

Tax Law Changes for Faculty and P&S Academic Year Employees Electing 12 Pay Option:

A recent change in federal tax law, Section 409A of the Internal Revenue Code, affects many college and university faculty and other employees paid under optional compensation plans allowing them to receive ten months' salary over a twelve month period. Section 409A provides that deferred compensation, amounts earned in one year but not paid until the next, is taxable in the year earned rather than paid. This law change does NOT affect UNI employees choosing to have their nine or ten month appointment paid over twelve months. The UNI optional twelve pay plan does not create deferred compensation.

Many colleges and universities pay the twelve months pay from August through the following July. Income earned in the fall semester is deferred and paid in the following semester or summer of the next calendar year. Section 409A will affect employees at those universities. UNI pays the academic year earnings over the twelve months from July through June. Income earned in the fall semester is paid July through December and is not deferred into the next calendar year.

If you have further questions regarding this change, please contact Linda Gruetzmacher in Payroll at ext.3-3003 or Cindy Webb in HRS at ext.3-2521.