SMU | Department of Human Resources

**Memorandum**

**TO:** **All SMU Faculty**

**RE:** **Contracts and Annualized Compensation for Academic Year 2014-2015**

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IRS regulations related to deferred compensation require a written election to annualize the payments if you elect to be paid over a period longer than your contract period. The deferred compensation rules are related to your salary payments made outside of the contract period. If you are not electing to be paid over 12 months, there is no deferred compensation.

A written election must be made if:

- You are a new faculty member for AY 2014-2015
- You are electing to be paid over **12 months** for AY 2014-2015
- You are changing your election from the previous year (to either 10 or 12 months)

Please see the following form for further details and to make your election. **Please initial your election, sign the form, and return it with your faculty contract prior to beginning work, to ensure compliance prior to the start of the academic year.**

As with any income tax matter, please contact your personal tax consultant if you have any questions.

# Payroll Schedule Election Form

## Academic Year 2014-2015

Employees who are paid under a contract for a period of fewer than 12 months per year may elect to be paid over 12 months. This is called "annualized compensation." Annualized compensation provides payroll payments to faculty during months outside of the contract period.

Due to IRS regulations, you must make a **written** election to receive annualized compensation; otherwise, the amount of deferred compensation will be subject to an IRS penalty. Please initial your selection below, sign and return this form **prior to beginning work**, to ensure compliance and avoid a penalty. **Please submit this form if you are 1) a new faculty member, 2) re-electing to be paid over 12 months, or 3) changing your pay schedule from the previous year (to either 10 or 12 months); elections will not be subject to a penalty as long as you submit this form prior to beginning work.***

***According to IRS regulations, if you begin work for the academic year before you submit this form, you may be subject to a 20% penalty on the deferred compensation.*

**Note that there is a maximum amount of income that can be deferred from one calendar year to another. If your deferrals exceed this specified amount, you will be contacted in advance, and the amount will be paid on your December 2014 paycheck and will be subject to regular federal and FICA tax withholding. Making this payment will avoid the additional 20% taxation.*

IRS regulations stipulate that once you have made an election for this contract period, you may not revoke it. As with any income tax matter, please contact your personal tax consultant if you have any questions.

**Please initial your election below:**

_____ **I elect annualized compensation.** I will receive **12 consecutive monthly payments** beginning August 2014 and ending July 2015. I understand that payroll deductions for taxes and benefits will be deducted from each paycheck.

_____ **I do not elect annualized compensation.** I will receive **10 consecutive monthly payments** beginning August 2014 and ending May 2015. I do not need to submit this form again unless I change my election and request to be paid over 12 months.

**Employee Signature:** _____

**Printed name:** _____

**Date Signed:** _____

**Employee ID:** _____

**Department:** _____

**Return to your department with your faculty contract.**