

**Notice No.:** 84-007  
**Date:** August 13, 1984  
**Applies to:** All Employers  
**Subject:** DRS Notice No. 84-005

Reference DRS Notice 84-005 concerning the implementation of SSB 4477, known as the employer pick up bill.

If you are operating under this bill either as a mandatory employer or as an optional employer who has elected to participate, the following clarification in reporting instructions should be noted. In order to simplify your reporting procedure, the following rule will govern the reporting of lump sum payments.

Lump sum payments are payments made for services rendered, in some part, for periods of time other than the current reporting period. Examples are cash outs of annual or sick leave. (Note that regular monthly payroll payments do not fit the category of lump sum payments.)

For the purposes of reporting under the provisions of SSB 4477 ONLY, lump sum payments will be coded on the basis of when paid. Example: A participating employer cashes out annual leave for an employee after August 31, 1984 (or after the effective date an optional employer elects to be covered). The amount paid is reported as compensation coded 60 (arrears) and the date of payment shown. Employee contributions on the lump sum payment will be tax deferred irrespective of the period for which the compensation was earned. The employer should reduce the employee's gross lump sum payment amount by the amount of the employee contribution on the lump sum payment and report the net amount to IRS.

NOTE: The manner in which lump sum payments are reported for tax deferral purposes does not make any change in whether we do or do not credit the cash out for purposes of calculating pension benefits.

**SPECIAL NOTE FOR PERS AND LEOFF LOCAL GOVERNMENT EMPLOYERS:**

Only those optional employers who have received an acknowledgment of participation from this department are currently scheduled to begin participation in the employer pickup of employee contributions. Participation can begin on the first of any month providing the required 45-day notice has been given to this department.

If you have any questions regarding your status, please contact Mr. Allen Leicht at (206) 753-2220 or SCAN 234-2220.

Robert L. Hollister, Jr.  
Director

RLH:crs

PLEASE NOTE – THE CODES USED IN THE EXAMPLE ON THE OTHER SIDE APPLY TO PERS AND LEOFF ONLY. THEY DO NOT APPLY TO TRS.