

Assembly Bill 1668 - Interest

Assembly Bill 1668 amended Education Code Sections 45048 and 45049 on January 1, 2000. The bill required interest to be paid on payroll payments to certificated employees if they are not paid within statutory time frames.

It is important that districts review their current processing schedules for hourly and daily rate certificated employees to determine if an additional supplemental payroll run would be beneficial. This run would need to cut off the last working day of the month, with the payment date being the last working day before the 10th of the month. Automatic Payroll Deposits would not be available in this supplemental payroll run. Once we know how many districts would benefit from an additional supplemental payroll and are interested in implementing one, we will implement programming changes if enough interest and need is present.

The interest rate to be paid on late payroll payments is the federal short-term interest rate plus 3%. The federal rate established for July is used for the following months of January through June. The federal rate established for January is used for the following July through December.

Interest is not a salary payment and should not be paid through the payroll system. Interest is only reportable on a Form 1099-INT if the amounts exceed \$600 and are not subject to income tax withholding. We recommend that these payments be made through the district revolving account and charged to object code 5800 upon reimbursement. If you pay any employee over \$600 in interest for the calendar year, please contact our office for assistance in filing the required information returns.

If you have any questions or want to discuss the need for a supplemental payroll run, please call contact Business Advisory Services.