



IRS RULING EFFECTING YOUR PAYCHECK

The Tenth Circuit of United States Court of Appeals ruling in *Public Employees Retirement Board v. Shalala*, in May 2014, requires that the retirement contribution amount is to be included in FICA and Medicare taxable wages, requiring that all wages be taxable (except for cafeteria plan withholdings).

Effective January 1, 2017, the only allowable deduction from gross wages to calculate the tax will be cafeteria plan withholdings (i.e. health insurance, flex spending accounts).

Both employers and employees will have to pay the increased amount. The state estimates that the additional annual cost will be approximately \$5.7 million for state government agencies alone.

WHAT DOES THIS MEAN TO ME???

Short answer: Your deduction for Medicare and, if applicable, Social Security will increase.

Long answer: Look at your paystub. The amount that is deducted for retirement (either Teachers Retirement or CERS) will be taxable for Medicare at 1.45% and, if applicable, Social Security at 6.2%.

For Certified, look at your Teacher Retirement deduction – for example if \$250 is deducted for retirement then your Medicare deduction will increase by \$3.63 ($\$250 \times 1.45\%$).

Medicare	\$3.63 ($\$250 \times 1.45\%$)
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For Classified, look at your CERS deduction(s) – for example if \$50 is deducted for CERS, then you'll have an increase in:

Medicare	\$0.72 ($\$50 \times 1.45\%$)
Social Security	\$3.10 ($50 \times 6.2\%$)

If you would like to have more information regarding this change you can make an appointment with Payroll/Benefits (Angie Marcum, Lora Adams or Donna Black).