

HUMAN RESOURCES MEMORANDUM 09-004	DATE ISSUED: 02/09/2009
SUBJECT: MILITARY LEAVE PAYMENTS	REFERENCE: None
TO: Personnel Liaisons and Attendance Clerks	SUPERCEDES: None

PLEASE ENSURE THAT THIS INFORMATION IS SHARED WITH YOUR EMPLOYEES

Purpose

The purpose of this Human Resource (HR) Memorandum is to inform affected employees of the change in tax status regarding military leave payments.

Internal Revenue Service (IRS) Revenue Ruling 69-13

IRS Ruling 69-13 stated that all military leave payments issued in 2008 were not subject to Federal, State, Social Security, Medicare, and State Disability Insurance (SDI) taxes. The ruling indicated that military leave payments are not classified as wages and as such, these payments are not subject to payroll taxes.

Amendments Effective 2009 Tax Year

On June 17, 2008, H.R. 6081, the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act) was signed by the President. The Act became Public Law No: 110-245 which amended IRS Ruling 69-13.

The amendments indicate that military leave payments are now considered wages and as such, these payments will be subject to Federal and State taxes, Social Security, Medicare, and State Disability Insurance (SDI) effective with the 2009 tax year.

Pre-tax Deductions

For the tax year 2008, voluntary pre-tax deductions such as 401(k), 457, 403(b), and retirement buyback deductions were automatically not withheld from military leave payments by the State Controller's Office (SCO).

If the employee chooses to resume these deductions on or after January 1, 2009, he/she must complete the revised Military Leave Worksheet.

Military Leave Worksheet Revision

The Department of Personnel Administration (DPA) has released a [revised Military Leave Worksheet](#) along with the completion instructions. Effective 1/01/09 employees are to use only the revised worksheet.

Questions

If you have any questions, please contact your personnel specialist

/s/

MARIA J. LOPEZ, Manager
Personnel Operations Section

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