



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

6.531.1

OCTOBER 4, 2024

## EFFECTIVE DATE

(10-04-2024)

## PURPOSE

- (1) This transmits the revised IRM 6.531.1, Pay Under the General Schedule and IRS Payband System.

## MATERIAL CHANGES

- (1) IRM 6.531.1.1.3 adds IRS officials delegated authority to approve personnel actions are responsible for ensuring that employees are paid appropriately.
- (2) IRM 6.531.1.1.6 adds a term for demotion at employee's request and provides clarifying language for other terms.
- (3) IRM 6.531.1.2.6 removes criteria for making salary determinations based on salary history.
- (4) IRM 6.531.1.1.7 updates applicable related resources.
- (5) IRM 6.531.1.2.6 updates superior qualifications criteria to match regulatory changes that removed salary history as a factor in setting salary.
- (6) IRM 6.531.1.2.8 removes information for General Schedule (GS) employees promoted from GS-01 to GS-02.
- (7) IRM 6.531.1.2.9 adds information regarding exceptions to the management selection program (MSP).
- (8) IRM 6.531.1.2.10 provides clarification on setting pay upon stacked or multiple promotions.
- (9) IRM 6.531.1.2.11(2) provides that the highest previous rate (HPR) may be based on the combined time for consecutive permanent positions at the same or different grade(s)/band(s) that exceed 6 months.
- (10) IRM 6.531.1.2.12 adds pay-setting rules for movement from IRS Payband System (IR) positions to GS positions.
- (11) IRM 6.531.1.2.13(6) adds information regarding not changing an HPR determination on a reinstatement/reemployment once it has been made and removes the requirement for Personnel Action Request remarks.
- (12) IRM 6.531.1.2.14 expands section to provide more detailed information when HPR is based on different rates.
- (13) IRM 6.531.1.2.15 adds HPR may be based on the combined time for consecutive permanent positions at the same or different grade(s)/band(s) that exceed 6 months.
- (14) IRM 6.531.1.2.16 adds that a rate earned on an intermittent tour of duty (TOD) or a permanent grade/band held consecutively less than 6 months cannot be used as HPR.
- (15) IRM 6.531.1.3.5 expands section to provide more detailed information regarding creditable service.
- (16) IRM 6.531.1.3.6 removes the maximum payable rate rule (MPR) exception for equivalent increase determinations as this situation does not typically occur at the IRS.

- (17) IRM 6.531.1.3.7 adds information regarding the reconsideration of a negative acceptable level of competence determination.
- (18) IRM 6.531.1.5.3 adds the requirement to change the post of duty for a detail to a different location that extends beyond 120 days.
- (19) IRM 6.531.1.5.3.1 removes specific information regarding exceptions to reporting to the official post of duty (POD) and directs the reader to IRM 6.800.2, which contains the information.
- (20) Sections throughout have been reorganized and updated to simplify and/or clarify language and update division and branch names, references, hyperlinks and terminology.

#### **EFFECT ON OTHER DOCUMENTS**

This IRM supersedes IRM 6.531.1, Pay Under the General Schedule and IRS Payband System, issued October 16, 2020.

#### **AUDIENCE**

All Business Units

Traci M. DiMartini  
IRS Human Capital Officer

6.531.1

Pay Under the General Schedule and IRS Payband System

## Table of Contents

6.531.1.1 Program Scope and Objectives

6.531.1.1.1 Background

6.531.1.1.2 Authority

6.531.1.1.3 Roles and Responsibilities

6.531.1.1.4 Program Management and Review

6.531.1.1.5 Program Controls

6.531.1.1.6 Terms

6.531.1.1.7 Related Resources

6.531.1.2 Determining Rates of Basic Pay

6.531.1.2.1 Entitlement to Other Rates of Pay

6.531.1.2.2 Converting Pay upon Change in Location of Official Worksite - Geographic Conversion

6.531.1.2.3 Order of Processing Simultaneous Pay Actions

6.531.1.2.4 Applying Annual GS Pay Adjustments and IR performance-based Increases (PBI)

6.531.1.2.5 Setting Pay for a Newly Appointed Employee

6.531.1.2.6 Superior Qualifications and Special Needs Pay-setting Authority

6.531.1.2.7 Setting Pay upon Change in Position without a Change in Grade/Band

6.531.1.2.8 Setting Pay upon Promotion for GS

6.531.1.2.9 Setting Pay upon Movement under the IRS Payband System

6.531.1.2.10 Setting Pay upon Stacked or Multiple Promotions

6.531.1.2.11 Setting Pay upon Demotion (CLG/Band)

6.531.1.2.12 Setting Pay upon Movement from a Permanent Payband Position to a GS Position

6.531.1.2.13 Maximum Payable Rate (MPR) Rule

6.531.1.2.14 Determining the Maximum Payable Rate

6.531.1.2.15 Rates of Basic Pay that May be Used as the Highest Previous Rate

6.531.1.2.16 Rates of Basic Pay that May Not be Used as the Highest Previous Rate

6.531.1.3 Within-Grade Increases

6.531.1.3.1 Employee Coverage

6.531.1.3.2 Earning a Within-Grade Increase

6.531.1.3.3 Waiting Periods for a Within-Grade Increase

6.531.1.3.4 Commencement of a Waiting Period

6.531.1.3.5 Creditable Service

6.531.1.3.6 Equivalent Increase Determinations

6.531.1.3.7 Acceptable Level of Competence Determinations - Denying Within-Grade Increases

6.531.1.3.8 Effective Date of a Within-Grade Increase

6.531.1.4 Quality Step Increases (QSI)

---

6.531.1.5 Locality-Based Comparability Payments

6.531.1.5.1 Locality Pay Areas

6.531.1.5.2 Determining an Employee's Locality Rate

6.531.1.5.3 Determining an Employee's Official Worksite (Official POD)

6.531.1.5.3.1 Exceptions to Reporting to Official POD

6.531.1.5.4 Computing Hourly, Daily, Weekly and Biweekly Locality Rates

6.531.1.5.5 Relationship of Locality Rates to Other Pay Rates

6.531.1.5.6 Adjusting or Terminating Locality Rates

6.531.1.5.7 Treatment of Locality Rate as the Rate of Basic Pay

6.531.1.5.8 Miscellaneous Provisions

6.531.1.1  
(10-01-2020)  
**Program Scope and Objectives**

- (1) **Purpose:** This IRM provides IRS policy, standards, requirements and guidance relating to pay under the General Schedule (GS) and the IRS Payband System (IR).
- (2) **Audience:** Unless otherwise indicated, the policies, authorities, procedures and instructions contained in this IRM apply to all business units. Bargaining unit (BU) employees should review negotiated agreement provisions relating to subjects in this IRM.
- (3) **Policy Owner:** Human Capital Office (HCO), Policy Office.
- (4) **Program Owner:** HCO.
- (5) **Primary Stakeholders:** HCO, Talent Acquisition (TA) Division, Human Resources Shared Services (HRSS) Division and Labor/Employee Relations and Negotiations (LERN) Division.

6.531.1.1.1  
(10-01-2020)  
**Background**

- (1) This IRM applies to:
  - a. Employees who occupy positions classified and paid under the GS, as provided in Title 5, United States Code (USC), Part III, Subpart D, Pay and Allowances, Sections 5102 and 5331, Definitions; application, or other applicable laws.
  - b. Law enforcement officers (LEOs) receiving LEO special base rates.

**Note:** Those LEOs receiving LEO special base rates are covered by the GS classification and pay system (identified by GL pay plan) but receive higher base rates of pay in lieu of GS rates at grades 3 through 10.
  - c. Employees who receive special rates under 5 USC 5305, Special pay authority, and Title 5, Code of Federal Regulations (CFR) Part 530, Subpart C, Special Rate Schedules for Recruitment and Retention.
  - d. Managers covered under the IRS Payband System (IR), authorized by 5 USC 9509, General workforce classification and pay, and modified by the Office of Personnel Management (OPM) Criteria for IRS Broadbanding System, 65 Federal Register (FR) 79433, December 19, 2000.
  - e. Employees in other pay plans who are moving into GS, GL or IR positions.
- (2) This IRM must be read and interpreted in accordance with pertinent laws, governmentwide regulations, Treasury Human Capital Issuance System (HCIS) Directives and applicable case law. As required, this guidance will be supplemented periodically by interim guidance from the IRS HCO.
- (3) This IRM does not apply to employees in Senior Executive Service (SES) positions, senior-level (SL) positions, those positions for which appointees are paid under 5 USC 9503, Streamlined critical pay authority, and positions covered by the Federal Wage Schedule (FWS).

6.531.1.1.2  
(10-01-2020)  
**Authority**

- (1) **Laws:** Title 5, USC, Government Organization and Employees at <https://uscode.house.gov/> sections:
  - a. 5303 - Annual adjustments to pay schedules
  - b. 5304 - Locality-based comparability payments
  - c. 5305 - Special pay authority
  - d. 5331 - 5338 - General Schedule pay rates
  - e. 5596 - Back pay due to unjustified personnel action
  - f. 9509 - General workforce classification and pay
- (2) **Regulations:** Title 5, Part 531 - Pay Under the General Schedule at <https://www.ecfr.gov/current/title-5/chapter-I/subchapter-B/part-531?toc=1>:
  - a. Subpart B - Determining Rate of Basic Pay
  - b. Subpart D - Within-Grade Increases
  - c. Subpart E - Quality Step Increases
  - d. Subpart F - Locality-Based Comparability Payments
- (3) **Federal Register Notice:** The OPM Criteria for IRS Broadbanding System, 65 FR 79433, December 19, 2000 at <https://www.federalregister.gov/documents/2000/12/19/00-31710/opm-criteria-for-irs-broadbanding-system>
- (4) **Delegation of Authority:** Delegation Order 6-23, Delegations of Authority to Accomplish Pay Administration, found in IRM 1.2.2.

