



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

BRIAN J. WHISTON
STATE SUPERINTENDENT

MEMORANDUM

DATE: February 8, 2018

TO: Local and Intermediate School District Superintendents
Public School Academy Directors

FROM: Kyle L. Guerrant, Deputy Superintendent *KG*

SUBJECT: Accounting Guidance for Public Act 75 3% MPSERS Refunds

On December 20, 2017, the Michigan Supreme Court affirmed the ruling that Public Act 75 of 2010 was unconstitutional, and that funds collected pursuant to that act before the effective date of Public Act 300 of 2012 must be refunded to affected school district employees. The majority of these refunds were paid out to districts on January 22, 2018, separate from January State School Aid payments.

The following journal entries are recommended to be used for recording the 3% refund plus interest amount when received and paid out to employees:

Debit Balance Sheet Cash
11-101-0000 AMOUNT
Credit Balance Sheet Other Current Liabilities
11-491-0000 AMOUNT
(To record receipt of PA 75 refunds due to employees)

Debit Balance Sheet Other Current Liabilities
11-491-0000 AMOUNT
Credit Balance Sheet Cash
11-101-0000 AMOUNT
(To record payment of PA 75 refunds due to employees)

For districts that did not pay employer FICA taxes at the time of withholding, and need to record those expenditures now, we recommend those be allocated across as many major function codes as practical. However, these expenditures should not be allocated to federal grant programs.

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The Michigan Department of Education is unable to provide guidance on specific taxation requirements pertaining to these funds and recommends districts work with their auditor and/or legal counsel to ensure proper taxation and withholding of employer and employee taxes.

Questions regarding the accounting for these refunds may be directed to Christopher May at 517-335-1263, or MayC@michigan.gov.

cc: Michigan Education Alliance