

Deferred Compensation



The IRS has issued new regulations governing deferred compensation (409(A)) that take effect in 2008. Cleveland State University offers its faculty (and selected staff) who work for less than 12 months the option to spread their salary payments over 12 months. In order to meet the requirements of a 'qualified plan' the following requirements must be met:

1. Written or electronic election must be submitted by faculty/staff
2. Election must state how compensation will be paid (i.e.: 9 months, equal semi-monthly installments from 8/31 through 5/15).
3. Election must be received by HR/Payroll no later than August 15 or for professional staff, prior to the first day of the new contract term. Election is irrevocable after the 15th and remains in force through the academic year. Changes may be made each academic year as long as the above stated requirements are met. If no change is requested, election remains unchanged until modified by employee.

The regulations also place a cap on the amount of income that can be deferred from one calendar year to the next. The cap is the 402(g)(1)(B) amount, which for 2026 is \$24,500. Employees whose academic year contract is more than \$196,000. will exceed the cap unless they change to a 9-month pay option. If the amount of deferred compensation exceeds the cap, the entire amount of the deferral is subject to a 20% tax penalty.

The salary limit will change in future years because the 402(g)(1)(B) amount is indexed annually by the IRS.