

**IOWA WORKFORCE DEVELOPMENT
UNEMPLOYMENT INSURANCE APPEALS BUREAU**

JAMES B LUND
Claimant

STANLEY CONSULTANTS INC
Employer

APPEAL 17A-UI-10601-H2T

**ADMINISTRATIVE LAW JUDGE
DECISION**

OC: 07/10/16
Claimant: APPELLANT (4)

Iowa Code § 96.5-7 – Vacation Pay

STATEMENT OF THE CASE:

The claimant filed an appeal from the October 28, 2016, (reference 02) unemployment insurance decision that deducted vacation pay from his unemployment insurance benefits. The parties were properly notified about the hearing. A telephone hearing was held on November 2, 2017. Claimant participated. Employer participated through Wendy Brendel, Human Resources Manager; and Stephanie Purdy, Payroll Administrator. Department's Exhibit D-1 was entered into the record.

The claimant's appeal was filed on November 4, 2016, but was not set up by the Appeals Bureau. The claimant's appeal was timely filed.

ISSUE:

Was the vacation pay deducted for the correct period?

FINDINGS OF FACT:

Having reviewed all of the evidence in the record, the administrative law judge finds: Claimant was separated from his employment on July 14, 2016 and filed a claim for benefits with an effective date of July 10, 2016. He was paid accrued paid time off (PTO) pay in the gross amount of \$14, 691.48 representing 249.15 hours in a check dated July 26, 2016. When the employer filed their notice of protest, they did not designate anytime period to which the PTO was to be applied.

REASONINGS AND CONCLUSIONS OF LAW:

For the reasons that follow, the administrative law judge concludes the PTO was deducted for the incorrect period.

Iowa Code section 96.5(7) provides:

An individual shall be disqualified for benefits, regardless of the source of the individual's wage credits:

7. Vacation pay.

a. When an employer makes a payment or becomes obligated to make a payment to an individual for vacation pay, or for vacation pay allowance, or as pay in lieu of vacation, such payment or amount shall be deemed "wages" as defined in section 96.19, subsection 41, and shall be applied as provided in paragraph "c" hereof.

b. When, in connection with a separation or layoff of an individual, the individual's employer makes a payment or payments to the individual, or becomes obligated to make a payment to the individual as, or in the nature of, vacation pay, or vacation pay allowance, or as pay in lieu of vacation, and within ten calendar days after notification of the filing of the individual's claim, designates by notice in writing to the department the period to which the payment shall be allocated; provided, that if such designated period is extended by the employer, the individual may again similarly designate an extended period, by giving notice in writing to the department not later than the beginning of the extension of the period, with the same effect as if the period of extension were included in the original designation. The amount of a payment or obligation to make payment, is deemed "wages" as defined in section 96.19, subsection 41, and shall be applied as provided in paragraph "c" of this subsection 7.

c. Of the wages described in paragraph "a" (whether or not the employer has designated the period therein described), or of the wages described in paragraph "b", if the period therein described has been designated by the employer as therein provided, a sum equal to the wages of such individual for a normal workday shall be attributed to, or deemed to be payable to the individual with respect to, the first and each subsequent workday in such period until such amount so paid or owing is exhausted. Any individual receiving or entitled to receive wages as provided herein shall be ineligible for benefits for any week in which the sums, so designated or attributed to such normal workdays, equal or exceed the individual's weekly benefit amount. If the amount so designated or attributed as wages is less than the weekly benefit amount of such individual, the individual's benefits shall be reduced by such amount.

d. Notwithstanding contrary provisions in paragraphs "a", "b", and "c", if an individual is separated from employment and is scheduled to receive vacation payments during the period of unemployment attributable to the employer and if the employer does not designate the vacation period pursuant to paragraph "b", then payments made by the employer to the individual or an obligation to make a payment by the employer to the individual for vacation pay, vacation pay allowance or pay in lieu of vacation shall not be deemed wages as defined in section 96.19, subsection 41, for any period in excess of one week and such payments or the value of such obligations shall not be deducted for any period in excess of one week from the unemployment benefits the individual is otherwise entitled to receive under this chapter. However, if the employer designates more than one week as the vacation period pursuant to paragraph "b", the vacation pay, vacation pay allowance, or pay in lieu of vacation shall be considered wages and shall be deducted from benefits.

e. If an employer pays or is obligated to pay a bonus to an individual at the same time the employer pays or is obligated to pay vacation pay, a vacation pay allowance, or pay in lieu of vacation, the bonus shall not be deemed wages for purposes of determining benefit eligibility and amount, and the bonus shall not be deducted from unemployment benefits the individual is otherwise entitled to receive under this chapter.

Iowa Admin. Code r. 871-24.16(3) provides:

(3) If the employer fails to properly notify the department within ten days after the notification of the filing of the claim that an amount of vacation pay, either paid or owed, is to be applied to a specific vacation period, the entire amount of the vacation pay shall be applied to the one-week period starting on the first workday following the last day worked as defined in subrule 24.16(4). However, if the individual does not claim benefits after layoff for the normal employer workweek immediately following the last day worked, then the entire amount of the vacation pay shall not be deducted from any week of benefits.

Whether it is called vacation pay or PTO, those payments made by an employer are treated identically when making the determination as to whether they should be deducted from an employee's unemployment insurance benefits.

b.Excused personal leave. Excused personal leave, also referred to as casual pay or random pay, is personal leave with pay granted to an employee for absence from the job because of personal reasons. It shall be treated as vacation and be fully deductible in the manner prescribed in rule 871—24.16(96).

Because the employer did not designate a time period to which the PTO or vacation pay was to apply, the entire amount should only have been deducted from the first full week of benefits following the separation, or the week ending July 23, 2016, not from the seven weeks ending August 27, 2016.

DECISION:

The October 28, 2016, (reference 02), decision is modified in favor of the appellant. The PTO should only have been deducted from the claimant's unemployment insurance benefits only for the week ending July 23, 2016.

Teresa K. Hillary
Administrative Law Judge

Decision Dated and Mailed

tkh/rvs