



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

6.550.1

MARCH 31, 2022

## EFFECTIVE DATE

(03-31-2022)

## PURPOSE

- (1) This transmits revised IRM 6.550.1, Pay Administration (General).

## MATERIAL CHANGES

- (1) The section pertaining to severance pay (formerly IRM 6.550.1.4) has been removed from this IRM and placed in new IRM 6.550.3, Severance Pay. All sections have been updated to remove references to severance pay. Sections after the former 6.550.1.4 have been renumbered.
- (2) IRM 6.550.1.1.3(6) removes employee responsibility regarding Religious Compensatory Time (RCT) since it is stated in the RCT policy
- (3) IRM 6.550.1.2.1 adds ability to make allotments for other legal purposes.
- (4) IRM 6.550.1.5 provides specific timeframe (13 pay periods) throughout section.
- (5) IRM 6.550.1.5.2 updates requirements for RCT to be in line with regulatory changes.
- (6) IRM 6.550.1.5.3(4) clarifies when an action can be corrected.
- (7) IRM 6.550.1.5.6 provides clarifying language for when attorney fees may be requested and paid.
- (8) IRM 6.550.1.8 provides expanded information previously found in IRM 6.630.1, Absence and Leave.
- (9) Editorial changes throughout to update organizational names, references, hyperlinks, and terminology.

## EFFECT ON OTHER DOCUMENTS

This IRM supersedes IRM 6.550.1, Pay Administration (General), issued October 18, 2019, and Interim Guidance on Religious Compensatory Time previously contained in HCO-06-0620-0011, issued September 3, 2020. The section pertaining to severance pay (formerly 6.550.1.4) has been removed from this IRM and placed in new IRM 6.550.3, Severance Pay.

## AUDIENCE

All business units.

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IRS Human Capital Officer



6.550.1

Pay Administration - General

## Table of Contents

6.550.1.1 Program Scope and Objectives

6.550.1.1.1 Background

6.550.1.1.2 Authority

6.550.1.1.3 Roles and Responsibilities

6.550.1.1.4 Program Management and Review

6.550.1.1.5 Program Controls

6.550.1.1.6 Definitions

6.550.1.1.7 Related Resources

6.550.1.2 Allotments from Federal Employees

6.550.1.2.1 Allotments - General Provisions

6.550.1.2.2 Allotments - Limitations

6.550.1.3 Pay from More than One Position

6.550.1.4 Back Pay - Applicability

6.550.1.4.1 Back Pay - Coverage

6.550.1.4.2 Back Pay - Definitions

6.550.1.4.3 Determining Entitlement to Back Pay

6.550.1.4.4 Back Pay Computations

6.550.1.4.5 Back Pay Interest Computations

6.550.1.4.6 Back Pay - Payment of Reasonable Attorney Fees

6.550.1.4.7 Back Pay - Prohibition Against Setting Aside Proper Promotions

6.550.1.5 Adjustment of Work Schedules for Religious Observances

6.550.1.5.1 Compensatory Time Off for Religious Observances - Overview

6.550.1.5.2 Compensatory Time Off for Religious Observances - Requirements

6.550.1.6 Collection by Offset from Indebted Government Employees

6.550.1.7 Lump-sum Payment for Accumulated and Accrued Annual Leave



6.550.1.1  
(10-18-2019)  
**Program Scope and Objectives**

- (1) **Purpose:** This IRM provides Servicewide policy, standards, requirements, and guidance relating to the administration of pay. This IRM must be read and interpreted in accordance with pertinent law, Government-wide regulations, Treasury Human Resources Directives, as well as applicable case law. The material in this chapter is generally organized consistent with the order of regulations contained in 5 CFR Part 550. As required, this guidance will be supplemented periodically by interim policy guidance from the IRS Human Capital Office.
- (2) **Audience:** Unless otherwise indicated, the policies, authorities, procedures, and instructions contained in this IRM apply to all business units. Bargaining unit employees should review negotiated agreement provisions relating to subjects in this IRM. Should any of these instructions conflict with a provision in the negotiated agreement, the agreement prevails.
- (3) **Policy Owner:** The IRS Human Capital Officer.
- (4) **Program Owner:** Human Capital Office (HCO), Office of HR Strategy (OHRs), Policy and Audits (P&A).
- (5) **Primary Stakeholders:** HCO, Office of HR Operations (OHRO), Talent Acquisition (TA), Program Execution Office (PEO).
- (6) **Program Goals:** This IRM is designed to provide IRS guidance relating to general pay administration regulations found in 5 CFR Part 550.