6.531.1.1.3  
(10-04-2024)  
**Roles and Responsibilities**

- (1) The IRS Human Capital Officer is the executive responsible for this IRM and overall IRS policy for pay under the GS and IRpayband systems.
- (2) The HCO, Office of HR Strategy & Transformation (OHRST), Policy Office is responsible for developing, maintaining and publishing content in this IRM.
- (3) The HCO, Office of HR Operations (OHRO), TA is responsible for setting pay in accordance with the policies outlined in this IRM.
- (4) The HCO, OHRO, LERN provides guidance and representation to managers in grievances, discipline, adverse action and performance cases, and contractual obligations with the National Treasury Employees Union (NTEU).
- (5) The HCO, OHRO, HRSS is responsible for providing systems, tools and all related instructions.
- (6) The IRS officials delegated authority to approve personnel actions are responsible for ensuring that employees are paid appropriately.

6.531.1.1.4  
(10-01-2020)  
**Program Management and Review**

- (1) During review and publishing of this IRM, sections are revised, added or deleted based on feedback from customers and program owners.

6.531.1.1.5  
(10-01-2020)  
**Program Controls**

- (1) The HCO, Policy Office (PO) develops and deploys policies, materials and programs to increase Servicewide awareness and understanding of GS, IR and GL pay-setting. Additionally, PO, collaborates with other HCO organizations and IRS stakeholders to support education and outreach activities as they relate to GS, IR and GL pay-setting.

6.531.1.1.6  
(10-04-2024)

## Terms

- (1) **Annual pay adjustment:** The governmentwide change to pay schedules provided under 5 USC 5303. This adjustment is usually effective on the first day of the first applicable pay period (PP) beginning on or after January 1 of each calendar year.
- (2) **Change to lower grade/ band (CLG):** A change of an employee, while continuously employed, from one grade/band to a lower grade/band. This change may be competitive or non-competitive and is used interchangeably with demotion and termination of temporary promotion.
- (3) **Conversion-out process:** The OPM methodology used to determine an employee's GS equivalent grade level and rate of basic pay, for pay-setting purposes, before the employee leaves a position covered by the IRS Payband System.
- (4) **Demotion:** A change of an employee, while continuously employed, from one grade/band to a lower grade/band.
- (5) **Demotion at an employee's request:** A reduction in grade/band, which is initiated by the employee for their benefit, convenience or personal advantage, including consent to a demotion in lieu of a demotion for personal cause and not caused or influenced by management action. Also referred to as a voluntary demotion.
- (6) **Department Manager (DM):** Second-level supervisory/managerial positions located in IRS campuses and service centers. Previously classified at the GS-11, GS-12 and GS-13 grade levels, designated by IR-02. The minimum rate of the DM payband is equal to the GS-11 step 1 rate. The maximum rate of the DM payband is equal to the GS-13 step 10 rate.
- (7) **Detail:** Temporary assignment (competitive or non-competitive) to a different position with the same or higher maximum underlying rate of basic pay. A detail is for a specified period and the employee is expected to return to their regular duties at the end of the assignment. Pay increases are not applicable for details. In certain circumstances, a detail may be to a position with a lower maximum underlying rate of basic pay. An employee who is on a detail is considered, for pay and strength purposes, to be occupying their permanent position of record.
- (8) **Equivalent increase:** An increase in an employee's rate of basic pay, or an opportunity for such an increase under a non-GS pay system, as described in 5 CFR 531.407.
- (9) **Existing rate:** The rate received immediately before a pay action takes effect, after processing a general pay adjustment and any other simultaneous pay action that is higher in the order of precedence under IRM 6.531.1.2.3, Order of Processing Simultaneous Pay Actions.
- (10) **Frontline Manager (FM):** All supervisory/managerial positions not covered under the Senior Manager (SM) or DM payband. Previously classified at the GS-5 through GS-15 grade levels. The FM payband consists of 11 single grade bands, designated by IR-13 through IR-03. The minimum rate of each payband is equal to step 1 of the GS grade encompassed by the corresponding FM payband. The maximum rate of each payband is equal to step 10 of the GS grade encompassed by the corresponding FM payband.



- (11) **General Schedule (GS):** The classification and pay system established under 5 USC Chapter 51, Classification, and 5 USC Part III, Subpart D, General Schedule Pay Rates. Law enforcement officers (LEOs) receiving LEO special base rates are covered by the GS classification and pay system but receive higher base rates of pay in lieu of GS rates at grades GS-3 through GS-10 (identified by GL).
- (12) **Geographic conversion:** When an employee's official worksite is changed to a new location where a different pay schedule applies and would cause the employee to lose or gain coverage under a location-based pay schedule (i.e., locality rate schedule or special rate schedule) if the employee were to remain in the same position of record. The employee's current position must first be converted to the applicable pay schedule and rate for the new official worksite, based on the grade and step (or relative position in range) of the position of record before the move and before processing applicable pay-setting rules.
- (13) **Highest applicable rate range:** The rate range applicable to a GS, GL or IR employee based on position and official worksite that provides the highest rates of basic pay, excluding any retained rates.
- (14) **Highest previous rate (HPR):** Highest underlying rate or LEO special base rate previously paid to an individual while employed as a civilian in any position in a branch of the federal government, without regard to whether that position was under the GS pay system.
- (15) **IRS Payband System (IR payband or IR):** The performance-based classification and pay system established under 5 USC Chapter 95, Personnel Flexibilities Relating to the Internal Revenue Service, outlined in OPM criteria, that covers all IRS managers, including SM, DM and FM, referred to as band instead of grade.
- (16) **LEO special base rate:** A special base rate established for LEOs at grades 3 through 10 under section 403 of the Federal Employees Pay Comparability Act of 1990 (section 529 of Pub. L. 101-509, November 5, 1990, as amended), which is used in lieu of a GS rate and is identified by GL pay plan.
- (17) **Locality pay area:** The geographic area, as listed in 5 CFR 531.603, Locality pay areas, that determines the locality rate.
- (18) **Locality pay percentage:** The percentage authorized for a locality pay area, which is used to compute a locality payment (a locality rate may not exceed the rate of basic pay payable for level IV of the Executive Schedule).
- (19) **Locality rate:** A scheduled annual rate of pay (GS, IR or LEO special base rate if applicable) plus any applicable locality payment.
- (20) **Maximum payable rate (MPR):** The highest rate at which an employee's pay may be set when HPR is considered. MPR may not exceed the maximum step/rate of the employee's current grade/band.
- (21) **MPR rule:** The rule that allows setting pay for an employee at a rate above the rate that would be established using other rules.
- (22) **Official worksite:** The official location of the employee's position of record, as determined in IRM 6.531.1.5.3, Determining an Employee's Official Worksite (Official POD). Also referred to as official post of duty and official duty station.



- (23) **Payable rate:** The highest rate of basic pay (including locality or special rate) to which an employee is entitled based on the employee's position of record, official worksite and step (or relative position in band for an IR employee), or if applicable, a retained rate.
- (24) **Payband:** A pay structure containing one or more GS grade and related ranges of pay. The rate range of a payband is defined by the minimum rate of pay and the maximum rate of pay for that band.
- (25) **Pay event:** Any increase in underlying rate of basic pay, including a 'zero' increase, received by an employee resulting from a performance-driven salary review (performance-based increase (PBI)) or as a result of a personnel action, including promotion, reassignment or demotion into the payband.
- (26) **Pay schedule:** A set of rate ranges established for GS, GL and IR employees. A pay schedule covers a defined category of employees based on established coverage conditions (for example, official worksite, pay plan, occupation).
- (27) **Performance-based increase (PBI):** An increase in base pay based on an employee's performance, as measured by their annual summary evaluation. The PBI replaces the annual GS across-the-board increase, within-grade increases (WGs) and quality step increases (QSIs). The PBI is effective on the same date as the GS annual pay adjustment, which is generally effective the first full PP in January.
- (28) **Position of record:** An employee's official position, defined by grade/band, occupational series, employing agency, LEO status and any other condition that determines coverage under a pay schedule (other than official worksite), as documented on the employee's most recent Notification of Personnel Action (Standard Form (SF) 50) and current position description. A position to which an employee is temporarily detailed is not documented as a position of record.
- (29) **Promotion:** Movement from one grade/band to a higher grade/band while continuously employed (including such a movement in conjunction with a transfer). For IR, movement must be to a position with a higher maximum underlying rate of basic pay.
- (30) **Quality step increase (QSI):** An increase in an employee's rate of basic pay from one step of an employee's GS or GL grade to the next higher step of that grade. The purpose of a QSI is to provide appropriate incentives and recognition for excellence in performance by granting faster than normal step increases.
- (31) **Rate of basic pay:** The rate of pay fixed by law or administrative action for a position held by an employee before any deductions. Rates of basic pay within the IRS include the underlying GS rate, LEO special base rate, GS locality rate, special rate, IR underlying rate of basic pay, IR locality rate and a retained rate, but exclusive of additional pay of any other kind.
- (32) **Rate range or range or rates:** A salary range with only two fixed points for setting pay, a minimum and maximum rate, within an established pay schedule, excluding any retained rate. A rate range may consist of GS, IR, LEO special base rates, locality rates, special rates or, for non-GS employees, similar rates under other legal authority.

