

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS



LOCAL UNION FINANCIAL RESPONSIBILITIES & MANAGEMENT

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Local Union Financial Responsibilities and Management

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Local Union Financial Responsibilities and Management

I. Duties of the Local Union Secretary-Treasurer, Secretary, and Treasurer

It is the duty of the local union secretary-treasurer, secretary, and treasurer to facilitate communications and financial management of IAFF locals. It is also their responsibility to keep the membership and IAFF informed regarding local union matters and the financial well being of the local, in accordance with local constitution and by-laws.

Due to the fact that there is much overlap between the duties of secretary and treasurer, many locals have combined the two offices resulting in a position of secretary-treasurer.

For purposes of this instruction, we will be focusing on all aspects of these very important positions. Thus, when referring to secretary, treasurer or secretary-treasurer duties, they are all applicable as one office or combined. **Your constitution and by-laws should outline the duties of each position.**

A. Primary Responsibility

Good communication skills are essential in the overall management of every IAFF local union. Unless there is a good network of communications, misunderstandings can occur. This in turn creates inefficiency and may cause trivial matters to become magnified. Each of these can then lead to membership resentment and dissatisfaction resulting in a dysfunctional local. Whether it is the monthly financial report, interoffice memo's or general membership notices they must all be timely and accurate.

The primary responsibility for communication within the local rests with the local union secretary. The secretary performs his/her duties by recording the minutes, conducting correspondence, and by providing necessary information to fellow officers.

Many consider the office of the local union secretary as the essential ingredient that makes the union possible. This position requires a real dedication to the principles upon which the International Association of Fire Fighters was founded.

B. Duties According to the Local Union Constitution and By-Laws

The Local Union Constitution lists the following duties specific to the local union secretary:

- **Custody of All Documents** - The local union secretary has custody of all documents, records, books, and papers belonging to the local, except as otherwise stated in the Local Union Constitution and By-Laws.

- **Minutes** - The local union secretary must keep an accurate record of the meetings of the local and the executive board, as well as other meetings that may occur.
- **Seal of the Local** - The local union secretary must attest to all official documents with his/her signature and the seal of the local. The seal can be purchased from the General Secretary-Treasurer of the IAFF.
- **Correspondence** - The local union secretary must conduct all correspondence for the local promptly.
- **Maintain Official List of Members** - The local union secretary must maintain an official list of members in good standing. This list must be kept accurately and on a current basis. Do not give your mailing list out without authorization from your board.
- **Maintain Records and File Reports** - By law, the local union secretary must execute and maintain records of reports that are filed with local, federal and state authorities.

C. Tips for Planning a Meeting

The responsibility for planning of most local meetings rests with the union secretary. For any meeting to be effective, the secretary must prepare for it in detail.

An agenda will facilitate good time management. Thus, the first step the secretary must take in planning a meeting is to develop an agenda in collaboration with the president. In preparing the agenda, it is recommended that the secretary follow the items of business as given in the *Manual of Common Procedure*. An agenda work sheet can also be useful in facilitating the meeting (see attachment 1).

Planning for a meeting also requires having the recommendations and motions in the correct language. This means making sure that none of the recommendations or motions are contrary to the Local Union Constitution and by-laws or to that of the IAFF *International Constitution and By-laws*. Recommendations and motions must express the intent that is desired.

Some attention should also be given to time when planning a meeting. Research has shown that for most people, about one hour is the “attention span” during which people can listen. Thus, if it appears that a meeting may last longer than an hour, the secretary should plan for a recess of fifteen minutes at the end of the hour.

The secretary is also responsible for having the following documents at every meeting, and should be familiar enough with their contents to find any requested information quickly and easily:

- the *Minutes Book*;
- the *Reports of Committee Book*;
- a copy of the *International Constitution and By-Laws* with the latest amendments;
- the parliamentary manual adopted by the local;
- the *Manual of Common Procedure*;
- a copy of the local's by-laws; and
- a copy of the local's policies and procedures.

The local union secretary should follow similar planning procedures prior to meetings of the executive board. Try to avoid surprises by being prepared.

D. Record Keeping

1. The Minutes

The most important record keeping function the local union secretary must perform is maintaining the Minutes of local union meetings, board meetings, and special meetings.

Many times the Minutes are the first item an accountant or the IRS will request when conducting an audit. This is because the Minutes usually reflect many of the ordinary and extraordinary financial activities of the local.

a. Guidelines for Writing the Minutes

The secretary should observe the following guidelines when writing the Minutes:

- The time, day, month, and year of the meeting, who presided, the fact that a quorum was present, and the number of members present when the meeting was called to order should be recorded. Office supply stores have meeting agenda pages to help in developing an agenda (attachment 1).
- If a quorum is not present, or a scheduled meeting not held, a page should be typed listing the date, etc. that the meeting was not held and the reason for not conducting it.
- Reports of committees are entered in the Minutes only by reference to the fact that such a committee did report. If there are committee recommendations, these should be entered with the vote had on each recommendation. The complete report of the committee should not be placed in the Minutes. There should be a separate, loose-leaf binder for committee reports.
- All motions made, seconded and stated by the Chair should be included in the Minutes. The fact that a motion was defeated does not change this requirement. The number of votes for and against and if a vote is taken by raising the hand, standing, or ballot should

always be entered. If a voice vote is taken the entry should be “The motion was adopted” or “The motion was defeated”.

