

OPTIONAL 12-MONTHLY INSTALLMENT PAY ELECTION

COMPLIANCE WITH IRS CODE, SECTION 409A – DEFERRED COMPENSATION

- **The teacher (or other employee) must give a written (or electronic) election to the employer that notifies the employer that the employee wants to spread out the compensation**
- **The election must be made before the beginning of the work period (for example, before the first day of the school year for which the teacher is paid)**
- **The election should not be changed during the year in which 12 monthly installments is elected, or that employee will be subject to an additional tax penalty**
- **The election must state how the compensation is going to be paid if the election is made (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**
- **The rules provide for a 30-day window for new employees to comply with the election requirement**

