

Frequently asked IRS questions



**Nicole
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Branch officers often call NALC Headquarters with questions about financial issues. Many questions also surface during officer training. After the question is answered, the branch officer may be directed to the *NALC Branch Officer's Guide to Finance and Administration*, available for purchase from the NALC Supply Department or for free on the NALC website from the Secretary-Treasurer's page. The guide is broken down into the following sections: branch officer duties, NALC dues, reporting to the U.S. Department of Labor, reporting to the Internal Revenue Service (IRS), bonding requirements and branch

record keeping. If your branch secretary/treasurer does not have this guide, I suggest that the branch get one for use by all fiduciary officers in the branch.

The following is a sample of common IRS-related questions asked during phone calls or during training seminars, as well as the answers and where the answers can be found in the *NALC Branch Officer's Guide to Finance and Administration*.

If we pay our stewards \$150 per month as a stipend, do we have to file a W-2?

Yes. Stewards are considered to be employees of the branch (whether they are appointed by the branch president or elected by the branch membership) and, as such, the branch must report stipends as wages and withhold the appropriate taxes. This holds true for all officers of a branch receiving any payments that could be considered wages (see pages 4-4 and 4-5 of the guide).

I heard that if you stay under \$600 per year paid to a branch officer, you don't have to do anything, not even issue a 1099. Is this true?

No. Again, officers are considered employees of the branch and, as such, the branch must deduct payroll taxes and the branch must pay taxes since the branch is an employer. It does not matter how much money an employee earns; the branch must pay all payroll taxes and issue a W-2 (see page 4-7 of the guide). A Form 1099-MISC is issued under two circumstances: 1) The branch makes a payment under a non-accountable plan to a member who is not considered an employee under IRS tax rules (see pages 4-15 and 4-16 of the guide; or 2) The branch makes a payment to somebody who is not a member for services rendered to the branch, most commonly a contractor.

The 1099-MISC must be issued only for services rendered and not when payments are made to purchase goods. The 1099-MISC must be issued only when total payments to the individual are \$600 or more during the tax year (see page 4-18 of the guide). However, this does not exempt the individual from claiming the extra income.

My branch/state association has been receiving notices from our state that we must purchase workers' compensation insurance. Is this true?

In all 50 states, if you pay any wages, you are considered an employer and workers' compensation insurance is mandatory (see page 4-7 of the guide). In some states, the insurance must be secured directly with the state fund. In most states, the premium and benefit structures are set by each state government, but the actual insurance coverage is provided by standard insurance companies via your insurance agent. Volunteers and/or employees who receive very little compensation may be exempt from such coverage in some states. Check your state's website for further information and/or clarification.

Are there any documentation requirements for per diem payments?

Yes. The branch needs to maintain "proof" of an overnight stay. A hotel receipt, a copy of a round-trip plane ticket, or other similar documentation should be sufficient. The branch need not collect documentation (receipts) of the amount of expenses actually incurred. (See pages 4-13 through 4-17 of the guide for more information on per diem.)

Is an early payment to a hotel or airline considered a travel advance?

No. Making an early payment directly to a hotel or airline—or reimbursing a member for the actual cost of an airline ticket purchased in advance for approved branch travel—is not considered a travel advance.

Is it OK to give branch officers travel advances?

Travel advances are OK as long as the branch keeps certain rules in mind. To be in compliance with the rules outlined by the Labor Management Reporting and Disclosure Act (LMRDA), the sum of all advances to any one individual in a fiscal year should *never* exceed \$2,000. Also, the officer receiving the advance should document expenditures against the advance and return to the branch any excess funds for which documentation was not submitted.

In addition, IRS rules require an advance for expenses to be made within a reasonable time—generally no more than

(continued on page 40)

Getting back on track



Christina Vela Davidson



As stated on the Muscular Dystrophy Association (MDA) website, “The freedom to walk, to talk, to run and play. To laugh, to hug, to eat—even breathe. Each day these freedoms are taken away from kids and adults with muscular dystrophy, ALS and related diseases that weaken muscle strength and limit mobility. Together we can change that.”

Branches that have donated time and effort toward this goal deserve special mention for what they’ve done. For many years we held the distinct honor of being the top-performing national sponsor for MDA. My goal is for NALC to one day again be among the very top contributors MDA relies on until a cure is found. I know we can do it.

With all that is happening with the national economy, you are doing a fantastic job and I can only ask that you keep up the good work. Since the COVID-19 pandemic ended, we have been increasing our contributions to MDA and making our way close to the million-dollar-per-year mark. I believe we will get there once again.

A “can-do” attitude goes a long way with community service. Keep up the great work; we are on our way to another awesome year for MDA. I give all the credit to you all!

Correction: The 2022 MDA Honor Roll, which appeared in the April issue of *The Postal Record*, mistakenly included in the Headquarters total \$6,320 raised by Willingboro, NJ Branch 5801 at the branch sales during the Chicago convention.

Just a reminder: If you want any of your branch events to be shared, please send them to mda@nalc.org or social@nalc.org to be posted on social media. Remember to send copies of all items to MDA so we can properly give your branch the correct credit for the 2023 year.

Secretary-Treasurer

Frequently asked IRS questions (continued)

(continued from page 32)

30 days before the expenses are expected to be incurred. Under the LMRDA, an advance for expenses is considered a reportable loan unless the advance is provided within 30 days of travel and accounted for within 30 days following

the trip (see page 4-21 of the guide). To avoid problems encountered when advances are not properly accounted for, it may be best to forgo advances and instead reimburse for actual expenses after receipts have been submitted, or opt to provide per diem per the IRS guidelines.

Director of Life Insurance

Proper step (continued)

(continued from page 34)

their steps back, depending on the change in their waiting period when they were originally promoted and how many weeks they served at the lower grade. This is in accordance with Section 422.123a(4) of the *ELM*, which states:

When a repromotion occurs, the employee is assigned to the step in the repromoted grade, or its equivalent, with waiting period credit toward the next step date as if he or she had remained continuously in that previously held grade.

If you have concerns that you are not being paid at the appropriate step, you should contact your shop steward or branch officer.

For information regarding any of the MBA products, please call the MBA office toll-free at 800-424-5184, Tuesdays and Thursdays, 8 a.m. to 3:30 p.m., or call 202-638-4318, Monday through Friday, 8 a.m. to 3:30 p.m. (Eastern time). You also may visit our website at nalc.org/mba.