



Office of the State Comptroller
PAYROLL BULLETIN

Subject Tier 3 and Tier 4 Contributions for New York State and New York City Retirement Systems	Bulletin No. P-619
	Date June 19, 1989

Effective for payrolls after July 1, 1989, normal contributions for Tier 3 and 4 employees in all retirement systems except TIAA will be non-taxable, for Federal income tax purposes only, under Section 414(H) of the Internal Revenue Code. This change will take effect in payroll checks dated July 5, 1989 for Administration and July 13, 1989 for Institutions.

The Office of the State Comptroller will automatically change the status of normal contributions for current Tier 3 and 4 employees to non-taxable. All Retirement normal contributions for employees whose membership is reported on AC-1040's after July 1, 1989 with a Tier 3 or 4 registration number will automatically be non-taxable.

Mandatory arrears contributions made for periods of service on and after July 1, 1989 are non-taxable 414(H) arrears. Optional arrears payments and payments for any period of service prior to July 1 are not 414(H) contributions and are taxable. Existing arrears deductions for employees will therefore remain taxable. For future arrears, the retirement systems will notify the agency if the arrears are to be non-taxable 414(H) arrears. Do not submit AC-1040's for arrears unless you have been notified to do so by the retirement system.

An additional change for 414(H) arrears for NYS ERS and TRS is being made. The retirement systems will notify you of both the biweekly payment amount and the number of payroll periods the deduction is to be taken. The following codes are to be used on the AC-1040.

New York State (ERS & TRS)

- 621 - 414(H) Arrears Biweekly Amount
- 622 - 414(H) Arrears Number of Periods

After the biweekly deduction has been taken for the required number of pay periods, the deduction will be cancelled automatically.

The following new codes should be used for 414(H) Arrears for New York City Retirement Systems.

New York City (NYE, NYT, NBE)

- 616 - 414(H) Arrears Amount
- or
- 617 - 414(H) Arrears Rate
- 618 - 414(H) Arrears Number of Payroll Periods
- (Code 618 must be submitted with either 616 or 617)

Existing codes continue to be used to report taxable arrears.

Affect of 414(H) on Calculations of Salary and Taxes

Gross salary is reduced by the 414(H) normal contributions and arrears before calculating Deferred Compensation, and for Federal taxes, but is not for State and Local taxes and Social Security or Medicare.

Examples

To compute Deferred Compensation

Gross
 - Non-Tax Health Insurance & Adjustments
 - 414H Contributions and Arrears
 New Gross X Def Comp Percent=Deferred Compensation Amount

To Compute Fed Tax - Gross
 - Non-Tax Health Insurance & Adjustments
 - 414H Contributions and Arrears
 - Non-Tax Maintenance
 - Deferred Compensation
 - 403B Contribution
 Federal Taxable Gross

To Compute State/City Tax - Gross
 - Non-Tax Health Insurance and Adjustments
 - Non-Tax Maintenance
 - Deferred Compensation
 - 403B Contribution
 State/City Taxable Gross

To Compute Social Security/Medicare - Gross
 - Non-Tax Health Insurance and Adjustments
 - Non-Tax Maintenance
 SS/Med Taxable Gross

Salary Register

An 'N' will print preceeding the "Ret. Normal Contributions" if the deduction is 414(H). If the arrears are 414(H), code 621 (ERS or TRS) or 616 (NYT, NBE, NYE) will be reported in Miscellaneous Deduction Column.

414(H) arrears will be included on the "Ret Contr" for Sub-Total Lines.

Separate totals will be reported on the Total Page for 414(H) Contributions and Arrears. The codes are:

664 - ERS 414(H) Nor Tot Amt
665 - ERS 414(H) Arr Tot Amt

696 - TRS 414(H) Nor Tot Amt
697 - TRS 414(H) Arr Tot Amt

694 - NYE 414(H) Nor Tot Amt
695 - NYE 414(H) Arr Tot Amt

663 - NYT 414(H) Nor Tot Amt
677 - NYT 414(H) Arr Tot Amt

654 - NBE 414(H) Nor Tot Amt
655 - NBE 414(H) Arr Tot Amt

Check Stub and Direct Deposit Stub

An 'N' for Non-Taxable 414(H) Contributions will print preceding the contribution (Code 620).

If arrears are non-taxable 414(H), the appropriate code (616 or 621 depending on the retirement system) will print in the "Code-Other Ded-Amt".

PRG-1 YTD Summary

The 414(H) Contributions and Arrears are combined, and a field for YTD 414(H) Contributions has been added to the summary.

PDL-17 Biweekly Payroll Summary Adjustment Listing

AC-230's processed with 414(H) Contributions or Arrears will be reflected on the PDL-17 with code 626 ADJ CYTD 414(H) Contributions.

AC-230 Processing

When it is necessary to refund 414(H) Normal Retirement Contributions on an AC-230, report with code 620. The payroll system will determine, based on the employee's registration number and the Warrant Number and Year if the contribution is a 414(H) Retirement Contribution, and will adjust the YTD 414(H) Contributions automatically.

If 414(H) Arrears are to be refunded, use code 621 for ERS and TRS, or code 616 for New York City-NYE, NBE or NYT retirement systems. When either of these codes are processed, the YTD 414(H) Contributions will be adjusted.

If you have any questions, contact the Payroll Planning Unit at (518) 473-0950 or 474-1330.

