

## Repayment of Taxable In-Service Debt – Net versus Gross

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**Introduction** This presentation provides the information necessary to repay taxable In-Service Debts back to the Coast Guard.

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- Information**
- Federal and state taxes vary based upon each member’s elections and state of residence.
  - You must call PPC for a Net pay off amount determination prior to making the payment.
  - As demonstrated below, tax implications are significant. It is recommended that Members report any discrepancies in pay as soon as possible.
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<b>Net pay off Example</b>	Current year taxable debt (Ex: Basic Pay)	\$1,000
	Minus federal taxes withheld (Ex: 14.8% *varies by member)	\$- 148
	Minus state taxes withheld (Ex: 9.2% *varies by member)	<u>\$- 92</u>
	Net pay off amount	\$ 760

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- Net pay off Information**
- Once the member provides the Net pay off in full, the federal and states taxes withheld are applied against the debt by PPC.
  - This allows the system to close the In-Service Debt automatically with the next pay calendar finalization.
  - The member’s Year to Date accumulators for pay and taxes withheld are accurately updated.
  - Net repayment is ONLY legal for current debt originating year taxable debts.
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<b>Gross pay off Example</b>	Prior year taxable debt (Ex: Career Sea Pay)	\$1,000
	Taxes for prior year debts CANNOT be deducted	<u>\$- 0</u>
	Gross pay off amount	\$1,000

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- Gross pay off Information**
- Once the member provides the Gross pay off in full, he/she is eligible to request a tax certificate from PPC.
  - The tax certificate may be utilized with an income tax return.
  - Consulting a tax advisor is recommended.
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