



## Deferring your Buydown and/or Payoff to your Section 457 Plan

To defer funds from your buydown or payoff into the Section 457 Plan, you need to complete a *Section 457 Plan Buydown/Payoff Agreement*. Due to the IRS-established waiting period for contribution increases to the Section 457 Plan, your *Buydown/Payoff Agreement* form needs to be received by the Deferred Compensation Program in the month prior to your buydown or payoff.

Please carefully read the instructions on the *Buydown/Payoff Agreement* form before you complete it.

Occasionally, there is confusion regarding the withholding and taxation issue. The following information may be helpful.

- The Roth option is an **after-tax** deferral so the entire amount of the buydown or payoff is subject to taxes.
- The Section 457 Plan **pre-tax** option isn't subject to income taxes but it is subject to applicable deductions including FICA, MEDI, SDI, and retirement contributions, and subsequent income taxes on those deductions. These withholdings and taxes can be handled one of two ways. The following illustration applies to the pre-tax option only.

**Option 1:** Withheld from your **regular earnings**, which will maximize your deferral, but reduces your take-home pay, **OR**

**Option 2:** Withheld from your **buydown/payoff**, which will reduce the amount of your deferral, but not your take-home pay.

Here's an example of how this works:

Amount of buydown or payoff .....	\$2,500.00
FICA deduction.....	155.00
MEDI deduction.....	36.25
SDI deduction.....	22.50
Retirement contribution .....	<u>145.25</u>
Total estimated deductions .....	\$359.00
Federal income tax on the amount of the total deductions (\$359).....	\$89.75
State income on the amount of the total deductions (\$359) .....	<u>21.54</u>
Total estimated income tax .....	\$111.29
Total deductions .....	\$359.00
Total income tax .....	<u>111.29</u>
Total estimated deductions and income tax.....	\$470.29

**Option 1:** \$2,500 buydown deferred into the Section 457 Plan. Deductions of \$359.00 (estimated) withheld from your regular earnings, thereby reducing your take-home pay.

**Option 2:** Estimated deductions and income taxes of \$470.29 withheld from the \$2,500 buydown, thereby reducing the amount deferred into the Section 457 Plan to \$2,029.71.

The Deferred Compensation Program does not process the paperwork to **initiate** your buydown. For a buydown, you must log into VCHRP (Payroll tile>Vacation Buydown>Buydown Request) and initiate your buydown.

Return completed forms by email or brown mail #1970. If you have any questions, call the Deferred Compensation Program at 805.654.2620 or e-mail us at [deferred.compensation@ventura.org](mailto:deferred.compensation@ventura.org).