- All rulings of the Chair concerning points of order, as well as points of order themselves should be entered in the Minutes. The secretary has the right to ask the Chair to have the member raising a point of order to put it in writing. Questions of privilege and the decision of the Chair should be entered, as should appeals taken from such decisions.
- The Minutes are to reflect what was done in the meeting and not what was said. No member has the right to request that his/her views on any matter be “placed on record.” The only way that members’ views can be recorded is by a roll call vote, which means that all members are recorded.
- The personal reaction of the local union secretary to the proceedings should never appear in the Minutes. The factual situation should be recorded.
- Whether the secretary enters the name of the seconder of a motion is a matter of custom in the local union itself. However, the name of the mover of the motion should always be entered.
- The Minutes should be brief and reflect what was done in the meeting.
- Laptop computers are being used to record meetings. One should use back ups and also use due diligence in protecting the information stored in the computer (Executive board minutes, etc.).
- All minutes must be signed by the person who took them.
- All minutes should be approved at the next scheduled meeting.

b. The Minutes of the Executive Board

The local union secretary is also responsible for the minutes of the executive board and should handle them in the same manner as the Minutes of the local union. These minutes are not subject to the general review of the membership and should always be considered confidential.

c. The Minutes of Shift Meetings

The local union secretary should record the minutes of shift meetings as two separate meetings, except for the purposes of taking final action by vote of both meetings.

d. Some Suggestions

The following are some suggestions for writing minutes:

- A stenographic notebook should be used for rough notes during a meeting. It is also acceptable to record minutes via a laptop computer. If a tape recorder is used, the notes are then typed and your approved copy is the copy of record.
- As soon as possible after the meeting, the Minutes should be written in the Minutes Book from the rough notes. It is suggested that the secretary retain the original notes for his/her records.
- When recording any motions in the minutes, the secretary should read back the motion until the person making the motion is satisfied with its wording. If necessary, the secretary can ask the member to submit the motion in writing.
- The name of a person making a motion should be recorded in the Minutes.
- The Minutes Book should be a hardbound volume with printed numbered pages.
- The entries should always be made in ink.
- The practice of using a loose-leaf binder is not suggested due to the ease of changing the records.
- The Minutes should be signed by the person recording them when approved by the appropriate authority.

2. The Committee Reports

All committee reports should be in writing and should be given to the secretary upon presentation. It is the responsibility of the local union secretary to file the reports in a loose-leaf binder.

3. Rights of Members to View Documents

Any member in good standing has the right to view committee reports at reasonable times. (Reasonable time is the normal working time of the business organizations in the city.) However, the member does not have the right to move the binder and is required to read it in the presence of the secretary.

Any member in good standing has the right, at reasonable times, to read the Minutes Book. As with committee reports, the member must read the Minutes in the presence of the secretary.

Only members of the executive board have the right of access to the Executive Board Minutes Book.

E. Correspondence

There are two general categories of correspondence. The first category requires consideration by the local union in the form of a motion and a vote. The second category requires that information be supplied, such as statistics from records or through consultation.

It is the duty of the local union secretary to place among the records and read during the “Order of Business” any correspondence requiring consideration by the local union through a motion and a vote.

Other responsibilities of the secretary, with regards to correspondence, is giving prompt attention to questionnaires from the IAFF, addressing all matters pertaining to the IAFF Constitution and By-Laws to the International General President, and sending copies of all important correspondence to the District Vice President.

F. Letters

When writing letters to the IAFF, the local union secretary should keep the following things in mind:

- mail is not delivered to the IAFF on Saturdays, Sundays, and holidays;
- time zone differences could result in a letter not being delivered until the day following expected delivery;
- business hours at IAFF headquarters are 8:30 a.m. – 5:00 p.m. (EST); and
- the IAFF’s web site address is www.iaff.org.

When writing any business letter, make sure that your spelling and grammar are correct and that you have authorization to write on behalf of the local. The same considerations apply when writing letters for board members.

G. The Importance of Complete Addresses and Membership Numbers

The secretary is to maintain a list of official members in good standing. This includes every member’s name as well as their current address.

It is important to note that the International is unable to communicate with its members if the current address of a member is incorrect. This is necessary so that the IAFF magazine, *The International Fire Fighter*, is delivered. The Post Office requires that addresses and zip codes be correct for all second class mail. If the Post Office is unable to deliver a magazine because of an incomplete or incorrect address, the magazine will be returned to the IAFF and the IAFF will be charged.

When members change their addresses, it is the duty of the secretary to notify the IAFF.

H. Election of Officers

It is the duty of the local union secretary to promptly mail the names, addresses, and member numbers of all those elected or reelected to office. This information is used as the basis for mailing material concerning all subjects affecting the local union.

In some locals the responsibility for conducting local elections falls under the duties of the secretary. Be sure your elections conform to your by-laws, the IAFF By-Laws, and the Department of Labor.

