

Veterans Differential Pay (as of 12/13/04)

1. Does your city pay a differential to veterans deployed on military leave?

City of Cookeville	No
City of Millington	Yes
City of Germantown	No
City of Gatlinburg	Yes
City of Oak Ridge	Yes
City of Brentwood	Yes
City of Chattanooga	Yes
City of Crossville	No
City of Lebanon	Yes
City of Jackson	Yes
City of Gallatin	Yes
City of Alcoa	No

Are you aware of the IRS implications of such payments?

City of Cookeville	Yes
City of Millington	Yes
City of Gatlinburg	Yes
City of Oak Ridge	Yes
City of Brentwood	Yes
City of Chattanooga	Yes
City of Lebanon	Yes
City of Jackson	Yes
City of Gallatin	Yes
City of Alcoa	N/A

2. Have you changed how you pay veterans on military leave?

City of Cookeville	No
City of Millington	No
City of Germantown	No
City of Gatlinburg	Yes
City of Oak Ridge	Yes
City of Brentwood	Yes
City of Chattanooga	No
City of Lebanon	No
City of Jackson	Yes
City of Gallatin	No
City of Alcoa	N/A

3. If yes, what are you doing differently?

City of Millington	Have contacted the IRS about how to handle this situation -- was on hold on the telephone for one hour being transferred from department to department – bottom line – the people I talked to had no idea that this was “on the books”. They had no advice for me; they have been told, according to the source I spoke with that if anyone asks about this, the IRS person is supposed to report it to a certain contact person! Now, we’ve done nothing due to not knowing what to do and not having any advice from the IRS!
City of Gatlinburg	We are processing the differential pay through Accounts Payable
City of Oak Ridge	We are giving them the full amount with no deductions. We refunded all withholding items to them and will be issuing 1099 forms. TCRS did not agree with the IRS ruling but said they would do what the City wanted. We had adjusted our TCRS payment for the amounts we had paid when we were treating the military differential pay as earnings
City of Brentwood	Not withholding FICA deductions and Medicare on the supplemental pay.
City of Jackson	I've spoken with our IS Dept. and they have recommended that we pay the supplement via Accounts Payable and issue a 1099 for 2005. The IRS exempts FICA; however, through AP, no Income Taxes will be deducted as well. We will no longer be able to issue direct deposit; all will be in a check on the 15 and 30 of each month, not the same as regular payroll.
City of Gallatin	Finance is still reviewing this. We intend to comply with the IRS regs. We have one affected employee and hope to adjust everything accordingly by year-end. How to change ADP’s computer system to accommodate one employee is a problem.
City of Chattanooga	We're going to continue to pay them as we have, and withhold FIT, FICA, and Medicare, and continue to contribute to their pensions. I let Donna about this late Friday. The City Attorney feels that we've made a good argument for what we're doing. Mike Hicks said a Revenue Ruling is only binding on the IRS, not the taxpayer, we should be OK there. There are several companies, which are going to continue this practice as well. If there are any employees who wish to file Form 843 with the IRS, we will write them a letter to certify we are not going to seek return of the employment taxes.

4. If no,

a. Are you reimbursing the veteran for FICA deductions on the differential pay?

City of Millington	No
City of Germantown	No
City of Oak Ridge	Yes
City of Chattanooga	No
City of Lebanon	No
City of Gallatin	No
City of Cookeville	N/A
City of Athens	N/A
City of Gatlinburg	N/A
City of Brentwood	N/A
City of Crossville	N/A
City of Jackson	N/A
City of Alcoa	N/A

b. Are you reimbursing the veteran for income taxes withheld on the differential pay?

City of Millington	No
City of Germantown	No
City of Oak Ridge	Yes
City of Chattanooga	No
City of Lebanon	No
City of Gallatin	No
City of Cookeville	N/A
City of Athens	N/A
City of Gatlinburg	N/A
City of Brentwood	N/A
City of Crossville	N/A
City of Jackson	N/A
City of Alcoa	N/A

Respondents:

Michael Davidson, City of Cookeville
Margaret Riding, City of Millington
Pat McConnell, City of Germantown
Rita Brown, City of Athens
Janet Curry, City of Gatlinburg
Penelope Sissom, City of Oak Ridge
Kirk Bednar, City of Brentwood
Brian Smart/Donna Kelley, City of Chattanooga
Sandra Gruber, City of Crossville
Jim Henderson, City of Lebanon
Lynn Henning, City of Jackson
David Crawford, City of Gallatin

William Brown, City of Alcoa