Chapter 9: Lutheran Schools and Early Childhood Centers

EMPLOYEE TUITION REDUCTION 100
Qualified Tuition Reduction 110

FUNDING 200
Organizational Form..... 204
Contributions Versus Tuition 205
Explanation of Revenue Ruling 83-104 206
Sample Policy Statements..... 215
Scholarship Funds..... 216
Student Aid Grants 217
Continuing Education Grants 218
Parents Volunteering for Tuition Credit and Youth Fundraising..... 220

OTHER 300
Certification of Racial Nondiscrimination 305
Federal Excise Tax Exemptions..... 310
Manufacturer's Excise Tax 315
Tax on Communication Services..... 320
Communication Exemption Certificate 321
Discounts on Telecommunications..... 322

COMPENSATION..... 400
Elections to Defer Salary 410

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9.100: Employee Tuition Reduction

9.110: Qualified Tuition Reduction

This is a tax-free benefit available to all employees of "qualified educational organizations" whereby "qualified recipients" may receive tuition reductions of any amount up to 100 percent. A qualified educational organization must:

1. Maintain a regular faculty,
2. Maintain a curriculum, and
3. Have regularly enrolled students.

The IRS has recognized that even preschools can meet these requirements if they have a "professional" faculty, and maintain and follow a curriculum.

Qualified recipients include:

1. Current employees
2. Former employees who retired or left on disability
3. Widow or widower of an individual who died while an employee
4. A dependent child or spouse of any person listed above

If you decide to offer this benefit, the tuition reduction plan should be in writing. Please note that to be excludable, the IRS requires "the reductions must be made available on substantially the same basis to each member of a group of employees, defined under a reasonable classification set up by the employer which does not discriminate in favor of highly compensated employees." According to IRS, highly compensated employees are those earning compensation in 2013 in excess of $115,000 per year (indexed annually for inflation). Salary scales of Lutheran schools generally do not reach that level, therefore any reasonable and fair classification would not be considered discriminatory by IRS's definition. The IRS also states that in order to receive a tuition reduction on a tax-free basis, the employee must already be receiving reasonable compensation for his/her services. For example, if you are paying other similarly qualified teachers the reasonable compensation of $15,000, you could not pay another one $10,000 and a tuition reduction without the reduction amount being considered taxable income.

Tuition reductions can be made available not only at the employee's school but also at another LCMS school, if the appropriate provisions are made. These provisions would include an agreement between the two schools that would provide for a tuition reduction program for employees of both schools and that such reductions could be applied to either school's tuition.

Although this benefit is available for any school employee (including commissioned teachers) regardless of position, some recognized experts in the field of church and clergy tax law agree that this tuition reduction would not apply to employees (e.g., the pastor) of a church that operates a private school. That being the case, pastors must treat the reduced tuition amount as income subject to income tax and self-employment tax. While there is some argument that the pastor's magnitude of involvement in the school might make him eligible for the tax-free savings, there is no guarantee that the IRS would share that idea and refrain from considering his duties to be more religious than educational. A call document that lists sufficient responsibilities for the school would strengthen the pastor's eligibility for this benefit.

9.200: Funding

9.204: Organizational Form

Schools operated by one congregation are encouraged not to incorporate separately but to operate fiscally as an agency of the congregation.

However, some Lutheran schools or preschools are separately incorporated because of their special nature or relationship with the congregation or congregations operating them. An attorney can explain both the advantages and disadvantages that come with a separate corporation.

Whether the school operates as an agency of the congregation or organizes as a separate legal entity, its organizational documents must contain certain provisions for recognition of federal income tax exemption. Refer to Chapter 8 for more details.

9.205: Contributions Versus Tuition

The IRS in Revenue Ruling 83-104 provides guidance in determining when payments to private schools must be regarded as tuition payments and when they may be treated as deductible charitable contributions.

LCMS congregations with schools as well as those that contract with another Lutheran school and pay a portion or all of the education costs of its members are subject to this ruling. Thus, whether or not either type can treat payments received from its members attending school as contributions according to the new IRS regulations discussed in Chapter 10, depends on whether its method of funding meets the criteria of this Revenue Ruling.

In the first part of the ruling, the IRS describes six situations. Based on their facts, the Service differentiates between payments treated as tuition and those eligible as charitable contributions. Each of these situations and the IRS's holdings should improve your understanding of

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how the IRS may view your members' payments to operate a school.

