

Department of Accounts

Payroll Bulletin

Calendar Year 2003

May 5, 2003

Volume 2003-07

Elimination of Proposed Miscellaneous Deduction Fee

**Budget Bill
Approved**

As Governor Warner signed House Bill 1400, the Budget Bill, which provides funding for the continuing administrative support for miscellaneous deductions (supplemental insurances and savings bonds), the fee announced in Payroll Bulletin 2002-19 has been eliminated.

Taxability of Military Pay

**Taxing of
Military Pay**

IRS Revenue Ruling 69-136 states that "Payments made by employers to former employees who are actively serving in either the Armed Forces of the United States or the National Guard are not subject to FICA, FUTA, and income tax withholding "

Therefore, Special Pay 44, Military Pay, has been modified to be non-taxable in CIPPS. (Please note that even though payments are not subject to withholding, they are 1099 reportable income.) DOA has identified those individuals who have had Military Pay earnings to date and made the required adjustments to the taxable accumulators. FICA (OASDI and HI) will automatically refund the next time the employee receives earnings. FIT and SIT do not need to be refunded. However, if desired, tax refunds are permitted using HTQTA. Please keep in mind that paid manual paysets (e.g., tax refunds) require either regular pay (\$.01 on HUA03) or a special pay paid as regular (744 transactions on HUC01) in order to process.

Catch-Up Limit for 403(b) Correction

**403 (b) Limit
with Catch Up**

The Qualified Benefit Plan table provided in Payroll Bulletin 2003-01 misstated the 403(b) limit with "catch-up." The table showed \$15,000, but the correct value is \$17,000.

In This Issue of the Payroll Bulletin.....

1. **Elimination of Proposed Miscellaneous Deduction Fee**
2. **Taxability of Military Pay**
3. **Catch-Up Limit for 403(b) Correction**

The Payroll Bulletin is published periodically to provide CIPPS agencies guidance regarding Commonwealth payroll operations. If you have any questions about the bulletin, please call Lora L. George at (804) 225-2245 or Email at lora.george@doa.virginia.gov

State Payroll Operations

Manager **Karen M. Robinson**

Assistant Manager Lora L. George