040502J2 above) either by cash payment or biweekly payroll deductions. The payroll provider will establish installment payments in whole dollar amounts not less than \$25 per pay period. The last payment may be in any amount necessary to complete repayment.

b. VA employees that choose to submit cash MSD must submit payments to the VA Agent Cashier, ensuring evidence of payment is copied to their facility payroll office for transmittal to the payroll provider. The payroll provider may require more than one month following receipt of all required documentation to establish MSD accounts in the automated system to allow processing deductions and/or cash payment paid through the VA Agent Cashier.

c. The payroll provider will make deductions from employee pay for Post-1956 military service deposit based on the election indicated by the employee.

d. The payroll provider will calculate interest on unpaid balances, following annual guidance¹⁶ issued by OPM for interest rates to be used.

e. VA will record payments on OPM 1514, Military Deposit Worksheet. In addition, VA will maintain a separate SF 2806/3100A for Post-1956 military deposits.

¹⁶ Guidance issued by the OPM for Service Credit Payments for Post-1956 Military Service can be found at: <http://www.opm.gov/retire/pubs/handbook/C023.pdf>

K. Other Deductions. VA will include voluntary deductions authorized by a VA employee under 5 C.F.R. 550.311. These deductions may include:

- Quarters;
- Subsistence;
- Garage;
- Parking;
- Payment of commercial insurance premiums on the life of the allotter;
- Voluntary liquidation of indebtedness to the U.S. Government, including voluntary payment of back taxes;
- Payment of certain state, District of Columbia and local taxes under 5 C.F.R. 550.351 when an employee has a legal obligation to pay, but the payroll provider has no capacity to withhold;
- Voluntary Allotment for Alimony and/or Child Support under 5 C.F.R. 550.361;
- An allotment to a political action committee;
- Veterans Canteen Service installment purchase contracts for payroll deduction;
- Long term care, dental and vision insurance provided by third party service providers under OPM contract management;
- And for other purposes as noted in VA Handbook 5007, Part VIII, Chapter 10.

040503 ORDER OF PRECEDENCE. The payroll provider will follow VA's order of precedence as outlined in Appendix C, *VA Order of Precedence*.

0406 DEFINITIONS

040601 Allotment. A designated amount of money that is automatically withheld, typically a set amount or percentage, from an employee's pay for distribution to an entity on that employee's behalf.

040602 Civil Service Retirement System (CSRS). The retirement system created for Federal employees in 1920. CSRS ultimately will be phased-out as new Government employees have FERS coverage, which went into effect January 1, 1984. Unless the individual is covered under CSRS Offset, they are excluded from OASDI taxes.

040603 CSRS Offset Plan. A retirement plan for employees who were under CSRS, separated for more than 1 year and then rehired. The benefits under this plan are similar to CSRS benefits except the employees pay OASDI as well as a reduced CSRS contribution. Employees contribute to OASDI (up to maximum taxable wage base) and CSRS Offset retirement with retirement increasing to the full CSRS rate when wages exceed the maximum taxable OASDI wage base.

040604 Combined Federal Campaign (CFC). A workplace charity campaign focused on promoting and supporting philanthropy through a program that is employee focused, cost-efficient and effective in providing all Federal employees the opportunity to improve the quality of life for all.

040605 Deductions. Amounts withheld from an employee's pay, either those required or amounts voluntarily elected to be withheld or allotted to a third party.

040606 Defense Civilian Pay System (DCPS). System owned and operated by DFAS that is used to process payroll.

040607 Dependent Care Flexible Spending Account (DCFSA). An account that provides pre-tax reimbursement for child care or adult dependent care expenses for qualified dependents that are necessary to allow an employee or their spouse to work, look for work or attend school full-time.

040608 Distraint. Refers to the seizure and holding of property as security for payment of a debt or satisfaction of a claim.

