



Quick Guide to Payroll Inclusions & Exclusions

Workers' Compensation premium for the most part is based on payroll. Your policy is initially written on estimated payroll. An audit is conducted at the end of your policy period in order to determine your actual payroll and thus your final premium. Payroll includes more than just salaries and wages. Below is a listing of common payroll inclusions and exclusions.

Payroll includes:

- Salaries or wages
- Commissions
- Bonuses
- Overtime pay (see Payroll Exclusions for exception)
- Holiday, vacation and sick pay
- Payments made on any basis other than time worked, such as piecework, profit sharing or incentive plans
- Hand tool allowances
- Rental value of an apartment or lodging
- Payments for salary reduction, employee savings plans, retirement or cafeteria plans (IRC 125)
- Davis-Bacon wages
- Expense reimbursements to employees to the extent that an employer's records do not confirm that the expense was incurred as a valid business expense.
- Payments in lieu of providing health insurance

Payroll excludes:

- Tips or gratuities
- The extra pay for overtime. Extra pay is the difference between the regular pay rate and the overtime pay rate multiplied by the number of overtime hours worked.
- Payments into a third-party trust for the Davis-Bacon Act
- Severance pay
- Pay for active military duty
- Expense reimbursements to the extent that the records confirm that the expense was incurred as a valid business expense
- Third-party sick pay
- Perks such as company-provided automobiles
- Tuition reimbursement

The above lists represent only the most common payroll items. For questions on any payroll item not listed above or for more information, please contact Beacon's Premium Audit Department at 401-825-2732.

Adapted from the NCCI Basic Manual 2001 Edition