

Military Pay E-Message 11-084

SUBJECT: DJMS-AC W2 processing and Bonus overpayments

ISSUED: December 2, 2011

1. The purpose of this message is to provide Defense Military Pay Offices (DMPOs), Finance Offices (FO), U.S. Property and Fiscal Offices (USPFOs) information regarding overpayments and W2 reporting. This message applies to all Army personnel paid by the Defense Joint Military Pay System-Active Component (DJMS-AC).

2. In December it is extremely important for W2 processing that any overpayment for a bonus be paid back by Dec EOM, 2011. The Soldiers should be advised to bring back what was deposited so that the bonus will not be reported on the W2 as taxable wages for the year of receipt. The money must be paid back in the same calendar year it was received in order for it not to be reported as taxable wages. Once the payment has been repaid by the Soldiers, DFAS must be notified that the money has been paid back and to refund the taxes and any TSP contribution will need to be pulled back and also applied to the debt. Then, the W2 taxable wages will be reduced by the debt amount. If the overpayment is not paid back in the same calendar year. The wages must remain a part of the W2 for year of receipt. Per IRS Regulation Publication 15, section 13, Wage Repayment, Employee reporting of repayment, The wages paid in error in the prior year remain taxable to the employee for that year. The employee is not entitled to file an amended return (W2C) to recover the income tax on the wages reported. Instead, the employee is entitled to a wage reduction for the year of repayment.

3. Again, it is extremely important that the money be paid back in the same calendar year it was received, member only needs to bring back what was received or deposited.

4. POC for this message is DFAS-IN.SYSTEMS@DFAS.MIL