6.550.1.1.1  
(03-31-2022)  
**Background**

- (1) Sections pertaining to severance pay (formerly IRM 6.550.1.4) have been removed from this IRM and placed in new IRM 6.550.3, Severance Pay. The remaining sections apply to general pay administration policies and regulations under 5 CFR Part 550 that are applicable to all employees.

6.550.1.1.2  
(03-31-2022)  
**Authority**

- (1) **Laws:** U.S. Code (USC) at <http://uscode.house.gov/browse.xhtml>
  - a. Title 5, Government Organization and Employees
    - 5514 - Installment deduction for indebtedness to the United States
    - 5525 - Allotment and assignment of pay
    - 5533 - Dual pay from more than one position; limitations; exceptions
    - 5550a - Compensatory time off for religious observances
    - 5551 - Lump-sum payment for accumulated and accrued leave on separation
    - 5552 - Lump-sum payment for accumulated and accrued leave on entering active duty; election
    - 5596 - Back pay due to unjustified personnel action
    - 6306 - Annual leave; refund of lump-sum payment; recredit of annual leave
  - b. Title 31, Money and Finance
    - 3702 - Authority to settle claims
- (2) **Regulations:** Title 5, Code of Federal Regulations (CFR) at <https://www.ecfr.gov/current/title-5/chapter-I/subchapter-B>,

- a. Part 550 - Pay Administration (General)
  - Subpart C - Allotments From Federal Employees
  - Subpart E - Pay From More Than One Position
  - Subpart H - Back Pay
  - Subpart J - Compensatory Time Off for Religious Observances
  - Subpart K - Collection by Offset From Indebted Government Employees
  - Subpart L - Lump-Sum Payment for Accumulated and Accrued Annual Leave
- b. Part 178 - Procedures for Settling Claims
  - Subpart A - Administrative Claims - Compensation and Leave, Deceased Employees' Accounts and Proceeds of Canceled Checks for Veterans' Benefits Payable to Deceased Beneficiaries

- (3) **Delegation of Authority:** Delegation Order 6-23, Delegations of Authority to Accomplish Pay Administration. (See IRM 1.2.2.7.13.)

6.550.1.1.3  
(03-31-2022)  
**Roles and  
Responsibilities**

- (1) The Human Capital Officer is the executive responsible for this IRM and overall Servicewide policy for pay administration.
- (2) The HCO, OHRS, P&A is responsible for developing, maintaining and publishing content in this IRM.
- (3) The HCO, OHRO, HR Shared Services (HRSS) is responsible for administering the payment of salaries covered in this IRM, offset procedures, and providing systems, tools, and all related instructions to accomplish proper recordation of time off for religious observances on official source documents from which an employee is paid (such as, time and attendance (T&A) documents, personnel action requests (PAR)).
- (4) All managers are responsible for ensuring government resources are used efficiently and effectively, with minimum potential for waste, fraud, and mismanagement. They must administer procedures covered in this IRM with integrity and in compliance with applicable laws, regulations, and policies.
- (5) Employees are responsible for ensuring their time and attendance is entered into the T&A system accurately, reviewing their Statement of Earnings and Leave and SF-50s, and immediately notifying their manager of any discrepancies.

6.550.1.1.4  
(03-31-2022)  
**Program Management  
and Review**

- (1) This IRM provides policy guidance on general pay administration for the IRS. The P&A Office gauges the effectiveness of this policy based on feedback from customers and program owners about subjects contained in this IRM. During review and publishing of this IRM, sections are revised, added or deleted based in part on this process.

6.550.1.1.5  
(03-31-2022)  
**Program Controls**

- (1) The P&A Office develops policies, materials and programs to increase Servicewide awareness and understanding of general pay administration. Additionally, P&A collaborates with other HCO organizations and Servicewide stakeholders to support education and outreach activities as they relate to general pay administration.

6.550.1.1.6  
(10-18-2019)  
**Definitions**

- (1) Definitions are provided in each subsection as relevant.