- (33) **Reassignment:** A permanent movement from one position to another without promotion or demotion while serving continuously in the same agency. For IR, movement must be to a position with the same maximum underlying rate of basic pay.
- (34) **Reemployment:** Employment, including reinstatement or another type of appointment, after a break in service of at least one full workday.
- (35) **Retained rate:** A rate above the maximum rate of the rate range applicable to an employee, which is payable under 5 CFR Part 536, Grade and Pay Retention, or for a former member of the SES, under 5 CFR 359.705, Pay.
- (36) **Senior Manager (SM):** First-level supervisory/managerial positions that report directly to a member of the SES and second-level supervisory/managerial positions. Previously classified at the GS-14 and GS-15 grade levels. The SM payband is designated by IR-01. The minimum rate of the IR-01 payband is equal to the GS-14 step 1 rate. The maximum rate of the IR-01 payband is equal to the GS-15 step 10 rate.
- (37) **Special rate:** A rate of pay within a special rate schedule established under 5 CFR Part 530, Subpart C, Special Rate Schedules for Recruitment and Retention. The term special rate does not include a LEO special base rate. Note: Special salary rates do not apply to IR rates.
- (38) **Special rate schedule:** A pay schedule established under 5 CFR Part 530, Subpart C, Special Rate Schedules for Recruitment and Retention, to provide higher rates of pay for specified categories of GS positions or employees at one or more grades or levels or a similar schedule established for GS employees under other legal authority (38 USC 7455, Increases in rates of basic pay).
- (39) **Special rate supplement:** The portion of a special rate paid above an employee's GS rate. However, for a LEO who is on a special base rate and who is also entitled to a special rate, the special rate supplement equals the portion of the special rate paid above the officer's LEO special base rate.
- (40) **Stacked promotion:** A stacked promotion occurs when an employee already on a temporary promotion receives a second temporary promotion to a higher graded position.
- (41) **Telework:** A work flexibility arrangement that permits the employee to work at an approved alternate worksite instead of the location of the employee's official worksite.
- (42) **Temporary promotion:** A time-limited promotion with a not-to-exceed (NTE) date or a specified term.
- (43) **Transfer:** A change of an employee, without a break in service of one full workday, from one branch of the Federal Government (executive, legislative or judicial) to another or from one agency to another.
- (44) **Underlying GS rate, underlying rate, underlying rate of basic pay, IR underlying rate or IR underlying rate of basic pay:** A rate of pay which excludes locality rates and special rates, also referred to as base pay.
- (45) **Waiting period:** The minimum time requirement of creditable service to become eligible for consideration for a WGI.

- (46) **Within-grade increase or step increase (WGI):** A periodic increase in an employee's rate of basic pay from one step to the next higher step of that grade.

6.531.1.1.7  
(10-04-2024)  
**Related Resources**

- (1) Office of Personnel Management (OPM) Pay & Leave Fact Sheets at <https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/#url=Fact-Sheets>
- (2) The IRS Source at <https://irsgov.sharepoint.com/sites/EmployeeResources/SitePages/Pay.aspx>
- (3) The Payband Resource Center at <http://hco.web.irs.gov/apps/payband/index.htm>, contains information for positions covered under the IRS Payband System, including topics such as PBIs, performance bonuses, salary tables, and promotion and PBI calculator.

6.531.1.2  
(10-01-2020)  
**Determining Rates of Basic Pay**

- (1) This IRM provides policy guidance on setting and adjusting rates of basic pay for GS and IR employees. It is organized consistent with the regulations contained in 5 CFR Part 531 and the OPM Criteria for IRS Broadbanding System.

6.531.1.2.1  
(10-01-2020)  
**Entitlement to Other Rates of Pay**

- (1) When determining an employee's GS, IR or LEO special base rate, first identify any other rate of basic pay to which the employee is entitled, including locality and special rate. The employee is entitled to the highest applicable rate of basic pay as their payable rate. When an employee's special rate is surpassed by a higher locality rate, their entitlement to a special rate is terminated as provided in 5 CFR 530.303(d), Pay Under the General Schedule.

**Note:** Special salary rates **do not** apply to IR rates.

- (2) When setting pay in the highest applicable pay schedule (for example, GS/IR locality or special rate schedule), determine the underlying rate by finding the corresponding underlying rate with the same grade and step (or relative position in range for an IR employee) as the payable rate.
- (3) A LEO is entitled to LEO (GL) special base rates in lieu of GS rates at grades 3 through 10.

6.531.1.2.2  
(10-01-2020)  
**Converting Pay upon Change in Location of Official Worksite - Geographic Conversion**

- (1) When an employee's official worksite is changed to a new location where different pay schedules apply, determine the employee's rate(s) of basic pay in the applicable pay schedule(s) in the new location based on their current position (including GS/GL grade and step or IR band) immediately before the change in the employee's official worksite. The resulting rate must be used as the existing rate in processing the next simultaneous pay action in the order of precedence, using the applicable pay schedules in the new location.

6.531.1.2.3  
(03-26-2010)  
**Order of Processing Simultaneous Pay Actions**

- (1) When multiple pay actions with the same effective date affect an employee's rate of basic pay, the actions are processed in the following order:

1. Annual pay adjustments, including GS across-the-board increases, PBIs and special rate adjustments.
  2. Geographic conversion.
  3. WGI or QSI.
  4. Promotion.
- (2) Except as provided above, process individual pay actions occurring on the same date in the order that gives the employee the maximum benefit.

6.531.1.2.4  
(10-01-2020)

**Applying Annual GS Pay Adjustments and IR performance-based Increases (PBI)**

- (1) For **GS employees**, on the effective date of a GS across-the-board increase (normally effective the first pay period of the year), the IRS must set the pay rate at the rate on the new GS schedule which corresponds to the employee's current grade and step.
- (2) For **IR employees**, each year, based on their annual summary evaluation or IR rating of record, employees are eligible to receive a PBI. Refer to the Payband Resource Center at <http://hco.web.irs.gov/apps/payband/> for additional information on PBIs, including values, processing, overview, frequently asked questions (FAQs) and calculators.

**Note:** Any PBIs earned while on a temporary promotion do not carry over when the employee is returned to their position of record.

- (3) For **employees receiving a retained rate** (in other words, on pay retention) immediately before the effective date of an annual pay adjustment, the rules in 5 CFR 536.305, Adjusting an employee's retained rate when a pay schedule is adjusted, must be followed.

6.531.1.2.5  
(03-26-2010)

**Setting Pay for a Newly Appointed Employee**

- (1) **First appointment:** The IRS will set the payable rate of basic pay at the minimum rate (step 1 for GS) of the highest applicable rate range except when using the superior qualifications and special needs pay-setting authority (SQA) discussed later in IRM 6.531.1.2.6, Superior Qualifications and Special Needs Pay-setting Authority.
- (2) **Reemployment/Reinstatement:** For an employee who has previous federal service, the IRS will set the payable rate of basic pay at the minimum rate (step 1 for GS) of the highest applicable rate range unless:
  - a. Superior qualifications and special needs pay-setting authority is applies (refer to IRM 6.531.1.2.6, Superior Qualifications and Special Needs Pay-setting Authority), or
  - b. The employee is eligible for a higher payable rate in accordance with the MPR rules at IRM 6.531.1.2.13, Maximum Payable Rate (MPR) Rule.

6.531.1.2.6  
(10-01-2024)

**Superior Qualifications and Special Needs Pay-setting Authority**

- (1) The IRS may use the superior qualifications and special needs pay-setting authority (SQA) to set pay for a **newly appointed** employee above the minimum rate (step 1 for GS) of the highest applicable rate range for the following:
  - a. A first appointment (regardless of tenure) as a civilian employee of the federal government, or
  - b. A reappointment when the employee had a break in service of at least 90 days.

**Note:** A time-limited, non-permanent, expert or consultant, provisional or internship program appointment can occur during the 90-day break in service without affecting the employee's eligibility.