040609 Federal Employees Group Life Insurance (FEGLI). Refers to the policy or policies of group life and accidental death and dismemberment insurance that the Office of Personnel Management may purchase to provide the life insurance benefits to Federal employees.

040610 Federal Employees Health Benefits (FEHB). Refers to a group insurance policy or contract, medical or hospital service agreement, membership or subscription contract or similar group arrangements provided by a carrier for the purpose of providing, paying for or reimbursing expenses for health benefits for Federal employees.

040611 Federal Employees Retirement System (FERS). FERS is a three-tiered system based on OASDI (Social Security) with a basic retirement benefit plan and a Thrift Savings Plan (TSP) program.

040612 Federal Insurance Contributions Act (FICA). Act that requires deductions for OASDI and Medicare from most employees' pay under 26 U.S.C. Chapter 21.

040613 Health Savings Account (HSA). An account designed to help individuals save for future qualified medical and retiree health expenses on a tax-free basis.

040614 High Deductible Health Plan (HDHP). A health insurance plan that has a high deductible, requiring the employee to pay the initial costs, up to a defined threshold, for medical expenses before the health insurance will cover that employee.

040615 Levy. As used in Title 26, U.S. Code, the term “levy” includes the power of distraint and seizure by any means. Beginning in July 2000, certain individuals with unpaid tax bills from whom the IRS has been unable to collect may be subject to a continuous 15 percent levy on money due them from the Federal Government. For more information see the IRS’ guidance on the Federal Payment Levy Program on the IRS website: <http://www.irs.gov/individuals/article/0,,id=100551,00.html>.

040616 Master Record. Electronic record that contains all of the essential information needed to administer the payroll and benefits for each employee at the VA.

040617 Medicare Deduction. Health insurance tax required on all Federal employees wages other than those listed in 040501B2 of this policy.

040618 Nonappropriated Fund Employees. Employees who work in military exchanges and morale, welfare and recreation programs that are paid from funds generated by those activities. For the purposes of this chapter, NAF employees may transfer to VA and continue using their existing retirement program while employed at VA. More detailed information on NAF retirement can be found in Volume XV, Chapter 7, *Retirement*.

040619 Old Age, Survivors and Disability Insurance (OASDI) Deduction. Insurance tax required by the Internal Revenue Code. These taxes are also referred to as Social Security taxes.

040620 Personnel Accounting Integrated Data (PAID) System. Mainframe application that supports and integrates personnel actions and reports and a centralized general ledger and cost accounting system for personal services.

040621 Retirement Deductions. The amount that is deducted from basic pay under section 8334(a) of Title 5, United States Code, for CSRS employees; or section 8334(k) of Title 5, United States Code, for CSRS Offset employees; or the portion of the normal cost of FERS coverage that is deducted from an employee's basic pay under section 8422(a) of Title 5, United States Code.

040622 Thrift Savings Plan (TSP). A defined contribution retirement savings and investment plan for Federal employees and members of the uniformed services which offers the same types of savings and tax benefits that many private corporations offer their employees under 401(k) plans.

040623 TreasuryDirect. An Internet-based system maintained by the Bureau of the Public Debt (BPD). Customers can use the system to establish an account, buy

electronic U.S. Treasury securities and manage both their accounts and holdings online via the Internet.

