

'Lump Sum' Classification Matrix for Wage Calculation

This is a specific resource tool for wage calculations of one type of payroll documentation. It does not address all payroll types. If you have questions about a payroll type that is not found on this list please contact Self-Insurance Claims Training at SITrainerquestions@lni.wa.gov or 360-902-6901.

Lump Sum Matrix for Calculation of Date of Injury Wages

A 'Lump Sum' payment in a worker's payroll record is a payment to the worker that is not derived from a rate and hour calculation. It is typically listed as a dollar amount and a description only.

This matrix will help you determine whether to include a 'Lump Sum' payment as part of the worker's date of injury wages. It will also help you determine whether an included 'Lump Sum' payment should be classified as a "Bonus", or as "Other Compensation".

Definitions/Things to Remember

[RCW 51.08.178](#) "Wages" – Monthly wages as basis of compensation – Computation thereof.

Bonus: A sum paid for services in addition to or in excess of that which would ordinarily be given and is closely linked to the work and the wages paid for that labor, must be paid pursuant to contract of hire or paid as consideration for work performance and included on the W-2 form (FICA and income taxed paid). Per RCW 51.08.178(3) the period used to calculate a bonus is the 12 months immediately preceding the date of injury. The bonus must be received from the employer in this period.

Other Compensation: A 'Lump Sum' paid that doesn't meet the definition of a "bonus" but still qualifies as part of the worker's wages under **RCW 51.08.178(1)**, which provides:

"...The term "wages" shall include the reasonable value of board, housing, fuel, or other consideration of like nature received from the employer as part of the contract of hire..."

Period Used to Calculate 'Other Compensation': you must perform a calculation that gives you a monthly value for each type of "Other Compensation" paid in the 12 months prior to the date of injury. If the compensation is paid annually, use a 12-month period; divide the amount by 12 to get a monthly value. If paid monthly, bi-weekly, or weekly, use monthly value at the date of injury.

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Citation Source: Where available, we have included statutory or case law references that we believe support our description. Where you do not see a citation source, we have not found case law directly addressing the issue and our description is based on our interpretation of RCW 51.08.178 using our best judgment and care.

Payroll Description Examples	Compensation Type	Include in Wage? Yes/No	General Description	Citation Source
<ul style="list-style-type: none"> Incentive Pay 	Bonus	Yes	<p>Paid to the employee for department, hourly, year-end or other incentives based on work performance.</p> <p>If not based on work performance, for example, a carpool incentive, it should be included in “Other Compensation”.</p>	<ul style="list-style-type: none"> RCW 51.08.178(3)
<ul style="list-style-type: none"> Profit Sharing 	Bonus	Yes	If paid in cash and reported to the IRS as taxable income.	<ul style="list-style-type: none"> RCW 51.08.178(3)
		No	If not paid in cash and part of a qualified retirement plan, such as stocks, or other investments.	<ul style="list-style-type: none"> <i>Cockle v. Dep’t of Lab & Indus.</i>, 142 Wn.2d 801, 813 (2001)

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Payroll Description Examples	Compensation Type	Include in Wage? Yes/No	General Description	Citation Source
<ul style="list-style-type: none"> • Performance Bonus • Project Bonus • Quality Bonus • Accuracy Bonus • Year-End Bonus 	Bonus	Yes	Paid to the employee as a consideration of work performance (i.e. meeting of company production/sales goals, completion of work on/ahead of schedule, etc.).	<ul style="list-style-type: none"> • RCW 51.08.178(3)
<ul style="list-style-type: none"> • Reward & Recognition Payment • Care Award • Gift Card • Christmas Gift • Christmas Bonus 	Bonus	Yes	Paid to the employee as a consideration of work performance (i.e. meeting of company production/sales goals, completion of work on/ahead of schedule, etc.	<ul style="list-style-type: none"> • RCW 51.08.178(3)
		No	Paid to the employee as gratuity or gift and is not related to work performance.	
<ul style="list-style-type: none"> • Cost of Living Adjustment (COLA) Payouts 	Other Compensation	Yes	Payment made instead of increasing the employee’s base hourly rate.	<ul style="list-style-type: none"> • RCW 51.08.178(1)
<ul style="list-style-type: none"> • Retroactive union contract payment 	Other Compensation	No	If it is a retroactive payment due to delay of signing the contract, was paid after the DOI and the rate would have been in effect on the DOI.	

