

District Business & Advisory Services

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Bulletin: 18-008

Date: August 17, 2017

To: CBO, Fiscal Directors, Payroll Supervisors

From: Ann Redd-Oyedele, Senior Advisor

Subject: Updates to the Schools Insurance Group (SIG) Report

Please note that we have updated the Schools Insurance Group (SIG) Report to include additional voluntary deduction codes identified with subjectivity 2. Previously, the SIG report was designed to only capture voluntary deduction codes with subjectivity 1. Subjectivity 1 indicates an IRC Section 125 deduction that reduces income subject to federal income tax, state income tax, OASDI and Medicare. After researching all voluntary deduction codes identified with subjectivity 2, it was determined that these codes should also be included in the SIG report, based on the appropriate tax treatment.

Therefore, effective immediately, the voluntary deduction codes listed below, identified as subjectivity 2, have been added to the SIG report. We've also reviewed the transactions in QSS for the past year and note that some of these voluntary deduction codes have not been used in the past year.

| Voluntary Deduction Code # | Description | Comment |
|----------------------------|---------------------------------|--|
| 7114 | Add PERS Pick up Repayment | Added to SIG report, but no recent activity in QSS |
| 7214 | Add PERS Repayment | Added to SIG report, but no recent activity in QSS |
| 7460 | MIS1 STRS Excess Contrib | Added to SIG Report |
| 8400 | Alt 2 Kennan & Assoc | Added to SIG Report |
| 8440 | Alt 2 Public Agency Retirement | Added to SIG Report |
| 8450 | Alt 2 ING Northern Annuity | Added to SIG Report |
| 8460 | Alt 2 Valic-Soc Sec Alternative | Added to SIG Report |

According to IRS Publication 15B (Employer's Tax Guide to Fringe Benefits), certain fringe benefits are excluded from being taxed. For example, retirement planning services are exempt from income tax withholding, social security, Medicare, and federal unemployment (FUTA). Therefore, if an employee earns \$1,000 and contributes \$400 towards an alternative retirement system using voluntary deduction code 8400 or 8440, the amount subject to payroll taxes is the remaining earnings of \$600. In this case, the amount of tax to be withheld is determined by comparing the employee's W-4 screen to the tax table and this rate is applied to the \$600 of earnings not contributed to the alternative retirement plan.

If you have any questions regarding this bulletin, please feel free to contact me at (408) 453-6593, or your Advisor.

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