

# Davis Technical College

## Employee Tax Shelter Programs Policy and Procedures

Effective Date: 16 May 2024

### 1. Purpose

To describe the tax shelter program available to Davis Technical College (College) employees and establish procedures to be followed in setting up an individual program.

### 2. Definitions

**2.1. Tax Shelter Program** - Under regulations of the Internal Revenue Service, educational institutions may establish salary-or-annuity option (tax-sheltered annuity) programs in addition to their retirement plans. Under these programs, College personnel may, through a properly drawn salary deferral agreement, divert part of their compensation on a tax-free basis to the purchase of supplemental annuity benefits.

**2.2. Salary Deferral Agreement** - A Salary Deferral Agreement is a binding contract, as required by Treasury regulations, between the College and the employee to accept a deferral in salary payments or to forego receipt of an increase in salary. The deferred portion of the employee's compensation described in the agreement is then used to purchase supplemental annuity benefits, which are tax-sheltered i.e., federal and state taxes on the premiums remitted and, on the investment, earnings credited to them may be deferred until the employee receives them in the form of retirement or annuity benefits. At that time, the payments received may be taxed as ordinary income in the year or years in which they are received.

### 3. Policy

**3.1. Eligibility for Participation in Tax Shelter Program** - Any employee eligible under Internal Revenue Service regulations may participate in the tax shelter program. The College shall not be responsible for the operation, performance, or investment results of any tax-sheltered program.

**3.2. Salary Deferral Agreement** - To initiate a tax shelter program, an eligible employee must enter into a Salary Deferral Agreement. The agreement shall continue in effect without change until terminated by either party.

**3.2.1.** Deferral in salary payments pursuant to the agreement will be implemented only to the extent such amounts are earned by the employee after the agreement becomes effective.

**3.2.2.** A Salary Deferral Agreement shall become effective at the beginning of the next pay period following the date on which it is signed by the employee unless a different effective date is expressly stated in the agreement.

**3.2.3.** The amount of Deferral permitted in salary payments is governed by applicable provisions of the Internal Revenue code, and implementing federal regulations, as amended from time to time.

**3.2.4.** Participation in the plan will be allowed only through payroll reduction. The amount reduced can be stipulated in the Salary Deferral Agreement as a "stated amount" per pay period or as a "percentage of salary" per pay period, subject to the limitations described above. If the "percentage of salary" option is selected, an increase in the amount of the salary deferral will result automatically if the participant's salary is increased during the year.

#### 4. Procedure

**4.1. Enrollment Procedures** – College personnel interested in participating in approved tax shelter programs should contact Payroll in the Human Resources Office.

**4.2. Salary Deferral Agreement Termination** - To terminate a Salary Deferral Agreement, the participant should contact Payroll in the Human Resources Office.

**4.3. Employee's Tax Obligation** - Participation in a tax shelter program approved by the College does not modify or otherwise affect the personal obligation of the participant to discharge all tax liabilities and to file all necessary tax returns as a personal obligation with respect to the Internal Revenue Service or the cognizant taxing authorities.

**4.4. Payment of Amounts Withheld** - After amounts are withheld from employee's checks for the purchase of annuity benefits, these amounts shall be forwarded by the College to the various annuity vendors in accordance with regular accounts payable procedures.

#### 5. Approvals and Notes

Revised Board Approval: 16 May 2024  
Revised President's Council Approval: 15 April 2024  
Board Approval: 15 November 2001  
President's Council Approval: 06 November 2001  
CDMT Approval: 23 October 2001