

How PPC Calculates Taxes on In-Service Debts Overview

Introduction The presentation provides information on how PPC calculates the payment of taxes on In-Service debts.

- Important Information**
- Federal and state taxes vary based upon each individual member’s elections and legal state of residence.
 - There can be additional variations in taxes depending on changes to pay, changes to tax laws, and the member’s tax elections, etc. Because of these variations, PPC bases calculations for taxes on what has actually been deducted.
 - PPC does not use tax brackets (or other rates, etc.) to determine “pay-off” amounts.
 - PPC does not serve as an Internal Revenue Service (IRS) or a certified tax professional.
 - Any final tax adjustments will be processed when the member files their annual income taxes; and the IRS will determine the final balance considering tax brackets and other variables, as mentioned above.
 - The member is responsible for ensuring the appropriate taxes are paid.
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Net Verses Gross Information

Introduction This section provides General Examples information for paying off the Net amount verses the Gross amount.

Information Paying off the net amount is only possible if the entire overpayment was received in the **current year**.

Net Procedures See below.

Step	Data								
1	In this example, the member was overpaid \$1,000.00 for Basic Pay. Direct Access (DA) had previously deducted an average of 14.8% (varies by member) per paycheck for federal taxes (FITW). DA had previously deducted an average of 9.2% (varies by member) per paycheck for state taxes (SITW). When necessary, PPC calculates the member’s average FITW and SITW based upon the 3 most recent end-of-month pay calendars.								
2	<p>If the member calls PPC Customer Care to repay the lump-sum debt, the “pay-off” amount will be calculated by PPC, as follows:</p> <table> <tr> <td>Current year taxable debt (Ex: Basic Pay)</td> <td>\$1,000</td> </tr> <tr> <td>Minus federal taxes withheld (Ex: 14.8% *varies by member)</td> <td>\$- 148</td> </tr> <tr> <td>Minus state taxes withheld (Ex: 9.2% *varies by member)</td> <td><u>\$- 92</u></td> </tr> <tr> <td>Net “pay-off” amount</td> <td>\$ 760</td> </tr> </table>	Current year taxable debt (Ex: Basic Pay)	\$1,000	Minus federal taxes withheld (Ex: 14.8% *varies by member)	\$- 148	Minus state taxes withheld (Ex: 9.2% *varies by member)	<u>\$- 92</u>	Net “pay-off” amount	\$ 760
Current year taxable debt (Ex: Basic Pay)	\$1,000								
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Minus state taxes withheld (Ex: 9.2% *varies by member)	<u>\$- 92</u>								
Net “pay-off” amount	\$ 760								
3	After the member repays the debt in full, PPC will ensure the In-Service Debt is closed and PPC will ensure tax accumulators are adjusted accordingly.								

Gross Procedures See below.

Step	Data						
1	In this example, the member was overpaid \$1,000.00 for Basic Pay in a previous year. DA may have previously deducted taxes; however, PPC cannot adjust prior year taxes (due to IRS laws). At the end of the year, the W-2 is finalized and the IRS is in control of that money: PPC cannot get it back . The member must file their income taxes to reconcile with the IRS (i.e. tax credit / refund).						
2	<table> <tr> <td>Prior year taxable debt (Ex: Basic Pay)</td> <td>\$1,000</td> </tr> <tr> <td>Taxes for prior year debts CANNOT be deducted</td> <td><u>\$- 0</u></td> </tr> <tr> <td>Gross “pay-off” amount</td> <td>\$1,000</td> </tr> </table>	Prior year taxable debt (Ex: Basic Pay)	\$1,000	Taxes for prior year debts CANNOT be deducted	<u>\$- 0</u>	Gross “pay-off” amount	\$1,000
Prior year taxable debt (Ex: Basic Pay)	\$1,000						
Taxes for prior year debts CANNOT be deducted	<u>\$- 0</u>						
Gross “pay-off” amount	\$1,000						
3	After the member repays the debt in full, the member can request a Tax Certificate that PPC will provide. The member can file the Tax Certificate along with their end-of-year annual taxes to receive a tax credit. Consulting a tax professional is recommended.						

