



Texas A&M International University Supplemental Payment Processing

Supplemental payments (or extra pay for employees) include:

Service Contract Agreements - Employees who receive an award or provide short-term additional service(s) to the University (not under their normal contract and done outside of their normal working hours) are paid and taxed through Payroll via a Service Contract Agreement. Service Contracts should only be used for active employees, single or short-term activities not affecting benefits, administrative teaching assignments, online course development, and awards. This agreement should NOT be used for dual employment or a temporary salary increase. Federal income tax is withheld at a flat rate of 22% for supplemental payments/wages as per IRS Publication 15. Social security tax, Medicare tax, and retirement (TRS/ORP) contributions (if applicable) are also withheld from supplemental payments. Supplemental payments are also subject to wage garnishments (student loans) and court ordered deductions (child support), if applicable.

Lump Sum Vacation and/or Overtime Compensatory Time (OCT/Comp Time) Payout - If an employee resigns from their position and has accumulated vacation hours and/or OCT/comp time, these hours are paid out to the employee and taxed as necessary. If an employee transfers from a non-exempt to an exempt position and has accumulated OCT/comp time, these hours are also paid out to the employee and taxed as necessary. Lastly, if an employee has reached the limit of accruable OCT/comp time hours that the A&M System allows to be banked, these hours are paid out to the employee and taxed as necessary. The Payroll Office must receive approved/completed documentation from the Office of Human Resources, which specifies the amount of hours that are due to the employee, in order to issue payment. Federal income tax is withheld at a flat rate of 22% for lump sum payouts as per IRS Publication 15. Social security and Medicare taxes (if applicable) are also withheld from lump sum payouts. As per the State Comptroller's Office, any non-payroll payments, such as vacation lump sum payouts, made to an employee who is indebted to the State of Texas will be held. If the employee fails to pay the debt owed or make arrangements with the appropriate vendor(s) within 30 days, the payment will be applied to the debt.