6.550.1.1.7  
(10-18-2019)  
**Related Resources**

- (1) IRS Source at: <https://irssource.web.irs.gov/Pages/Home.aspx>
- (2) Office of Personnel Management (OPM) Pay & Leave Fact Sheets at: <https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/#url=Fact-Sheets>

6.550.1.2  
(12-10-2009)  
**Allotments from Federal Employees**

- (1) The definitions used in the following provisions are the same as those at 5 CFR 550.301, Definitions.

6.550.1.2.1  
(03-31-2022)  
**Allotments - General Provisions**

- (1) Under the provisions at 5 USC 5525 and 5 CFR 550, subpart C, employees must be allowed to make payroll allotments for the following purposes:
  - a. Dues to a labor organization under 5 USC 7115
  - b. Dues to an association of management officials and/or supervisors under 5 CFR 550.331
  - c. Charitable contributions to Combined Federal Campaign under 5 CFR 550.341
  - d. Income tax withholding under 5 CFR 550.351
  - e. Allotments to an employee's personal account(s) at a financial organization
  - f. Child support and/or alimony payments under 5 CFR 550.361
  - g. A flexible benefit plan established by OPM under 26 USC section 125
  - h. To pay an employee's share of Federal Employees' Health Benefits premiums, consistent with 5 CFR 892.301
- (2) In addition to the allotments in (1), employees may be permitted to make an allotment for legal purposes deemed appropriate by the head of the agency (or designee).

6.550.1.2.2  
(12-10-2009)  
**Allotments - Limitations**

- (1) 5 CFR 550.312 defines the limitations and requirements for making such allotments.

6.550.1.3  
(10-18-2019)  
**Pay from More than One Position**

- (1) Per 5 USC 5533 and 5 CFR 550, subpart E, federal employees are prohibited from receiving pay from more than one federal government source when the total number of hours worked exceeds 40 in a week.
- (2) These restrictions do not apply to pay:
  - a. From a position for services performed under emergency conditions relating to health, safety, protection of life and property, or national emergency; or
  - b. When a department, agency, or the government of the District of Columbia encounters difficulty in obtaining employees to perform the required personal services as described in 5 USC 5533(a).
- (3) The authority to approve exceptions for employees to receive pay from more than one position for more than 40 hours a week (dual employment) is

delegated to HCO, Talent Acquisition (TA), Associate Directors (ADs) or equivalent for employees they service and may not be redelegated. This authority is found in Delegation Order 6-23 (see IRM 1.2.2.7.13).

- (4) Per General Legal Services (GLS) opinion dated March 26, 1999, IRS employees are restricted from working for the U.S. Census Bureau.
- (5) The authority to request a waiver of the Dual Compensation Act (dual pay and dual employment) through the U.S. Department of the Treasury to OPM to reemploy retired military and civilian personnel without loss of pay or annuity, as provided by the Federal Employees Pay Comparability Act of 1990, is delegated to the Director, HCO, P&A and may not be redelegated. (See IRM 1.2.2.7.13, Delegation Order 6-23.)
- (6) The Postal Reorganization Act, 39 USC 1001(d) allows for an employee of the Government of the United States to be eligible to serve and receive pay concurrently as an officer or employee of the Postal Service (other than as a member of the Board or of the Postal Regulatory Commission) and as an officer or employee of any other department, agency, or establishment of the Government of the United States.

6.550.1.4  
(12-10-2009)

#### **Back Pay - Applicability**

- (1) The guidance and procedures for processing back pay, as provided by 5 USC 5596 and 5 CFR 550, subpart H, authorize the payment of back pay, interest, and reasonable attorney fees for the purpose of making an employee financially whole (to the extent possible) when, on the basis of a timely appeal or an administrative determination (including a decision relating to an unfair labor practice or a grievance), the employee is found by an appropriate authority to have been affected by an unjustified or unwarranted personnel action that resulted in the withdrawal, reduction, or denial of all or part of the pay, allowances, and differentials otherwise due to the employee. This guidance should be read and applied together with the cited law and regulations.
- (2) Back pay does not apply to any reclassification action.

6.550.1.4.1  
(12-10-2009)

#### **Back Pay - Coverage**

- (1) This guidance applies to all IRS employees who make back pay claims including former employees.

