Dear Colleagues:

The last week’s AAUP Online member newsletter entitled “Tax Law Changes May Affect Faculty” contained a Tax Alert regarding Section 409A of the Internal Revenue Code and possible implications for 9-month faculty paid over 12 months. Section 409A applies to compensation that workers earn in one year but that is not paid until a future year. Since we have received several inquiries on whether this applies to UC faculty, we are providing the following information.

In this notice, the IRS sets forth certain rules that must be followed where the school gives the faculty member an election to choose a 9-month or 12-month payment plan. However, the notice also states that Section 409A does not require that an election be given, and if a school requires (as the University of California does) that the salary payments be spread over 12 months with no election provided to the faculty member, the election rules do not apply and no additional taxes would be imposed under section 409A. A copy of this IRS notice can be found at http://www.irs.gov/newsroom/article/0,,id=172883,00.html.

UC faculty salary policy (APM 600-20; http://www.ucop.edu/acadadv/acadpers/apm/apm-600.pdf), clearly imposes a 12-month payment procedure and does not give the faculty member an election to be paid over 9 or 12 months. The UC Office of the President has looked at IRS Section 409A and concluded that it does not apply to UC faculty.

If you have any further questions, please contact the Academic Personnel Office at apo@ucsc.edu, or 9-4300.