0407 RESCISSIONS

040701 MP-6, Part V, Supplement 2.3, Chapter 5, Deductions

040702 VA Directive 4100, Payroll Administration, Section 2e

040703 OF Bulletin 09047E2.01, Pre-Tax Health Savings Account (HSA)

040704 OF Bulletin 09047E2.02, 2009 Federal Income Tax Withholding Formula and Other Rates and Limits

040705 OF Bulletin 09047E2.04, Revised 2009 Federal Income Tax Withholding Formula

040706 OF Bulletin 09047E2.06, Savings Allotment

040707 OF Bulletin 09047E2.08, National Union Code-VAPAA

040708 OF Bulletin 08GA2.01, New West Virginia State Income Tax Withholding Option

040709 OF Bulletin 08GA2.06, 2008 Federal Income Tax Withholding Formula and Other Rates and Limits

040710 OF Bulletin 08E2.08, Bankruptcy Coding Update

040711 OF Bulletin 07GA2.06, Savings Allotments

040712 OF Bulletin 07GA2.09, 2007 Federal Income Tax Withholding Formula and Other Rates and Limits

040713 OF Bulletin 07GA2.14, Child Support Reconciliation

040714 OF Bulletin 07GA2.15, Nurses Organization of Veterans Affairs (NOVA) Membership Dues Increase

040715 OF Bulletin 06GA2.05, Child Support/Alimony

040716 OF Bulletin 06GA2.06, Bankruptcy

040717 OF Bulletin 06GA2.07, Garnishment

040718 OF Bulletin 06GA2.08, Federal Tax Levy

- 040719 OF Bulletin 06GA2.09, Recurring Deductions
- 040720 OF Bulletin 06GA2.12, 2006 Federal Income Tax W/H Formula, Other Rates and Limits
- 040721 OF Bulletin 06GA2.18, Immediate Salary Offset of Debts
- 040722 OF Bulletin 06GA2.25D, Savings Bond Deductions
- 040723 OF Bulletin 06GA2.26, New Policy for Cash Collection or Check Cancellation for Union Dues and CFC
- 040724 OF Bulletin 06GA2.28, Updating Commercial Garnishments
- 040725 OF Bulletin 06GA2.29D, Updating Commercial Garnishments
- 040726 OF Bulletin 06GA2.30D, Change to Payroll Office ID for Federal Employee Health Benefit Forms
- 040727 OF Bulletin 06GA2.32, Transferring Savings Bond Information
- 040728 OF Bulletin 05GA2.01, Georgia State Income Tax Withholding
- 040729 OF Bulletin 05GA2.02, 2005 Federal Income Tax W/H Formula, Other Rates and Limits
- 040730 OF Bulletin 05GA2.06, Change in Federal Withholding Allowance Reporting Requirement
- 040731 OF Bulletin 04GA2.03, Voluntary Allotments via Direct Deposit
- 040732 OF Bulletin 04GA2.04, Court Ordered Federal Employees Health Benefits Indicator
- 040733 OF Bulletin 04GA2.07, Withholding of City Service Fee for the City of Huntington, WVA
- 040734 OF Bulletin 04GA2.08, Federal Tax Lock-in (LI) Functionality & Indicator
- 040735 OF Bulletin 04GA2.09, Reporting Fed. Withholding Allowances of More than 10 Federal Tax Exempts.
- 040736 OF Bulletin 03GA2.02, Waiving FEHB Premium of Federal Civilian Employees Called to Active Military Duty

- 040737 OF Bulletin 03GA2.04, 2003 Federal Income Tax W/H Formula, Other Rates and Limits
- 040738 OF Bulletin 03GA2.07, 2003 FEGLI Changes
- 040739 OF Bulletin 03GA2.08, New Priority of Deductions
- 040740 OF Bulletin 03GA2.09, Voluntary Allotments
- 040741 OF Bulletin 03GA2.10, Automation of Commercial Garnishments w/Child Support Deductions
- 040742 OF Bulletin 03GA2.12, Revised 2003 Federal Income Tax W/H Formula & Supplemental Rate
- 040743 OF Bulletin 03GA2.13, Standard Form 2811, Transmittal & Summary Report to Carrier Instr.
- 040744 OF Bulletin 02GA2.01, Union Dues as Voluntary Allotments & EFT
- 040745 OF Bulletin 02GA2.02, 2002 Federal Income Tax W/H Formula, Other Rates and Limits
- 040746 OF Bulletin 02GA2.06, Series I Savings Bonds
- 040747 OF Bulletin 02GA2.07, New West Virginia State Income Tax W/H Option
- 040748 OF Bulletin 01GA2.04, 2001 Federal Income Tax W/H Formula, Other Rates & Limits
- 040749 OF Bulletin 01GA2.08, Federal Income Tax W/H Effective July 1, 2001
- 040750 OF Bulletin 01GA2.09, Repaid Federal Employees Health Benefits Premiums
- 040751 OF Bulletin 01GA2.11, Macon County, Alabama Occupational Tax
- 040752 OF Bulletin 01GA2.12, Rhode Island State Income Tax Withholding
- 040753 OF Bulletin 01GC1.03, Collection of Undisputed Del Amts. Owed to Contractors
- 040754 OF Bulletin 00GA2.02, 2000 Federal Income Tax W/H Formula, Other Rates & Limits
- 040755 OF Bulletin 00GA2.03, Maryland County Tax Changes
- 040756 OFM Bulletin 99GA2.02, Change in Priority of Deductions