Copy of Notice of Overpayment Email

Notice of Overpayment –
CMD-SMB-CG-PPC <CMD-SMB-CG-PPC@uscg.mil>
Mon 11/28/2022 1:47 PM
To:
Cc: D05-SMB-BASEPORTS-SPO <D05-SMB-BASEPORTS-SPO@uscg.mil>

1 attachments (430 KB)
PIC - pdf
*** Please do not reply to this e-mail. Replies will be sent to an unmonitored e-mail and will not be read or responded to. ***

Good Day
Recently processed pay-related transactions have resulted in a \$2,038.50 overpayment. The attachment provides a breakdown of this overpayment.
Coast Guard policy per USCG Pay Manual, COMDTINST M7220.29 (series), permits collection of this debt in installments through deduction from your pay. Under the statutes, the maximum monthly amount collected cannot exceed 15% of disposable pay. If repaid by installment, 31 U.S.C. 3717 requires interest and administrative charges assessed on all debts unless waived. We have waived these charges in your case, per paragraph 11-B-5 of the USCG Pay Manual, COMDTINST M7220.29 (series).
Repayment from your pay will begin at 15% installments of your available pay per month beginning 1 February 2023. The monthly amount could fluctuate based on your disposable income. Please notify your Command if you want to propose a different repayment schedule based upon your financial situation. A revised collection schedule must allow for collection of the debt before your separation. Repayment schedules for less than 10% of disposable pay will only be approved in cases of legitimate financial hardship. For these situations, you must provide a financial statement, Form CG-5489B. For lump sum repayment options, please see Chapter 9.A of the Personnel and Pay Procedures Manual, PPCINST M1000.2 (series): <http://www.dcms.uscg.mil/Portals/10/CG-1/PPC/ppqm/CHAP09.pdf>. When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction.
If you retire prior to having your debt fully repaid, please be aware that the debt will be secured from your retired account until it is completely repaid. Personnel who are in a retired status are also subject to the 15% maximum withholding of disposable pay.
You have the right to inspect and copy government records and review all decisions related to the debt. For copies of government records and/or an explanation of the nature of the debt, contact your servicing SPO. You have the right to ask for a waiver or remission of the debt in accordance with sections 11-F and 11-G of the USCG Pay Manual, COMDTINST M7220.29 (series) and chapter 9 of the Personnel and Pay Procedures Manual, PPCINST M1000.2 (series). If separated early, we will collect any debt remaining at separation in lump sum from your final pay and allowances.

This is notice under 11 U.S.C. 342 should you contemplate relief under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005. Should you file litigation, including action under Title 11, U.S. Code, you must include your Employee ID Number (cited on the attached Summary of Overpayment) on such filing. You must also provide notification of such filing to the following address: Commanding Officer (LGL), USCG Pay & Personnel Center, 444 SE Quincy Street, Topeka, KS 66683-3591.

Payment options are as follows:
To pay by Debit Card: Contact PPC Customer Care, 866-772-8724 or 785-339-2200 (Do not submit debit card information via e-mail). Credit Cards not accepted.
If you desire to repay part or all of an in-service debt, mail a check, made out to U.S. Coast Guard, to PPC (FAR) with a copy of the Pay Slip or this email.
To pay by Check: Make check out to US Coast Guard and enter your EMPLID in the notes section.
Mail check to:
Commanding Officer
US Coast Guard
Pay & Personnel Center
ATTN: FAR
444 SE Quincy St
Topeka, KS 66683