- (2) The IRS must consider the possibility of authorizing a recruitment incentive before approving an SQA appointment. Refer to IRM 6.575.1, IRS Recruitment, Relocation, Retention, and Extended Assignment Incentives, for more information.
- (3) The employee must meet one of the two SQA criteria outlined below before this authority can be used. Each candidate's qualifications must be evaluated on an individual basis.
  - a. The candidate must have unusually high (superior) qualifications for the position to be filled based on the level, type or quality of the candidate's skills or competencies demonstrated or obtained through experience and/or education. The candidate's skills, competencies, experience, education and/or accomplishments must be relevant to the requirements of the position to be filled and be significantly higher than those minimally required.
  - b. The candidate must have a unique combination of education and experience that meets a special need of the IRS. The experience that is the basis for setting pay at the higher rate must be closely related to the work of the position being filled and must be essential to accomplishing an important agency mission, goal or program activity. A candidate also may meet the special needs criteria by meeting agency workforce needs, as documented in the agency's strategic human capital plan.
- (4) To determine the step at which to set an employee's payable rate of basic pay using the SQA, an agency must consider both (5) and (6) below.
- (5) The step at which pay has been set for employees who had similar qualifications (based on the level, type or quality of the candidate's skills or competencies or other qualities and experiences) and who have been newly appointed to positions that are similar to the candidate's position (based on the position's occupational series, grade level, organization, geographic location or other job-relevant factors), if applicable.
- (6) One or more of the following factors, as applicable in the case at hand:
  - a. The level, type or quality of the candidate's skills or competencies.
  - b. Significant disparities between federal and non-federal salaries for the skills and competencies required.
  - c. Existing labor market conditions and employment trends, including the availability and quality of candidates for the same or similar positions.
  - d. The success of recent efforts to recruit candidates for the same or similar positions.
  - e. Recent turnover in the same or similar position.
  - f. The importance/criticality of the position being filled and the effect on the IRS if it is not filled.
  - g. The desirability of the geographic location, duties and/or work environment associated with the position.
  - h. Organizational workforce needs, as documented in the strategic Human Capital Plan.

- i. Other relevant factors, except that an agency may not consider the candidate's salary history (existing salary or prior salary) or a salary from a competing job offer.
- (7) Business based human resource directors (BBHR) and/or Business Unit Heads of Office may determine they would like to offer an SQA to employees within their business unit. (Refer to IRM 1.2.2.7.13, Delegation Order 6-23).
- (8) The TA, Hiring Operations Associate Directors make the final determination to set salary using SQA for employees who meet the regulatory eligibility requirements. Refer to IRM 1.2.2.7.13, Delegation Order 6-23, Delegations of Authority to Accomplish Pay Administration for more information).
- (9) Each SQA determination must be documented in writing prior to the individual entering on duty and must include all of the following:
  - a. The superior qualifications of the candidate or the special need for the candidate's services that justifies a higher than minimum rate.
  - b. An explanation of the factor(s) and any supporting documentation used to justify the rate at which the employee's pay was set and how those factors directly relate to the rate approved.
  - c. The reason(s) for authorizing a higher than minimum rate instead of or in addition to a recruitment incentive.

**Note:** A copy of the approval documentation must be placed on the permanent side of the employee's Official Personnel Folder (OPF).
- (10) A copy of the approval authority and a record supporting the higher rate must be maintained for three years by the applicable BBHR office and/or business unit head of office, as appropriate, and must include:
  - a. Documentation from (9) above,
  - b. Written documentation that a recruitment incentive was first considered, and
  - c. The appointment authority (for example, certificate or direct hire authority).

6.531.1.2.7  
(10-01-2020)

**Setting Pay upon  
Change in Position  
without a Change in  
Grade/Band**

- (1) If an employee is moved from one position to a different position without a change in grade/band or a break in service (this movement includes transfer, reassignment, change in type of appointment, change in official worksite or other change in position), the employee's payable rate of basic pay and any underlying rate of basic pay are based on the employee's:
  - a. New position,
  - b. New official worksite, and
  - c. Step or underlying rate of basic pay in effect before the position change.

**Note:** This does not include first time permanent competitive movement from GS to IR at equivalent grade/band (for example, GS-14 to IR-04) or first time permanent competitive movement between equivalent IR paybands (for example, IR-05 to IR-02, IR-03 to IR-01). Refer to IRM 6.531.1.2.9, Setting Pay upon Movement under the IRS Payband System, for more information.

- (2) If an employee is afforded pay retention, apply the rules in 5 CFR Part 536, Grade and Pay Retention.



6.531.1.2.8  
(10-04-2024)  
**Setting Pay upon  
Promotion for GS**

- (1) These promotion rules apply to GS employees moving from one GS grade to a higher GS grade (temporary or permanent) without a break in service and are consistent with the two-step promotion rule in 5 CFR 531.214.
- (2) When setting pay upon promotion, follow the order for processing simultaneous pay actions in IRM 6.531.1.2.3, Order of Processing Simultaneous Pay Actions.
- (3) An employee's payable rate of basic pay is determined using one of two methods:
  - a. **The Standard Method** is applied when the employee is covered by the same pay schedules before and after the promotion (for example, locality to locality). Refer to 5 CFR 531.214(d)(3) for procedures.
  - b. **The Alternate Method** is applied when the employee is covered by different pay schedules before and after promotion (for example, locality to special rate) and if it produces a higher payable rate than the standard method. Refer to 5 CFR 531.214(d)(4), Setting Pay upon Promotion, for procedures.
- (4) **Employee receiving a retained rate of pay (in other words, on pay retention):** If an employee's existing payable rate of basic pay before promotion is a retained rate, apply the applicable promotion methods in paragraphs (a) or (b) above, as if the employee were receiving the maximum rate of the employee's grade before promotion. Refer to 5 CFR 531.214(d)(5).
- (5) **Temporary promotions:** Pay is set for an employee receiving a temporary promotion on the same basis as a permanent promotion.
- (6) **Temporary promotions made permanent (same GS grade):** If a non-stacked temporary promotion (non-competitive or competitive) is made permanent (that is, with no break in service), the employee will not first be returned to their position of record (in other words, a CLG action is not processed). The employee's temporary promotion is converted to a permanent promotion without a change in pay. This applies to all permanent promotion actions processed immediately from a non-stacked temporary promotion (non-competitive or competitive) at the same GS grade, including those where the position is changing.
- (7) **Retroactive promotions:** Federal employees may be retroactively promoted only in situations where an appropriate authority corrects or directs the correction of an unjust or unwarranted personnel action to ensure compliance with:
  - Law, executive order, rule, regulation,
  - Mandatory personnel policy established by an agency, or
  - Through a collective bargaining agreement.

(For additional information on back pay refer to IRM 6.550.1.4, Back Pay - Applicability, and for information on personnel promotion policies refer to IRM 6.335.1, IRS Merit Promotion Plan and Internal Placement.)



6.531.1.2.9  
(10-04-2024)

**Setting Pay upon  
Movement under the IRS  
Payband System**

(1) **First-time, permanent, competitive movement:**

- a. A GS employee is eligible for a one-time 10% pay increase when they are **competitively** selected for their **first permanent** IR payband position. Transfers to the IRS from other federal agencies may be eligible for a 10% increase, providing they meet these same criteria. GS employees with prior permanent IR experience in any IR payband (SM, DM, FM) are not eligible for this one-time 10% pay increase. This 10% pay increase is applicable upon promotion, reassignment or demotion, providing it is permanent, competitive and the first time going into any IR payband position. It is not applicable for details.
- b. Managers are eligible for a one-time 10% pay increase when they are **competitively** selected for their **first permanent** higher level payband position. Managers with prior permanent IR experience in the higher level payband in which they are being placed are not eligible for this one-time 10% pay increase but may be eligible for an 8% increase (refer to (2) below). Movement from an FM payband position to an FM payband position with a higher maximum rate (for example, IR-06 to IR-05) is not considered movement to a higher level payband and does not qualify for this one time 10% pay increase. First time permanent movement that qualifies for this increase is defined below:
  - FM to DM payband
  - FM to SM payband
  - DM to SM payband

(2) **Subsequent permanent and temporary promotion:** Employees are eligible for an 8% pay increase when **promoted** to an IR payband position in the situations outlined below:

- Permanent competitive **promotion** from a GS position to an IR payband position and the employee has prior permanent IR experience.
- Permanent competitive **promotion** to a higher level payband and the employee has prior permanent experience in the higher level payband to which being promoted.
- Permanent competitive **promotion** from an FM payband position to an FM payband position with a higher maximum rate (for example, IR-06 to IR-05).
- Time-limited temporary competitive or non-competitive **promotion** (GS to IR or IR to IR).
- Permanent and non-competitive career-ladder **promotion**.

(3) **Exception to the management selection program (MSP):** The MSP is the service's internal competitive process used to select all temporary or permanent managers (except Executives). It requires evaluation of each candidate against leadership and technical competencies for the position being filled. For information on MSP, including the exception to competition criteria, refer to IRM 6.335.1 , IRS Merit Promotion Plan and Internal Placement.

**Note:** A salary increase of 8% or 10% is not applicable for a non-competitive exception to MSP. However, HPR may be considered.

(4) **IR temporary promotion becomes permanent:** If a non-stacked temporary promotion (non-competitive or competitive) is made permanent, that is with no break in service, the employee will not first be returned to their position of record (in other words, a CLG action is not processed). The employee's

temporary promotion is converted to a permanent promotion. This applies to all permanent promotion actions processed immediately from a non-stacked temporary promotion (non-competitive or competitive) at the same band, including those where the position is changing.

- a. When a non-stacked temporary promotion (non-competitive or competitive) is made permanent and it is the employee's first permanent competitive selection into an IR payband position or a higher level payband position, the employee may be eligible for an additional pay increase (refer to (1) above). The effective date of the additional pay increase is the date the temporary promotion becomes permanent and is not retroactive.

**Note:** To remove temporary restrictions without first returning the employee to their permanent position of record, the employee must be made permanent in the **same** IR payband as the temporary promotion position. If the employee is made permanent in a different IR payband, the employee is first returned to the permanent position of record and re-promoted to the new permanent IR payband position.