I. Credentials

The local union secretary is also responsible for filling out convention credential forms. This means that he/she must sign them, affix the local seal, have the president sign them, and then promptly send the certificates to the IAFF General Secretary-Treasurer.

J. Communications

1. Telephone Calls

When calling the IAFF, the secretary should keep in mind that the office hours of the International are from 8:30 a.m. to 5:00 p.m. (EST). This is important to note, especially if one is calling from a different time zone.

Always know whom it is you are talking to on the telephone. Telephone etiquette is always important. Remember that with cordless phones and cell phones, the lines may not be secure. Always return phone calls.

It is also vital that all line of duty deaths be reported to the IAFF immediately. For more information on this topic you can refer to the IAFF's publications, *Reporting Protocol for Line of Duty Deaths* and *Line of Duty Deaths and Public Safety Officers Benefits*.

2. Local Union Communication

Most of the material sent from the IAFF to local unions is addressed to the local union secretary. It is the job of the secretary to determine whether the information should be passed along to someone else or whether the secretary should take care of it himself/herself.

In some situations, it will be necessary for the secretary to bring the information to the attention of the executive board and in other situations, the material may be urgent enough to be given to the president or some other officer or committee chairperson.

There are times when the secretary may feel that a document needs to be seen by all the officers. If this is the case, it is suggested that the secretary stamp the document using a stamp that lists all the officers' titles. Once an officer has read the document, he/she can sign his/her name next to his/her title. This will assist the secretary in knowing who has and has not had the opportunity to read the material.

Again, it is worth repeating that IAFF District Vice Presidents be kept in the communications loop. They need to be informed as to what is going on in their districts.

Electronic Media can really open your lines of communications with members and the way your local does its business. The use of cell phones for board members, pagers, fax machines, e-mail, the Internet and computer laptops all can make the job of secretary easier.

3. Tips for Addressing the Membership

It is also the duty of the local union secretary to address the membership on information received. When doing so, the secretary should check the main points carefully and be sure they are well understood.

When addressing the membership, the secretary should be thoroughly prepared for the delivery. He/she should know what to say and in what order to say it.

While talking, the secretary should look at the members. He/she should talk with them and not at them. Questions should always be encouraged.

Care also needs to be given to the speed at which the material is read. The information should be read slowly so that those who are listening can follow easily. Enough volume should always be used.

4. Writing an Article

Sometimes it may be necessary for the secretary to write an article for a newsletter, newspaper, magazine, or other publication. If so, he/she should proofread it carefully, making sure that the words convey the message intended. If there is any chance for a misunderstanding, then the words should be changed. Don't be afraid to have another officer read your article for feedback.

5. When and How to Summarize

There are times when the local union secretary may find it necessary to summarize some of the longer material that needs to be read to the

membership. In some instances, parts of longer documents can be summarized in the interest of saving time.

If the secretary sees a need to do this, it is a good idea to confer with the president before doing so. If this is agreed upon, the secretary should state this fact when presenting the correspondence to the membership. This is because all members have the right to know when a summary is being made. However, if there is a request to read the entire document, then the secretary must do so.

K. Maintaining Files

1. The International Fire Fighter

The IAFF magazine, *International Fire Fighter*, contains a large amount of information. All major happenings pertaining to Fire Fighters throughout the United States and Canada are recorded in this publication.

The secretary should be aware of the information provided under the title, *From the Secretary-Treasurer's Desk*. This section reviews information that is important to local officers.

The IAFF strongly suggests that the secretary maintain a file of these publications with cross-references to subjects that might be referred to from time to time.

Every local union should appoint a committee to be responsible for indexing and cross-indexing each article in each issue when it is received. The secretary will find this to be a valuable timesaving tool as well as an important source of reference.

It is also suggested that a filing system be established for all correspondence and important documents. This can be done alphabetically or by month.

With the use of computers, a good system of record retention can be done on disks. Keep in mind to always back up your records management system.

Furthermore, records should be protected from possible damage or fire. Therefore, fireproof filing cabinets should be used, as well as safes.

2. Property

The secretary should keep in mind that his/her permanent file of pending business, reports of committees, and Minutes is of immense importance to both a temporary successor (when needed) and to his/her successor at the close of his/her term in office.

The local union secretary should always remember that his/her permanent files are the property of the local union and not the personal property of the secretary as an individual.

L. The Retention of Documents

1. What to Keep?

Good office management, as well as governmental requirements, calls for an adequate filing system to maintain a local's records. There are several filing methods that can be used by the local union treasurer (*i.e.*, by vendor, alphabetically, by month, etc.). Probably the easiest method is to maintain files by separate months. Each file would then contain that month's receipts, disbursements, minutes, etc. Correspondence could also be filed this way.

The local union treasurer should maintain the following documents in a safe and secure location: membership applications, ledger records, correspondence and dues receipts, accounting records, meeting attendance records, minutes of meetings, official copies of the constitution and by-laws, amendments, minutes of trial boards and details of fines imposed, election results, copies of resolutions, copies of signed contracts, record of negotiation committees, membership grievance files, and general correspondence.