6.550.1.4.2  
(10-18-2019)

#### **Back Pay - Definitions**

- (1) The definitions at 5 CFR 550.803 apply for this section.
- (2) **Appropriate authority:** an entity having authority in the case at hand to correct or direct the correction of an unjustified or unwarranted personnel action, including:
  - a. A court;
  - b. The Comptroller General;
  - c. The Office of Personnel Management;
  - d. The Merit Systems Protection Board;
  - e. The Equal Employment Opportunity Commission;
  - f. The Federal Labor Relations Authority and its General Counsel;
  - g. The Foreign Service Labor Relations Board;
  - h. The Foreign Service Grievance Board;
  - i. An arbitrator in a binding arbitration case; and
  - j. The head of the employing agency or another official of the employing agency to whom such authority is delegated.

**Note:** The authority to approve personnel actions for corrective action in any personnel matter, including cases involving classification actions, retroactive promotions, and back pay, is delegated to HCO, TA, ADs or equivalent for employees they service. In the absence of these officials, this authority may be redelegated to HR Specialists. (See IRM 1.2.2.7.13, Delegation Order 6-23.)

- (3) **Employee:** a person holding a position in or under an Executive agency when used to describe an individual making a back pay claim. It also may mean a former employee.
- (4) **Pay, allowances, and differentials:** pay, leave, and other monetary employment benefits to which an employee is entitled by statute or regulation and which are payable by the employing agency to an employee during periods of federal employment. (See 5 CFR 550.803 for full definition.)
- (5) **Unjustified or unwarranted personnel action:** an act of commission or an act of omission (that is, failure to take an action or confer a benefit) that an appropriate authority subsequently determines, based on substantive or procedural defects, to have been unjustified or unwarranted under applicable law, executive order, rule, regulation or mandatory personnel policy established by an agency or through a collective bargaining agreement. Such actions include personnel actions and pay actions (alone or in combination).

6.550.1.4.3  
(03-31-2022)  
**Determining Entitlement  
to Back Pay**

- (1) When an appropriate authority has determined that an employee was affected by an unjustified or unwarranted personnel action, the employee shall be entitled to back pay only if the unjustified or unwarranted personnel action resulted in the withdrawal, reduction, or denial of all or part of the pay, allowances, and differentials to which the employee would otherwise have been entitled. The criteria for such determinations are found at 5 CFR 550.804.

**Note:** It's important to determine the claim is timely under 5 CFR 178.104, Statutory Limitations on Claims. 31 USC 3702(b), sometimes referred to as the Barring Act, specifies claims must be received by the appropriate official or agency within six years after the claim accrues to be considered timely, while the Back Pay Act determines the maximum amount of back pay an employee may receive pursuant to a timely filed claim.

- (2) The requirement for a timely appeal is met when:
  - a. The employee or their representative initiates an appeal or grievance under an appeal or grievance system, including appeal or grievance procedures included in a collective bargaining agreement, a claim against the Government of the United States, a discrimination complaint, or an unfair labor practice charge; and
  - b. An appropriate authority accepts that appeal, grievance, claim, complaint, or charge as timely filed.
- (3) The requirement for an "administrative determination" is met when an appropriate authority determines, in writing, that an employee has been affected by an unjustified or unwarranted personnel action that resulted in the withdrawal, reduction, or denial of all or part of the pay, allowances, and differentials otherwise due the employee.

- (4) An unwarranted or unjustified personnel action is corrected when the appropriate authority, consistent with law, executive order, rule, regulation or mandatory personnel policy established by the IRS or through a collective bargaining agreement, after a review, corrects or directs the correction of the unjustified or unwarranted personnel action that resulted in the loss of pay, allowances, and differentials otherwise due to the employee.
  - a. The pay, allowance, and differentials paid as back pay (including payments made under any grievance or arbitration decision or any settlement agreement) may not exceed that authorized by any applicable law, rule, regulation, or collective bargaining agreement, including any applicable statute of limitations.
  - b. The IRS may not authorize any pay, allowances, and differentials under this subpart in any case for a period beginning more than six years before the date of the filing of a timely appeal, or, absent such filing, the date of the administrative determination that the employee is entitled to back pay, consistent with 31 USC 3702(b). (See also 5 CFR 178.104 and 5 CFR 550.804(e).)
  - c. For back pay claims under the Fair Labor Standards Act (FLSA), an agency must apply the two-year statute of limitations (three years for willful violations) in 29 USC 255a. (See also 5 CFR 178.104, 5 CFR 550.804(e) and 5 CFR 551.702.)