- b. If the employee is eligible for an additional pay increase, pay is re-calculated by applying the 10% increase based on the employee's permanent position of record at the time of the initial temporary promotion action. The difference between the initial 8% calculation and the 10% calculation is added to the employee's current IR underlying rate of basic pay. The IR underlying rate of basic pay after calculation cannot exceed the maximum rate or be less than the minimum rate of the applicable payband.

**Note:** If HPR was used to set pay on the initial temporary promotion, no further calculations are required when the position becomes permanent regardless of the amount received on the initial temporary promotion. Temporary restrictions are removed, and the employee's pay remains the same.

6.531.1.2.10  
(10-04-2024)  
**Setting Pay upon  
Stacked or Multiple  
Promotions**

- (1) **Permanent movement to a higher grade/band while on a temporary promotion:** All movement to a higher permanent grade/band from a temporary promotion will require pay be set from the position of record. Employees who are on a temporary promotion and are selected for a permanent position at a higher grade/band than the current temporary promotion will first be returned to their position of record. Pay is set on the position of record affording any WGs or PBIs the employee would have received had they not served on the temporary promotion. Pay is set upon subsequent permanent promotion following pay-setting rules outlined in IRM 6.531.1.2.8 and IRM 6.531.1.2.9.
- (2) **Non-competitive temporary movement while on a competitive temporary promotion:** Employees who are on a long-term competitive temporary promotion (NTE one year or more) may be placed on a stacked non-competitive temporary promotion (NTE 120/180 days) to a higher grade without first being returned to their position of record.

**Note:** Employees cannot be stacked from a non-competitive temporary promotion to another non-competitive temporary promotion (same or higher grade/

band). However, employees on a stacked non-competitive temporary promotion can be returned to their long-term competitive temporary promotion and then placed on the new non-competitive temporary promotion.

- (3) **Long-term competitive temporary movement while on a temporary promotion (competitive or non-competitive):** All long-term competitive temporary promotions (NTE one year or more) will require that pay be set from the position of record. Employees who are on a temporary promotion (competitive or non-competitive) and are selected for a long-term competitive temporary position at a **higher** grade/band than the current temporary promotion (competitive or non-competitive) will first be returned to their position of record. Pay is set on the position of record affording any WGLs/PBIs the employee would have received had they not gone on the temporary promotion. Exceptions:
- a. Movement from one competitive temporary promotion to another competitive temporary promotion (same or different position) at the **same grade/band** will be processed as a temporary promotion (nature of action (NOA) 703 to NOA 703). The employee is not first returned to their position of record. The grade, step and date of last equivalent increase (DLEI) are unchanged for GS employees. Base salary remains the same for IR employees. Locality pay may change based on any applicable geographic conversion. This does not apply to IR/GS positions at the same maximum rate (equivalent).
  - b. For employees on a short-term non-competitive stacked promotion who are being returned to the same temporary grade/band held immediately prior to the stacked temporary promotion, the action will be processed as a temporary promotion. The employee is not first returned to their position of record. Pay is set as if the second (stacked) temporary promotion had not occurred. Apply any WGLs/PBIs the employee would have received on the initial temporary promotion. When returning to a GS position, the DLEI is reset to the date of the first temporary promotion as if the stacked temporary promotion had not occurred or the date of the WGL, if one was granted.
- (4) **Competitive permanent selection to a new position at the same grade/band as the stacked non-competitive temporary promotion.** The employee will be returned to their position of record with an NOA 713 - Change to Lower Grade and then a subsequent NOA 702 - Promotion to permanently place employee in the new permanent position. IRM 6.531.1.2.10(1), requires all movement to a higher permanent grade/band have pay set from the position of record.
- (5) **Long-term competitive temporary selection to a new position at the same grade/band as the non-competitive temporary promotion (stacked or non-stacked).** The employee will be returned to their position of record with an NOA 713 - Change to Lower Grade and then a subsequent NOA 703 - Promotion NTE to place the employee in the new temporary position. IRM 6.531.1.2.10(3), requires all long-term competitive temporary promotions have pay set from the position of record.
- (6) **Non-competitive temporary selection to a new position at the same grade/band as the most recent competitive temporary promotion.** Process NOA 930 - Detail NTE, without returning to the position of record. While this is a non-competitive selection, it is not to a higher grade and would not meet the definition of a stacked temporary promotion outlined in IRM 6.531.1.1.6, Terms.

- (7) **Temporary promotions in career ladder positions:** Positions may be announced temporarily at multiple grade levels (career ladders) and allow for successive career ladder promotions while serving on a competitive temporary promotion. The employee is not first returned to their position of record.

6.531.1.2.11  
(10-04-2024)  
**Setting Pay upon  
Demotion (CLG/Band)**

- (1) Except as otherwise provided in this subsection, an employee who is demoted, is entitled to the minimum payable rate of basic pay for the lower grade/band unless the employee's pay is set at a higher rate under grade/band and pay retention rules (refer to IRM 6.536.1, Grade/Band and Pay Retention) or the MPR rule (refer to IRM 6.531.1.2.13, Maximum Payable Rate (MPR) Rule).

- (2) **Voluntary CLG/band:** When the demotion from a permanent grade/band is at the employee's request and the position was held:

- **Less** than 6 months, pay is set as if the employee had not been promoted (for example, apply any WGIs/PBIs the employee would have received in the original position).
- **More** than 6 consecutive months, pay will be set considering HPR (IRM 6.531.1.2.15, Rates of Basic Pay that May be Used as the Highest Previous Rate).

**Note:** HPR may be based on the combined time for consecutive permanent positions at the same or different grade(s)/band(s) that exceed 6 months. The employee is eligible for HPR from the lower grade/band (unless the total time served at the higher grade/band exceeds 6 months)

- (3) **First-time, permanent, competitive demotion into the payband:** A 10% pay increase may be provided for first-time, permanent, competitive demotion from a GS to an IR Payband position (refer to IRM 6.531.1.2.9, Setting Pay upon Movement under the IRS Payband System). When the employee does not meet the 10% pay increase eligibility, HPR from the employee's current permanent GS position of record may be used to set pay (refer to (2) above).

- (4) **Expiration or termination of temporary promotion:**

- a. When an employee on a temporary promotion is returned to their permanent position of record, the employee's payable rate of basic pay must be set as if they had not been temporarily promoted. Apply any WGIs/PBIs the employee would have earned in their position of record had the temporary promotion not occurred.
- b. When an employee on a stacked non-competitive temporary promotion is returned to the competitive temporary promotion held just prior to that stacked promotion, the action is processed as a temporary promotion (not a CLG) in accordance with IRM 6.531.1.2.10(3)(b), Setting Pay upon Stacked or Multiple Promotion. Apply any WGI's/PBIs the employee would have earned on the competitive temporary promotion had the stacked temporary promotion not occurred.
- c. When an employee on a temporary promotion is placed in a temporary position at a grade/band lower than that held immediately prior to the current temporary promotion, **and** that lower-graded/banded temporary position is at a grade/band higher than the permanent position of record, the employee will first be returned to their position of record, affording

any WGs/PBIs the employee would have received had they not gone on the temporary promotion. Pay is set upon subsequent temporary promotion following pay-setting rules outlined in IRM 6.531.1.2.8, Setting Pay upon Promotion for GS, and IRM 6.531.1.2.9, Setting Pay upon Movement under the IRS Payband System.

- d. HPR will **not** be used to set pay upon termination of a temporary promotion regardless of the time served on the temporary promotion.
  - e. Any PBIs earned while on a temporary promotion do not carry over when the employee is returned to their GS position of record or initial GS temporary promotion as in (b) above.
- (5) **Demotion upon failure to complete a supervisory/managerial probationary period:** When an employee who is placed permanently in a supervisory/managerial position fails to complete the probationary period prior to an involuntary CLG, pay is set as if the employee had not been placed in the supervisory/managerial position. Apply any WGs and pay adjustments the employee would have received had the promotion not occurred. Conversion-out pay-setting rules are not applicable. **HPR will not be considered per 5 CFR 531.223(c).** Refer to (7) for involuntary demotion after completing supervisory/managerial probationary period. To determine DLEI, refer to IRM 6.531.1.3.6, Equivalent Increase Determinations.
- (6) **Correcting an erroneous demotion:** When a demotion is determined to be erroneous and is canceled, the rate of basic pay is set as if the employee had not been demoted. The action is a correction of the original demotion action and may not be treated as a promotion. For example, when a demotion based on a reclassification of the employee's position is found to be erroneous and is corrected retroactively, the corrective action is a cancellation of the original demotion.
- (7) **Demotion for cause/inefficiency:** Pay is set considering partial application of HPR given the employee's length of service spent at the grade/band from which demoted, the grade/band of the demotion, and any intervening grades/bands. For example, a GS-12 employee is demoted to the GS-09. The employee has a total of 8 years of service in the three grades (2 years at the GS-12, 5 years at the GS-11 and 1 year at the GS-09). If the employee had remained at the GS-09 grade level for 8 years, they would have been a GS-09, step 6. Therefore, the business unit taking the action may set the employee's pay no lower than GS-09, step 1 and no higher than GS-09, step 6. The actual rate of basic pay at the higher grade is not considered in setting pay at the lower grade when the demotion is for cause/inefficiency.
- (1) If an employee in a permanent IR position voluntarily moves to a GS position, the employee's payband and pay rate must be converted to a GS equivalent grade, in accordance with Appendix C of the OPM Criteria for IRS Broadbanding System, to determine the nature of action. The GS equivalent grade and rate determined is used in applying various pay administration rules that govern how pay is set (for example, rules for promotion, HPR and pay retention), in accordance with the type of action (reassignment, demotion or promotion).
- (2) **Movement to a higher graded GS position,** apply the two-step promotion as outlined in 5 CFR 531.214.