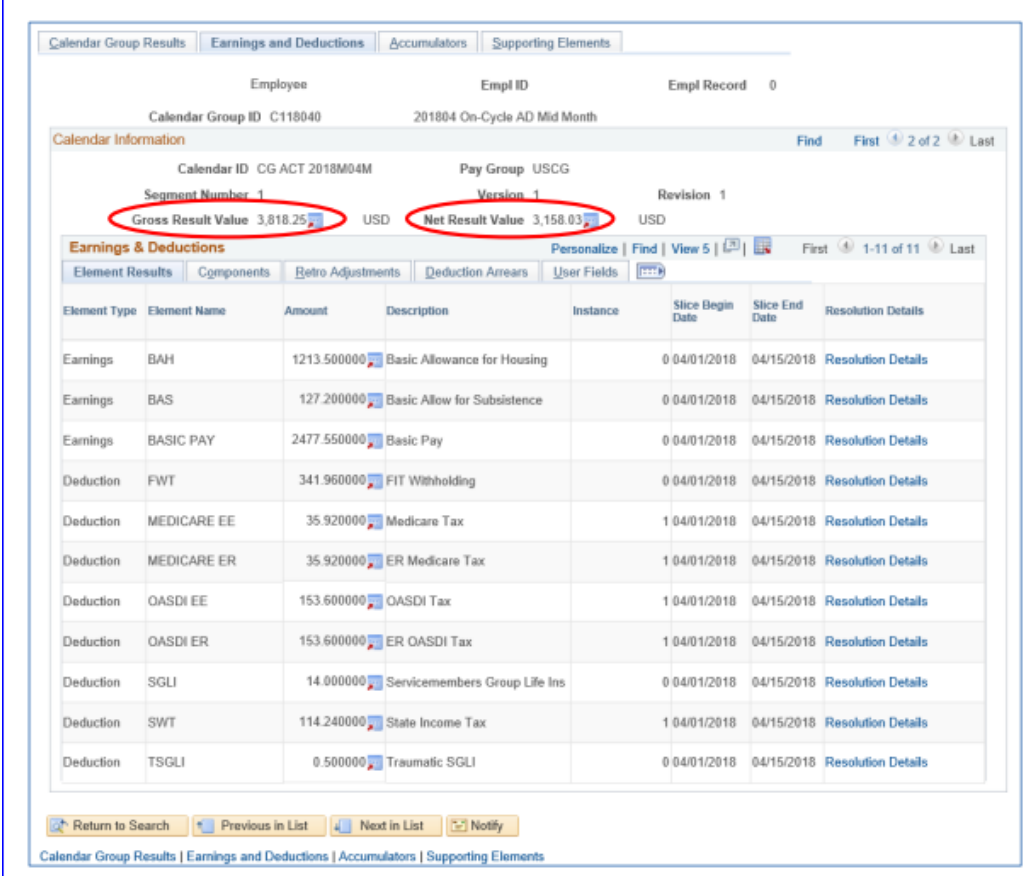
Payment options can also be found in the Personnel and Pay Procedures Manual (PPPM) Chapter 9.A:
<http://www.dcms.uscg.mil/Portals/10/CG-1/PPC/ppqm/CHAP09.pdf>

Tax implications can also be found at PPC Guides below:
<https://www.dcms.uscg.mil/Portals/10/CG-1/PPC/MAS/How%20PPC%20calculates%20taxes%20on%20ISD.pdf?ver=2018-08-28-092626-697>
<https://www.dcms.uscg.mil/Portals/10/CG-1/PPC/MAS/Tax%20Implications%20for%20ISD.pdf?ver=2018-08-28-092623-887>
<https://www.dcms.uscg.mil/Portals/10/CG-1/PPC/MAS/Repayment%20of%20In%20Service%20Debt.pdf?ver=2018-08-28-092622-447>

Breakdown of Overpayment

Introduction This section provides a breakdown of an overpayment and the tax implications.

