

Repayment of Taxable In Service Debt – Net repayment versus Gross repayment.

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 payment.

Net pay off example:

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

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.

Gross pay off example:

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

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.

As demonstrated above, tax implications are significant. It is recommended that Members report any discrepancies in pay as soon as possible.