- 040757 OFM Bulletin 99GA2.03, 1999 Fed. Income Tax W/H Formula, Other R&L
- 040758 OF Bulletin 99GA2.05, Federal Employees Life Insurance (FEGLI)
- 040759 OF Bulletin 99GA2.07, Automatic Remittance of Health Insurance
- 040760 OFM Bulletin 98GA2.01, Senior Executives Association (SEA)
- 040761 OFM Bulletin 98GA2.03, Garage Deductions
- 040762 OFM Bulletin 98GA2.05, Rvsd. OLDE Input Instr. for Az. State Taxes
- 040763 OFM Bulletin 97GA2.02, Hlth Benefits & Life Ins. W/H & Contributions
- 040764 OFM Bulletin 97GA2.03, Rev'd Computation of Aggregate Disposable Earnings
- 040765 OFM Bulletin 97GA2.04, Employee's Share of Health Insurance
- 040766 OFM Bulletin 97GA2.09, Minimum Combined Federal Campaign (CFC) Deduction
- 040767 OFM Bulletin 96G3.02, Revised OLDE Instructions for Massachusetts
- 040768 OFM Bulletin 96G3.06, U. S. Savings Bonds
- 040769 OFM Bulletin 95G3.04, Deferment of TSP from NY City Taxable Wages
- 040770 OFM Bulletin 95G3.06, Automation of Commercial & State/Local Tax Garnishments
- 040771 OFM Bulletin 95G3.09, Deleting Earned Income Tax Credit (EITC) Information
- 040772 OFM Bulletin 94G3.04, OLDE Instruc. To Input General Union Dues Increases
- 040773 OFM Bulletin 94G3.05, CFC Codes
- 040774 OFM Bulletin 94G3.06, Frequently Asked Questions Concerning MSD
- 040775 OFM Bulletin 94G3.10, Garnishment of Federal Employees' Pay
- 040776 OFM Bulletin 94G3.20, Earned Income Tax Credit
- 040777 OFM Bulletin 94G3.22, NOVA Request for Payroll Allotments for Professional Dues

0408 QUESTIONS

Questions concerning these financial policies and procedures should be directed as shown below:

VHA
VBA
All Others

VHA PAYROLL HELPLINE (Outlook)
VAVBAWAS/CO/OPERATIONS (Outlook)
PAYROLL POLICY (Outlook)

APPENDIX A: ANNUAL FEDERAL TAX UPDATES

APPENDIX A-2012: (rev.): 2012 ANNUAL FEDERAL TAX RATES AND LIMITS



Vol XV Ch 4 App
A-2012 (rev) Fed Inc

Prior year annual federal tax rates and limits appendices are listed below. These are provided for research of prior year payroll transactions.

- APPENDIX A-2011: 2011 Annual Federal Tax Rates and Limits



Vol XV Ch 4 APP
A-2011 FED INCOME

- APPENDIX A-2010: 2010 Annual Federal Tax Rates and Limits



Vol XV Ch 4 APP
A-2010 FED INCOME

APPENDIX B: DEDUCTION FORMS

Some voluntary deduction elections may be made online through employee self-service applications that do not require submission of paper documents.

