

Entering and Approving Previously Taxed Vacation Hours – Bi-weekly Hourly, Department Time Entry (UIC)

The Illinois Nurses Association (INA) and the SEIU Local 73 Technical (L-73) contracts allow for the annual payout of limited vacation benefits. Under the Internal Revenue Code, IRC Section 451(a), an item of gross income is includible in the taxable year in which it is actually or constructively received by a taxpayer. In a Letter Ruling, 9009052, the IRS held that an employee is constructively in receipt of income as soon as the right to receive cash for PTO becomes fixed. If the employee elects to receive the vacation payout at the end of the calendar year, the tax will be withheld from the payout. If the employee does not elect to receive the payout, the full or remaining balance of the eligible vacation hours will be treated as a taxable benefit. The employee will be taxed even if they did not elect to receive the payout.

When an employee uses taxed payout-eligible vacation hours the next calendar year, the Time Approver must edit the employee's submitted timesheet in the **Electronic Approvals of Time Entry (PHATIME)** page in Banner and replace standard vacation hours (VAC) with **Vacation-TimeTaxed NotPrevPaid (VNT)** hours to ensure that the employee is not double taxed. This earn code is only available to Time Approvers in the timesheet.

The **Vacation-TimeTaxed NotPrevPaid** earn code is configured to pay assigned hours; however, those hours will not be used to calculate state or federal taxes within the pay event.

UIC HR will provide units a report that tracks the union negotiated, payout-eligible vacation hour balances.

Open the Pending Timesheet

1. Log in to Banner.
2. Type **PHATIME** in the **Search/Direct Navigation** field.
3. Make the appropriate filter selections.
 - a. Enter the COA.
 - b. Enter the Organization
 - c. Select **Pending** in the **Transaction Status** drop down.
 - d. Enter the Year.
 - e. Enter BW in the **Payroll ID** field.
 - f. Enter the **Payroll Number**.
 - g. Click the **Go** button unless you are a Proxy for the Time Approver.

NOTE: If you are a Proxy for the Time Approver, enter the proxy's username in the **Proxy For** field before clicking the **Go** button.

Review the Timesheet

4. Review and validate the hours submitted by the employee for the pay period.

5. Correct submitted hours, if necessary.

Enter Time for Vacation-TimeTaxed NotPrevPaid

6. Click the **Next Section** button to navigate to the Time Entry section.
7. Click the **Insert button** to add a new earn code.
8. Type *VNT* in the **Earn** field.
9. Type the hours in the **Hours** field for each day vacation was taken during the pay period.

Reduce Submitted Vacation Hours

10. Navigate to the row displaying the VAC earn code.
11. Type 0.0 hours in the Hours field in the VAC earn code row for each day VNT was entered.

- a. If VNT was used to partially replace VAC hours, reduce the hours in VAC to the appropriate level.

Example: The Department Originator submitted 7.5 hours of VAC (vacation hours). The employee has 3.75 hours of VNT hours left, thus 3.75 hours were entered for the VNT earn code on one day of the pay period. The Time Approver must modify the previously entered 7.5 hours of VAC to 3.75 hours so that the employee receives a full day of pay.

- b. If all VAC hours submitted in the timesheet are to be replaced by VNT hours, highlight the row containing the VAC hours and click the **Delete** button.

12. Click the **Save** button after all edits have been completed.

Approve the Timesheet

13. Add comments.
 - a. Click the **Tools** button.
 - b. Select **View or Enter Comments** from the menu.
 - c. Type in the **Comment** memo field an explanation of the edits and corrections made to the timesheet, including the substitution of Vacation-TimeTaxed NotPrevPaid (VNT) hours for Vacation (VAC) hours.
 - d. Click the **Save** button.
14. Approve.
 - a. Click the **Tools** button.
 - b. Select **Time Entry Data** from the menu to return to the timesheet.
 - c. Click the **Tools** button.
 - d. Select **Approve Time** from the menu.