2. How Long to Keep It?

The Charter and Seal must be retained for the entire life of the organization. However, upon the voluntary or involuntary forfeiture of the Charter, the local must return the Charter and Seal to the International General Secretary-Treasurer.

The Local Union's Constitution and By-Laws; the minutes of membership meetings, Executive board meetings, and all special meetings should be retained for the entire life of the organization.

The local union secretary and/or treasurer must maintain election results for at least two years and most accounting records should be maintained for the period of the statute of limitations, which ranges from three to five or sometimes seven years.

When disposing of any records, applicable laws must be adhered to. It is advisable that the local union consults an attorney before disposing of any documents.

Some things should be saved forever and they were discussed earlier. Be sure to check federal and state regulations and attachments before throwing anything away. LM records should be kept for 5 years from filing, membership records at least 4 years. IRS statutes of limitation vary: They are normally 3 years from filing but an understatement of over 25% extends that limit to 6 years. Permanent items require permanent records. If there is doubt as to when to discard documents and records call the General Secretary Treasurer or your attorney.

II. Duties of the Local Union Treasurer

A. Prime Responsibility

The function of the local union treasurer is to keep an accurate and appropriate record of all financial transactions of the local union. This is not just good business practice, but is also a requirement of the International Constitution and By-Laws, federal laws, and the Internal Revenue Service.

Financial recordkeeping includes the maintaining of all receipts such as income from dues, investments, and interest on bank accounts. It also includes a complete accounting of all expenditures, such as per capita tax to the IAFF and sums paid to state or provincial associations.

There are several financial recordkeeping computer programs on the market. One such program is "Quicken Books Pro" which can be used to enhance your financial abilities as the chief financial officer of your local. This program, as well as others, can be used to write your register and checks, do payroll, produce financial statements both monthly and yearly, compile budgets, maintain inventory, etc. These types of programs can make your job as treasurer much more proficient.

B. Duties According to the Local Union Constitution and By-Laws

The Local Union Constitution lists the following duties specific to the local union treasurer:

- **Receives all Money** - The local union treasurer is responsible for receiving all money due the local union and for insuring that all funds are deposited in a local checking account on a frequent basis.*
- **Disbursements** - The local union treasurer is responsible for disbursing all money owed by the local. This must be done by a voucher, signed by the president, and in conformity with a vote of the local. All other disbursements must be by checks that have been signed by the president. Disbursements must never be paid in cash. The treasurer must never allow a check to be pre-signed. Two signature checks are recommended – signed by the president and the treasurer.

The treasurer should also verify that all disbursements are backed up by proper documentation (i.e., receipts, vouchers, membership meeting minutes, etc.).

* Good accounting practices recommend that the person writing the checks not be the person accepting and depositing the receipts. However, most locals do not have the luxury of extra people to record and make bank deposits. As such, it would be helpful if the Trustees reviewed the receipts to see that all funds expected are deposited.

- **Records of Members and Dues** - The local union treasurer is responsible for maintaining and keeping a current record of members with their dues payments, assessments, and all financial transactions. This information must be entered accurately and promptly.

Be aware of the additional responsibilities of fair share and agency shop fees. For further information on this issue contact the IAFF's General Secretary-Treasurer's office.

- **Audits** - The local union treasurer is responsible for exhibiting receipts and vouchers upon any audit of his/her books.
- **Annual IAFF Audit** - The president of the local is responsible for seeing that an audit of the local is completed on an annual basis. Depending on the Local Union Constitution, the Trustees, an audit committee, or an outside Certified Public Account will perform the audit. The local union treasurer is responsible for forwarding the annual audit to the International General Secretary-Treasurer.

C. The Use of A Member's Number

Each member of the IAFF has a number that appears on his/her membership card. This number is used for identification and prevents mistakes when there are several members with the same first and last names. The per capita tax report form has the words "card number" in several different places. It is the duty of the treasurer to be sure that these numbers are included in the reports.

D. The Per Capita Tax Reports and Membership Changes

1. The Importance of Accuracy

The responsibility of correctly completing the per capita tax report is one of the most important functions of the Office of Treasurer. The per capita tax report is the only method the IAFF has of knowing the membership of the local union. This report is the basis for the issuing of membership cards as well as constituting the source of representation of the local union at conventions of the IAFF. It also provides the information necessary for the mailing of the IAFF magazine, *International Fire Fighter*.

Accuracy is essential in making out the per capita tax report. This includes the spelling of members' names, addresses and member numbers. It is also important to be accurate in reporting new members, members' address changes, retired members, deceased members, members on military leave, and active retired members. The treasurer is responsible for maintaining and ensuring this accuracy.

2. Due Dates

The local union treasurer is responsible for making sure that the per capita tax report is filled out completely, signed, sealed by the officers, and sent to the International office. These reports are due monthly and any report that is not received by the 15th of the month following the month due becomes delinquent. When this happens a reminder letter is sent to notify the local union treasurer that the report is overdue. A copy of the letter is also sent to the local president, the IAFF District Vice President, and the State Association President.

If the report is not filed within thirty days of the first letter of notification, a second letter is sent and if the report is not filed within thirty days of the second letter, a third letter is mailed. The third letter states that all members of the local will be suspended from "membership in good standing" if payment is not received within thirty days. The International General Secretary-Treasurer will also list the local on the agenda for the next IAFF Executive Board Meeting to revoke the charter of the local for non-payment of per capita.