6.531.1.2.12  
(10-04-2024)  
**Setting Pay upon  
Movement from a  
Permanent Payband  
Position to a GS  
Position**



**Note:** The converted rate is **not** placed on step before applying the two-step promotion rule.

(3) **Voluntary movement to a lower graded or equivalent GS position** when an employee moves voluntarily to a GS position from a permanent IR position of record and the IR position was held:

- **Less** than 6 months, pay is set as if the employee had not been placed into the IR position (for example, apply any WGs the employee would have received in their prior GS position).
- **More** than 6 consecutive months, conversion-out rules are applied. The employee's Payband and pay rate must be converted to a GS equivalent grade and rate of pay before any accompanying geographic move or other simultaneous action. Follow pay-setting rules in accordance with the type of action (reassignment or demotion).

(4) Employees in an IR position involuntarily moved out of the payband:

- **Prior to completing supervisory/managerial probationary period:** When an employee permanently placed in an IR position does not complete the supervisory/managerial probationary period prior to involuntary movement out, pay is set as if the employee had not been placed in the IR position. Apply any WGs and pay adjustments the employee would have received had the placement not occurred. Conversion-out pay-setting rules are not applicable. HPR will not be considered per IRM 6.531.1.2.16(1)(c), Rates of Basic Pay that May Not be Used as the Highest Previous Rate.
- **After completing supervisory/managerial probationary period:** When an employee permanently placed in an IR position completed the supervisory probationary period prior to involuntary movement out, conversion out rules do not apply. Refer to IRM 6.531.1.2.11(7), Setting Pay upon Demotion (Change to Lower Grade/Band), for pay-setting rules.

6.531.1.2.13  
(10-04-2024)

## Maximum Payable Rate (MPR) Rule

- (1) Application of the MPR rule is not required by statute or regulation. It allows the IRS to set pay for employees at a higher rate than would normally be established, based on a higher rate of pay previously received in another federal job. The rate derived from this MPR is known as HPR. In some circumstances, the MPR rule may be used to determine an employee's rate of basic pay upon reemployment, transfer, reassignment, promotion, demotion, change in type of appointment, movement from a non-GS pay system or upon termination of grade/band or pay retention.
- (2) When an employee is **reinstated/reemployed**, pay is set considering the employee's experience and qualifications. An employee **will** be afforded the benefits of the MPR rule if the prior federal work experience and qualifications are applicable to the position in which the employee is being reinstated or re-employed.

**Note:** If the determination is made to provide HPR upon reinstatement/reemployment, that rate will be considered on subsequent actions.

- (3) Employees **transferring** without a break in service **will** be afforded HPR if that process will produce a higher pay rate. This includes when an employee

moves from another agency to the IRS from one type of appointment to another. This doesn't meet the definition of a transfer, but is considered a change in a type of appointment, and therefore eligible for HPR. Pay is set in accordance with the type of action occurring (for example, reassignment, demotion or promotion). HPR can be based on either the employee's:

- Current federal position (that is, the position from which the employee is transferring), held permanently and consecutively for more than 6 months, regardless of whether that experience is applicable to the new position, or
- Prior federal work experience (that is, a position held prior to the employee's current permanent federal position), held permanently and consecutively for more than 6 months, only if the previous experience is related to the position being filled.

**Note:** The HPR used to set salary upon transfer **will** be considered on subsequent actions.

- (4) Employees **voluntarily demoted** from a permanent grade/band held consecutively over 6 months **will** be afforded HPR if that process will produce a higher pay rate. Refer to IRM 6.531.1.2.11, Setting Pay upon Demotion (Change to Lower Grade/Band).

**Note:** If re-promotion is imminent within 6 months, pay will be set so that upon re-promotion the employee will return to the **same** salary they held prior to the demotion (considered partial HPR).

- (5) Employees **promoted** (temporarily or permanently) will be afforded HPR if that process will produce a higher pay rate.
- (6) Once a determination is made by an HR Specialist, with delegated authority, to not afford HPR on a reinstatement/reemployment or from prior federal experience on a transfer action, the original determination cannot be changed. This determination should be documented in the personnel action.
- (7) The authority to apply the MPR rule in discretionary situations, such as the reassignment of an employee from a special rate position, is delegated to members of the SES and officials in equivalent positions.
- (8) Pay set under the MPR rule must take effect on the effective date of the action involved. The MPR rule may not be used to set an employee's rate of basic pay retroactively unless the retroactive action is required to comply with a non-discretionary IRS policy.
- (9) Any use of the MPR rule should be documented sufficiently to allow reconstruction of the action.

6.531.1.2.14  
(10-04-2024)

#### Determining the Maximum Payable Rate

- (1) When calculating the employee's MPR, use the appropriate rule stated in 5 CFR 531.221, Maximum payable rate rule.
- (2) **HPR based on a GS rate or LEO special base rate.** When an employee's HPR is based on a GS rate of basic pay or an LEO special base rate paid under the GS pay system, an agency must determine the MPR that may be paid to the employee following 5 CFR 531.221(b).



- (3) **HPR based on a GS employee's special rate.** When a GS employee is reassigned under the conditions described in IRM 6.531.1.2.15(2), Rates of Basic Pay that May be Used as the Highest Previous Rate, the employee's former special rate in effect immediately before the reassignment may be used as the employee's HPR. The agency must apply the MPR rule following 5 CFR 531.221(c).
- (4) **HPR based on a non-GS pay system.** When an employee's HPR is based on a rate of basic pay in a non-GS pay system, the agency must determine the MPR that may be paid to the employee following 5 CFR 531.221(d).
- (5) **HPR for placement into IR payband positions.** When an employee is being placed into an IR payband position, and their HPR is based on an IR or GS rate, the relative position in the payband must be derived to determine the MPR that may be paid to an employee. This process is similar to the process outlined in 5 CFR 531.247, Maximum payable rate rule for GM employees.

6.531.1.2.15  
(10-04-2024)

**Rates of Basic Pay that  
May be Used as the  
Highest Previous Rate**

- (1) A rate of pay based on a regular tour of duty (TOD) (full-time or part-time) earned while serving under an appointment not limited to 90 days or less, or for a continuous period of not less than 90 days, without a break in service. A rate earned while on an intermittent TOD cannot be used for HPR.
- (2) A special rate, **only** when **all** the following conditions apply:
  - a. The employee is **reassigned** within the IRS or from another position in the Department of the Treasury (Treasury) at the same grade level.
  - b. The special rate is the employee's existing rate of basic pay immediately before the reassignment.
  - c. The authorized official finds that the need for the employee's services and contribution to Treasury will be greater in the position to which reassigned. An agency must make such determinations on a case-by-case basis. In each case, the agency must document the determination to use the special rate as an employee's HPR in writing.
- (3) A rate earned on a permanent grade/band held consecutively over 6 months. This would also apply to external federal applicants.

**Note:** HPR may be based on the combined time for consecutive permanent positions at the same or different grade(s)/band(s) that exceed 6 months. The employee is eligible for HPR from the lower position (grade/band) (unless the total time served at the higher grade/band exceeds 6 months). Or, when temporary limitations are removed, the time spent on the temporary promotion can be combined with time spent on the permanent placement.

- (4) A rate earned on a temporary promotion held over one year (365 days) as follows:
  - a. A temporary promotion is extended so that the total time exceeds one year.
  - b. The combined time for consecutive multiple temporary promotions at the same or different grade(s)/band(s) exceeds one year. The employee is eligible for HPR from the lower grade/band unless the total time served at the higher grade/band exceeds one year.

- (5) Employees on seasonal positions confer eligibility for HPR in the same way as full-time/part-time positions. Provided all requirements are met, a rate earned in a seasonal position may be used to set pay regardless of the number of days worked during the period of seasonal employment.

6.531.1.2.16  
(10-04-2024)

**Rates of Basic Pay that  
May Not be Used as the  
Highest Previous Rate**

- (1) HPR may not be based on the following rates:
- a. A rate earned under an expert or consultant appointment.
  - b. A rate earned on an intermittent TOD.
  - c. A rate earned on a permanent grade/band held consecutively less than 6 months.
  - d. A rate received on a temporary promotion for less than one year.
  - e. A rate received in a position from which the employee was reassigned or reduced in grade/band for failure to satisfactorily complete a probationary period as a supervisor/manager (adverse action).
  - f. A rate earned on a temporary promotion, regardless of the time served, will not be used to set pay upon termination of a temporary promotion.
  - g. A rate received by an individual while employed by the Government of the District of Columbia who was first employed by that government on or after October 1, 1987.
  - h. A rate received by an individual while employed by a Department of Defense or Coast Guard non-appropriated fund instrumentality.
  - i. A special rate, except as provided in IRM 6.531.1.2.15, Rates of Basic Pay that May be Used as the Highest Previous Rate, above.
  - j. A rate received under a void appointment or a rate otherwise contrary to applicable law or regulation.
  - k. A rate received as a member of the uniformed services.
  - l. A retained rate.
- (2) Title 5 USC section 5335 defines the waiting period for movement through the steps of a grade. There are situations when the application of HPR could violate statutory requirements for waiting periods. Therefore, IRS policy does not permit the use of HPR for a rate earned prior to the employee accepting a voluntary CLG when re-promotion is imminent within 6 months (for example, employee selected to a lower-graded position with known promotion potential and employee meets eligibility for promotion within the next 6 months). The employee may be eligible for partial HPR in these situations (refer to IRM 6.531.1.2.13(4), Maximum Payable Rate (MPR) Rule).

