

Section 5: Operating Procedures

Title 6, Salary Supplements, Substitute Teachers, and Contracted Services

Salary Supplements

Any supplemental compensation owed to board of education employees for extracurricular activities must be processed through the director of schools' office in the same manner as salary and other payroll payments. Board of education employees may not be compensated directly by individual schools from internal school funds.

Each school should submit to the board of education on a regular basis a payroll record for each individual who is to receive a salary supplement. The payroll record should be signed by the employee, and the principal should include the name of the employee, the date(s) and type of work performed, and the pay rate. The board of education will then calculate the amount of gross pay, employee withholdings (federal income tax, FICA, state retirement, insurance, etc.) and the employer's matching share and will include the salary supplement in the employee's regular payroll check received or in a supplemental paycheck from the board of education.

The board of education will invoice the school for reimbursement of the total amount of the gross salary supplement and the employer's share of the related payroll withholdings.

Substitute Teachers

The board of education should establish policies regarding the reimbursement of substitute teachers' salaries related to restricted class and club accounts (i.e., substitute teacher is required when Beta sponsor attends Beta convention). The principal should ensure that all class/club sponsors are informed of applicable policies. If reimbursement from the school is required by the board, the sponsor should ensure that approval is obtained in advance from the membership of the class or club.

Contracted Services

The United States *Internal Revenue Code*, Section 6042, paragraph 6667, requires anyone engaged in a trade or business who makes payments totaling \$600 or more during a calendar year to a noncorporate recipient (such as an individual working as a sole proprietor or a partnership) to report such payments to the Internal Revenue Service (IRS) and to provide the payee with a Form 1099-MISC.

The board of education is responsible for preparing and distributing such forms to payees. Failure to issue the required Form 1099 by January 31 may result in the board of education and/or schools being liable for a penalty. Therefore, schools must submit information concerning such payments to the board of education to permit a timely filing of Form 1099-MISC. In determining whether the dollar threshold of \$600 has been

achieved, the board of education must consider payments made to payees by all schools combined.

A board of education, as an employer, must generally withhold income taxes, withhold and pay social security and Medicare taxes, and pay unemployment taxes on wages paid to an employee. The board of education, however, does not have to withhold or pay any taxes on payments made to independent contractors unless the contractor does not provide an EIN.

Individuals who are employed by a board of education and wish to perform contracted services for the school(s) must demonstrate to the board of education in advance that they meet the stringent IRS definition and test of an independent contractor. Generally, most board of education employees will not meet the IRS definition and test of independent contractor. (NOTE: One exception is board of education employees who officiate at athletic events through contract with the TSSAA.) Information concerning the employee versus independent contractor relationship may be found in *Publication 15-A, Employer's Supplemental Tax Guide (Supplement to Circular E, Employer's Tax Guide, Publication 15)*, published by the U.S. Department of the Treasury, Internal Revenue Service.

The board of education should require each contractor to complete IRS Form W-9 and should retain the form on file for future reference and audit purposes.