3. Delinquency

The International Constitution and By-Laws states that each member must pay all dues monthly. A member must make payment no later than the fifteenth day following the month that the dues are payable. If a member does not make payment, it is the duty of the local union treasurer to notify the member that he/she is delinquent and that he/she will be automatically suspended if payment is not made within sixty days following the notification.

It is the responsibility of the treasurer to make a monthly report of any members who are delinquent in their dues. There is a space on the back of the per capita tax report form for this purpose.

4. Rules for Retired Active Members

The treasurers of those local unions paying 1/2 per capita tax on retired active members are required to file annually, with the January per capita tax form, an affidavit signed by the president and treasurer. This affidavit should list and certify those members who are retired and maintain active membership.

III. Safeguarding the Local's Assets

A. Introduction

A major function of the local union is the execution and maintenance of records and reports that are filed with federal and state authorities. The following is a review of some of the responsibilities and documents that the local union is required to complete.

1. Bank Accounts

If possible, the local union should maintain two separate accounts - one for checking and one for savings. These accounts should be subject to at least two signatures and the pre-signing of any checks should not be allowed. Other accounts, such as charity, building, PAC, etc. should be established with no commingling of funds. Each fund should be a separate account.

The local union should deposit all receipts promptly into the bank and all disbursements should be by check only. Funds should never be disbursed in the form of cash.

Petty cash is the exception to this rule. To set up petty cash, establish an amount not to exceed \$100. For each petty cash expenditure, a receipt should be required and it must be logged in the petty cash journal. Once the fund is depleted a check is written to petty cash on the amount that brings the fund back to the starting amount (\$100 if that is your fund). The check is then cashed and you start over.

All cash transactions must be deposited as quickly as possible. Never leave large amounts of cash deposits unattended. This could result in a financial loss to your local, as well as a loss of the trust of your members. (Cash transactions could come from the sale of local merchandise, donations, or events.)

The point here is that all monies must be accounted for. Therefore, depositing them in the proper accounts leaves less chance for loss. Checks should be encouraged and with the exception of petty cash, all payments should be made by check. Remember that pre-signed checks should never be issued.

The Treasurer is also responsible for reconciling accounts to the ledger and checkbook on a monthly basis, followed by a financial report.

Always protect your non-cash assets by observing the following guidelines:

- Have a list of all your assets. Have at least one list off the premises in the event of loss or catastrophic incident.
- Keep invoices of all purchases, receipts, product information, and guarantees.
- Make periodic inspections to ensure that the local can still account for its equipment.
- Add to inventory when new items are purchased.
- Tag all union owned property.

2. Vouchers

Personnel expenses should be reimbursed through the use of voucher. The voucher is used to log the meals, lodging, transportation and other expenses

incurred while on union business. Attach documentation (except for payroll) to the voucher. The appropriate local officials must review and approve the voucher before a check is drawn.

3. Audit Committee

The local union treasurer is also responsible for reporting to the Audit Committee. The Audit Committee reviews transactions for set periods of time and should report their findings to the appropriate local body.

4. IAFF Visa/Mastercard Credit Card

The union privilege IAFF Visa/Mastercard credit card program is available to all IAFF members. Also available is the corporate Mastercard credit card for local IAFF union officers. The use of this card may provide some additional record keeping benefits. It also helps support programs within the IAFF. Reduced personal cost of health care is available to those in the Union Plus Health Savings Program. This membership is free to those with the union plus credit card.

B. Audits

1. The IAFF General Secretary-Treasurer

The International Constitution and By-Laws requires that the books and accounts of all affiliates be audited annually. The local union should have this report prepared in duplicate by the trustees of the local union. The original copy must be certified by the trustees of the local union and mailed to the office of the International General Secretary-Treasurer within 180 days after the close of the local's fiscal year. The local union should also retain a copy for the files of the local union.

The yearly audit report is also used to maintain the local's eligibility for the \$5,000 blanket bond provided to all locals by the IAFF.

The local union treasurer should also note that according to the International Constitution and By-Laws, the IAFF General Secretary-Treasurer has the power to request at any time an audit of the local union treasurer's books, accounts, and membership records.

2. The IRS

The local union treasurer is also responsible for submitting his/her books for inspection at the request of the IRS and the United States Labor Department. It is a common practice of the Labor Department to spot-check the books and records of International Labor Unions and their affiliated organizations. For this reason, it is essential that the treasurer keep his/her records accurate, complete, and up-to-date.

It should also be noted that during an audit, the IRS representative might conduct a tour of the local's office/building at the start of the audit to see if halls are available for rent, etc.

3. Bonding Regulations

All United States unions representing private sector employees, such as those working for a private ambulance company, are covered by the federal Labor - Management Reporting and Disclosure Act (LMRDA). Locals representing federal employees are covered by the Civil Service Reform Act (CSRA). Both of these laws require that every officer, agent, or employee of the local who handles funds or other property of the local must be bonded, regardless of the value of its property and annual receipts. This requirement also applies to trust funds such as pension funds, health and welfare funds, and funds or trusts of a similar nature.