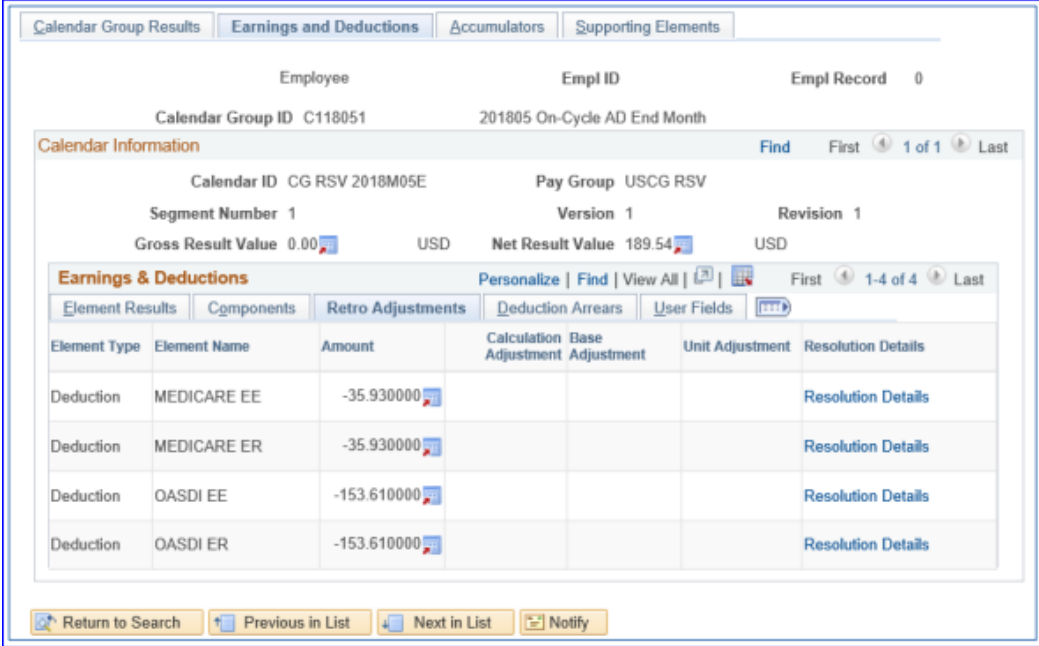
Procedures See below.

