

MI Public School Payroll Basics: What Every Business Office Staff Member Should Know

Rebecca DePas, CPA CFO

Director of Finance and Operations, Van Buren ISD

Kara Wagner

Finance Supervisor, Van Buren ISD

Foundations of School Accounting

The Regulatory Hierarchy:

- **Bulletin 1022:** Sets the "Chart of Accounts." Every payroll dollar must be coded by *Function* (e.g., 111 for Elementary) and *Object* (e.g., 1000 for Salaries) (2000 for Benefits)
- **ORS RIM:** Governs retirement eligibility. "Reportable" does not always mean "Taxable," and vice versa.
- **IRS website** - GTL, FICA cap, Sick Leave, tax calculator for Fed Withholding

Key Distinction: The School Fiscal Year (July 1–June 30) drives the accounting, but the IRS Calendar Year drives the tax reporting.

Employee Classifications (Bulletin 1022)

Mandatory Subcategories: Per MCL 388.1618, you must distinguish between:

- **Instructional Staff:** Teachers of record (requires certification verification).
- **Support Services:** Paraprofessionals, bus drivers, and custodians.
- **Administrative:** Superintendents and business office staff.

Audit Trail: Maintain the "Master Employee Schedule" to link payroll records to classroom assignments—a primary focus for pupil accounting auditors.



Used to tie out payroll and ensure employee groups are accurate. Tie to budget, used in budget projections, negotiations.

Contract vs. Hourly Pay Logic

- **Compliance Tip:** Use the correct DTL2 record dates to ensure service credit is applied to the fiscal year in which the work was performed.
- First day after the last payroll date
 - a. Example Last Pay Date = 2/6/26
 - b. Beg Date: 2/7/26
 - c. End Date 2/20/26
- End Date is the PAYROLL DATE (ALWAYS)
- Not necessarily the same as your payroll period dates

Hourly Accuracy: Non-exempt staff must have actual hours worked reported. The ORS uses these hours to calculate "Service Credit" (capped at 1,020 hours per year).

Pay Cycle Reporting

Monday	Tuesday	Wednesday	Thursday	Friday
				Payday!
1	2	3 <i>Deadline to submit report</i>	4	5 <i>Deadline to accept payroll report</i>
6	7 <i>Deadline for pay cycle payment to ORS</i>	8	9	10 <i>Deadline to post DB and DC payroll records at ORS</i>

Employment Class Codes

The codes are organized into job categories:

1100s: Administration – Salaried

Ex: Superintendent, Principal, Director

1200s: Professional-Educational Ex: Curriculum, Counseling, Teachers

1300s: Professional – Business
Ex: Business Manager, CFO, Accounting

1400s: Professional – Other

Ex: School Nurse, Physical Therapist, Social Worker

1500s: Technical

Ex: Coaches

1600s: Operation and Service

Ex: Secretary, Bus Driver, Aide, Custodian, Food service

1790: Other Special Payments

Ex: 27L2 Bonus

1800s: Temporary Salaried

Ex: Interim Superintendent not retired

1900s: Overtime

Ex: Overtime for salary workers
Only used with wage codes 09, 15, & 16.

Wage Codes

01: Regular Wages

05: Regular Wages Positive Adjustment

06: Regular Wages Negative Adjustment

07: Retiree Wages

08: Summer Spread Wages

09: Wages without Hours

11: Coaching Wages

15: Wages Without Hours Positive Adjustment

16: Wages Without Hours Negative Adjustment

25: Coaching Wages Positive Adjustment

26: Coaching Wages Negative Adjustment

75: Retiree Wages Positive Adjustment

76: Retiree Wages Negative Adjustment

85: Summer Spread Wages Positive Adjustment

86: Summer Spread Wages Negative Adjustment

Employees new to MPSERS

- **Always** search a new employee's social security number in ORS to be sure of the employee's enrollment MPSERS.
- Employees have a 75 day election window to choose their retirement plan.

[Adjusting posted DTL4](#)

[Adjusting posted DTL2](#)

- Employees can choose the **Defined Contribution Plan** at any time, even in the middle of a payroll cycle.
- Employees automatically default to the **Pension Plus 2 Plan** if no selection is made.
- Review the **View DC Feedback File** regularly to ensure contribution rates are accurate.

- The **View DC Feedback File** may show a delayed pay period effective date.
- Make sure the new retirement plan is updated in your financial system before the next payroll cycle.
- If an employee elects the Defined Contribution Plan, you must adjust prior payroll records.