6.550.1.4.4  
(10-18-2019)

#### **Back Pay Computations**

- (1) When an appropriate authority corrects or directs the correction of an unjustified or unwarranted personnel action that resulted in the withdrawal, reduction, or denial of all or part of the pay, allowances, and differentials otherwise due an employee:
  - a. The employee is deemed to have performed service for the IRS during the period covered by the corrective action; and
  - b. The employee is entitled to the pay, allowances, and differentials that would have received if the unjustified or unwarranted personnel action had not occurred.
- (2) An employee shall not be granted more pay, allowances, and differentials than what would have received if the unjustified or unwarranted personnel action had not occurred.
- (3) Except as described in (4) below, the back pay computation may not include any period during which the employee:
  - a. Was not ready, willing, and able to perform their duties because of an incapacitating illness or injury; or
  - b. Was unavailable for the performance of their duties for reasons other than those related to, or caused by, the unjustified or unwarranted personnel action.
- (4) The IRS will grant, upon request of the employee, any sick or annual leave available to the employee for a period of incapacitation resulting from illness or injury.
- (5) HCO, HRSS calculates the net amount of back pay payable to an employee, minus the appropriate offsets and deductions in accordance with regulations in 5 CFR 550.805.

- (6) When computing the amount of back pay, interest will be included in the amount from which deductions for erroneous payments are made, as required by 5 CFR 550.805(f).
- (7) Annual leave restored to an employee in excess of 240 hours (or other maximum leave accumulation as applicable to the employee) is credited to a separate leave account. The employee must schedule and use restored annual leave as provided by 5 CFR 550.805(g)(1) and (2).
- (8) An employee's Thrift Savings Plan account must be corrected consistent with the Federal Retirement Thrift Investment Board regulations. (See 5 CFR 1605 and 5 CFR 1606.)

6.550.1.4.5  
(10-18-2019)  
**Back Pay Interest  
Computations**

- (1) HCO, HRSS calculates the amount of interest due under 5 USC 5596, in accordance with regulations in 5 CFR 550.806.

6.550.1.4.6  
(03-31-2022)  
**Back Pay - Payment of  
Reasonable Attorney  
Fees**

- (1) An employee, or their personal representative, may request payment of reasonable attorney fees related to an unjustified or unwarranted personnel action that resulted in the withdrawal, reduction, or denial of all or part of the pay, allowances, and differentials otherwise due the employee. Such a request may be presented only to the appropriate authority that corrected or directed the correction of the unjustified or unwarranted personnel action. However, if the finding that provides the basis for a request for payment of reasonable attorney fees is made on appeal from a decision by an appropriate authority other than the employing agency, the employee or the employee's personal representative must present the request to the appropriate authority from which the appeal was taken.
- (2) The appropriate authority to which such a request is presented will provide an opportunity for the employing agency to respond to a request for payment of reasonable attorney fees.
- (3) Except as provided in (5) below, when an appropriate authority corrects or directs the correction of an unjustified or unwarranted personnel action that resulted in the withdrawal, reduction, or denial of all or part of the pay, allowances, and differentials otherwise due the employee, the payment of reasonable attorney fees shall be deemed to be warranted only if:
  - a. The payment is in the interest of justice, as determined by the appropriate authority in accordance with standards established by the Merit Systems Protection Board under 5 USC 7701(g); and
  - b. There is a specific finding by the appropriate authority setting forth the reasons such payment is in the interest of justice.
- (4) When an appropriate authority determines that such payment is warranted, IRS will pay attorney fees in an amount determined to be reasonable by the appropriate authority. When an appropriate authority determines that such payment is not warranted, no such payment will be made.
- (5) When a determination is made by an appropriate authority that an employee has been affected by an unjustified or unwarranted personnel action based on a finding of discrimination prohibited under 5 USC 2302(b)(1), the payment of attorney fees will be made in accordance with the standards prescribed under the Civil Rights Act of 1964, as amended (see 42 USC 2000e-5(k)).