The second part of the ruling stipulates certain criteria that, in addition to those referenced in the examples, must also be followed to ensure the deductibility of contributions by parents who have children in parochial schools at the preschool, elementary and secondary levels and in child-care agencies.

9.206: Explanation of Revenue Ruling 83-104

The following are the six examples cited in the IRS's ruling and their holdings.

FACTS—GENERAL

In each of the situations described next, the donee organization operates a private school and is an organization described in Section 170(c) of the Internal Revenue Code. In each situation, a taxpayer who is a parent of a child who attends the school makes a payment to the organization. In each situation, the cost of educating a child in the school is not less than the payments made by the parent to the school.

FACTS—SITUATION 1

Organization "S," which operates a private school, requests the taxpayer to contribute $400 for each child enrolled in the school. Parents who do not make the $400 contribution are required to pay $400 tuition for each child enrolled in the school. Parents who neither make the contribution nor pay tuition cannot enroll their children in the school. The taxpayer paid $400 to "S."

HOLDING—SITUATION 1

The taxpayer is not entitled to a charitable contribution deduction for the payment to organization "S." Because the taxpayer must either make the contribution or pay the tuition charge in order for his/her child to attend "S's" school, admission is contingent upon making a payment of $400. The taxpayer's payment is not voluntary and no deduction is allowed.

FACTS—SITUATION 2

Organization "T," which operates a private school, solicits contributions from parents of applicants for admission to the school during the period of the school's solicitation for enrollment of students or while the applications are pending. The solicitation materials are part of the application materials or are presented in a form indicating that parents of applicants have been singled out as a class for solicitation. With the exception of a few parents, every parent who is financially able makes contributions or pledges to make a contribution to "T." No tuition is charged. The taxpayer paid $400 to "T," which amount was suggested by "T."

HOLDING—SITUATION 2

The taxpayer is not entitled to a charitable contribution deduction for payment to organization "T." Because of the time and manner of the solicitation of contributions by "T," and the fact that no tuition is charged, it is not reasonable to expect that a parent can obtain the admission of his/her child to "T's" school without making the suggested payments. Under these circumstances, the payments made by the taxpayer are in the nature of tuition, not voluntary contributions.

FACTS—SITUATION 3

Organization "U," which operates a private school, admits or readmits a significantly larger percentage of applicants whose parents have made contributions to "U" than applicants whose parents have not made contributions. The taxpayer paid $400 to "U."

HOLDING—SITUATION 3

The taxpayer is not entitled to a charitable contribution deduction for contributions to organization "U." The IRS will ordinarily conclude that the parents of applicants are aware of the preference given to applicants whose parents have made contributions. The IRS will therefore ordinarily conclude that the parents could not reasonably expect to obtain the admission of their child to the school without making the transfer, regardless of the manner or timing of the solicitation by "U." The IRS will not so conclude, however, if the preference given to children of contributors is principally due to some other reason.

FACTS—SITUATION 4

Organization "V," a society for religious instruction, has as its sole function the operation of a private school providing secular and religious education to the children of its members. No tuition is charged for attending the school, which is funded through "V's" general account.

Contributions to the account are solicited from all society members, as well as from local churches and nonmembers. Persons other than parents of children attending the school do not contribute a significant portion of the school's support. Funds normally come to "V" from parents on a regular, established schedule. At times, parents are personally solicited by the school treasurer to contribute funds according to their financial ability. No student is refused admittance to the school because of the failure of his/her parents to contribute to the school. The taxpayer paid $40 to "V."

HOLDING—SITUATION 4

Under these circumstances, the IRS will generally conclude that the payment to organization "V" is nondeductible. Unless contributions from sources other than parents are of such magnitude that "V's" school is not economically dependent on parent's contributions, parents would ordinarily not be certain that "V's" school could provide educational benefits without their payments. This conclusion is further evidenced by the fact that parents contribute on a regular, established schedule. In addition, the pressure placed on parents through the personal solicitation of contributions by "V's" school treasurer further indicates that their payments were not voluntary.

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FACTS—SITUATION 5

Organization "W" operates a private school that charges a tuition of $300 per student. In addition, it solicits contributions from parents of students during periods other than that period of the school's solicitation for student enrollment or the period when applications to the school are pending. Solicitation materials indicate that parents of students have been singled out as a class for solicitation and the solicitation materials include a report of "W's" cost per student to operate the school. Suggested amounts of contributions based on an individual's ability to pay are provided. No unusual pressure to contribute is placed upon individuals with children in the school, and many parents do not contribute. In addition, "W" receives contributions from many former students, parents of former students, and other individuals. The taxpayer paid $100 to "W" in addition to the tuition payment.