The minimum bond must cover 10% of the funds handled by each officer, agent or employee and his/her predecessor. The maximum bond required by law for any one person in any one union or trust fund is \$500,000.

The International Association of Fire Fighters provides bond coverage for all local affiliates in the amount of \$5,000. This amount satisfies the 10% requirement if the funds or property of your local do not exceed \$25,000 annually. If the local's funds exceed \$25,000 annually, the local must increase its coverage to 10% to comply with the law. Moreover, some locals may want coverage greater than the minimum amount required by law. Additional coverage is available through the IAFF's agent for reasonable rates. For additional coverage, contact the International General Secretary-Treasurer's office.

If your local has only the basic coverage provided by the IAFF and would sustain a loss of \$5,000, \$10,000, or more, the bonding company would only reimburse the amount of the coverage.

The Bond provided by the International is a "blanket" bond that covers all officers and employees of an insured union without a schedule or list of those covered, all new officers and employers are covered automatically. The Bond is issued for a three-year period and is renewed by the International at the end of that period.

Willful violations of the bonding requirements of the LMRDA are punishable by fines of up to \$10,000, imprisonment for up to one year, or both.

Every local, whether covered under the LMRDA or not, should review their bonding requirements or policies. If there are any questions in this regard, the should contact the International General Secretary-Treasurer's office.

C. Department of Labor Regulations and Required Forms

Most locals under the IAFF are made up entirely of public sector employees and are not subject to the Department of Labor's enforcement of the Landrum-Griffin Act. However, local unions with private sector employees (even if just one) are

responsible to the Department of Labor's enforcement of this act and should be familiar with the following regulations:

- A copy of the Local's Constitution and By-Laws must be kept on record with the Secretary of Labor and any amendments must be forwarded as they are made.
- A copy of the yearly financial report is to be forwarded to the Secretary of Labor.
- Every officer, employee, agent, and shop steward of a labor organization must file a report that lists any extraordinary financial dealings with the employer of the local's members (this excludes salary).
- Every officer, agent, and shop steward of a labor organization with assets over \$5,000 must be bonded.
- The local union secretary and/or treasurer should obtain and carefully read the Department of Labor's publication, *Elections*.
- Form LM-1A must be submitted whenever there are any changes to the Local's Constitution and By-Laws or any procedures.

D. Department of Labor Reports

Under the Labor-Management Reporting and Disclosure Act (LMRDA) all federal and industrial unions of the IAFF must file annual financial reports (Form LM-2, LM-3, or LM-4) with the Office of Labor-Management Standards (OLMS) within 90 days from the close of their fiscal year. The Department of Labor does not have the authority to grant time extensions for filing, so the report must be filed within the 90-day period.

Those federal and industrial locals with annual receipts under \$10,000 must file Form LM-4 and those with receipts between \$10,000 and \$249,999 must file form LM-3. Those unions with receipts of \$250,000 and over must file form LM-2. Unions composed solely of state, county, and municipal employees are not required to file the LM reports.

Publications are available to assist your local. Write to the Office of Labor-Management Standards, U.S. Department of Labor, Washington, DC 20210 for *Completing your LM-3*, *Bonding Requirements*, and *All about the OLMS*.

E. Internal Revenue Service and Required Forms

1. EIN

The local union should have a nine digit Employer Identification Number (EIN) for the local. If the local does not have an EIN, then one must be filed for using IRS Form SS-4.

If the local union does not know if it has an EIN, then it should check with the International General Secretary-Treasurer's Office before filing. Many IAFF locals create unnecessary problems by having two or more EIN's.

The local union must file for an EIN if it pays wages to one or more employees or if an EIN is required on any statement, return, or other document.

After receiving an EIN from the IRS, the local union will receive Federal Tax Deposit Coupons (Form 8109-B). If the local is an employer, then it must withhold certain payroll taxes and make timely deposits to a qualified depository. If the local is not an employer, then it can disregard the tax coupons.

2. Employment Taxes

a. Who are Employees?

An employee is an individual who performs services that are subject to the will and control of an employer as to what must be done and how it must be done. This is true even if the individual may do so with freedom of action.

b. FUTA

The Federal Unemployment Tax is commonly referred to as FUTA. An employer is responsible for paying Federal Unemployment Tax if one of the two following conditions is met:

- in any calendar quarter, the wages the employer paid totaled \$1,500 or more; or
- in each of twenty different calendar weeks, there was at least a part of a day in which the employer had an employee (the weeks do not have to be consecutive or the same employee each week). This includes individuals on sick leave or vacation.

The following information is an explanation of how to compute the tax.

- FUTA is figured on the first \$7,000 in wages. Tax is imposed on the employer and the employer must not collect or deduct it from the employee's wages.
- Before July 1, 2011, the FUTA tax rate is 6.2%. After June 30, 2011, the FUTA tax rate is scheduled to decrease to 6.0%. However, the employer is given a credit of 5.4% for state unemployment tax. This means that no matter what the state unemployment tax rate is the employer can take the 5.4% credit and only pay 0.8% (0.6%

after June 30, 2011(for FUTA (even if the state tax rate is less than 5.4%).

