

Employee Compensation by Annualized Election

The North Gem School District offers its employees an annualized election. For the purpose of this policy, an annualized election means that the employee is allowed to choose between being paid only during the school year and being paid over a 12 month period and the employee chooses to be paid over the twelve month period. Employees who choose an annualized election are deferring part of their income from one year to the next.

Annualized Election

If an employee selects the annualized election option, the employee must do so no later than the end of the prior year. For example, if an employee would like to defer his or her salary that would be earned in 2008, then an election would need to be made by December 31, 2007. The employee shall cooperate with the following guidelines:

1. The employee must give written or electronic election to the District that notifies the District that the employee wants to defer compensation;
2. The election must be made before the beginning of the work period;
3. The election is to remain in place until the employee elects a change. Employees cannot change their election during the school year;
4. The election is irrevocable so that it cannot be changed after the work period begins; and
5. The election must state how the compensation is going to be paid if the election is made.

Legal Reference: I.C. §§ 45-606 through 45-617 Claims for Wages

Other Reference: Internal Revenue Service, Newsroom Article, Announcement IR-2007-142, August 7, 2007, "New Rule Will Not Affect Teacher Salaries in Upcoming Year"
Internal Revenue Service, Newsroom Article, August 7, 2007, "Frequently Asked Questions: Sec. 409A and Deferred Compensation"

Policy History:

Adopted on: July 17, 2019

Revised on:

Reviewed on:

(This policy is for informational purposes. If you have any questions regarding the IRS Rule, annualized elections, or any other accounting issues, please contact the District's tax advisor or legal counsel.)