

## CONTENT AREA

### New IRS Regulations on Imputed Income and Post-Tax Deductions

## ISSUE/QUESTION

How do the new IRS Regulations affect older children that were previously classified as post-tax on our plan?

## ANSWER

Effective immediately, when enrolling any employee's child that is under 25, the child should be entered as a pre-tax dependent. Please discontinue enrolling older children in plan option codes that calculate pre and post tax deductions. These plan codes will remain options in HRIS and should only be used for dependents of domestic partners that are not determined to be pre-tax by the employee. State employees paid through HRIS that were in a post-tax plan option code and have dependents who are now eligible as pre-tax dependents have been moved into the appropriate pre-tax plan option code. Imputed income for older children now classified as pre-tax dependents will no longer be included. These changes will be reflected on pay checks starting with the May 7, 2010 pay date. The effect of these changes will be an increase to net pay for impacted employees.

A one-time adjustment for imputed income and post tax deductions taken on the April 9, 2010 and April 23, 2010 pay dates for impacted employees will be made soon, but not in time for the May 7, 2010 pay date. For the pay dates of April 9th and April 23rd, insurance deductions will be converted from post tax to pre tax and the related imputed income amounts will be reversed. The effect of both of these changes will be a one-time increase to net pay.

Each University is responsible for moving employees currently in a post-tax plan option code that have children now eligible as pre-tax dependents into the appropriate pre-tax plan option code. Any deductions taken on or after March 30, 2010, and any imputed income, will need to be adjusted.

Below is a link to the IRS web page with additional information.

<http://www.irs.gov/newsroom/article/0,,id=222193,00.html>

## ISSUED

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