HOLDING—SITUATION 5

Under these circumstances, the IRS will generally conclude that the taxpayer is entitled to claim a charitable contribution deduction of $100 to organization "W." Because a charitable organization normally solicits contributions from those known to have the greatest interest in the organization, the fact that parents are singled out for a solicitation will not in itself create an inference that admissions or any other benefit depend on a contribution from the parent.

FACTS—SITUATION 6

Church "X" operates a school providing secular and religious education that is attended both by children of parents who are members of "X" and by children of nonmembers. "X" receives contributions from all its members. These contributions are placed in "X's" general operating fund and are expended when needed to support all church activities. A substantial portion of the other activities are unrelated to the school. Most members of "X" do not have children in the school, and a major portion of "X's" expenses are attributable to its non-school functions. The methods of soliciting contributions to "X" from church members with children in the school are the same as the methods of soliciting contributions from members without children in the school. "X" has full control over the use of the contributions it receives. Members who have children enrolled in the school are not required to pay tuition for their children, but tuition is shared for the children of nonmembers. Taxpayer, a member of "X" and whose child attends "X's" school, contributed $200 to "X" during the year for "X's" general purposes.

HOLDING—SITUATION 6

The IRS will ordinarily conclude that the taxpayer is allowed a charitable contribution deduction of $200 to organization "X." Because the facts indicate that "X's" school is supported by the church, that most contributors to the church are not parents of children enrolled in the school, and that contributions from parent members are solicited in the same manner as contributions from other members, the taxpayer's contributions will be considered charitable contributions and not payments of tuition, unless there is a showing that the contributions by members with children in "X's" school are significantly larger than those of other members. The absence of a tuition charge is not determinative in view of these facts.

Each of the above examples highlights relevant issues that the IRS uses in determining whether payments will be considered tuition or deductible charitable contributions. In Situation 6, the IRS noted several conditions, two of which appeared very instrumental in its holding that the payments were deductible charitable contributions. The first was that most contributors to the church were not parents of children enrolled in the school. The second was the absence of the fact that contributions to the church by members with children in the school were significantly larger than those of other members.

Revenue Ruling 83-104 lists certain propositions that in the opinion of the IRS are accepted rules of tax law. Tuition, registration and fee payments are not deductible. Payments to a church that operates a school, earmarked for the education of a certain child, are not tax deductions but are really tuition payments under another name.

The test of deductibility is whether or not the admission of a child is contingent upon someone making a contribution or in some way converting defined tuition payments into contributions for tax-deduction purposes. The ruling states that a contribution deduction will be disallowed unless, under all the circumstances, the payment is a voluntary contribution made with no expectation of obtaining a benefit.

Revenue Ruling 83-104 states that any one of the following factors will result in a denial of a tax deduction of dollars paid by the parent to the school or organization operating a school. Each church or separate corporation operating the school must avoid all of the Group 1 factors to ensure parent tax deductions.

GROUP 1

1. The existence of a contract with a provision that guarantees a child's admission if the parent makes a contribution. The provision may be written or unwritten.
2. A plan allowing parents either to pay tuition or to make contributions in exchange for schooling.
3. A contribution earmarked for the benefit of a particular student.
4. Denying a child's admission to a school if parents are able but do not contribute.

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Revenue Ruling 83-104 states that if any combination of two or more of the following factors is in evidence a presumption of nondeductibility arises:

GROUP 2

1. No significant tuition for any student is charged by the organization operating the school.
2. Pressure to contribute is applied to parents of children attending the school.
3. Contribution appeals are part of the admission or enrollment process.
4. Apart from parent contributions, there is no other source of school operating revenue.
5 Some evidence suggests a contribution policy exists in order to avoid tuition payments.

If a combination of the foregoing factors is not present, normally the voluntary contributions by a parent will be considered tax deductible. Each church or separate corporation operating a school must avoid a combination of two or more Group 2 factors to ensure parent tax deductions.

In structuring a parochial school's method of funding, any procedures or techniques that would lead to any of the factors in Group 1 or any two or more of the factors in Group 2 must be avoided in order to safeguard the deductibility of contributions made by a parent in excess of any tuition charges to a parent. The following will assist in structuring a school or its soliciting of contributions.

