

Per the North Carolina Workers Compensation Basic Manual

For purposes of this manual, the terms "payroll" and "remuneration" mean money or substitutes for money.

INCLUDES

- 1.** Salary or wages (including retroactive salary or wages).
- 2.** Total pay received by an employee for commissions and draws against commissions.
- 3.** Bonuses and stock bonus plans. See Rule 2-D.
- 4.** Extra pay for overtime work except as provided in Rule 2-C-2.
- 5.** Pay for holidays, sick leave, or vacations. See Rule 2-G-3 for allocation of payroll for employees subject to more than one classification code.
- 6.** Employer payments withheld from employees to meet statutory obligations for insurance and/or pension plans, such as the Federal Social Security Act or Medicare.
- 7.** Payment to employees on any basis other than time worked, such as piecework, profit sharing, or incentive plans.
- 8.** The rental value of a house or apartment provided to an employee based on comparable accommodations.
- 9.** The value of lodging, other than an apartment or house, received by an employee as part of their pay as shown in the insured's records.
- 10.** The value of meals received by employees as part of their pay as shown in the insured's records.
- 11.** The value of store certificates, credits, merchandise, or any other substitute for money received by employees as part of their pay.
- 12.** Payment for retirement or cafeteria plans (Internal Revenue Code 125), health savings accounts, flexible spending accounts, employee savings plans, or salary reduction that is

made through employee-authorized salary reductions from the employee's gross pay.

13. Davis-Bacon Act wages (A federal law that establishes the requirement for paying the local prevailing wages on public works projects) or wages from similar prevailing wage laws.
14. Annuity plans.
15. Expense reimbursements to employees if the employer's records do not confirm that the expense was incurred as a valid business expense. *Refer to Rule 2-B-2-h for contractual allowable travel expenses.*

Exception:

When it can be verified that the employee was away from home overnight on business for the employer, but no verifiable receipts for incurred expenses have been retained, a reasonable expense allowance, also known as a per diem, is permitted to be excluded. The allowance is limited to a maximum of \$75 per day. The remaining non-verifiable expenses are included as payroll.

16. Payment for filming commercials for the insured, excluding subsequent residuals that are earned by the commercial's participant(s) each time the commercial appears in any type of media.

EXCLUDES

1. Overtime (the half time portion)
2. Tips or other gratuities received by employees.
3. Group insurance or group pension payments made by an employer for employees, other than those covered by Rule 2-B-1-f and Rule 2-B-1-m.
4. Payments by an employer into third-party trusts for the Davis-Bacon Act or similar prevailing wage laws, provided the pension trust is qualified under the Internal Revenue Code, Sections 401(a) and 501(a).

5. The value of special rewards for individual invention or discovery.
6. Payments for dismissal or severance except for time worked or vacation accrued.
7. Payments for active military duty.
8. Employee discounts on goods purchased from the employee's employer.
9. Expense reimbursements to employees if the employer's records confirm that the expense was incurred as a valid business expense.

Flat expense allowances and reimbursed expenses paid to employees may be excluded from the audit if all three of the following conditions are met:

- The expenses or allowances are incurred for the business of the employer
- The amount of each employee's expense or allowance is shown separately in the records of the employer.
- The amount of the expense or allowance approximates the actual expense incurred by the employee in the conduct of their work.

NOTE: If an employer did not maintain verifiable receipts for incurred expenses for an employee that was away from home overnight on the business of an employer a maximum expense allowance is permitted to be excluded. Refer to Rule 2-B-1-p exception for the maximum employee expense allowance. Allowable travel expenses permitted by any contract with a federal, state, or local government entity, including, but not limited to, a city, borough, or village, are excluded from payroll. In lieu of verifiable receipts for incurred expenses, the employer must produce a copy of the contract provision permitting the travel expenses at audit. The allowable travel expenses must be in addition to the current wage of the employee.

Example of payroll exclusions:

Consider an employer that allows a \$0.55 per mile reimbursement for an employee that uses a personal vehicle for company business. The employer considers the \$0.55 per mile reimbursement a fair estimate of actual incurred expenses. The employee drives 100 miles in a personal vehicle for the company. The \$55.00 reimbursement (100 miles x \$0.55) is a fair estimate and is excluded from payroll

10. Meal money for late work

11. Work uniform allowance

12. Disability income benefits paid to an employee by a third party such as an insured's group insurance carrier

13. Employer-provided perks including, but not limited to:

- Use of company car
- Airplane flights
- Incentive vacations (e.g., contest winners)
- Discounts on property or services
- Club memberships
- Tickets to entertainment events
- Educational assistance
- Relocation and moving expenses

14. Employer contributions to employee benefit plans such as:

- Employee savings plans
- Retirement plans
- Cafeteria plans (Internal Revenue Code 125)
- Health savings accounts
- Flexible spending accounts

These include any contributions made by the employer, at the employer's expense, which are based upon the amount contributed by the employee.