New LVS Reporting Periods for FY13

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Semester Conversion and the IRS

- IRC 409A limits the amount of deferred compensation that can be paid without tax implications (currently $17,000)
- 9/12 faculty perform ½ of their work from Sept-Dec (1 semester), but receive only 1/3 of their pay
- 9/12 faculty earning over $102,000 are considered to have deferred compensation in excess of $17,000

New Reporting Periods

- 4 months pay @ $102,000 py = $34,000
- 1 semester (50%) work = $51,000
- $51,000 - $34,000 = $17,000
- To prevent negative tax consequences, payroll will be adjusted for 9/12 faculty making over $102,000 so that deferred comp remains below the IRS limit.
New Reporting Periods

What this means for LVS

- From Sept-Dec, some faculty will receive more compensation per month than from Jan-Aug
- Sept-Dec must be segregated from other months on LVS to prevent idiosyncrasies in effort percentage

New Reporting Periods

Example

- Faculty Employee earns $120,000 per year
  - Begins grant work on 9/1, at 30% effort
  - Under current system, is paid:
    - $10,000 in July, 0% on grant
    - $10,000 in August, 0% on grant
    - $10,000 in September, 30% on grant ($3,000)
    - Period average = 3,000 / 30,000 = 10%

New Reporting Periods

Example

- Faculty Employee earns $120,000 per year
  - Begins grant work on 9/1, at 30% effort
  - Under new system, is paid:
    - $9,500 in July, 0% on grant
    - $9,500 in August, 0% on grant
    - $11,000 in September, 30% on grant ($3,300)
    - Period average = 3,300 / 30,000 = 11%
New Reporting Periods

- Solution: Effort reporting will be reduced from 4 periods to 3 periods
- New effort reporting periods will cover:
  - September – December (period 1)
  - January – April (period 2)
  - May – August (period 3)

Advantages
- 25% reduction in total number of LVS statements to be processed
- LVS statements will follow academic periods more closely

Disadvantages
- More time between statements = higher probability of late cost transfers if effort is not reviewed regularly

The Transitional Reporting Period
- July and August 2012 will be a special transitional reporting period, falling in between Q4 FY2012 (April – June 2012) and period 1 AY 2012-13 (Sept-Dec 2012)
- Reporting for this period will cover only 2 months, but will otherwise be normal
Improvements to LVS
- As part of the revision process, GCC will be incorporating changes to the statements to improve readability and reduce the burden on faculty and staff
- Currently working with a faculty task force on some possible alterations
- Will update the community as this process develops

New Reporting Periods

Questions?