

Change from Deferred Pay to Summer Refund Pay Talking Points

- IRS does not allow our current method of reporting and paying income taxes for 10- or 11-month employees that choose a 12-pay option.
- Total net paychecks for the fiscal year will remain the same but monthly net paychecks will vary from the current amounts
- 12-pay option is still allowed but beginning with fiscal year 2008-2009, the reporting method used to report and pay payroll taxes will change:
 - All wages, taxes, and tax-related items will be included in the first 10 (11) months of pay.
 - Summer Refund Pay amounts are taken proportionally during the first 10 (11) months with the amounts being refunded in the 11th and/or 12th month.
- For calendar year 2008 there will be a slight increase in the taxable gross wages.
 - Employees may wish to change their withholdings or adjust their TSA's. It is recommended that employees discuss their options with their tax professional.
- Both statutory and voluntary deductions taken over a 12-month period of time must now be taken over a 10 (11) month period of time:
 - Tax Sheltered Annuities (TSA)
 - Section 125 Deductions
 - Employee Health Care Premiums
 - Garnishments
- **Employees need to take action soon**
 - **Change TSAs to 10 (11) months depending on work schedule**
 - **Change Section 125 voluntary deductions to 10 (11) months depending on work schedule**
 - **Change withholding by submitting a new W-4**