What It Is
The Extended Pay Plan allows employees who work less than 12 months each year to extend their pay over 12 months.

How It Works
You can choose to have either 12.5% or 25% of your net pay set aside each month. During the summer months, you will receive a paycheck from those funds set aside earlier. If you work nine months and have 25% withheld from your pay during each of those nine months, your paycheck should be fairly even for 12 months. If you have 12.5% withheld for nine months, your summer pay will be less than your regular pay. This option was designed for employees who work 10½ months and have some summer income.

How Tax and Other Deductions Are Affected
For tax purposes, you still will be considered a nine- or 10½-month employee. Therefore, federal income and Social Security taxes will be deducted fully from your pay during the months you work. All of the money held for summer payment will be from your after-tax “take-home” pay.

How Insurance Premiums Are Paid
Insurance premiums will be deducted from each paycheck during your regular work year. In addition, 25% of your monthly out-of-pocket insurance premiums will be withheld each month to cover your summer premiums. If you participate in Extended Pay, all summer premiums will be deducted from your May paycheck. However, money to cover three months of premiums will be paid to you in May from your withholdings in addition to your May paycheck. This means your over-all May take-home pay will be your normal amount, and all of your health and dental premiums can be paid on a pre-tax basis.

How You Sign Up
You can sign up for the plan at any time during the year. However, if you wish to receive paychecks that are relatively for the same amount each month, you must enroll in September. If you sign up later in the year, you will still receive three summer paychecks, but they will be for lesser amounts. You also may stop participating at any time during the year. However, once you drop participation, you cannot sign up again until the beginning of the next fiscal year (September 1). If you stop participating, you may receive all withheld funds at that time or wait and receive these funds in three payments during the summer.

When you enroll, you decide if you want 25% or 12.5% of your net pay withheld. The 25% withholding was designed for 9-month employees and the 12.5% for 10½-month employees. However, you can choose either amount, whether you are a 9- or 10½-month employee.
How Your Account Is Paid
Whatever amount has been withheld for summer payment will be divided evenly and paid to you on the regular paydays for June, July, and August. This money will already have been taxed, and insurance premiums will already have been deducted. If you work part or all of the summer, you will receive your pay for that work in addition to the payments from the Extended Pay Plan.

Extended Pay Plan Q’s and A’s
Do all 9- and 10½-month employees have to go on the Extended Pay Plan?
No. The plan is entirely voluntary.

Will my entire pay be affected by the 12.5% or 25% reduction?
Only net pay will be affected. Any supplemental payments you receive will not be spread over 12 months.

If I join the plan mid-year, can I have a larger percentage withheld?
No. You can have 12.5% or 25% of your net pay withheld each month. If you join the plan mid-year, you will have smaller paychecks during the summer months than you would have had if you had joined the plan in September.

If I contribute to the Extended Pay Plan all year, will my summer checks exactly equal my regular checks?
It depends. Nine-month employees who elect 25% withholding should, in theory, have identical checks. However, supplemental pay (any pay in addition to base pay and longevity pay) is not included, which could make summer checks less for some. The variation between regular and summer pay will be more pronounced for 10½-month employee and 9-month employees who elect 12.5% withholding.

What happens if I have part of my pay withheld all year and then I get a summer appointment?
You will receive your pay for the summer appointment plus the payments from the Extended Pay Plan.

If I don’t need payments from the Extended Pay Plan because I got a summer appointment, can I leave the money in the plan until the next summer?
No. All funds will be given to you so that no funds are held at the end of the fiscal year.

Will I receive interest on my withholdings for the summer?
No. Any interest generated will go toward paying the administrative costs of the Extended Pay Plan. If you wish to earn interest on your pay, you should continue your current pay schedule and set aside money yourself for the summer months in an interest-bearing account or investment.
When I file my income tax return, in which year do I include the money withheld for the Extended Pay Plan for my September through December paychecks?
You include the withheld money on your tax return for the year in which it would have been paid had it not been withheld for the Extended Pay Plan. All of your pay will be taxed before any of it goes into the Extended Pay Plan, and your w-2 form will reflect your pay as if you had already received your full amount. You have access to withheld money, and it is considered as already paid to you for tax purposes.

How will my direct deposit be affected?
Direct deposit will not be affected, except that less money will be deposited each month because a portion of your pay will be withheld for the summer. Your summer payments from the Extended Pay Plan will be made via direct deposit as long as you have a valid direct deposit authorization form on file. However, if you elect to withdraw your money before May, you will receive payment by check.

How do I enroll, drop out or make changes to my participation?
Contact your payroll office for the appropriate forms for any plan action. Your payroll office also can answer your questions about the plan.