The Office of Personnel Management Forms.

The following forms can be obtained through OPM at:

<http://www.opm.gov/forms/html/sf.asp>

- SF 50, Notification of Personnel Action
- SF 1187, Request for Payroll Deductions for Labor Organization Dues
- SF 1188, Cancellation of Payroll Deductions for Labor Organization Dues
- SF 2806, Individual Retirement Record
- SF 2806-1, Notice of Correction of Individual Retirement Record
- SF 2809, Health Benefits Election Form
- SF 2810, Notice of Change in Health Benefits Enrollment
- SF 3100A, Individual Retirement Record (FERS)
- SF 3101, Notice of Correction of Individual Retirement Record
- SF 2817, Life Insurance Election: Federal Employees' Group Life Insurance Program
- SF 2812, Journal Voucher and Report of Withholdings and Contributions for Health Benefits, Group Life Insurance and Civil Service Retirement – form replaced by electronic submission from VA

The following form can be obtained through OPM at:

<http://www.opm.gov/forms/html/opm.asp>

- OPM 1514, Military Deposit Worksheet

Thrift Savings Plan Forms.

The following forms can be obtained through the Thrift Savings Plan website at:

<https://www.tsp.gov>

- [Form TSP-1, TSP Election Form](#)
- [Form TSP-2, Certification of Transfer of Funds and Journal Voucher](#)

Internal Revenue Service Forms.

The following forms can be obtained through the IRS website at:

<http://www.irs.gov/app/picklist/list/formsInstructions.html>

- IRS Form W-2, Wage and Tax Statement
- IRS Form W-4, Employee's Withholding Allowance Certificate
- IRS Form 668-W, Notice of Levy on Wages, Salary and Other Income
- IRS Form 941, Employer's Quarterly Federal Tax Return
- IRS Form 2159, Payroll Deduction Agreement

Department of Defense Forms.

Hyperlinks are provided below for the DoD forms listed below: following web link:

- [DD-592, Payroll for Personal Services Certification and Summary](http://www.dtic.mil/whs/directives/infomgt/forms/eforms/dd0592.pdf)
<http://www.dtic.mil/whs/directives/infomgt/forms/eforms/dd0592.pdf>
- [DD-2481, Request for Recovery of Debt due to the United States by Salary Offset](http://www.dtic.mil/whs/directives/infomgt/forms/eforms/dd2481.pdf)
<http://www.dtic.mil/whs/directives/infomgt/forms/eforms/dd2481.pdf>

Department of Veterans Affairs Forms.

The following forms can be obtained through the intranet website at:
<http://vaww.va.gov/default.asp>

- VA Form 4-520f, Immediate Offset – Employee Salary
- VA Form 4-520g, Pending Offset – Employee Salary
- VA Form 4-5318, Transmittal of Employee's Federal or State Withholding Exemption Certificate(s)

APPENDIX C: VA ORDER OF PRECEDENCE

1. Retirement
2. OASDI (Social Security) Tax
3. Medicare Tax
4. Federal Income Tax
5. Federal Employees Health Benefit (FEHB)
6. Federal Employees Group Life Insurance (FEGLI)-Basic
7. State Income Tax
8. Local Income Tax

9. Collection of Debts Owed U.S. Government (tax debt, salary overpayment, failure to withhold proper amount of deductions, advance of salary or travel expenses, etc., debts which may or may not be delinquent; debts which may be collected through the Treasury Offset Program, an automated centralized debt collection program for collecting Federal debt from Federal Payments)
 - a. Continuous Levy under the Federal Payment Levy Program (tax debt)¹⁷

 - b. Salary Offsets (whether involuntary under 5 U.S.C. 5514 or similar authority or required by a voluntarily signed written agreement; if multiple debts are subject to salary offset, the order is based on when each offset commenced – with the earliest commencing offset at the top of the order – unless there are special circumstances, as determined by the paying agency)

10. Child Support (may include attorney and other fees as provided for in 5 CFR 581.102 (d). If there are multiple child support orders, the priority of orders is governed by 42 U.S.C. 666(b) and implementing regulations, as required by 42 U.S.C. 659(D) (2).

