

# 409A Election Form for Annualization of Service Employee Salaries

Information: The Internal Revenue Service issued final regulations under section 409A that impact school districts that pay teacher or other employee salaries over a period longer than the period the employee actually works (e.g., salary over 12 months for employees who work 10 months). The regulations state that this type of arrangement will be treated as a deferral of compensation under section 409A. If the regulations are not complied with, the amounts deferred will be taxable in the year the employee has a vested right to future payment, and will be subject to an additional 20% income tax.

Each employee must elect a payment of compensation option prior to the school year in order to be compliant with the new IRS regulations, therefore:

I, (print name) \_\_\_\_\_, hereby elect to be paid my annual salary by the Blue Mountain School District for the 2023-2024 school year and each school year thereafter, until this election is changed, as follows:

Select only one:

## **10-month payment option**

\_\_\_\_\_ Payment over ten (10) months in equal installments every two weeks beginning in September or on the date specified in the pay dates issued by the district office.

## **12- Month payment option**

\_\_\_\_\_ Payment over twelve (12) months in equal installments every two weeks beginning in the month of September or on the date specified in the pay dates issued by the district office.

## **12- Month payment option with lump sum payment in June**

\_\_\_\_\_ Payment over twelve (12) months in equal installments every two weeks beginning in the month of September or on the date specified in the pay dates issued by the district office, with the final single lump sum payment in June encompassing all remaining payments due for the final three months of the 12-month payment period. Such option shall be agreed to by the District or provided for by any applicable collective bargaining agreement, but the employer shall retain full discretion to pay the amount of this lump sum in the form of equal bi-monthly payments over the final 3 months of the 12-month payment period.

This notice is irrevocable for any particular school year, and may not be changed or withdrawn after the beginning of the school year in which I am working. This notice will be effective for all years following the 2023-2024 school year, unless I choose to change my election. If I choose not to have my salary deferred in any future school year and be paid only during the period that I actually perform services, I will so notify the employer in writing prior to beginning work for that school year.

In the event a separation from service occurs before the end of the 12-month payment period, I will be entitled to an additional payment for the amount I have actually earned from the beginning of the 12-month pay period until the date of my separation from service, but which has not yet been paid. This additional payment will be included in my final paycheck. For this purpose, "separation from service" shall have the same meaning as that term is defined in section 1.409A-1(h) of the Treasury Regulations.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date