Step	Event																																																																																																
<p>1</p>	<p>In mid-April 2018, a member was overpaid. This member had a debt due to erroneous receipt of pay and allowances from 04/01/2018 to 04/15/2018 for Title 10 Reserve Orders that ended 03/31/2018. Notice the difference between the Gross Result Value and the Net Result Value in Pay Calculation Results. This alludes to tax implications.</p>  <p>The screenshot shows a pay calculation interface with the following details:</p> <ul style="list-style-type: none"> Calendar Group ID: C118040 Calendar ID: CG ACT 2018M04M Pay Group: USCG Segment Number: 1 Version: 1 Revision: 1 Gross Result Value: 3,818.25 USD Net Result Value: 3,158.03 USD <p>The 'Earnings & Deductions' table is as follows:</p> <table border="1"> <thead> <tr> <th>Element Type</th> <th>Element Name</th> <th>Amount</th> <th>Description</th> <th>Instance</th> <th>Slice Begin Date</th> <th>Slice End Date</th> <th>Resolution Details</th> </tr> </thead> <tbody> <tr> <td>Earnings</td> <td>BAH</td> <td>1213.500000</td> <td>Basic Allowance for Housing</td> <td>0</td> <td>04/01/2018</td> <td>04/15/2018</td> <td>Resolution Details</td> </tr> <tr> <td>Earnings</td> <td>BAS</td> <td>127.200000</td> <td>Basic Allow for Subsistence</td> <td>0</td> <td>04/01/2018</td> <td>04/15/2018</td> <td>Resolution Details</td> </tr> <tr> <td>Earnings</td> <td>BASIC PAY</td> <td>2477.550000</td> <td>Basic Pay</td> <td>0</td> <td>04/01/2018</td> <td>04/15/2018</td> <td>Resolution Details</td> </tr> <tr> <td>Deduction</td> <td>FWT</td> <td>341.960000</td> <td>FIT Withholding</td> <td>0</td> <td>04/01/2018</td> <td>04/15/2018</td> <td>Resolution Details</td> </tr> <tr> <td>Deduction</td> <td>MEDICARE EE</td> <td>35.920000</td> <td>Medicare Tax</td> <td>1</td> <td>04/01/2018</td> <td>04/15/2018</td> <td>Resolution Details</td> </tr> <tr> <td>Deduction</td> <td>MEDICARE ER</td> <td>35.920000</td> <td>ER Medicare Tax</td> <td>1</td> <td>04/01/2018</td> <td>04/15/2018</td> <td>Resolution Details</td> </tr> <tr> <td>Deduction</td> <td>OASDI EE</td> <td>153.600000</td> <td>OASDI Tax</td> <td>1</td> <td>04/01/2018</td> <td>04/15/2018</td> <td>Resolution Details</td> </tr> <tr> <td>Deduction</td> <td>OASDI ER</td> <td>153.600000</td> <td>ER OASDI Tax</td> <td>1</td> <td>04/01/2018</td> <td>04/15/2018</td> <td>Resolution Details</td> </tr> <tr> <td>Deduction</td> <td>SGLI</td> <td>14.000000</td> <td>Servicemembers Group Life Ins</td> <td>0</td> <td>04/01/2018</td> <td>04/15/2018</td> <td>Resolution Details</td> </tr> <tr> <td>Deduction</td> <td>SWT</td> <td>114.240000</td> <td>State Income Tax</td> <td>1</td> <td>04/01/2018</td> <td>04/15/2018</td> <td>Resolution Details</td> </tr> <tr> <td>Deduction</td> <td>TSGLI</td> <td>0.500000</td> <td>Traumatic SGLI</td> <td>0</td> <td>04/01/2018</td> <td>04/15/2018</td> <td>Resolution Details</td> </tr> </tbody> </table>	Element Type	Element Name	Amount	Description	Instance	Slice Begin Date	Slice End Date	Resolution Details	Earnings	BAH	1213.500000	Basic Allowance for Housing	0	04/01/2018	04/15/2018	Resolution Details	Earnings	BAS	127.200000	Basic Allow for Subsistence	0	04/01/2018	04/15/2018	Resolution Details	Earnings	BASIC PAY	2477.550000	Basic Pay	0	04/01/2018	04/15/2018	Resolution Details	Deduction	FWT	341.960000	FIT Withholding	0	04/01/2018	04/15/2018	Resolution Details	Deduction	MEDICARE EE	35.920000	Medicare Tax	1	04/01/2018	04/15/2018	Resolution Details	Deduction	MEDICARE ER	35.920000	ER Medicare Tax	1	04/01/2018	04/15/2018	Resolution Details	Deduction	OASDI EE	153.600000	OASDI Tax	1	04/01/2018	04/15/2018	Resolution Details	Deduction	OASDI ER	153.600000	ER OASDI Tax	1	04/01/2018	04/15/2018	Resolution Details	Deduction	SGLI	14.000000	Servicemembers Group Life Ins	0	04/01/2018	04/15/2018	Resolution Details	Deduction	SWT	114.240000	State Income Tax	1	04/01/2018	04/15/2018	Resolution Details	Deduction	TSGLI	0.500000	Traumatic SGLI	0	04/01/2018	04/15/2018	Resolution Details
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<p>2</p>	<p>In-Service Debts were built for the gross pay amounts, as follows:</p> <table border="1"> <thead> <tr> <th>PAY ITEM</th> <th>RATE TYPE</th> <th>GRADE</th> <th>STEP</th> <th>PERIOD START</th> <th>PERIOD END</th> <th>YEARS</th> <th>MONTHS</th> <th>DAYS</th> <th>RATE PAID (PAY CALCS)</th> <th>TOTAL PAID (PAY CALCS)</th> <th>CORRECT RATE</th> <th>CORRECT TOTAL</th> <th>DIFFERENCE</th> </tr> </thead> <tbody> <tr> <td>BAH W/O DEP</td> <td>M</td> <td></td> <td></td> <td>04/01/2018</td> <td>04/15/2018</td> <td>0</td> <td>0</td> <td>15</td> <td>2,427.00</td> <td>1,213.50</td> <td></td> <td></td> <td>-\$1,213.50</td> </tr> <tr> <td>BAS OFF</td> <td>M</td> <td></td> <td></td> <td>04/01/2018</td> <td>04/15/2018</td> <td>0</td> <td>0</td> <td>15</td> <td>254.39</td> <td>127.20</td> <td></td> <td></td> <td>-\$127.20</td> </tr> <tr> <td>BASIC PAY</td> <td>M</td> <td></td> <td></td> <td>04/01/2018</td> <td>04/15/2018</td> <td>0</td> <td>0</td> <td>15</td> <td>4,955.10</td> <td>2,477.55</td> <td></td> <td></td> <td>-\$2,477.55</td> </tr> </tbody> </table>	PAY ITEM	RATE TYPE	GRADE	STEP	PERIOD START	PERIOD END	YEARS	MONTHS	DAYS	RATE PAID (PAY CALCS)	TOTAL PAID (PAY CALCS)	CORRECT RATE	CORRECT TOTAL	DIFFERENCE	BAH W/O DEP	M			04/01/2018	04/15/2018	0	0	15	2,427.00	1,213.50			-\$1,213.50	BAS OFF	M			04/01/2018	04/15/2018	0	0	15	254.39	127.20			-\$127.20	BASIC PAY	M			04/01/2018	04/15/2018	0	0	15	4,955.10	2,477.55			-\$2,477.55																																								
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Breakdown of Overpayment, Continued