11. Subsistence
12. Garnishment/Alimony
13. Garnishment Attorney Fees
14. Bankruptcy – Chapter 13
15. Commercial Garnishments
16. Health Care FSA
17. Dependent Care FSA
18. Dental FEDVIP
19. Vision FEDVIP

¹⁷ Continuous Tax Levies received after child support orders will follow the child support deduction in the order of precedence. Continuous tax levies received prior to child support orders will take precedence over child support.

20. Health Savings Account
21. FEGLI Standard Option
22. FEGLI Additional Option
23. FEGLI Family Option
24. Long-Term Care Insurance
25. TSP Loan Payments
26. TSP Contributions
27. TSP Catch-Up Contributions
28. Voluntary Government Indebtedness
29. Voluntary Child Support/Alimony
30. Charity
31. Voluntary Payment of Back Taxes
32. Housing Quarters
33. Parking
34. VCS Allotment
35. Savings Allotments
36. Military Service Deposit
37. Student Loans
38. Paper Tax Levy

APPENDIX D: FEGLI RATES AND CODES

FEGLI rates are established by the Office of Personnel Management and updates are on OPM’s website: http://www.opm.gov/insure/life/rates/em_rates.asp
Prior rates: http://www.opm.gov/insure/archive/life/rates_history/

A. FEGLI RATES These rates were effective on the first pay period that started on or after January 1, 2012.

1. Basic Life Insurance in thousand dollars (rates may change in the future)

	Biweekly	Monthly
FOR ALL AGES	\$.150 (15 cents)	\$0.3250

2. Rates for Option A – Standard (rates may change in the future)

Age Group	Biweekly	Monthly
Under 35	\$0.30	\$0.65
35-39	\$0.40	\$0.87
40-44	\$0.60	\$1.30
45-49	\$0.90	\$1.95
50-54	\$1.40	\$3.03
55-59	\$2.70	\$5.85
60+	\$6.00	\$13.00

3. Rates for Option B - Additional (rates may change in the future)

Age Group	Biweekly	Monthly, per \$1,000
Under 35	\$0.02	\$0.043
35-39	\$0.03	\$0.065
40-44	\$0.05	\$0.108
45-49	\$0.08	\$0.173
50-54	\$0.13	\$0.282
55-59	\$0.23	\$0.498
60-64	\$0.52	\$1.127
65-69	\$0.62	\$1.343
70-74	\$1.14	\$2.470
75-79	\$1.80	\$3.900
80 and over	\$2.40	\$5.200

4. Rates for Option C – Family (rates may change in the future)

1 Multiple = \$5,000 For A Spouse

1 Multiple = \$2,500 For Each Eligible Dependent Child

Employee's Age Group	Biweekly	Monthly, per multiple
Under 35	\$0.22	\$0.48
35-39	\$0.29	\$0.63
40-44	\$0.42	\$0.91
45-49	\$0.63	\$1.37
50-54	\$0.94	\$2.04
55-59	\$1.52	\$3.29
60-64	\$2.70	\$5.85
65-69	\$3.14	\$6.80
70-74	\$3.60	\$7.80
75-79	\$4.80	\$10.40
80 and over	\$6.60	\$14.30

B. FEGLI CODES

(Effective April 25, 1999)