1. All factors identified in Group 1 must be avoided. The church or organization operating the school should have a policy stating that contributions either equal to or in excess of tuition are not necessary to gain a child's admission to the school.
2. The policy should further state that if the school cannot accept all qualified applicants for admission, no parental contribution will create an admission preference.
3. All books and record-keeping procedures are to indicate that no contributions are earmarked for a specific child's education.
4. Whenever an applicant is denied admission, a permanent written record exists that verifies that there is no pattern for denying admission on the basis of parental ability or inability to make a contribution.

The most important task is to make certain that the school, church, or other organization operating the school adopts policies and practices that evidence a prevention of Group 1 and any combination of Group 2 factors. If such policies are not established, contributions of parents are placed in jeopardy and may be found to be nondeductible by the IRS if an IRS audit is conducted.

9.215: Sample Policy Statements

In order to protect the deductibility of contributions made to a congregation or organization operating a school, written policies are necessary. They should be designed to prevent practices that will lead to nondeductibility of contributions.

The following sample policy statements are given by way of suggestion only. Their applicability to any congregation operating a school will depend on each situation. In both examples, policies were carefully written to avoid the presence of Group 1 factors as stated in Revenue Ruling 83-104, as well as, any combination of Group 2 factors. These options are merely suggestions for a congregation developing a set of working policies to operate a Lutheran school.

OPTION 1:

(Designed for a church-operated school that is supported through contributions to the general budget of the church. Reduced or zero tuition is charged for children of congregation members.)

1. Admissions and enrollment

Admission and enrollment of a child of any member of the congregation will not be denied because of a failure of that member to financially contribute to the congregation in excess of the tuition charged for admission of that child to the school. Admission policies and preferences will be based on such factors as membership in the operating congregation, payment of tuition and other fees charged to the student, academic qualification, prior disciplinary record or history of the child, and the school's ability to provide an appropriate educational program for the child.

2. Solicitation of contributions

All solicitations of contributions for the benefit of the school shall be made generally to the entire church membership and not, at any time, solely to those members who are parents of children enrolled in the school. No solicitation of contributions to the congregation shall accompany recruitment, admissions, or enrollment materials or shall be made at the time of admission or enrollment of students to the school.

3. Tuition

Tuition shall be charged to students enrolled in school in accordance with an established criteria. Under no circumstances will tuition be waived under a verbal, written, or otherwise implied agreement with any parent or other contributor who offers to contribute financially to the congregation or school in place of paying a tuition charge. Contributions by the parents of a student to the congregation or school in no case affect the amount of tuition due and payable.

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OPTION 2:
(Designed primarily for a church-operated school that charges significant tuition similarly to children of members and nonmembers.)

1. Admissions and enrollment
Admission and enrollment of a child of any member of the congregation will not be denied because of a failure of that member to financially contribute to the congregation in excess of the tuition charged for admission of that child to the school. Admission policies and preferences will be based on such factors as membership in the operating congregation, payment of tuition and other fees charged to the student, academic qualification, prior disciplinary record or history of the child, and the school's ability to provide an appropriate educational program for the child.

2. Solicitation of contributions
Solicitation of parents of students in the school for contributions to the school (in excess of tuition charged) shall be made only during periods other than the school's recruitment, enrollment and admissions periods. No unusual pressure shall be placed upon any parent who fails to contribute.

3. Tuition
Tuition shall be charged to students enrolled in school in accordance with an established criteria. Under no circumstances will tuition be waived under a verbal, written, or otherwise implied agreement with any parent or other contributor who offers to contribute financially to the congregation or school in place of paying a tuition charge. Contributions by the parents of a student to the school or congregation in no case affect the amount of tuition due and payable.

9.216:
Scholarship Funds

Scholarship funds for the purpose of paying a student's tuition to a parochial school will not jeopardize tax deductions when they are established by a church and are not used as a means to replace what would otherwise be characterized as tuition. The operation of any scholarship fund should be carefully documented to clarify that contributions to the fund are controlled and expended solely by the governing board or another appropriate agency of the church or organization operating the school. Scholarship funds, in themselves, are not harmful to the deductibility of contributions to the church or fund if properly structured and administered.

