

Office of State Uniform Payroll

Procedure Title: Annual Leave Buy Back	Revision Date: 7/20/2022
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Contact: _DOA-OSUP-GARN@la.gov	

This procedure is used when an employee has been paid annual leave at separation and is later reemployed and the number of leave hours paid is greater than the hours of separation. According to Civil Service Rule 11.10(e), when an employee who has resigned or retired and has been paid accumulated annual leave is reemployed in a classified position, the employee **must** pay back to the new (or current) agency the value of annual leave at the rate paid less the value of working hours for which he has been paid which intervene between the last day worked and the date of reemployment and shall be given credit for the number of hours of annual leave for which he has made reimbursement, except when:

- an employee returns to work for the first time after retirement or
- an employee is rehired into a job appointment or non-leave earning position, he/she shall not be required to make reimbursement.

Executive orders govern unclassified employees who are reemployed into a classified or unclassified position. Agencies must refer to the executive order in effect at the time of rehire for information on repayment of annual leave on an unclassified employee.

- Per Civil Service, because of the buy-back provision within the rules, an agency will meet the intent of the rules if the agency chooses to withhold payment of the annual leave upon separation in those cases where an employee is going to return to work with the same agency with no break in service (the next work day).
- Civil Service has also advised that if there will be a break in service of less than 300 hours of work time (for instance, a break of one week), then the intent of the rules is met if the agency pays the employee ONLY for the intervening days (for instance, for a break of one week, the employee would be paid for 40 hours of annual leave) for an 8 hour per day employee.

Note: In the above situation, it would not be necessary to pay annual leave if the employee was rehired and placed on annual leave for 40 hours (no break in service). Additionally, when there is no break in service, an employee who was not subject to Medicare tax withholding prior to retiring/resigning from a LaGov HCM Paid agency, would not be subject to Medicare tax when rehired by a LaGov HCM Paid agency.

For clarification of leave payment rules, please contact the Department of Civil Service.

Note: This procedure is not to be used when an employee has had a leave payout made in

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error (e.g., when an employee transfers to another agency and the losing agency pays the annual leave in error).

The following procedures outline how an agency should process an **Annual Leave Buy Back**:

1. Obtain authorized documentation to make the leave buy back. It is recommended that this documentation include the employee's authorization to deduct any remaining balance due from the employee's final pay check if the employee separates.
2. Obtain the number of hours of leave to buy back.
3. Calculate the gross amount using the rate of pay at the time the leave was paid times the number of hours to be credited.
4. Determine if the recoupment will be processed through LaGov HCM or via personal check.

Repayment through deductions in LaGov HCM:

1. Determine the number of pay periods the payment should be spread over, the amount per pay period to be deducted and the number of hours of leave to be credited each period. Note: Payment plans should begin immediately upon the employee's return to work and should not exceed 12 months. Requests for exceptions to the 12 month recoupment plan limit must be approved by OSUP and should be emailed to the [OSUP Garnishment Administration Unit](#).
2. Create the leave quota correction records on Infotype 2013, Quota Corrections, to buy the actual hours of leave bought back each pay period. These can be created with future dates. Leave added to the employee's quota balance should be made available for use the pay period following the actual buy back. Below is an example that reflects the deductions per pay period and the amount of leave to re-credit each pay period.

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Recurring Deduction Period infotype (0014)	Deduction (Dollar value) for leave being bought back.	Fr. Date in Quota Corrections infotype (2013)	Hours
02/11/2008 – 02/24/2008	\$276.20	02/25/2008	20.00
02/25/2008 – 03/09/2008	\$276.20	03/10/2008	20.00
03/10/2008 – 03/23/2008	\$276.20	03/24/2008	20.00
03/24/2008 – 04/06/2008	\$276.20	04/07/2008	20.00
04/07/2008 – 04/20/2008	\$ 96.67	04/21/2008	7.00