- FUTA is reported on Form 940 for one calendar year and is due one month after year-end.
- If during any calendar quarter, the tax accumulates to \$100,000 then the employer must deposit it by the end of the month following the quarter.
- Deposits are made at a Federal Reserve Bank or other authorized financial institution. Each deposit must be accompanied by Form 8109 (Federal Tax Deposit Coupon Book).

3. Taxable and Non-Taxable Income

The majority of information presented thus far has dealt with the financial responsibilities of the local union as an employer. The following information deals with items that are of importance to an individual employee.

a. Wages, Salaries, and Other Compensation

The following information pertains to wages, salaries, and other compensation for employees:

- Compensation includes wages, salaries, commissions, tips, fees, and other certain taxable “fringe benefits”.
- If an employer pays an employee’s social security tax without deducting it from the employee’s gross wages, then the employee must claim it as gross wages.
- Medical insurance premiums (including Medicare), group legal services plans, and child/dependent care assistance are not included in an employee’s income.
- Funds from a vacation are taxable.
- Educational expenses generally must include those expenses that an employer has paid.
- If educational courses are job-related or required by an employer, then they may be exempt.
- Severance pay is taxable.
- Sick pay is taxable unless the employee is totally or permanently disabled.

- Meals and lodging may or may not be treated as income and usually depends on the particular case.

b. Union Dues and Benefits

The following information pertains to union dues and benefits:

- Any amounts taken out of an employee's pay for union dues may not be excluded from the employee's wages.
- Union dues can possibly be deducted if itemized on the tax return.
- Unemployment benefits from a fund that an employee voluntarily contributes to are considered income only if the employee exceeds what he/she paid into the fund.
- Strike and lockout benefits are included as income unless the Union can show that it clearly intended the benefits as gifts to the employee.
- If an employee is a delegate of a local union at the biennial convention of the IAFF, then the employee should not include as income the amounts that he/she receives as reimbursement for expenses, unless the reimbursement exceeds actual expenses.

c. Deceased Public Safety Officers

If a person is a surviving dependent of a public safety officer who died in the line-of-duty, they do not have to include the death benefit as income.

d. Worker's Compensation

Worker's compensation received by employees or their beneficiaries is not taxable. However, if the employee turns the payments over to their employer and all or part of their regular salary continues to be paid, the salary payments that exceed worker's compensation payments are taxable income.

4. Employment Taxes

The local union is required by law to deduct and withhold income tax and social security tax (FICA) from the wages of any employees. The local union is liable whether they are deducted or not and also liable if the wrong amount is deducted.

FICA and withheld income are reported together on Form 941 and if the employees are not covered by Social Security, then the local union must use Form 941E.

The required forms are due one month after the end of each calendar quarter. An extension of ten days is granted if the required tax is paid in time and in full.

a. Deposits

It is important that the local union does not confuse the filing of these forms with making deposits. Usually deposits of FICA and withheld income taxes are made before the return is due. The local union must deposit both its part and the employees' part of FICA taxes.

Each return period is divided into a number of shorter deposit periods. This depends on the tax that is owed at the end of the period. (To determine the deposit date requirements, one must refer to Publication 15 – Employer's Tax Guide).

b. Required Receipts for Employees

The local union must furnish copies B and C of Form W-2 to each employee from whom income taxes or social security has been withheld.

c. Record Keeping

It is also the responsibility of the local union to keep all of these records for a minimum of four years. For ease and efficiency, an employee's earnings ledger, available in most office supply stores, is recommended.

5. Tax Exempt Status For Your Organization

a. Group Exemption Letter to the IAFF

The local union should note that the IAFF has been issued a group exemption letter by the IRS and the local union is not required to file a separate application for IRS exemption (group exemption letter is attached).

The IAFF group exemption number is 0160 and should be used when filing records with the IRS. The IAFF is exempt from federal income tax under section 501-C5 of the Internal Revenue Code. ***It should be noted that this exemption does not apply to sales tax or personal property tax.***

b. Disclosures on Fund-Raising Solicitations ¹

Labor organizations and other tax-exempt organizations that are not eligible to receive tax deductible charitable contributions, are required to include in their fund-raising solicitations an explicit statement that gifts or contributions to the organization are not deductible as charitable

¹ New Tax Provisions Affecting Labor Organizations, Paul S. Berger and Robert J. Jones.

contributions for federal income tax purposes. The disclosure statement must be included in all solicitations that are made in writing, on television or radio, or by telephone (subject to narrow exceptions described below). The statement must be conspicuous and easily recognizable and, in the case of a written solicitation, should be set out in the same type print as used in the rest of the solicitation.

This rule applies to all solicitations made by a labor organization or its separate segregated funds after January 31, 1988. However, no disclosure statement is required if (a) the organization making the solicitation normally has gross annual receipts of no more than \$100,000 or (b) the solicitation in question consists of letters or telephone calls that are not part of a coordinated fund-raising campaign resulting in contacts with more than 10 people during a year. In applying the \$100,000 exception, the IRS has the authority to adopt regulations treating affiliated organizations as one organization.

