



Office Memorandum

Date: December 3, 2008

To: Agency Payroll and HR Staff

From: Mary Muellner, Director
Statewide Payroll Services

Subject: Military Salary Differential Pay – Changes for Calendar Year 2009

Due to recently passed legislation, Heroes Earnings Assistance and Relief Tax Act, the following changes will be effective for military salary differential pay (MSD) **received** in calendar year 2009. Military differential pay will be considered wages and will be:

- Reported on Form W-2 rather than Form 1099 as in past years.
- Subject to Federal tax withholding.
- Subject to State tax withholding.
- Subject to retirement.
- Subject to other deductions, including parking, union, charity, savings plans (deferred compensation/TSA).

Military salary differential pay will continue to be excluded from FICA/Medicare taxation.

Since military salary differential pay will be subject to deductions in 2009, agencies should review employee's ongoing deductions and check with the employee to see if any deductions should be stopped.

- Path to General Deduction Data page is: Payroll > Deductions > Create General Deductions
- Path to Savings Plan Elections page is: Payroll > Deductions > Savings Plans

Note: Remind employees that deferred compensation/TSA and charitable deductions may be reviewed/started/stopped/modified and tax withholding changes may be entered on the Employee Self Service Web site - www.state.mn.us/employee.

Agency payroll or HR staff should contact Lynda Hanly in Statewide Payroll Services at 651-201-8074 or lynda.hanly@state.mn.us, if there are questions.