ORS Reporting – The "DTL" Duo

DTL2 (DB Wage & Service):

- Reports "Reportable Compensation" (Base pay, longevity, merit pay).
- *New for 2026:* Section 271(2) "Educator Compensation" payments remain fully reportable as compensation.

DTL4 (DC Contributions):

- Reports "Gross Wages" (often higher than DTL2 wages).
- **SECURE 2.0 Catch-up:** In 2026, employees earning >\$150k in 2025 must have catch-up contributions directed to a **Roth** account. ORS will flag these via the "DC Feedback File."

ORS Payments

DB & DC Payments:

- There is a drop down box where you select either **DB Contributions & TDP** or **DC Contributions** from the drop down menu.
- Separate fields are provided to distinguish employee and employer contribution amounts for each payment type.

The Pay Cycle Statement

Detail Discrepancy Report

Match ORS Payroll Contributions to ORS System

- Very common for these not to match as employees default / changes in rates / payroll errors happen
- ORS will always determines contributions owed regardless of what you withhold during payroll processing (reconciling this is VERY important)

Report Totals for Regular and Adjustments [Download Detail](#)
Total Gross Wages

Detail Discrepancy Report



Once logged into ORS,
Click on "Work on Reports"

ORG Fix Required	Status	% Complete DB	% Complete DC	Date Submitted	Begin Date / End Date	Delete	Edit	Report Accepted	Edit Report	View Totals
Yes	Suspended	99.45	99.84	02/20/2026	02/07/2026 - 02/20/2026	delete	edit	02/24/2026	View Report	View Totals/Accept
N/A	Suspended	99.55	100.00	02/04/2026	01/24/2026 - 02/06/2026	delete	edit	02/10/2026	View Report	View Totals/Accept
N/A	Suspended	99.68	100.00	01/21/2026	01/10/2026 - 01/23/2026	delete	edit	01/28/2026	View Report	View Totals/Accept
N/A	Accepted	99.84	100.00	01/09/2026	12/27/2025 - 01/09/2026	delete	edit	01/12/2026	View Report	View Totals/Accept

Posted Reports

Select the
Payroll Record
you want to
download

Adjusted Member PHF Roth Contributions
Adjusted Employer PHF Contributions
Adjusted TDP Deduction Amount
Report Totals for Regular and Adjustments Download Detail
Total Gross Wages
Total Gross Wages (Retirees)
Total Member DB Contributions
Total Member DC Contributions
Total Member DC Roth Contributions
Total Member UAAL Contributions
Total Employer DB Contributions
Total Employer DC Contributions
Total Member PHF Contributions
Total Member PHF Roth Contributions
Total Employer PHF Contributions
Total TDP Deduction Amount
<input checked="" type="button" value="Accept"/> <input type="button" value="Unaccept"/>
REMINDER : Once you have accepted a report and any records po

Scroll down, Click
"Download Detail"

Common Compliance "Trapdoors"

Small Steps Campaign (March 2026): * Automatic 1% increase in DC contributions for eligible members.

- Payroll must process these in the first available pay period in March unless the employee opted out by February.

Working After Retirement: Use Class Code **8000** for Weekly Workers' Comp (WWC) and specific codes for retirees to avoid pension suspension.

Common Compliance "Trapdoors"

Normal Salary Schedule (NSI): ORS checks if a 2026 salary increase exceeds the "Normal" rate (NSI). If you pay a bonus not in the board-approved schedule, it may be deemed "Non-Reportable."

Late Interest: The 2026 interest rate on late ORS payments is **6%**. Ensure ACH limits are high enough for UAAL (Unfunded Actuarial Accrued Liability) payments.

TDP Interest: On July 1, any outstanding Tax-Deferred Payment (TDP) balances are hit with 8% compound interest. Update your software balances on July 1 sharp.

First payroll date after Oct 1 rates change: be aware

- Small Steps March
- 19 year olds
- Terminated for Voya
- Student Works & Retirees
- Worker Comp
- Cross reference 457 / 403b contribution limits. ORS and third party
- DC Forfeiture Credit in Spring(ish)
- DC and PHF are added together when calculating yearly limit.