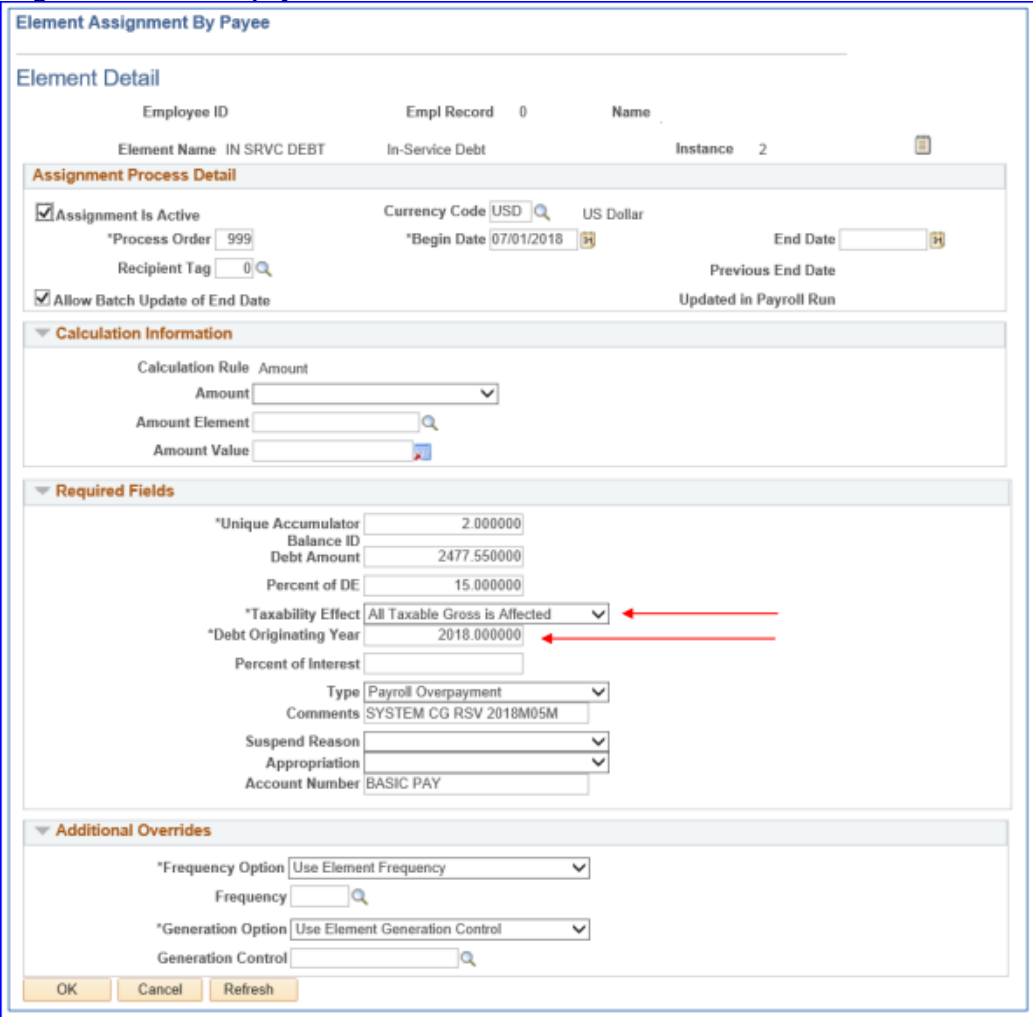
Procedures,
continued

Step	Event
3	<p>The total gross amount is \$3,818.25. The member actually received a net pay amount of \$3,158.03. The following tax deductions were made: \$341.96 FWT withheld / \$2477.55 Basic Pay ~ 13.8% FWT tax rate \$114.24 SWT withheld / \$2477.55 Basic Pay ~ 4.6% SWT tax rate \$35.92 Medicare EE withheld / \$2477.55 Basic Pay = 1.45% Medicare rate \$153.60 OASDI EE withheld / \$2477.55 Basic Pay = 6.2% OASDI rate</p> <p>FICA (Medicare + OASDI) for system generated overpayments is automatically credited on the following pay calendar. In this case, the member does not have current calendar earnings; therefore, the FICA refund is disbursed to the member in full. If the member does have current pay calendar earnings, he/she will receive the credit and it will be offset by current calendar FICA due. *Rounding differences may apply.</p> 

