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Nonqualified Deferred Compensation Plans: Applying the Rules to Real-World Scenarios

2017 Higher Education Tax Institute and Essentials

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Deferred compensation

Compensation earned by an employee in one
calendar year but not paid until a subsequent
calendar year

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Nonqualified deferred compensation

- Not a qualified plan, such as
 - 401(k)
 - 401(a) defined benefit or defined contribution
- Not a 403(b) plan

NQDC examples

- Bonus for current year paid next year
- Salary deferral plan
- Supplemental executive retirement plan (SERP)
- Severance pay
- Faculty with 9-month appointment paid over 12- month period

Why discuss NQDC at a tax conference?

- Subject to income and FICA taxes
- Timing of taxes **different** for NQDC than for regular compensation
- Timing of taxes **different** among **types** of NQDC

Who cares about **tax treatment** of NQDC?

- Responsible individuals
 - Plan design
 - Payroll
- Individuals covered
- IRS!

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Title search: Nonqualified Deferred Compensation Plans: Applying the Rules to Real-World Scenarios

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