Scenario	Report	Do Not Report	Notes
Student employee 19 or older , not enrolled full time at your reporting unit	<input checked="" type="checkbox"/> Yes		Considered a MPSERS member
Student 19 or older , enrolled full time at a different reporting unit , working for you	<input checked="" type="checkbox"/> Yes		Not exempt just because they are full-time elsewhere
Student 19 or older , working during summer, not enrolled in summer school full time	<input checked="" type="checkbox"/> Yes		Must be reported unless they are full-time students in summer school
Employee under 19 , working in a permanent position , not a student	<input checked="" type="checkbox"/> Yes		Not excluded from reporting
Employee under 19 , in a temporary/intermittent/seasonal/athletic position		<input checked="" type="checkbox"/> No	Excluded, whether student or not
Employee of any age , enrolled full-time and attending classes at your reporting unit		<input checked="" type="checkbox"/> No	Exempt from MPSERS reporting

When an Employee Retires/Terminates

FPD (Final Payroll Detail): The "Exit Interview" of payroll. Ensure final wages and termination dates match exactly to avoid delaying a staff member's first pension check.

DTL 4 for resignation

Benefits

Payroll Contract Payout

Federal Payroll Tax Obligations (UIA/MiUI & 941s)

The IRS requires schools to report and pay Federal Income Tax (FIT), Social Security, and Medicare (FICA).

- **Form 941 (Employer's Quarterly Federal Tax Return):**
 - **Purpose:** Reports wages, FIT withholding, and FICA (6.2% Social Security / 1.45% Medicare for both employer and employee).
 - **2026 Deadlines:** April 30, July 31, Nov 2*, and Feb 2, 2027. (*Extended for weekend/holiday*).
- **Form 940 (FUTA):**
 - **Note:** Most public schools are **exempt** from Federal Unemployment Tax, but you must still track "State Unemployment" (MiUI) per Michigan Law.
- **Deposit Schedule:** Most districts are **Semi-Weekly** depositors. If your tax liability was >\$50,000 in the lookback period, you must deposit within 3 days of pay date via **EFTPS**.

941 Balance Sheet

A	B	C	D	E	F	G	H	I	J	K	N	O	P	Q	R	S
PAY CODES/DEDUCTIONS	FIT Wages		FICA Wages		1/9/26	1/23/26	2/6/26	2/20/26	MARCH	MARCH						
GROSS	5,370,201.88		5,370,201.88		1,259,872.29	1,283,733.93	1,432,823.91	1,393,771.75			5,370,201.88					
BOARD PAID 403B	(9,516.64)		(9,516.64)		2,379.16	2,379.16	2,379.16	2,379.16			9,516.64					
403B	(104,413.76)		don't include		26,321.89	25,387.49	26,214.69	26,489.69			104,413.76					
457	(10,992.70)		don't include		2,681.79	2,681.79	2,814.56	2,814.56			10,992.70					
DC-MC	(215,136.35)		don't include		49,575.34	51,598.70	57,747.28	56,215.03			215,136.35					
.HSA	(106,698.18)		(106,698.18)		27,170.10	28,192.88	25,220.10	26,115.10			106,698.18					
MIP	(224,682.69)		don't include		53,332.98	53,463.93	59,301.46	58,584.32			224,682.69					
PHFMC	(51,279.15)		don't include		11,630.80	11,951.26	14,066.46	13,630.63			51,279.15					
PRE TAX MEDICAL INS	(226,011.29)		(226,011.29)		56,400.99	56,462.56	56,829.03	56,318.71			226,011.29					
TDP	(1,600.00)		don't include		400.00	400.00	400.00	400.00			1,600.00					
STUDENT/XFICA	don't include		(14,027.69)		2,453.56	2,971.38	3,697.48	4,905.27			14,027.69					
3RD PARTY SICK LEAVE		Have to include	0.00	only												
		taxable income		include if												
		column on Messa	Need Daily Tax	taxes taken												
		Disability Tax Report	Report for													
			Amount	ERP	1,171,468.48	1,193,727.95	1,344,698.14	1,304,053.51				Enter from taxable amount on deduction summary report				
FIT WAGES	4,419,871.12	MCT WAGES	5,013,948.08	FICA	1,171,468.48	1,193,727.95	1,344,698.14	1,304,053.51			5,013,948.08					
					-	-	-	-			(5,013,948.08)					
MI State Wages	4,419,871.12	SS WAGES	5,013,948.08	ERP	1,029,979.24	1,051,216.16	1,187,851.17	1,150,824.55				Enter from taxable amount on deduction summary report				
				FIT	1,029,979.24	1,051,216.16	1,187,851.17	1,150,824.55			4,419,871.12					
					-	-	-	-			(4,419,871.12)					
				ERP MIT	1,029,979.24	1,051,216.16	1,187,851.17	1,150,824.55								
					-	-	-	-			4,419,871.12					

