



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

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WILLIAM MCNAMARA
COMPTROLLER

To: Payroll Directors, Human Resources Directors, Chief Fiscal Officers, and General Counsels
From: Eduardo Canton, Statewide Payroll Officer
Date: May 18, 2022
Re: Wage Act and Termination Procedures

Comptroller Memo #2022-24

Executive Summary

Recently, the Massachusetts Supreme Judicial Court issued an opinion in the case of [Reuter v. City of Methuen](#), interpreting aspects of the Wage Act, M.G.L. c. 149, § 148. 489 Mass. 465 (2022). In *Reuter*, the Court held that a public employer violated the Wage Act by waiting three weeks before paying a terminated employee for accrued vacation time. A terminated employee is entitled to all earned wages, including accrued vacation benefits, on the day of discharge. An employer who violates this section of the law is responsible for treble the amount of the late wages, plus attorneys' fees and costs.

In light of this decision, the Office of the Comptroller (CTR) offers the following guidance to departments when terminating employees. Timing of the date of discharge is an important factor in your ability to successfully calculate and enter this type of transaction into HR/CMS. You should not discharge on Payroll Tuesday (the Tuesday before pay day), as the system is not available for necessary transactions. Instead, CTR recommends that you suspend the employee using the code "Suspended No Pay" (SNP) on the timesheet until you have taken the steps necessary to ensure proper payment of the employee on their day of discharge. The following steps should be followed:

Getting ready to process an involuntary termination:

1. Pick the date of discharge. Pre-enter hours owed in HR/CMS the day before discharge to ensure you can predict final check in HR/CMS, otherwise, please get ready to manually calculate gross to net pay
2. Get employee's hourly rate of pay from HR/CMS.
3. Figure out total hours owed to employee.
4. Identify active garnishments.
5. Identify the vacation leave accrual rate and include vacation leave hours for time worked in the current pay period.

6. Identify benefits that need to be deducted from the final check. Keep in mind the frequency of deductions since, depending on when the check is processed, some deductions may or may not be deducted. Be mindful of both pre-tax and post-tax deductions.
7. Refer to the Earn Codes matrix in the Knowledge Center to figure out which deductions and taxes may apply.
8. Ensure there is enough money in your Dynacash account to make the payment. Discharges include vacation accrual pay out as well as time worked during that pay period. If you need to request an advance, please note that there is a day lag at the bank before funds are available.
9. Deactivate direct deposit.
10. If the employee is being discharged during the second week of the pay period, department can enter all hours to be paid out on the employee's timesheet and get the forecasted paycheck the next morning. Keep in mind the employee will receive an email indicating the timesheet has been modified.
11. For employees being discharged, complete the Job change to indicate the Job Action of "Termination with Pay" and Job Reason "Discharge". This will prevent the employee from changing his or her Timesheet.
12. **Please suspend employee without pay rather than terminate if you are not able to timely calculate the amount of the final check before the proposed date of discharge.**

Manually Calculating Gross to Net Pay:

Hours – Gross Pay

- 1) Multiply total hours by the employee's hourly rate of pay. Make sure to calculate overtime hours, differential pay, and reimbursement, if owed.
- 2) Manually calculate vacation leave accruals earned since last accrual update (last pay period end date) up to the date of discharge. Add this amount to vacation buyout total, and subtract any vacation hours taken during this pay period

Taxes

- 3) Federal – Vacation buyout and other lump sum amounts are taxed at 22%. All other pay is taxed based on information entered on W-4 and IRS tax brackets. A good way to estimate a tax rate percentage is to review a prior paycheck and divide the tax by the taxable wages on the pay advice.
- 4) (MBTA Only). Social Security tax rate is 6.2% Remember the Social Security limit.
- 5) Medicare Tax rate is 0.145% (Employees who have been in continuous employment since March 31, 1986, are not subject to Medicare tax withholding). You can look at the employee's prior checks to confirm withholding status.
- 6) Supplemental Medicare Tax rate (tax rate is 0.9% for earnings over \$200K)
- 7) State Tax rate is 5%.

- 8) PFML contribution rate is 0.0068% (FLI rate 0.0012%; MLI rate 0.0056%)
Some positions are exempt from PFML contributions, and some departments fully pay the PFML contribution amount for their employees).

Deductions

- 9) State retirement plan (you can figure out the deduction percentage by reviewing the employee's prior check, and divide the amount withheld by the calculated base amount on the pay advice).
- 10) DCOMP-pre-tax deduction (employees may elect a percentage or a flat amount; check HR/CMS to determine which has been selected).
- 11) DCOMP ROTH-after-tax deduction (employees may elect a percentage or a flat amount; check HR/CMS to determine which has been selected).
- 12) GIC (pre-tax, deduction only occurs on 1st and 2nd pay period of the month) - GIC sends a file to HR/CMS every Friday of week two for the payroll being run on the following week. This file contains all GIC deductions to be processed the following week when payroll is processed.
- 13) Garnishments - After-tax deductions (keep in mind garnishment priorities).
- 14) Other (dental, vision, flexible spending, life, transit, etc.)
- 15) Be mindful of deductions priorities.

Net Pay

- 16) Net pay amount is the gross pay minus taxes and minus deductions.

Questions:

- **HR/CMS** questions may be submitted by:
 - logging a ticket in the EOTSS ServiceNow portal by going to: <https://massgov.service-now.com> or
 - by calling ServiceNow via phone at 844-435-7629 or by email at MassGov@Service-now.com.

cc: Internal Distribution