

DO 9-MONTH FACULTY HAVE A TAX PROBLEM?

The IRS & 9-Month “Public School” Employees Paid over 12 Months

The IRS has published some recent statements about 9-month “public school employees” who are paid over 12 months – and how, in some cases, pay delivered in such a way may now result in taxable “deferred compensation” for those employees.

Does This Apply to NC State Faculty on 9-Month Appointments?

The NCSU Payroll Office has received a number of (panicky) inquiries about whether these IRS pronouncements have implications for NC State faculty on academic year (AY) appointments, whose pay is spread across the 12-month fiscal year (FY).

Short Answer **NO**

Longer Answer: *It doesn't apply, for a couple of reasons.*

- *First:* The IRS statements apply to employees who “elect” to defer their pay. NC State faculty members don't “elect” their method of payment; the University mandates that AY pay is spread across the 12-month FY; this is not optional for the individual.
- *Second:* The IRS pronouncements have to do with work performed in one tax year, for which payment is deferred to another tax year. NC State's pay schedule doesn't work that way.

At NC State, the academic year runs from August 16 – May 15. We spread the compensation out over a 12-month fiscal year (July 1 – June 30). By the end of fall semester in December (which coincides with the end of the tax year), faculty members on 9-month appointments have received their entire Fall semester's compensation. No compensation for duties performed in the Fall was “deferred” to the Spring (or to a subsequent tax year). So – no issue.

We just thought you'd like to know.