Proper structure includes defining beneficiaries based on nondiscriminatory criteria. The congregation must use great care if its grants or awards are provided for students who are employees or related to employees of the congregation. Any award or grant that is provided for the benefit of an employee or the relative of an employee (regardless if the award or grant is taxable or not to the employee) should be part of a regular congregational program available to all congregational employees. Any type of special arrangement for one particular employee must be avoided. Administration is done improperly if any contributions to the fund are allowed to be earmarked for certain individuals.

9.217:
Student Aid Grants

Any amount given by a church as a qualified scholarship to someone who is a candidate for a degree at a qualified educational organization, should not be considered part of the recipient's gross income as long as the amount is used for qualified tuition and related expenses, such as fees, books, supplies and equipment required for instruction. If the recipient of the gift has met the requirements, no Form 1099 is required.

9.218:
Continuing Education Grants

The recipient of a grant for continuing education need not receive a Form 1099 from the grantor and does not need to consider the grant income if the recipient is required to participate in the educational program to maintain his current job status.

9.220:
Parents Volunteering for Tuition Credit and Youth Fundraising

IRS has broadly interpreted a worker's "compensation" to also include the amount of free or reduced tuition that is given to a parent in consideration for his or her service to the school or church. A worker is no longer considered to be "volunteering" if he or she receives something of value "in kind" for his or her service. In the situation of a working parent whose child is enrolled in the school, it is the student's waived tuition amount normally charged to nonworking parents that will constitute the worker's taxable wage amount. In a school or church's youth program, it might be the amount earned by each youth (or parent) accounted for and set aside in individual accounts to help subsidize camp expenses. Receiving personal benefits in each of these examples are forms of compensation.

Based on that determination, the employer must report and withhold this worker's taxes (income, FICA and state, if any) and pay the employer's share of the FICA. To serve this purpose, the employer can do one of the following: 1) require the parents to reimburse their share of this tax liability, 2) equitably record a reduction to the tuition credit, or 3) "gross-up" their taxable compensation for any taxes the employer decides to pay on the parents' behalf. If you need guidance concerning how to "gross-up" (increase) an employee's taxable wages for the employer's payment of employee's taxes, see Publication 15-A.

Also, the payment of compensation in this manner may in some situations subject the church or school to unrelated business income tax (UBIT). Some money raising activities are tax exempt only because substan-

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tially all the work is done by volunteers (see CTM Sec. 11.117). However, when the same activity is done with the use of compensated workers (including youth), it may become taxable.

To avoid tax, the parents or youth can be working, earning, fundraising to offset expenses for a particular ministry event, but the monies should be pooled and no pressure imposed on "slackers" to work their "fair share." The idea is for volunteers to be working to promote the ministry of the church, not to benefit themselves directly.

See IRS Publication 3079 for an example of when reduction of tuition is considered compensation to the parents.

9.300: Other

9.305: Certification of Racial Nondiscrimination

Because Form 990 ordinarily would be used by non-church private schools to satisfy requirements for the certification of racial nondiscrimination, which must be made annually by all schools *(elementary, secondary, early childhood and child-care centers)*, **Form 5578 must be filed annually by congregations that operate schools to comply with federal tax law. Schools include early childhood, elementary, secondary and child-care agencies.**

You can download and print this form free from the IRS at www.irs.gov. In addition to the certification, there are publication and record-keeping requirements. Each church operating a school or each separately incorporated school must satisfy the requirements annually in order to preserve its tax-exempt status. **The deadline is May 15 for schools which have a fiscal year that follows the calendar year (Jan. 1—Dec. 31). A school that has a different fiscal year must submit Form 5578 by the 15th day in the fifth month following the end of the fiscal year.** For example, the deadline is November 15 for a school that uses a fiscal year end of June 30. A summary of these requirements follows:

A. The governing body of each school must pass a policy of racial nondiscrimination. Any brochures, handbooks or catalogs dealing with student admissions, programs and scholarships must include a statement of this policy.

B. If a school issues written advertising other than catalogs, handbooks and brochures as a means of informing prospective students of its programs, the written advertising should contain the following statement: "***(Name of school)*** admits students of any race, color, and national or ethnic origin."

C. All schools must publish a notice of racial non-discrimination each year during the school's registration period. If 75 percent or more of the students at the school for the past three years have been Lutheran, whether members of the Synod or of another Lutheran denomination, the school may publish this notice in the bulletin(s) of the sponsoring congregation(s), if the bulletin of each congregation is distributed at Sunday services and is mailed to all members of the congregation.

