

Deferred Pay

Arkansas State University offers the option for permanent 9-month faculty to set aside salary for the summer months.

Plan Summary:

The Twelve Month Option Plan provides a method for faculty on permanent 9-month appointments to spread their academic year salary over 12 months. The total amount deferred will be paid out in accordance with the standard distribution schedule:

Appointment	Appointment Start Date	Defer/Appointment Period	Payout Period	First Pay Date
9 month	08/16	08/16 - 05/15	05/16 - 08/15	8/31

Participation in the plan is available to **permanent** faculty with this appointment date only. Temporary faculty are not eligible for this option. The election applies only to base pay from the academic appointment. A faculty member's appointment and his or her total salary amount is not changed or affected by an election to receive salary over a 12-month period. Deductions will be processed over twelve months.

When a faculty member elects to receive salary over twelve months, he or she agrees to certain conditions as stated on the election form. These conditions should be studied carefully before the form is signed and submitted. For additional information, please see the list of Frequently Asked Questions below.

Note: Interest will not be paid on the deferred amount.

How does electing deferred pay affect my taxes?

The deferred funds are not taxed until the summer months. The deferred amount will be included on tax statements during the tax year it is paid, not in the tax year it is earned.

IMPORTANT: If for any reason a faculty member's employment with A-State terminates before the deferred contract ends, all monies that have been deferred are paid in a lump sum. Federal and State taxes will be calculated on the full amount and the tax implication can be significant.

When is my deferred pay request form due?

To enroll in the plan, the faculty member will complete and sign the Twelve Month Pay Authorization and Agreement form. The [authorization form](#) must be submitted to the Payroll Services office by July 1st. Enrollment in the plan becomes effective at the beginning of the plan

year (August 16th).

Can I cancel my deferred pay election?

Election to participate in the plan is irrevocable during the plan year. Pay out prior to the standard distribution schedule may be made only in the event of the faculty member's termination, disability or death. Under current federal tax regulations, these restrictions are necessary in order for the payments to be taxed when received by the employee. An election will remain in effect each year until it is changed. Once enrolled, the plan continues in effect until the faculty member withdraws from the plan at the end of the plan year or resigns from the university. If a participating faculty member passes away, the money accumulated in the redistribution pay account will be paid to their estate, according to normal payroll policies and procedures.

When a faculty member retires or resigns their position before the end of the academic year or at the end of the academic year, the deferral process ends and all monies set aside are paid in full. In this case, formal withdrawal from the program is not necessary.

However, for continuing faculty, a written request to withdraw from the program is required. These faculty members should complete a new Twelve Month Pay Authorization and Agreement form and select the *"Please stop deferral"* box. This form must be completed and returned to the Payroll Services by July 1st for the agreement period beginning August 16. Termination will be effective at the end of the plan year on August 15 and the employee's salary will revert back to a standard distribution effective August 16.

Frequently Asked Questions

The Twelve Month Deferral Option Plan allows faculty under a 9 month appointment to spread the payment of wages you earn during your appointment period over 12 months (24 pay periods).

For example, assume your annual compensation for a 9-month academic year is \$54,000. Your typical semi-monthly gross pay as a 9-month faculty is \$3,000 per pay period for 18 pay periods ($\$54,000/18$). If you choose to be paid over 24 pay periods, your monthly gross pay would be \$2,250 ($\$54,000/24$). The amount deferred for the first 18 pay periods is \$750 per pay period ($\$3,000 - \$2,250$) which is then paid out during the summer, over the last 6 pay periods.

1. A faculty member who provides service for 9 months but is paid over 12 months (9/12) is employed beginning in August. Must the employee be paid out in 18 equal installments?

No, the decision to be paid out over 18 pay periods or 24 pay periods is the employee's decision.

2. When does the 9 month deferred pay begin?

The 9 month deferred pay begins the same pay date as the 9 month regular pay (August 16th). It will continue for 24 pay dates.

3. What if I decide in the middle of the year that I want to stop my deferral?

Your election for the academic year is irrevocable after the commencement of the academic year. This is per the Internal Revenue Code - IRC 409A.

4. If I elect to defer pay, how will this affect my benefit deductions?

Benefit deductions (i.e. medical, dental, etc.) will be deducted over the entire 12 months instead of 9 months. Retirement deductions and university contributions to retirement as well as tax withholdings will be based on wages paid, not wages earned.

5. How will any summer or additional assignments affect my 9 month deferral?

Your summer assignment or any additional service assignments during the 9 month academic year are not part of your deferred compensation. Only your primary 9 month assignment is eligible for deferral.

6. How will electing deferred pay affect my taxes?

Your tax withholdings will continue to be based on the latest W-4 A-State has on file for you and will be calculated on the amount of wages paid, not the amount earned. Your W-2 will reflect only wages paid during the calendar year, not the wages earned or deferred.

7. Will I need to complete a deferred pay election form every year?

Your election will remain in effect unless you complete a request to cancel prior to July 1st of the new academic year.

8. What if my faculty assignment ends on May 15th?

Any earned but unpaid compensation will be paid in a lump sum, less any applicable deductions in the next payroll cycle. (If you have questions concerning your benefits and their end date(s) please contact Payroll at 870-972-3454.)

9. What if my faculty assignment ends prior to May 15th?

Any earned but unpaid compensation will be paid in a lump sum, less any applicable deductions in the next payroll cycle. (If you have questions concerning your benefits and their end date(s) please contact Payroll at 870-972-3454.)

10. Where should I submit my deferred pay election or cancellation form?

The election or cancellation form should be submitted to Payroll Services. The office is located in the Administration Building.

More Questions about Deferred Pay?

A-State Payroll

870-972-3454

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