1. **Summary**

1.1. Oregon State University may provide financial consideration for services outside an employee’s normal pay and will establish whether such payments must be processed as taxable wages to the employee or may be posted to a unit index.

1.2. Under the Doctrine of Constructive Receipt (26 CFR § 1.451-2(a)), if an individual has the right to receive compensation for services performed, the university must report the income to the individual and the Internal Revenue Service (IRS). This is true even if the funds are not in the individual’s possession, but the individual has control of the money, has a right to the money or has a right to direct the payment of the money. This policy is intended to provide clarification and guidance on when funds must be paid as wages and when it is appropriate to post funds to a unit index.

1.3. All budget authorities, managers, supervisors and any employee responsible for processing or approving employee payments should be informed and understand this rule.

2. **General Information**

2.1. This policy addresses the processing of financial consideration, outside of an employee’s normal pay, that is received for services.

2.1.1. Examples include, but are not limited to, Ecampus and continuing education curriculum development and course instruction, University Honors College elective and baccalaureate core course instruction, Extension Service education programming, consulting, seminars and similar services.

2.2. Agreements and Memorandums of Understanding (MOUs) for these types of services should be between the initiating unit and the employee’s unit, not directly with the employee.

2.3. An employee’s workload is typically determined by the individual college, unit guidelines and/or their position description.
3. Required Process

3.1. Overload Compensation Paid to Employee: When faculty or staff perform services that would otherwise be paid to an individual to complete, but are considered outside their regular work responsibilities, any financial consideration associated with these additional activities or services are considered taxable wages to the employee (see Human Resources Policy 408 Overload Compensation).

3.1.1. Faculty may not receive faculty designated funds for work that would otherwise be paid as overload compensation.

3.1.2. Payment will be processed through the payroll system and appropriate federal and state taxes will be withheld. The employing unit will also be responsible for any associated Other Payroll Expenses (OPE).

3.1.3. Any such payment will be processed as overload compensation for full time (1.0 FTE) faculty or via a temporary FTE adjustment for faculty that are appointed at less than 1.0 FTE. In the case of a 9-month employee performing services over the summer that would otherwise be paid to an individual as wages, they should be paid as such.

3.2. Financial Consideration Paid to Unit: When faculty or staff perform activities or services as part of their normal work responsibilities (including service to the university), any additional financial consideration is posted to a unit index.

3.2.1. The funds will be allocated by the unit head as determined most appropriate to support the unit’s mission.

3.2.2. The funds may be put into the operating funds of the unit to cover expenses or may be designated by the unit head for use by any specific subset of the unit to cover costs for activities that contribute to the mission of the unit such as professional development, outreach, research and allocations to promote student and faculty success.

3.2.3. While the unit head may consider the preferences of faculty members and may establish general guidelines for how such financial consideration will be allocated, it should be very clear that these are university funds, and the unit head has ultimate authority over how these funds are used.

3.2.4. If funds are allocated to a faculty designated fund, the faculty member may oversee how these designated funds are spent as long the funds are used for appropriate university business purposes and the faculty member has no legal right to the funds at any time during employment with OSU or upon termination. The faculty member may not use these funds to pay salary to him/herself without higher-level approval, such as a unit head or dean.
4. **Related Information**

4.1. University Policy [03-100 Fiscal Policy Program Authority](#)

4.2. Please refer to all other policies, standards, fiscal rules and related guidelines that may be applicable, including but not limited to the following:

4.2.1. University Policy [580-020 Academic Classification and Compensation (section 580-020-025 Additional Pay to Full-Time Staff)](#)

4.2.2. Fiscal Policy-Rule [03-140-507 Employee Recognition](#)

4.2.3. Human Resources Policy [408 Overload Compensation](#)

4.3. Please check with your supervisor for unit-level procedures related to this rule.

4.4. Following are forms and other resources related to this policy:

4.4.1. [26 CFR § 1.451-2(a) Constructive Receipt of Income](#)

4.5. [Fiscal Policy Program Definitions of Terminology](#)

4.6. [Fiscal Policy Program Frequently Asked Questions (FAQs)](#)

5. **History**

5.1. Original Issue Date: NEW

5.2. Last Version: NEW

5.3. Last Review Date: 10/2021

5.4. Next Scheduled Review Date: 10/2024

6. **Contacts**

6.1. Policy Steward: Associate Vice President & Controller

6.2. Program: Fiscal Policy Officer, Financial Accounting & Analysis

6.3. Link to full list of [Fiscal Policy Program Contacts](#)