   If the school does not meet the 75 percent test, the notice must be published in a newspaper of general circulation that serves all racial segments of the community. Details on the required form of the notice are contained in the bulletin from the Department of School Ministry.

D. All schools must maintain certain records for inspection, when requested, by the IRS.

E. Every year each school must file a Form 5578 with the IRS by the appropriate deadline. A copy of this form is available in the forms section of this manual. In filling out Form 5578, on line 2a: show "Lutheran Church—Missouri Synod, 1333 S. Kirkwood Road, St. Louis, MO 63122"; 2b: "43-0658188"; 2c: "1709."

9.310: Federal Excise Tax Exemptions

Sales to "nonprofit educational organizations" are not subject to certain manufacturer's excise taxes and the federal tax on communication services. Synod's colleges and seminaries and schools of member congregations qualify as "nonprofit educational organizations" within the meaning of that term.

9.315: Manufacturer's Excise Tax

Nonprofit educational organizations are exempt from this federal tax as it applies to sport fishing equipment, archery equipment, certain firearms, tires, gasoline, and diesel fuel (for use in school buses only).

When a nonprofit educational organization buys the items, an IRS Form 637, "Certificate of Registry," must be shown, and the tax will be deducted directly from the price. Form 637 can be obtained from the IRS and must be completed by the educational organization (or the operating congregation if the school is not separately incorporated), then filed with and validated by the director of the IRS district office.

If tax is paid on the retail sale of gasoline or diesel fuel used in school buses, a nonprofit educational organization, with a validated Certificate of Registry, may apply for a refund of the excise tax by filing an IRS Form 843 yearly, or if more than $1000 is to be claimed, quarterly.

9.320:
Tax on Communication Services

This federal tax applies to local telephone service. ***Only communication services furnished to a nonprofit educational organization are exempt from this tax.*** In order to claim the exemption, the school must furnish to the organization supplying the services a proper exemption certificate. The form of the certificate for use by or on behalf of a school operated as an activity of a church is reproduced in paragraph 9.321 and may be completed and signed by any officer of the church or school.

9.321:
Communication Exemption Certificate

(For educational organizations only)

(Date)

EXEMPTION CERTIFICATE

The undersigned hereby certifies that ***(he/she)*** is ***(title or capacity)*** of ***(school or church)***; that ***(he/she)*** is authorized to execute this certificate; and that the communication services or facilities furnished or to be furnished to the institution by ***(telephone, telephone company, etc.)*** will be paid for from the funds of the institution and are for the exclusive use of the school.

The school, operated as an activity of the church, normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

The undersigned understands that the fraudulent use of this certificate for the purpose of securing this exemption will subject (him/her) and all guilty parties to a fine of not more than $10,000, or to imprisonment for not more than five years, or both, together with costs of prosecution.

(Signature of authorized individual)
(Address)

9.322:
Discounts on Telecommunications

The Federal Communications Commission discounts certain telecommunication services provided to schools—the "E-Rate Program." The discount ranges between 20 and 90 percent. The discounted services include everything from basic telephone service, computer network wiring, internet service provider fees, to highly advanced videoconferencing services. The level of discount is related to the number of enrolled students who are eligible for the Federal School Lunch Program. For more information, visit the Schools and Libraries Division web site at www.sl.universalservice.org or call toll-free at 888-203-8100.

9.400:
Compensation

9.410:
Elections to Defer Salary

Some schools pay their salaried employees ratably over the 10-month school year or spread their pay over 12 months. Others allow their employees a choice in that regard. Those institutions offering this election to its employees must follow new rules to avoid adverse tax consequences.

- The employee's election must be in writing.
- The election must be made before the beginning of the first day of school for which the employee is paid (in some cases may be before the first day students arrive for class)—this is the deadline date.
- The election must be irrevocable, so that it can't be changed after the work period begins (e.g., not in the middle of the school year).
- The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year).
- No particular form is necessary for the election and it does not have to be filed with the IRS.
- If the employee fails to submit the election by the deadline date, the employee must be paid in the same way as other employees who do not make an election.

These election rules do not have to be detailed in any specific type of plan document. They can be provided in any other applicable document, such as an employee handbook or school board rules and regulations.

The elections, once made, do not have to be made every year. They can remain in effect indefinitely until the employee changes his or her election. However, any change must be made before the beginning of the school year to which the change applies, and can only apply to that future school year.

For more information on this topic, refer to IRS's news release IR-2007-142 which can be found at www.irs.gov.

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