

## Tax Deferral of Leave Payments

Retiring and terminating employees who receive payment for accumulated annual, sick or personal leave may be eligible to tax defer some or all of those payments to the State System's Deferred Compensation Plan (457 Plan).

IRS Regulations which allow these tax deferrals to the 457 Plan contains the following restrictions:

- You must be enrolled in the 457 Plan and must elect to defer leave payments before the beginning of the month in which the leave payments would be paid.
- Tax deferred leave payments, along with other tax deferrals to the 457 Plan, are limited to the maximum elective deferral limits for the calendar year in which they are made.

These deferral limits vary depending upon several factors. In the final three-year period prior to normal retirement age as defined by the State Employees' Retirement System you may be eligible for a special deferral provision, which allows you to tax defer an amount greater than the annual calendar year limit. This should be discussed with a Great West representative, who will gather the necessary data from your university human resources office to determine if you qualify for this special provision.

Because of the IRS timing restrictions, you should plan well in advance for your leave payment deferral. To enroll in the State System's 457 Plan, you must contact the 457 Plan administrator, Great West, at **866-737-7457** and press "2" to speak with a service representative. Kutztown University's representative is Jaime Robbins at ext 62229.

**Please Note:** These IRS regulations do not apply to a tax-sheltered annuity (TSA) plan (403(b)). Therefore, you may not tax defer leave payments to your State System TSA.