



THE UNIVERSITY  
of NORTH CAROLINA  
at CHAPEL HILL

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**Effective:** 10/13/2017  
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**Issuing University Officer:** *Walter Miller: Director of Payroll Services*  
**Responsible Unit:** *F&O-Finance*

# 1108 - University of North Carolina at Chapel Hill Policy on Statutory Deductions

## Policy Statement

Payroll Services is responsible for withholding, reporting, and remitting the following statutory (required by law) deductions from employee pay:

- FICA (Social Security) contributions
- Retirement contributions
- Federal and State income tax withholding.

### I. FICA

With the exception of student employees and certain Non Resident Aliens (NRA) that have tax treaty benefit, all employees are subject to FICA contributions:

### II. Retirement Contributions

#### Permanent SPA Employees

By State law, membership in the [Teachers' and State Employees' Retirement System](#)(TSERS) is mandatory for all [SPA](#) permanent full- or part-time employees working more than 30 hours per week. Withholding contributions for each of these retirement programs is six percent of the employee's gross earnings plus an employer-matching deduction defined annually by the State Legislature and submitted to the retirement system for monthly credit to individual accounts.

#### Fulltime EPA Employees

[EPA](#) employees are not required to participate in TSERS and may elect to participate in an optional retirement program through one of the numerous vendors provided by [Benefit Programs Administration](#).

### III. Income Tax Withholding

In accordance with Federal and State laws, Payroll Services withholds amounts for [federal](#) and [state](#) income taxes based on tax withholding schedules and the information submitted by each employee on the completed W-4 and NC-4 forms.

Taxes are not withheld on retirement contributions as the State Retirement Plan is administered as a tax shelter for employees.

Effective January 1, 1987, taxes and Social Security are not withheld from the employee's health insurance deduction, unless the employee declines this pre-tax option.

In performing tax calculations, Payroll Services considers the combined total, or aggregate sum, of an employee's regular and supplemental pay and takes into consideration exemptions claimed. Payroll Services will process payroll deductions imposed by State and Federal law, and uphold participation in direct deposit of salaries, required by new employees of the University.

## Reason for Policy

The University provides this policy to inform employees of mandatory deductions.

## Exclusions

1. Temporary and part-time SPA employees working under 30 hours per week are ineligible to participate in TSERS.
2. Extension employees who are members of the Federal Employees' Retirement System are ineligible to participate in TSERS.

## Special Situations

For information regarding FICA Exemptions for student employees, see Policy [1111](#).

For information regarding payroll processes for foreign nationals, see Policy [1116](#).

## Procedures

None

## Additional Information

## Frequently Asked Questions

None.

## Related Data

[Benefit Programs Administration](#) provides more detailed information regarding retirement programs.

## Contacts

SUBJECT	CONTACT	TELEPHONE	FAX	E-MAIL
Statutory Deductions	Payroll Services	919-962-0047		payroll@unc.edu

## History

### Revised:

October 13, 2017 - Updated Payroll main line number.

September 3, 2009

May 29, 2007

May 26, 2005

All revision dates:

10/13/2017, 9/3/2009, 5/29/2007, 5/26/2005

**Attachments:**

No Attachments

**Applicability**

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