Continued on next page

Breakdown of Overpayment, Continued

Procedures,
continued

Step	Event
4	<p>The BASIC PAY debt is taxable (FICA, FITW, SITW). The Taxability Effect of In-Service Debt Instance #2 is “All Taxable Gross is Affected.” The Debt Originating Year is “2018.” Because 2018 is in the current year, this debt is eligible for a Net repayment.</p>  <p>The screenshot shows the 'Element Assignment By Payee' form with the following details:</p> <ul style="list-style-type: none"> Element Detail: Employee ID, Empl Record 0, Name, Element Name IN SRVC DEBT, In-Service Debt, Instance 2. Assignment Process Detail: <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Assignment Is Active Currency Code: USD (US Dollar) *Process Order: 999 *Begin Date: 07/01/2018 End Date: [empty] Recipient Tag: 0 Previous End Date: [empty] <input checked="" type="checkbox"/> Allow Batch Update of End Date Updated in Payroll Run Calculation Information: <ul style="list-style-type: none"> Calculation Rule: Amount Amount: [empty] Amount Element: [empty] Amount Value: [empty] Required Fields: <ul style="list-style-type: none"> *Unique Accumulator: 2.000000 Balance ID: [empty] Debt Amount: 2477.550000 Percent of DE: 15.000000 *Taxability Effect: All Taxable Gross is Affected (indicated by a red arrow) *Debt Originating Year: 2018.000000 (indicated by a red arrow) Percent of Interest: [empty] Type: Payroll Overpayment Comments: SYSTEM CG RSV 2018M05M Suspend Reason: [empty] Appropriation: [empty] Account Number: BASIC PAY Additional Overrides: <ul style="list-style-type: none"> *Frequency Option: Use Element Frequency Frequency: [empty] *Generation Option: Use Element Generation Control Generation Control: [empty]
5	<p>After the member contacts PPC Customer Care to make a lump-sum repayment, the Net “pay-off” amount would be calculated by PPC as follows:</p> <p>Gross taxable debt amount \$ 2477.55 Minus FWT - 341.96 Minus SWT - 114.24 Net pay-off amount \$ 2021.35</p>

Continued on next page

Breakdown of Overpayment, Continued

Procedures,
continued

Step	Event
6	<p>In-Service Debt Instance #3 was for BAS OFF, which is not taxable. This must be repaid in full.</p> <div data-bbox="327 562 1364 1579" style="border: 1px solid blue; padding: 5px;"> <p>Element Assignment By Payee</p> <p>Element Detail</p> <p>Employee ID Empl Record 0 Name</p> <p>Element Name IN SRVC DEBT In-Service Debt Instance 3</p> <hr/> <p>Assignment Process Detail</p> <p><input checked="" type="checkbox"/> Assignment Is Active Currency Code USD US Dollar</p> <p>*Process Order 999 *Begin Date 07/01/2018 End Date</p> <p>Recipient Tag 0 Previous End Date</p> <p><input checked="" type="checkbox"/> Allow Batch Update of End Date Updated in Payroll Run</p> <hr/> <p>Calculation Information</p> <p>Calculation Rule Amount</p> <p>Amount Amount Element Amount Value</p> <hr/> <p>Required Fields</p> <p>*Unique Accumulator 3.000000</p> <p>Balance ID 127.200000</p> <p>Debt Amount 15.000000</p> <p>Percent of DE 15.000000</p> <p>*Taxability Effect No Taxable Gross is Affected</p> <p>*Debt Originating Year 2018.000000</p> <p>Percent of Interest Type Payroll Overpayment</p> <p>Comments SYSTEM CG RSV 2018M05M</p> <p>Suspend Reason Appropriation</p> <p>Account Number BAS OFF</p> <hr/> <p>Additional Overrides</p> <p>*Frequency Option Use Element Frequency</p> <p>Frequency *Generation Option Use Element Generation Control</p> <p>Generation Control</p> <p>OK Cancel Refresh</p> </div>