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Payroll Description Examples	Compensation Type	Include in Wage? Yes/No	General Description	Citation Source
			Retroactive lump sum should not be added into pay rate. The actual wage rate should be recalculated to reflect the updated wage (could be a change of circumstance if wage order has already been issued).	
<ul style="list-style-type: none"> • Union Contract Settlement 	Other Compensation	Yes	If paid to the employee as an incentive for the signing of the union contract.	<ul style="list-style-type: none"> • RCW 51.08.178(1)
<ul style="list-style-type: none"> • Medical Subsidy • Pay in Lieu of Benefits 	Other Compensation	Yes	Payment made to employee for opting out of employers health care benefit plan.	<ul style="list-style-type: none"> • <i>Cockle v. Dep’t of Lab & Indus.</i>, 142 Wn.2d 801, 813 (2001)
<ul style="list-style-type: none"> • Shift Differential Pay (Not Paid Hourly) 	Other Compensation	Yes	Shift differential paid for working other shifts. Blended rate or cannot be defined based on hours worked.	<ul style="list-style-type: none"> • RCW 51.08.178(1) • <i>Fred Meyer, Inc. v. Shearer</i>, 102 Wn. App 336 (2000)

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Payroll Description Examples	Compensation Type	Include in Wage? Yes/No	General Description	Citation Source
<ul style="list-style-type: none"> • Fair Labor Standards Act (FLSA) Overtime 	Other Compensation	Yes	<p>An overtime rate pursuant to the FLSA, where the regular rate of pay cannot be identified (may be paid hourly or in a lump sum).</p> <p>Note: <i>If the rate can be identified, calculate as a separate overtime rate of pay and calculate as you would “regular” overtime.</i></p>	
Private vehicle: <ul style="list-style-type: none"> • Fuel • Mileage Paid to employee in a flat amount or based on distance/time	Other Compensation	No	When paid to the employee as a form of reimbursement for using their personal vehicle for company use/benefit and not taxed.	
		Yes	When paid to employee as part of wages/contract of hire and taxable.	

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<ul style="list-style-type: none"> • Skill Block Level • Increased Skill Pay • Proficiency Compensation • Education Pay • Specialty Pay 	Other Compensation	Yes	<p>Paid to an employee due to the employee having a specialized skill set or level.</p> <p>Note: <i>this is not the same as shift differential that is paid as an hourly rate.</i></p>	<ul style="list-style-type: none"> • RCW 51.08.178(1)
<ul style="list-style-type: none"> • Weekend Bonus • Shift Bonus 	Other Compensation	Yes	Paid to an employee for working on a flex day or on a weekend day.	<ul style="list-style-type: none"> • RCW 51.08.178(1) • <i>Fred Meyer, Inc. v. Shearer</i>, 102 Wn. App 336 (2000)
<ul style="list-style-type: none"> • Signing Bonus 	Other Compensation	Yes	Paid to the employee for signing the initial contract of hire paperwork.	
<ul style="list-style-type: none"> • Vacation Payout • Sick Leave Payout • Paid Time Off (PTO) Lump Sum 	Other Compensation	No	Payment for vacation, sick or PTO is not a bonus and is not used in calculation wages, when it is paid as cash in lieu of benefits.	<i>Fred Meyer, Inc. v. Shearer</i> , 102 Wn. App 336 (2000).

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Payroll Description Examples	Compensation Type	Include in Wage? Yes/No	General Description	Citation Source
<ul style="list-style-type: none"> • Relocation Payment 	Other Compensation	No	If it is reimbursement for cost of relocating.	
		yes	Paid to the employee as part of incentive for relocating.	
<ul style="list-style-type: none"> • Longevity Pay (Not Paid Hourly) 	Other Compensation	Yes	<p>If paid based on hours worked, should be paid as part of their gross monthly wage like a separate rate of pay or shift differential.</p> <p>If paid as a lump sum, should be calculated as a bonus by adding all longevity pay for the 12 months prior and dividing by 12.</p>	<ul style="list-style-type: none"> • RCW 51.08.178(1)