

Davis Applied Technology College: A Utah College of Applied Technology Campus Employee Tax Shelter Programs Policy and Procedures

Effective Date: 15 November 2001

CDMT Approval: 23 October 2001

Campus President's Council Approval: 06 November 2001

Board Approval: 15 November 2001

1. Purpose

To describe the tax shelter program available to Davis Applied Technology College: A Utah College of Applied Technology Campus (College Campus) personnel and establish procedures to be followed in setting up an individual program.

2. Definitions

2.1. Tax Shelter Program. Under regulations of the Internal Revenue Service, educational institutions may establish salary-or-annuity option (tax sheltered annuity) programs, in addition to their retirement plans. Under these programs, College Campus personnel may, through a properly drawn salary reduction agreement, divert part of their compensation on a tax-free basis to the purchase of supplemental annuity benefits.

2.2. Salary Reduction Agreement. A salary Reduction Agreement is a binding contract, as required by Treasury regulations, between the College Campus and the employee to accept a reduction in salary payments, or to forego receipt of an increase in salary. The unpaid portion of the employee's compensation described in the agreement is then used to purchase supplemental annuity benefits which are tax sheltered, i.e., federal and state taxes on the premiums remitted and on the investment earnings credited to them are deferred until the employee receives them in the form of retirement or annuity benefits. At that time, the payments received are taxed as ordinary income in the year or years in which they are received.

3. Policy

3.1. Eligibility for Participation in Tax Shelter Program. Any employee eligible under Internal Revenue Service regulations may participate in the tax shelter program. The College Campus shall not be responsible for the operation, performance, or investment results of any tax sheltered program.

3.2. Salary Reduction Agreement. To initiate a tax shelter program, an eligible employee must enter into a Salary Reduction Agreement. The agreement shall continue in effect without change until terminated by either party.

3.2.1. Reduction in salary payments pursuant to the agreement will be implemented only to the extent such amounts are earned by the employee after the agreement becomes effective.

3.2.2. A Salary Reduction Agreement shall become effective at the beginning of the next pay period following the date on which it is signed by the employee, unless a different effective date is expressly stated in the agreement.

3.2.3. The amount of reduction permitted in salary payments is governed by applicable provisions of the Internal Revenue code, and implementing federal regulations, as amended from time to time.

3.2.4. Participation in the plan will be allowed only through payroll reduction. The amount reduced can be stipulated in the Salary Reduction Agreement as a "stated amount" per pay period, or as a "percentage of salary" per pay period, subject to the limitations described above. If the "percentage of salary" option is selected, an increase in the amount of the salary reduction will result automatically if the participant's salary is increased during the year.

4. Procedure

4.1. Enrollment Procedures. College Campus personnel interested in participating in approved tax shelter programs should contact Payroll in the Fiscal Services Office.

4.2. Salary Reduction Agreement Termination. To terminate a Salary Reduction Agreement, the participant should provide at least thirty days written notice of the date of proposed termination to Payroll in the Fiscal Services Office.

4.3. Employee's Tax Obligation. Participation in a tax shelter program approved by the College Campus does not modify or otherwise affect the personal obligation of the participant to discharge all tax liabilities and to file all necessary tax returns as a personal obligation with respect to the Internal Revenue Service or the cognizant taxing authorities.

4.4. Payment of Amounts Withheld. After amounts are withheld from employee's checks for the purchase of annuity benefits, these amounts shall be forwarded by the College Campus to the various annuity vendors in accordance with regular accounts payable procedures.