- (6) The payment of attorney fees is limited to the services of members of the Bar and for the services of legal professionals assisting members of the Bar. No payment may be allowed for the services of any employee of the federal government, except as provided in 18 USC 205, relating to the activities of officers and employees in matters affecting the government.
- (7) The determination concerning whether the payment of attorney fees is in the interest of justice and the amount of any such payment is subject to review or appeal only if provided for by statute or regulation.

6.550.1.4.7  
(12-10-2009)

**Back Pay - Prohibition  
Against Setting Aside  
Proper Promotions**

- (1) Nothing in 5 USC 5596 or 5 CFR part 550, subpart H, shall be construed as authorizing the setting aside of an otherwise proper promotion by a selecting official from a group of properly ranked and certified candidates.

6.550.1.5  
(10-18-2019)

**Adjustment of Work  
Schedules for Religious  
Observances**

- (1) The policy regarding adjustment of work schedules for religious observances applies to all IRS employees. Employees not serving on a scheduled tour of duty (intermittent) are not eligible for religious compensatory time off (RCT).

6.550.1.5.1  
(03-31-2022)

**Compensatory Time Off  
for Religious  
Observances - Overview**

- (1) Under provisions of 5 USC 5550a and 5 CFR 550, subpart J, an IRS employee whose personal religious beliefs require absence from work during certain periods may elect to work additional hours to make up for absences to meet those religious requirements. Employees may also request annual leave, leave without pay (LWOP), previously earned compensatory time off earned in lieu of overtime, or previously earned credit hours. For a change to accommodate an ongoing religious requirement see Religious Conviction in IRM 6.610.1.
- (2) The pay provisions for overtime work in 5 CFR 550, subpart A, and the Fair Labor Standards Act do not apply to work performed by an employee for this purpose.
- (3) Managers should generally approve employee requests to use and/or earn RCT, unless:
  - a. The employee's presence on the job at the time of the absence is deemed necessary; or
  - b. No reasonable opportunities are foreseen within (13 pay periods) during which the employee will be able to repay the compensatory time; or
  - c. The employee has a current balance of RCT previously earned and has yet to scheduled that time off (in no case will the accumulation of RCT exceed 80 hours unless special circumstances are present); or
  - d. The employee has an outstanding negative balance of RCT and has not yet begun to repay it consistent with the repayment plan.
- (4) An employee may only accumulate the amount of RCT needed to meet their specific religious obligations. It cannot be accumulated in excess of what is required for use nor can it be used to supplement annual leave or circumvent the payment of credit hours, overtime, or compensatory time off in lieu of overtime.

- (5) Advanced RCT balances (outstanding negative balances) should be repaid before approving employees' voluntary requests to earn overtime, compensatory time, or credit hours.

6.550.1.5.2  
(03-31-2022)

**Compensatory Time Off  
for Religious  
Observances -  
Requirements**

- (1) Requirements for requesting and approving RCT are as follows:
- a. Employees must submit a written request to their manager and obtain prior approval to take compensatory time off for a specific religious observance. Employees may email the request or use Form 14451, Request to Earn and Use Religious Compensatory Time (RCT), to notify their manager. Notification should take place 15 calendar days in advance, whenever possible, and will include the following information:
    - The name and/or description of the religious observance for which the absence is being requested;
    - Date(s) and time(s) the employee must abstain from work due to the religious observance; and
    - The date(s) and time(s) the employee plans to work additional hours to earn RCT or to make up for the absence (repayment plan).
  - b. The employee and manager must establish a repayment plan, not to exceed 13 pay periods from the date of the planned RCT use, documenting how the RCT will either be worked in advance of the requested time off or worked after the time off is taken. The repayment plan must show the date(s) and time(s) the employee is requesting to be absent for the religious observance(s) and the date(s) and time(s) the employee will work to repay the RCT used.

