City of Carroll

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MEMO TO: Mike Pogge-Weaver, City Manager MJPW

FROM: Laura A. Schaefer, Finance Director/City Clerk

DATE: November 6, 2018

SUBJECT: Amended FY 2018/2019 Salary Resolution for Volunteer Firefighters

For many years, the volunteer firefighters have been paid $10/hour and the volunteer assistant fire chief has been paid $1,300/year as independent contractors. Through the city staff's continuous learning process, it has come to our attention that we need to change the way we are paying the volunteer firefighters.

Attached is some information obtained from the Internal Revenue Service's website that address issues for firefighters. The article specifically identifies that "volunteer" firefighters are, in fact, employees. As employees they would be subject to the same tax withholding requirements as any other employee.

The firefighters are currently paid $10/hour. This was last adjusted July 1, 2013. Due to the fact that this has not been adjusted for over five years and the firefighters will now be subject to the same withholding requirements as other employees, the attached amended Salary Resolution recommends the pay to increase to $15/hour and the Volunteer Assistant Fire Chief pay to increase to $1,500 per year effective January 1, 2019.

RECOMMENDATION: Council consideration and approval of the Amended FY 2018/2019 Salary Resolution.

RESOLUTION NO. _____

A RESOLUTION SETTING SALARIES/WAGES FOR EMPLOYEES OF THE CITY OF CARROLL FOR THE FISCAL YEAR 2018/2019

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF CARROLL, IOWA THAT:

Section 1. The positions named in the Fiscal Year 2019 Wage Schedule below shall be paid the salaries or wages indicated and the City Clerk and/or City Manager is hereby authorized to issue checks less legally required or authorized deductions from the amounts set out below on monthly basis, and also make such contributions to Social Security, I.P.E.R.S., or other purpose as required by law or authorization of the Council, all subject to audit and review by the Council.

Section 2. All City personnel are subject to the provisions contained in the City of Carroll Personnel Policy Manual adopted on February 24, 2003 and last updated on May 9, 2016. All employees and positions covered by bargaining units or other employment related contracts are subject to the terms and conditions of those agreements in addition to the City's Personnel Policy Manual.

Position	January 1, 2019 Salary/Hourly Rate
Vol. Assist. Fire Chief	$1,500.00
Firefighters	$15/hr.

Passed and approved on this 13th day of November, 2018

_____
Eric P. Jensen, Mayor

ATTEST:

_____
Laura A. Schaefer, City Clerk

Issues for Firefighters

Firefighters

This discussion addresses some of the common questions we receive from firefighters and their employing organizations.

Compensation

Generally, tax laws apply to firefighters in the same manner as for other types of workers. It does not matter whether firefighters are termed "volunteers", are considered employees, or are identified by any other name, if the work they do is subject to the will and control of the payer, under the common-law rules, they are employees for Federal tax purposes. The determination as to whether workers are common-law employees or independent contractors is made applying the same standards used for other workers. See IRS Publication 15, Employer's Tax Guide, for more information on determining whether a worker is a common-law employee.

Similarly, it does not matter whether they are paid on a "call" basis, monthly, hourly, etc.; or whether the worker is full-time or part-time. These payments are wages that should be reported on Form W-2, subject to withholding for Federal income tax, social security, and Medicare purposes. Employers are responsible for withholding on these wages and filing Form 941.

If a worker is a common-law employee, any amounts received that are not exempt under a special provision, are reported on Form W-2 as wages. It does not matter what the payments are called.

Income Tax

Generally, all amounts employees received are taxable for Federal income tax purposes. Some fringe benefits are excluded by specific provisions of law. Some common benefits that may qualify to be excluded include:

- Certain de minimis (minimal) fringe benefits
- Meals provided for the convenience of the employer
- Employee discounts
- Achievement awards
- Health insurance
- Educational benefits

For more information, see IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits.

Reimbursements for expenses may be excludable from wages if they meet the accountable plan rules, discussed below.

Social Security Tax

After July 1, 1991, state and local government employees are generally subject to mandatory social security tax for wages paid unless they either (1) participate in a qualifying public retirement system, or (2) are covered by a voluntary ("Section 218") agreement between their state and the Social Security Administration. The

requirements for a qualifying public retirement system are discussed in IRS Publication 963, Federal-State Reference Guide.

Your State Social Security Administrator can tell you whether a Section 218 agreement is in effect for a specific group of workers. See www.ncsssa.org for a list of State Social Security Administrators.

Medicare Tax

With few exceptions, employees (including firefighters) hired after March 31, 1986, are covered by the Medicare tax. Employees hired before that date may be exempt if they have remained in continuous employment since then.

For more information on social security and Medicare coverage rules for government employees, see IRS Publication 963, Federal-State Reference Guide.

Emergency Workers

The Internal Revenue Code provides an exception under IRC 3121(b)(6)(C) from social security and Medicare tax for a worker "serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency." This exception applies only for temporary workers hired in response to an unforeseen emergency. It does not apply to firefighters who work on a recurring, routine or regular basis, even if their work involves situations that may be considered emergencies, including responding to fires.

Expenses and Reimbursements

Firefighters may receive amounts that are designated as expenses for transportation, equipment, clothing, etc. In general, these are treated as taxable wages. However, if the amounts are paid under an ***accountable plan***, they may be excluded from wages and no tax reporting is required. For payments to be considered made under an accountable plan, the employees must:

1. Incur the expenses in the performance of work;
2. Adequately account for the expenses within a reasonable period of time; and
3. Return any amounts in excess of expenses within a reasonable period of time.

Ordinary and necessary expenses firefighters incur in the course of performing their jobs are excludable from income if paid under an accountable plan. A fixed cash amount which does not require documentation of expenses, regardless of its purpose, is treated as ordinary wages. It is subject to income tax, social security and Medicare tax withholding.

For a detailed explanation of the accountable plan rules, see section 5 of Publication 15.

State or Local Tax Benefits

In some cases, volunteer firefighters receive benefits in the form of state or local tax credits or rebates. If these benefits are offered in return for services performed, their value represents income to the worker for Federal tax purposes and should be included in taxable wages.

Page Last Reviewed or Updated: 14-Aug-2018