



CALIFORNIA
STATE
UNIVERSITY,
FRESNO

Payoff deferral for employees who currently have an active TSA or Deferred Compensation deduction (401(k), 457, 403(b))

8/27/2003

Recent legislation has passed which allows employees separating from the Campus who have either a tax shelter account or a Deferred Compensation account to transfer (by deferral of gross pay) pay from one calendar year to the next for year-end tax reporting. This Assembly Bill allows the deferral of accumulated leave which is paid out upon separation, but there are strict time requirements which must be met in order to allow any of this to happen. Please read the information and call the Payroll Services Office should you need additional information. Payroll's phone = 278-3906.

Assembly Bill (AB) 1684 amended the Labor Code sections to accommodate the special handling of lump sum separation pay (leave accrual payoff) when requested by the employee upon a separation from active pay status. Under AB1684, an employee must submit a written request addressed to the Payroll Services Office which must be dated and received at least five days prior to his/her date of separation in order to initiate this deferral process special handling of lump sum separation pay. A copy of the request sent to Payroll Services should be sent to the employing campus department for their information. All or part of the lump sum separation pay for either unused or accumulated vacation or holiday leave to which the employee is entitled or compensating time off due to previous overtime worked may be eligible for special processing, based on the following guidelines:

Deferred lump sum pay, described:

That portion of the lump sum separation pay that extends beyond the November pay period (e.g. after December 1, 2003) in the year of separation may be deferred and issued in the following tax year.

The total amount of all deductions withheld during the tax year cannot exceed specified plan limitations. Also, the total maximum deduction amount that can be withheld from each pay period must not exceed the lump sum payment's salary gross less Social Security/Medicare taxes (if applicable) and mandatory deductions. Full responsibility of adhering to personal tax allowances for each year is placed on the employee.

Requests for this deferral must be sent to the Payroll Services Office, M.S. #JA110, received and dated within 5 days prior to the effective date of separation with a copy addressed to the employing campus department for their information.

Notes:

- Also, as indicated above, the employee must have a valid 401(k), 457, 403(b) account established prior to the separation or be currently covered under the PST retirement plan.
- Deferred leave payments will not process until after January 1 of the following year and the earnings will show in the following year's annual W-2 amounts.

Ref: PPM Section H 012 for further information on the mandatory deductions applicable to lump sum payments. .

Payroll Office

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Fresno, CA 93740-8026

(559) 278-3946
Fax: 278-7820

<http://www.csufresno.edu/Payroll>

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