**Note:** An employee is permitted to accumulate only the hours of work needed for anticipated absences from work for religious observances that are planned within 13 pay periods. If the date(s) of the requested absence(s) for the religious observance is not identified, the manager should disapprove the request to work RCT.
  - c. When RCT is advanced to an employee, the total amount must be paid back within 13 pay periods, which begins the first pay period after the date on which the RCT was used. If the RCT is not repaid within 13 pay periods, the outstanding time will be charged in the following order as applicable: annual leave, credit hours, compensatory time off in lieu of overtime, compensatory time off for travel, or time off awards. If there is a remaining negative balance, the outstanding time will be converted to LWOP, resulting in a debt subject to the debt collection procedures.
  - d. Managers will monitor the repayment plan to ensure that the employee is repaying the time as agreed.
  - e. In the event that an adjustment to the dates and times of planned additional work hours is required due to unforeseen circumstances, the employee must submit for approval a revised schedule to reflect those changes. Under no circumstance will the repayment plan be extended beyond 13 pay periods.
- (2) RCT may be earned and used in 15-minute increments.
- (3) First-level managers will maintain records of RCT earned and used.

- (4) If advanced RCT is not repaid by the date the employee separates, the outstanding time will be charged in the following order as applicable: annual leave, credit hours, compensatory time off in lieu of overtime, compensatory time off for travel, or time-off awards. If there is a remaining negative balance, an employee must be charged LWOP, resulting in a debt and withheld from any final payments to the separating employee or subject to other debt collection procedures.
- (5) When an employee separates from the Service or transfers to another agency/department with unused RCT to their credit, the employee will be paid for the unused RCT at the rate of basic pay in effect at the time the extra hours of work were performed. This should be a rare instance in that employees should not be allowed to accrue RCT without a specific time frame to use it as noted in (1)(b) above.
- (6) Employees who take advanced RCT for religious observances may subsequently charge that time to annual leave, credit hours, compensatory time off in lieu of overtime, compensatory time off for travel, or time off awards. However, employees who take annual leave, credit hours, compensatory time off in lieu of overtime, compensatory time off for travel, time off awards or LWOP for religious holidays may not subsequently change that to RCT.

6.550.1.6  
(12-10-2009)  
**Collection by Offset  
from Indebted  
Government Employees**

- (1) Debt collection procedures for salary offset will follow the law and regulations at 5 USC 5514 and 5 CFR 550, subpart K. IRS's salary offset procedures are administered by HCO, HRSS.

6.550.1.7  
(03-31-2022)  
**Lump-sum Payment for  
Accumulated and  
Accrued Annual Leave**

- (1) Lump-sum payments for annual leave are administered per 5 USC 5551, 5552, and 6306, and 5 CFR 550, subpart L.
- (2) An employee, including an employee covered under the IRS Payband System, will receive a lump-sum payment for any unused annual leave when they:
  - a. Separate from federal service;
  - b. Die; or
  - c. Transfer to a position that is not covered by subchapter I of chapter 63 of title 5, United States Code, and their accumulated and accrued annual leave cannot be transferred, except as provided in paragraph (3) (See 5 CFR 550.1203 (d) and (e) for additional exceptions).
- (3) An employee, including an employee covered under the IRS Payband System, who enters on active duty in the armed forces may elect to receive a lump-sum payment for accumulated and accrued annual leave or may request to have the annual leave remain to their credit until return from active duty. However, an agency must make a lump-sum payment for any annual leave previously restored under 5 USC. 6304(d) when the employee enters active duty. The agency may not recredit the restored leave when the employee returns to Federal service.
- (4) A lump-sum payment will equal the pay the employee would have received had they remained employed until the expiration of the period covered by the annual leave. This includes any pay adjustments, within grade increases, performance -based increases, premium pay and any additional pay listed in 5 CFR 550.1205(b).

- (5) The time covered by the lump-sum payment is not counted as civilian federal service. The payment is not regarded as salary or compensation and is not subject to retirement deductions, except for tax purposes. In accordance with 5 CFR 550.1205(e), an employee does not earn leave during this period.
- (6) The IRS will project the lump-sum leave period beginning on the first workday (counting any holiday) occurring after the date the employee becomes eligible for a lump-sum payment and counting all subsequent workdays and holidays until the expiration of the period of annual leave. Holidays are counted as regular workdays in projecting the lump-sum annual leave period. An employee is not entitled to pay for holidays during the period covered by a lump-sum payment.
- (7) An employee who is reemployed prior to the end of the lump-sum payment period is required to refund the IRS an amount equal to the gross compensation received for the unexpired portion of the lump-sum leave period. The period covered by the refund begins on the date of reemployment and ends on the expiration of the lump-sum period. The IRS will recredit any leave refunded under this process pursuant to 5 CFR 550.1207(a).

