

## Wage Overpayment Indebtedness — Tax Treatment

When a Postal Service™ employee is overpaid, the United States Postal Service® establishes an account receivable for the overpayment and initiates the collection of the debt from the employee through the process described in the *Employee and Labor Relations Manual* (ELM), in either ELM 450, “Collection of Postal Debts From Non-bargaining Unit Employees by Salary Offset,” or ELM 460, “Collection of Postal Debts From Bargaining Unit Employees by Salary Offset.”

If the overpayment occurred in a prior year, the Postal Service bills the employee for the gross amount of the overpayment. The gross amount includes the net amount of the check or direct deposit plus all payroll-related taxes withheld and other miscellaneous deductions or allotments. The wages paid in error in the prior year remain W-2 reportable and taxable to the employee for that year. This is because the employee received and had use of those funds during that year. If repayment is made within 3 years of the issuance of the W-2 that includes the overpayment, the employee is entitled to a refund of Social Security (if applicable) and Medicare taxes from the Postal Service. The employee is not entitled to file an amended return (Form 1040X) to recover the federal income tax paid on

these wages. Instead, the employee may be entitled to a deduction (or credit in some cases) for the repaid wages on his or her income tax return for the year of repayment (Internal Revenue Service Publication 15). Employees are encouraged to seek the services of a qualified tax preparer if they have questions.

If the overpayment occurred in the current year, the Postal Service *initially* bills the employee for *only* the net value of the overpayment; thus, federal, state, local, Social Security (if applicable), and Medicare taxes are not part of the bill. However, if an employee has not fully repaid the overpayment by the end of the tax year (December 31, 2022), the Postal Service must report the unreturned value of the overpayment as taxable income on the employee’s Form W-2. Additionally, the employee must now pay appropriate federal, state, local, and FICA/Medicare taxes on the remaining value of the unpaid debt. The Postal Service establishes a second account receivable at the close of the tax year for the value of the taxes the employee owes related to the unpaid debt. The Postal Service uses the debt collection processes in ELM 450 and ELM 460 to collect the additional debt.

— Payroll, Controller, 12-15-22

## Mailing and Shipping Services

### Priority Mail Express Holiday Refund Eligibility

During the holidays, increased volume and weather conditions may affect the Postal Service’s ability to transport all Priority Mail Express® 1-day shipments. Like our competitors, the Postal Service™ has an adjusted postage refund policy for Priority Mail Express items sent from December 22 through December 25, 2022.

While the Postal Service fully expects Priority Mail Express 1-day service to remain where available, postage will not be refunded unless the first delivery attempt or

delivery occurs more than two delivery days after the acceptance scan event. For questions about this policy, send an email to [ShippingServices@usps.gov](mailto:ShippingServices@usps.gov).

Additionally, beginning July 1, 2023, USPS® Corporate Accounts will no longer be available as a payment method. Customers must switch to a new method of payment as soon as possible. For assistance with account migration, contact the sales representative for your territory or send an email to the Mailing and Shipping Services Center at [MSSC@usps.gov](mailto:MSSC@usps.gov).

— Shipping and Commerce Product Management,  
Business Solutions, 12-15-22