

Your Voluntary Retirement Incentive Option Program (VRIOP) payment is taxable and reportable as income to you. It is also subject to Social Security and Medicare taxes. Social Security taxes of 6.2 percent and Medicare taxes of 1.45 percent or 7.65 percent combined, must be deducted before any UW 403(b) Supplemental Retirement Program (SRP) or Wisconsin Deferred Compensation (WDC) 457 Program contributions.

The portion of the VRIOP payment used to pay Social Security and Medicare taxes is considered taxable income for Federal and State tax purposes, which creates a Federal and State tax liability. Therefore, the entire amount of the VRIOP payment cannot be tax-deferred with the UW 403(b) SRP or the WDC 457 Program.

You may elect to have the remaining portion of your VRIOP payment after taxes contributed to your UW 403(b) SRP account and/or your WDC 457 Program account via the Separation Agreement.

Federal and State tax withholding:

- If you elected pre-tax UW 403(b) SRP and/or WDC 457 deferrals, contributions are not subject to Federal and State tax withholdings.
- If you elected Roth (after-tax) UW 403(b) SRP and/or WDC 457 deferrals, contributions are subject to Federal and State tax withholdings.

Be assured the payroll system automatically calculates the maximum amount* that can be deferred while still complying with the tax laws, and this amount will be contributed to your UW 403(b) SRP and/or WDC 457 accounts.

*2023 Contribution Limits:

- If under age 50: \$22,500.
- If age 50 or older at any time during the year: \$30,000 (\$22,500 + \$7,500 catch-up provision).
- Contribution limits for the upcoming calendar year are typically released by the IRS each November.
- Employees can make the maximum contributions under both the 403(b) SRP and the WDC 457.