3. Notify OSUP by emailing the [OSUP Garnishment Administration Unit](#) or sending fax to 225.219.4432, that recoupment deductions must be established in LaGov HCM. This request must include the following:
 - the employee’s name and personnel number,
 - the total amount of annual leave buy back and number of hours,
 - the amount to be repaid each pay period and the number of pay periods to be deducted, and
 - confirmation that entries on infotype 2013, Quota Corrections, have been completed.
4. OSUP will create the appropriate entries in LaGov HCM for the payment to come out of the employee’s pay check. The agency will be notified when these entries have been completed.
5. Funds collected from the employee will reduce the agency’s current year expenditures. A LaGov JV may be required each period to transfer these funds to the appropriate agency accounts. Questions regarding the transfer of funds in LaGov should be directed to the Office of Statewide Reporting and Accounting Policy (OSRAP).
6. Email the [OSUP Garnishment Administration Unit](#) for instructions if the employee is separating or transferring prior to the completion of the repayment.

If the employee is separating:

- The agency must determine the deduction amount to be taken from the employee’s final payment.

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- The balance of the overpayment may be deducted from the employee's final payment provided that this one-time payment does not bring the employee's gross hourly wage amount below the federal minimum wage. If the employee agrees to have a larger amount withheld, the agency must obtain written approval from the employee.
- If the overpayment is not repaid prior to separation or the overpayment is discovered after the separation, follow the guidelines outlined in the Rule on Recoupment of Overpayments ([LAC 4:III.Chapter 7](#)) §711.
- The agency must complete the necessary quota correction entries needed on the employee's final payment.

If the employee is transferring to another LaGov HCM paid agency:

- The losing agency must notify the gaining agency that the employee has an outstanding balance due the losing agency.
- The losing agency must provide the gaining agency pertinent documentation regarding the details of the overpayment and the recoupment plan.
- If a payment plan has been established in the LaGov HCM system, the gaining agency must continue the payment plan that was established under the losing agency. Note: OSUP should be notified that a cost override must be completed on the IT14 recoupment record to allocate these payments to the losing agency.
- If a payment plan was **not** established in the LaGov HCM system, the losing agency and gaining agency must coordinate the recoupment of the overpayment through the payroll system. Note: OSUP should be notified that a cost override must be completed on the IT14 recoupment record to allocate these payments to the losing agency.

If the employee is transferring from a LaGov HCM paid agency to a LaGov HCM non-paid agency:

- The losing and gaining agencies must work together to determine a reasonable solution for recouping the overpayment from the employee and for transferring funds received by the gaining agency back to the losing agency.

Repayment via personal check:

1. Email the [OSUP Wage and Tax Administration Unit](#) or fax to 225.342.1650, prior to processing any adjustments to the leave if the employee is buying the leave back by personal check. Repayment via personal check from an active employee requires OSUP approval.

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2. OSUP's Wage and Tax Administration Unit will:
 - Forward to OSUP's Assistant Director for approval.
 - OSUP's Assistant Director will notify the agency of approval.
3. The agency will collect a check for the gross amount, that is, the rate of pay at the time the leave was paid times the number of hours to be credited.
4. Deposit the funds as INA, Return of Appropriations, etc. as appropriate. Questions regarding the classification of funds in LaGov should be directed to the Office of Statewide Reporting and Accounting Policy (OSRAP).
5. Notify OSUP by emailing the [OSUP Wage and Tax Administration Unit](#) or send a fax to 225.342.1650, that the funds have been deposited. This must include a copy of the Cash Receipt document from LaGov verifying that the deposit was made.
6. OSUP's Wage and Tax Administration Unit will:
 - Process an adjustment to the employee's record on infotype 221 that will update gross wages paid in that year, and refund any applicable Medicare or Social Security taxes in a subsequent payroll payment. Federal and state income taxes will not be refunded. However, federal and state taxable wages reported on the W-2 will be reduced by this repayment of gross wages.
 - Include a text note of "LvBuyBack" entered in the Check No. box in the LaGov HCM record to assist agencies in identifying these adjustments.
 - Notify the agency once the infotype 221 record has been created. The agency will be instructed to update infotype 2013 – Quota Corrections, for the hours being bought back.

Click to view the [Annual Leave Buy Back Flowchart](#).