Code	Description
A0	Ineligible
B0	Waived
C0	Basic only
D0	Basic + Option A
E1	Basic + Option C (1x)
E2	Basic + Option C (2x)
E3	Basic + Option C (3x)
E4	Basic + Option C (4x)
E5	Basic + Option C (5x)
F1	Basic + Option A + Option C (1x)
F2	Basic + Option A + Option C (2x)
F3	Basic + Option A + Option C (3x)
F4	Basic + Option A + Option C (4x)
F5	Basic + Option A + Option C (5x)
G0	Basic + Option B (1x)

Code	Description
H0	Basic + Option B (1x) + Option A
I1	Basic + Option B (1x) + Option C (1x)
I2	Basic + Option B (1x) + Option C (2x)
I3	Basic + Option B (1x) + Option C (3x)
I4	Basic + Option B (1x) + Option C (4x)
I5	Basic + Option B (1x) + Option C (5x)
J1	Basic + Option B (1x) + Option A + Option C (1x)
J2	Basic + Option B (1x) + Option A + Option C (2x)
J3	Basic + Option B (1x) + Option A + Option C (3x)
J4	Basic + Option B (1x) + Option A + Option C (4x)
J5	Basic + Option B (1x) + Option A + Option C (5x)
K0	Basic + Option B (2x)
L0	Basic + Option B (2x) + Option A
M1	Basic + Option B (2x) + Option C (1x)
M2	Basic + Option B (2x) + Option C (2x)
M3	Basic + Option B (2x) + Option C (3x)
M4	Basic + Option B (2x) + Option C (4x)
M5	Basic + Option B (2x) + Option C (5x)
N1	Basic + Option B (2x) + Option A + Option C (1x)
N2	Basic + Option B (2x) + Option A + Option C (2x)
N3	Basic + Option B (2x) + Option A + Option C (3x)
N4	Basic + Option B (2x) + Option A + Option C (4x)
N5	Basic + Option B (2x) + Option A + Option C (5x)
90	Basic + Option B (3x)
P0	Basic + Option B (3x) + Option A
Q1	Basic + Option B (3x) + Option C (1x)
Q2	Basic + Option B (3x) + Option C (2x)
Q3	Basic + Option B (3x) + Option C (3x)
Q4	Basic + Option B (3x) + Option C (4x)
Q5	Basic + Option B (3x) + Option C (5x)
R1	Basic + Option B (3x) + Option A + Option C (1x)

Code	Description
R2	Basic + Option B (3x) + Option A + Option C (2x)
R3	Basic + Option B (3x) + Option A + Option C (3x)
R4	Basic + Option B (3x) + Option A + Option C (4x)
R5	Basic + Option B (3x) + Option A + Option C (5x)
S0	Basic + Option B (4x)
T0	Basic + Option B (4x) + Option A
U1	Basic + Option B (4x) + Option C (1x)
U2	Basic + Option B (4x) + Option C (2x)
U3	Basic + Option B (4x) + Option C (3x)
U4	Basic + Option B (4x) + Option C (4x)
U5	Basic + Option B (4x) + Option C (5x)
V1	Basic + Option B (4x) + Option A + Option C (1x)
V2	Basic + Option B (4x) + Option A + Option C (2x)
V3	Basic + Option B (4x) + Option A + Option C (3x)
V4	Basic + Option B (4x) + Option A + Option C (4x)
V5	Basic + Option B (4x) + Option A + Option C (5x)
W0	Basic + Option B (5x)
X0	Basic + Option B (5x) + Option A
Y1	Basic + Option B (5x) + Option C (1x)
Y2	Basic + Option B (5x) + Option C (2x)
Y3	Basic + Option B (5x) + Option C (3x)
Y4	Basic + Option B (5x) + Option C (4x)
Y5	Basic + Option B (5x) + Option C (5x)
Z1	Basic + Option B (5x) + Option A + Option C (1x)
Z2	Basic + Option B (5x) + Option A + Option C (2x)
Z3	Basic + Option B (5x) + Option A + Option C (3x)
Z4	Basic + Option B (5x) + Option A + Option C (4x)
Z5	Basic + Option B (5x) + Option A + Option C (5x)