



To: CWU Employees
From: CWU Parking Services
Subject: Pre-Tax Payroll Deduction for Parking Permits

Parking Services now provides CWU employees with payroll deduction as a payment method for parking permits. Following is a description of the payroll deduction process:

1. All employees that choose to have their parking permit paid by payroll deduction will be eligible to have this payment taken as a *pre-tax deduction*. This is possible because of changes in the federal tax laws that were clarified by the Internal Revenue Service in January 2001.
2. The payroll deduction for the permit will be taken equally from 18 paychecks beginning October 10 to June 25 for academic or calendar year permits.
3. If you choose payroll deduction, you can have your academic or calendar year staff permits on an automatic renewal for future years. This will eliminate the need to fill out a new vehicle registration form each year.

How the Pre-Tax Payroll Deduction Works:

Your parking permit costs via payroll deduction will be taken before your federal withholding tax or Social Security taxes are calculated. This reduces your taxable income, so you pay less tax, which saves you money. The parking permit deduction is tax-exempt. You will not pay taxes now or in the future.

If you are in a medical plan requiring employee premiums, this is how the employee medical premium deduction (IRC Section 125) works now. Please note that you can opt out of the pre-tax parking permit deduction if you desire by signing a waiver form. **The waiver form must be returned with the permit vehicle registration form.**

Who Might Want To Opt Out?

Those who are nearing retirement might want to opt out of the pre-tax option by signing the waiver. Savings in Social Security taxes will result in a reduction in the amount of your Social Security salary base. If you are within a few years of retirement and want your lifetime Social Security benefits to be calculated on the highest possible average salary, you may want to opt out of the pre-tax parking permit plan. You can obtain the waiver form from the parking website, www.cwu.edu/~purchase/parking, or at the CWU parking office located in Barge 103.

How Much Will I Save?

Savings in federal income and Social Security taxes will generally equal about 20% of your parking permit deduction.

What About the Parking Permit Deductions I've Already Paid?

Under tax laws, CWU cannot retroactively change your past deductions.

How Does This Impact My Other Tax-Deferred or Tax-Exempt Plans?

Participating in this plan will **not** alter the amount you can defer to either the supplemental retirement plan or your basic retirement plan (CWU Retirement Plan (CWURP); Public Employees Retirement System (PERS); Teachers Retirement System (TRS) or Law Enforcement Officers (LEOFF)).