	A	B	C	D	E	F
1	PAY CODES/DEDUCTIONS	FIT Wages		FICA Wages		1/9/26
2	GROSS	5,370,201.88		5,370,201.88		1,259,872.29
3	BOARD PAID 403B	(9,516.64)		(9,516.64)		2,379.16
4	403B	(104,413.76)		don't include		26,321.89
5	457	(10,992.70)		don't include		2,681.79
6	DC-MC	(215,136.35)		don't include		49,575.34
7	.HSA	(106,698.18)		(106,698.18)		27,170.10
8	MIP	(224,682.69)		don't include		53,332.98
9	PHFMC	(51,279.15)		don't include		11,630.80
10	PRE TAX MEDICAL INS	(226,011.29)		(226,011.29)		56,400.99
11	TDP	(1,600.00)		don't include		400.00
12	STUDENT/XFICA	don't include		(14,027.69)		2,453.56
13	3RD PARTY SICK LEAVE		Have to include	0.00	only	
14			taxable income		include if	
15			column on Messa	Need Daily Tax	taxes taken	
16			Disabiliy Tax Report	Report for	ERP	1,171,468.48
17	FIT WAGES	4,419,871.12	MCT WAGES	5,013,948.08	FICA	1,171,468.48
18						-
19						-
20	MI State Wages	4,419,871.12	SS WAGES	5,013,948.08	ERP	1,029,979.24
21					FIT	1,029,979.24
22						-
23						-
24					ERP MIT	1,029,979.24
25						-
26						-

Michigan State & Local Tax Requirements

Form MI-W4: You **must** have a state-specific MI-W4 on file for every employee; do not use the federal version for state withholding.

Withholding Rate: 4.25% for 2026.

Payment & Filing (Michigan Treasury Online - MTO):

- **Form 501 (Payment Voucher):** Used for monthly/quarterly tax deposits.

Form 165 (Annual Return): Due February 28, 2027. This reconciles all MI withholding for the 2026 calendar year.

City Taxes: If the district is located in a city with a local income tax (e.g., Detroit, Grand Rapids, Lansing), you are required to withhold for both residents and non-residents working in the city.



Year-End Reporting (W-2s and 1099s)

The end of the calendar year is the "Final Exam" for payroll accuracy.

- **Form W-2 (Wage and Tax Statement):**
 - **Deadline:** January 31, 2027 (to both employees and the SSA).
 - **School Specifics:** Ensure Box 12 includes code **BB** for Roth 403(b) and Roth 457(b) or **G** for 457(b) contributions, which are increasingly common in the MPSERS DC plan.
- **Form W-3:** The transmittal form sent to the SSA with all W-2s. Electronic filing is **mandatory** for 10 or more forms.
- **Form 1099-NEC:** Used for non-employee compensation (e.g., referees, guest speakers). Due January 31.
- **Audit Check:** Your four quarterly 941s **must** equal your annual W-3 totals. Discrepancies here are the #1 trigger for IRS "B-Notices."

Tax Compliance Checklist for 2026

- **Social Security Wage Base:** For 2026, the limit is **\$184,500**. Monitor high-earning administrators to ensure withholding stops at this cap.
- **Medicare "Add-on":** An additional 0.9% tax applies once an employee earns over \$200,000.
- **Exemption Verification:** Remind staff that "Exempt" W-4 statuses expire annually on **February 17, 2026**. If they don't provide a new form, you must withhold at "Single or Married Filing Separately" with no other adjustments.

Fiscal Year End and Audit Items

- Payroll Accruals
 - Depends on Classification of Employees
 - Take first pay in July and analyze
- UAAL (July/August)
 - Don't forget to book liability to match your State Aid Status Payments
 - Consider: Does payroll charge UAAL or is it hand entered
- Balance Liability Accounts
 - Ensure YE balance is correct
 - Adjust as necessary
- Last pay in June: did your withholdings clear the bank?
 - May need to accrue for the payment that has not cleared
- Payroll Sample: Received from Auditor
 - Photo ID (birthdate)
 - ORS Member Plan
 - Payroll Details
 - Backup documentation

Union Agreements

- Ensures accurate pay calculations
- Proper handling of step and lane movements
- Compliance with contractually required deductions
- Correct overtime and extra duty payments
- Leave payouts and accrual tracking
- Health insurance and retirement contributions
- Avoidance of grievances and arbitration
- Budget accuracy and forecasting
- Retroactive pay compliance
- Maintains trust and labor relations
- Legal and regulatory compliance
- Audit readiness and transparency

Thank you!

Rebecca DePas, Director of Finance
Van Buren ISD
rdepas@vbisd.org
269-539-5204

Kara Wagner, Finance Supervisor
Van Buren ISD
kwagner@vbisd.org
269-539-5126