6.531.1.3  
(03-26-2010)

**Within-Grade Increases**

- (1) This guidance must be applied in conjunction with the provisions at 5 CFR 531, Subpart D, Within-Grade Increases.

6.531.1.3.1  
(10-01-2020)

**Employee Coverage**

- (1) This guidance applies to IRS employees who occupy permanent positions classified and paid under the GS or GL and who are paid less than the maximum rate of their grades. This section does not apply to:
- a. Members of the SES or appointees paid under 5 USC 9503, Streamlined critical pay authority.
  - b. Individuals appointed by the President, by and with the advice and consent of the Senate.
  - c. Individuals occupying positions covered under the IRS Payband System.

6.531.1.3.2  
(03-26-2010)

## **Earning a Within-Grade Increase**

- (1) An employee paid less than the maximum step (step 10) of the grade of the position held will advance in pay to the next higher step upon meeting the following three statutory requirements:
  - a. The employee's performance is at an acceptable level of competence; that is, their rating of record must be at least fully successful or equivalent. If the rating of record does not reflect the employee's current performance, a more current rating of record must be prepared. The rating of record that forms the basis for awarding a WGI must not have been assigned earlier than the beginning of the most recent completed appraisal period.
  - b. The employee must have completed the required waiting period for advancement to the next step or rate.
  - c. The employee must not have received an equivalent increase during the required waiting period (refer to IRM 6.531.1.3.6, Equivalent Increase Determinations).

6.531.1.3.3  
(03-26-2010)

## **Waiting Periods for a Within-Grade Increase**

- (1) For advancement to the next step, an employee with a scheduled TOD must possess the following number of calendar weeks of creditable service to advance, as appropriate:
  - a. 52 calendar weeks for steps 2, 3 or 4
  - b. 104 calendar weeks for steps 5, 6 or 7
  - c. 156 calendar weeks for steps 8, 9 or 10
- (2) For advancement to the next step, an employee without a scheduled TOD (for example, intermittent work schedule) must possess the following number of calendar weeks of creditable service to advance, as appropriate:
  - a. 260 days in not less than 52 weeks for steps 2, 3 or 4
  - b. 520 days in not less than 104 weeks for steps 5, 6 or 7
  - c. 780 days in not less than 156 weeks for steps 8, 9 or 10

6.531.1.3.4  
(03-26-2010)

## **Commencement of a Waiting Period**

- (1) A waiting period begins:
  - a. On the first appointment as an employee of the Federal Government, regardless of tenure,
  - b. Upon receiving an equivalent increase, or
  - c. After a period of nonpay status or a break in service (alone or in combination) of more than 52 calendar weeks, unless the nonpay status or break in service constitutes creditable service under 5 CFR 531.406 (for example, military service).
- (2) A waiting period is not interrupted by non-workdays intervening between the last scheduled workday in one position and the first scheduled workday in another position (in other words, with no break in service).

6.531.1.3.5  
(10-04-2024)

## **Creditable Service**

- (1) Creditable service, including limited periods of leave without pay (LWOP), is granted as provided in 5 CFR 531.406 (for example, military service, workers compensation, Peace Corps, and restoration or reemployment rights).
- (2) Civilian employment in any branch of the federal government (executive, legislative or judicial) is creditable service in the computation of a waiting period.

Service credit is given during this employment for periods of annual, sick and other leave with pay; advanced annual and sick leave; service under a temporary or term appointment; and service under an interim appointment made under 5 CFR 772.102. Service may be creditable for the completion of one waiting period or for the completion of successive waiting periods.

**Note:** A current federal employee on a temporary or term appointment who is selected for a position at the same grade in the competitive service (without a break in service) would have the time spent in the temporary or term appointment considered creditable service toward the completion of a waiting period when the employee is placed into the competitive service position.

**(3) Service creditable for one WGI.**

- a. Military service as defined in section 8331(13) of Title 5, USC, is creditable service in the computation of a waiting period when an employee is reemployed with the federal government not later than 52 calendar weeks after separation from such service or hospitalization continuing thereafter for a period of not more than one year.
- b. Time in a nonpay status (based upon the TOD from which the time was charged) is creditable service in the computation of a waiting period for an employee with a scheduled TOD when it does not exceed an aggregate of:
  - Two workweeks in the waiting period for an employee whose rate of basic pay is less than the rate of basic pay for step 4 of the applicable grade.
  - Four workweeks in the waiting period for an employee whose rate of basic pay is equal to or greater than the rate of basic pay for step 4 of the applicable grade and less than the rate of basic pay for step 7 of the applicable grade.
  - Six workweeks in the waiting period for an employee whose rate of basic pay is equal to or greater than the rate of basic pay for step 7 of the applicable grade.
- c. Except as provided in paragraph (3), time in a nonpay status (based upon the TOD from which the time was charged) that is in excess of the allowable amount will extend a waiting period by the excess amount.

**(4) Service creditable for successive WGIs.**

- a. A leave of absence from a position whether the employee is on LWOP or is considered to be on furlough, is creditable service in the computation of waiting periods for successive WGIs:
  - i. The employee is absent for the purpose of engaging in military service and returns to a pay status through the exercise of a restoration right provided by law, executive order or regulation.
  - ii. The employee is receiving workers compensation.
- b. The period from the date of an employee's separation from federal service with a restoration or reemployment right granted by law, executive order or regulation to the date of restoration or reemployment with the Federal Government through the exercise of that right is creditable service in the computation of waiting periods for successive WGIs.
- c. The period during which a separated employee is in receipt of workers compensation as a result of an injury incurred by the employee in the

performance of duty is creditable service in the computation of waiting periods for successive WGIs when the employee is reemployed with the federal government.

6.531.1.3.6  
(10-04-2024)  
**Equivalent Increase  
Determinations**

- (1) **GS and GL employees:** An equivalent increase is considered to occur at the time of any of the following personnel actions:
  - a. A WGI, excluding a QSI.
  - b. An interim WGI that is later terminated under 5 CFR 531.414.
  - c. A permanent or temporary promotion to a higher grade, except when:
    - At the end of the temporary promotion, the employee is returned to the grade from which promoted, or
    - The employee does not satisfactorily complete a probationary period and is returned to a position at the lower grade held before promotion.
  - d. A promotion of an employee with a retained rate even when the action does not result in an increase of pay.
- (2) **Non-GS employees (for example, IR employees) who move to the GS pay system:** When an employee performs service under a non-GS pay system and that service is potentially creditable towards a GS WGI waiting period: an equivalent increase occurs when any of the following actions are taken in the non-GS pay system:
  - a. Promotion into the non-GS pay system.
  - b. First time competitive reassignment or CLG/band into the IR payband when the employee receives the 10% increase.
  - c. A promotion to a higher band or work level within the non-GS pay system (unless the promotion is cancelled and the employee's rate of basic pay is redetermined as if the promotion had not occurred).
  - d. An opportunity to receive an increase in base pay such as a PBI, even if it results in a zero dollar increase. •
- (3) Increases in locality and special rates and general across-the-board pay adjustments are not considered equivalent increase determinations.
- (4) A QSI is given in addition to a regular WGI and is not considered an equivalent increase. A QSI does not affect the timing of an employee's next WGI unless the QSI places the employee in step 4 or 7 of their grade, in which case the waiting period is extended an additional 52 weeks, consistent with IRM 6.531.1.3.3, Waiting Periods for a Within-Grade Increase above.

6.531.1.3.7  
(10-04-2024)  
**Acceptable Level of  
Competence  
Determinations -  
Denying Within-Grade  
Increases**

- (1) Management must make determinations regarding acceptable level of competence in accordance with Delegation Order 6-29, 5 CFR Part 430, Subpart B, and 5 CFR Part 531, Subpart D.
- (2) If an employee's current rating of record is less than fully successful, at least 90 days prior to the date an employee is eligible for a WGI, management must contact Labor Relations for guidance. To request help from Labor/Employee Relations & Negotiations (LERN), submit a request at IRS Service Central, at <https://irworks.for.irs.gov/> or call the LERN Support Gate (toll free) at 866-743-5748, press option 1, then option 6, Monday through Friday, 7 a.m. to 7 p.m., Central Time. Refer to IRM 6.432.1, Addressing Poor Performance, for action required.

- (3) **Reconsideration of a negative determination:** Within 15 calendar days of a negative WGI determination, the employee or their representative may file a written request for reconsideration. The reconsideration request must be filed with the manager who denied the WGI and set forth the reasons the negative determination should be reconsidered.
- a. Management will review the reconsideration request and promptly inform the employee whether the reconsideration decision sustains the WGI denial or the WGI is granted.
  - b. If the reconsideration decision sustains the denial, the employee will be notified in writing of the reasons for the decision and their right to appeal the decision to the Merit Systems Protection Board. Bargaining unit employees should refer to their negative determination letter and Article 17 in the National Agreement for information on the reconsideration decision.