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Breakdown of Overpayment, Continued

Procedures,
continued

Step	Event
7	<p>In-Service Debt Instance #4 was for BAH W/ DEP, which is not taxable. This must be repaid in full.</p> <div data-bbox="327 562 1369 1581" style="border: 1px solid blue; padding: 5px;"> <p>Element Assignment By Payee</p> <p>Element Detail</p> <p>Employee ID Empl Record 0 Name</p> <p>Element Name IN SRVC DEBT In-Service Debt Instance 4</p> <hr/> <p>Assignment Process Detail</p> <p><input checked="" type="checkbox"/> Assignment Is Active Currency Code USD US Dollar</p> <p>*Process Order 999 *Begin Date 07/01/2018 End Date</p> <p>Recipient Tag 0 Previous End Date</p> <p><input checked="" type="checkbox"/> Allow Batch Update of End Date Updated in Payroll Run</p> <hr/> <p>Calculation Information</p> <p>Calculation Rule Amount</p> <p>Amount</p> <p>Amount Element</p> <p>Amount Value</p> <hr/> <p>Required Fields</p> <p>*Unique Accumulator 4.000000</p> <p>Balance ID</p> <p>Debt Amount 1213.500000</p> <p>Percent of DE 15.000000</p> <p>*Taxability Effect No Taxable Gross is Affected ←</p> <p>*Debt Originating Year 2018.000000</p> <p>Percent of Interest</p> <p>Type Payroll Overpayment</p> <p>Comments SYSTEM CG RSV 2018M05M</p> <p>Suspend Reason</p> <p>Appropriation</p> <p>Account Number BAH W/O DEP</p> <hr/> <p>Additional Overrides</p> <p>*Frequency Option Use Element Frequency</p> <p>Frequency</p> <p>*Generation Option Use Element Generation Control</p> <p>Generation Control</p> <p>OK Cancel Refresh</p> </div>
8	<p>The grand total net repayment amount is: ISD#2 \$ 2021.35 (taxes adjusted by PPC) + ISD#3 \$ 127.20 + ISD#4 \$ 1213.50 Net payoff \$ 3362.05</p>

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Breakdown of Overpayment, Continued

Procedures,
continued

Step	Event
9	<p>Alternately, the member may choose to allow payroll deductions to repay the debt incrementally per pay period. The FICA credit will process in the same manner, i.e. on the pay calendar following the system generated debt. All payroll deductions applied to taxable debts in the current calendar year/debt originating year will automatically generate the corresponding incremental FWT and SWT credits and apply them to the member's pay. However, any portion of the taxable debt that is NOT paid off by the end of the debt originating year, will NOT receive FWT and SWT credits for repayments received in subsequent years. A tax certificate can be requested for subsequent year repayments once the debt is paid in full.</p>

Tax Certificate Memo Example

U.S. Department of
Homeland Security

United States
Coast Guard



Commanding Officer
United States Coast Guard
Pay & Personnel Center

444 SE Quincy St
Topeka, KS 66683-3591
Staff Symbol: MAS
Phone: (785) 339-2200
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7200
25 Jan 2018

MEMORANDUM

From: A. B. Spinolli, CWO2
CG PPC (mas)

To: O. J. Simpson, LTJG
CG AIRFAC Muskegon

Subj: TAX CERTIFICATE

Ref: (a) Publication 5, IRS Circular E (Employer's Tax Guide)

1. This is to certify you have made payments to the U. S. Coast Guard, IRS tax ID # 52-9981234, totaling \$12,345.67 in calendar year 2018 for an overpayment of earnings issued in the 2017 calendar year. The \$12,345.67 has not been deducted from your current year taxable wages.

2. Per reference (a), this certificate is provided for filing with your annual income tax return. You may be entitled to a deduction (or credit in some cases) for the repaid wages on your income tax return for the year of repayment. We suggest that you contact a tax consultant or the Internal Revenue Service if you need assistance. Please retain this certificate for filing with your tax return.

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