6.531.1.3.8  
(03-26-2010)  
**Effective Date of a  
Within-Grade Increase**

- (1) Except as provided in paragraph (3) of this subsection, a WGI is effective on the first day of the first pay period following the completion of the required waiting period.
- (2) An employee temporarily promoted for NTE one year may complete 52 weeks of service at the temporary grade but will not earn the WGI unless the temporary promotion is extended beyond the 26th pay period.
- (3) When an acceptable level of competence is achieved at some time after a negative determination, the effective date is the first day of the first pay period after the acceptable determination has been made.

6.531.1.4  
(10-01-2020)  
**Quality Step Increases  
(QSI)**

- (1) A QSI is an additional WGI used to recognize and reward GS or GL employees at any grade level who display outstanding performance. A QSI has the effect of moving an employee through the GS or GL pay range faster than by periodic step increases alone.
- (2) A QSI provides appropriate incentive for excellence in performance by granting a faster than normal step increase. It is used to recognize exceptional performance and is a tool to motivate employees to continue that high level of accomplishment in their position of record.
- (3) A QSI does not affect the timing of an employee's next regular WGI unless the QSI places the employee in step 4 or step 7 of their grade. In these cases, the employee must complete the full waiting period for the new step (refer to IRM 6.531.1.3.3, Waiting Periods for a Within-Grade Increase). However, the time an employee has already waited is not lost; it continues to count towards the waiting period for the next step increase. The QSI provides the employee the benefit of receiving an additional step increase at an earlier date than they originally would have received without losing any time creditable towards their next WGI.
- (4) This guidance must be applied in conjunction with the provisions at 5 CFR 531, Subpart E, Quality Step Increases, and IRM 6.451.1, Employee Performance and Utilization.



6.531.1.5  
(03-26-2010)

## **Locality-Based Comparability Payments**

- (1) This guidance must be applied in conjunction with the provisions at 5 CFR 531, Subpart F, Locality-Based Comparability Payments.

6.531.1.5.1  
(03-26-2010)

## **Locality Pay Areas**

- (1) Locality pay areas are listed in 5 CFR 531.603 and posted on OPM's website at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/> under related information.

6.531.1.5.2  
(03-26-2010)

## **Determining an Employee's Locality Rate**

- (1) An employee's locality rate is determined by:
  - a. Determining the employee's official worksite (refer to IRM 6.531.1.5.3, Determining an Employee's Official Worksite (Official POD)),
  - b. Determining the locality pay area in which the employee's official worksite is located,
  - c. Identifying the locality pay percentage in effect in the applicable locality pay area,
  - d. Increasing the employee's underlying rate of basic pay by the applicable locality pay percentage and rounding the result to the nearest whole dollar (\$.50 and higher rounds up), and
  - e. Applying any applicable limitation as described in 5 CFR 531.606.

6.531.1.5.3  
(10-04-2024)

## **Determining an Employee's Official Worksite (Official POD)**

- (1) The location of an employee's official worksite (official POD) is determined by management and documented on SF-50, Notification of Personnel Action. It is used to:
  - a. Set pay,
  - b. Establish various benefits,
  - c. Determine state and local tax liabilities,
  - d. Calculate travel reimbursements, and
  - e. Determine personnel matters based on commuting area (for example, reassignments and Reductions in Force (RIFs)).
- (2) The official POD is the location of an employee's position of record, where they regularly perform their duties. If the employee's work involves regular travel or the work location varies on a recurring basis (for example, mobile work), the official POD is the location where the work activities of the employee's position of record are based and must be in a locality pay area in which the employee regularly performs work.
- (3) The official POD is defined as a building in which the IRS occupies space. The official POD may not be the employee's home or another location not occupied by the IRS, unless an employee is granted an exception to reporting to their official POD and their official POD is changed to their telework location under an approved IRS authority.
- (4) Employees on a telework agreement must report to the official POD as required by IRS telework policy. Refer to IRM 6.800.2, Employee Benefits, IRS Telework Program.
- (5) Business unit executives, BBHR directors and/or their equivalents are responsible for establishing business unit processes to ensure official PODs for all



- (6) Managers are responsible for:
  - a. Knowing what determines an employee's official POD,
  - b. Knowing the location where each employee reports on a regular basis to perform the duties of their position,
  - c. Ensuring government resources are used efficiently and effectively with minimum potential for waste, fraud and mismanagement, and
  - d. Administering official POD policies with integrity and in compliance within applicable laws, regulations, policies and established procedures.
- (7) For an employee who is relocated and is authorized to receive relocation expenses under 5 USC Chapter 57, Subchapter II, Travel and Transportation Expenses; New Appointees, Student Trainees, and Transferred Employees, the official POD is the established POD for the position in the area to which the employee has been relocated. This includes employees on long-term temporary assignments where relocation expenses were authorized.
- (8) Temporary changes that impact the official POD and locality include:
  - a. A competitive detail or temporary promotion to a position in a different geographic area, in which case the official POD is the location of the temporary position (which also impacts locality pay entitlement).
  - b. Temporary exceptions to reporting to an official POD. Refer to IRM 6.531.1.5.3.1, Exceptions to Reporting to Official POD, for more information.
- (9) For an employee whose assignment to a new POD is followed by a RIF within three workdays, resulting in the employee's separation before they are required to report for duty at the new location, the official POD in effect immediately before the assignment remains the official POD through the date of separation.
- (10) If an employee is approved to relocate on a permanent basis, a change to the official POD must be processed in accordance with procedures listed in the OPM Guide to Processing Personnel Actions (GPPA).
- (11) An employee's official POD is documented on their SF-50, Notification of Personnel Action, in blocks 38 and 39.

(1) An employee may request an exception to reporting to their official POD in extenuating circumstances (for example, reasonable accommodation or temporary hardship). For additional information refer to IRM 6.800.2 , Employee Benefits, IRS Telework Program, and the Exceptions to Reporting to Official POD website on IRS Source at <https://irsgov.sharepoint.com/sites/EmployeeResources/SitePages/Pay57.aspx?OR=Teams-HL&CT=1683643823574&clickparams=eyJBCbHOYW1lIjojVGVBhXMtRGVza3RvcCIsIkFwcFZlcnNpb24iOiIyNy8yMzAzMDUwMTEuMCIslkhk0ZIZGVyYXRIZFVzZXIjOmZhbHNlfiQ%3D%3D>

6.531.1.5.4  
(03-26-2010)

## **Computing Hourly, Daily, Weekly and Biweekly Locality Rates**

- (1) For information on computing hourly, daily, weekly and biweekly rates, refer to 5 CFR 531.607. Tables listing hourly locality rates can be found at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/>.

6.531.1.5.5  
(03-26-2010)

## **Relationship of Locality Rates to Other Pay Rates**

- (1) An employee must receive the greatest of the following rates of pay, as applicable:
  - a. The scheduled annual rate of pay
  - b. A locality rate under this section
  - c. A special rate
  - d. A retained rate
- (2) The employee is entitled to the higher of the locality rate or the special rate. When an employee's locality rate exceeds a corresponding special rate, the employee's entitlement to the special rate is terminated.
- (3) Employees on a retained rate of pay (in other words, on pay retention) are not entitled to an additional locality payment. Any applicable locality rate is already included in the retained rate.

6.531.1.5.6  
(03-26-2010)

## **Adjusting or Terminating Locality Rates**

- (1) When an employee's official POD is changed to a different locality pay area, the employee's entitlement to the new locality rate begins on the effective date of the change in official POD.
- (2) Geographic conversion applies when an employee becomes covered by one or more pay schedules because the employee is assigned to an official POD in a different locality area. The employee's pay must be converted to the applicable pay schedule in the new location before applying any other pay action (other than a general pay adjustment).

6.531.1.5.7  
(03-26-2010)

## **Treatment of Locality Rate as the Rate of Basic Pay**

- (1) A locality rate is considered to be an employee's rate of basic pay for the purpose of computing or applying:
  - a. Retirement deductions, contributions and benefits.
  - b. Life insurance premiums and benefits.
  - c. Premium pay.
  - d. Severance pay.
  - e. Advances in pay.
  - f. Post differentials and danger pay allowances.
  - g. Recruitment, relocation and retention incentives, and extended assignment incentives.
  - h. Performance-based cash awards, when those awards are computed as a percentage of an employee's rate of basic pay.
  - i. GS pay administration provisions.
  - j. Pay administration provisions for prevailing rate employees which consider rates of basic pay under the GS pay system in setting pay.
  - k. Lump-sum payments for accumulated annual leave.
  - l. Grade/band and pay retention, to the extent provided by 5 CFR Part 536, Grade and Pay Retention.

6.531.1.5.8  
(03-26-2010)  
**Miscellaneous  
Provisions**

- (1) A locality rate may be paid only for those hours for which an employee is in a pay status.
- (2) Payment of or an increase in, a locality rate is not an equivalent increase in pay.
- (3) A locality rate is included in an employee's total compensation, as defined in 5 CFR 551.511(b), and straight-time rate of pay, as defined in 5 CFR 551.512(b), for the purpose of overtime pay computations under the Fair Labor Standards Act.
- (4) A reduction or termination of a locality rate is not an adverse action and is not the basis for pay retention under 5 CFR Part 536, Grade and Pay Retention.