The penalty for failure to make the required disclosure is \$1,000 for each on which day such a failure occurs, up to a maximum of \$10,000 in any year. The penalty does not apply if the failure was due to reasonable cause. In the case of intentional failures to provide the disclosure, the penalty is increased to the greater of \$1,000 per day or 50 percent of the costs of the solicitation, and the \$10,000 limitation does not apply.

This disclosure requirement clearly applies to solicitations for all types of contributions to a labor organization, including contributions to the organization's federal or state/local separate segregated funds. The requirement applies regardless of whether the solicitation is directed to union members or to the general public. Although it is not entirely clear, it should be assumed as a matter of prudence that the requirement also applies to solicitations directed to affiliate organizations. Thus, the appropriate disclosure will have to be made on every solicitation that occurs after January 31, 1988. It is recommended that the following disclosure statement be included in a conspicuous manner in every such solicitation:

“Contributions or gifts to (Name of Organization) are not deductible as charitable contributions for federal income tax purposes.”

c. Filing the Form 990, Form 990-EZ, or Form 990-N

All IAFF local affiliates are automatically exempt from IRS income tax under the blanket exemption of the IAFF. The IAFF's group exemption number is **0160**. Keep in mind though, that affiliates are not exempt from local and state sales tax unless they have applied for and received an exemption from their local and/or state authorities.

Although exempt from IRS income tax, all IAFF local affiliates must file an information return (Form 990 or Form 990-EZ) or submit an annual

electronic notice (Form 990-N) depending upon the local's gross receipts and total assets.

For 2010, Form 990 must be filed by locals having either (1) gross receipts greater than or equal to \$200,000 or (2) total assets greater than or equal to \$500,000 at the end of the tax year.

Locals having gross receipts less than \$200,000 and total assets at the end of the tax year less than \$500,000 are eligible to file Form 990-EZ, Short Form Return of Organization Exempt from Income, instead of Form 990.

Locals with gross receipts of \$50,000 or less must submit Form 990-N Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required To File Form 990 or Form 990-EZ.

All information returns (Form 990, Form 990-EZ, and Form 990-N) are due by the 15th day of the fifth (5th) month after the end of your local's annual accounting period (fiscal year). If your fiscal year is the same as the calendar year and ends on December 31, the report is due by May 15th. Failure to file on time will result in a penalty of \$20 per day up to \$10,000 against the organization and a penalty of \$20 per day up to \$5,000 against the responsible person(s) if they do not respond to the IRS notices.

An Application for Extension of Time to File (Form 8868) may be requested and filed. The maximum extended time is six months.

If a local fails to file an annual return or submit a notice as required for 3 consecutive years, it will automatically lose its tax-exempt status.

d. Public Availability of Tax Returns and Exemption Applications ²

Upon request directed to the IRS, tax returns (Forms 990 and 990-EZ) and exemption applications filed by tax-exempt organizations have been available for public inspection for almost thirty years. This long-standing rule does not require disclosure of the names of an organization's contributors. The 1987 Congress concluded that this mechanism was not sufficiently effective in making the returns and applications readily available to the public.

In order to remedy this perceived defect in the current system, the new legislation requires a tax-exempt organization to make copies of its tax returns and its exemption application available to the public (a) at its principal office and (b) at all regional or local offices where the organization has three or more employees. For these purposes, the exemption application includes the letter or other document from the IRS sent in response to the application. The documents subject to inspection

² *New Tax Provisions Affecting Labor Organizations*, Paul S. Berger and Robert J. Jones.

must be available during regular business hours. As is currently the case, the names of contributors, which normally will be set out in the schedule to line 1 of the Form 990, do not have to be disclosed.

Labor (and other tax-exempt) organizations are required to make available their tax returns for tax years beginning after December 31, 1986 (generally, returns for 1987 and subsequent years). For an organization that files on a calendar year basis, the first return covered would be the Form 990 due on May 15, 1988. Each return covered by this requirement must be kept available for public inspection for three years after the return is due, taking into account any filing extensions.

An organization must also make available its exemption application (a) if the organization retained a copy of its records as of July 15, 1987 or (b) if the application was filed after that date. (An organization that filed its exemption application before July 15, 1987, and did not retain a copy, is not subject to this obligation). As a matter of prudence, organizations covered by the group exemption (such as state and local central bodies, directly affiliated local unions, and trade and industrial departments) should make these documents available for public inspection in order to avoid potential disputes with the IRS and the public.

There is a \$20 per day penalty for failing to make the tax returns or exemption application available for inspection. The maximum penalty for such a failure with respect to any one return is \$10,000; there is no maximum on the penalty for failure to make an exemption application available. If the failure is willful, an additional \$5,000 penalty applies. There is no penalty if the failure to make the return or application available is due to a reasonable cause.

Receptionists or other individuals who deal with the public should be informed that (a) the tax documents just described are available for review and (b) that individuals who ask to examine the returns or application should be given the opportunity to review those documents in the office under sensible conditions that do not impose a substantial burden on either the individual or the organization.

6. Tax on Unrelated Business Income of Exempt Organizations

A tax-exempt organization with a gross income of \$1,000 or more per year from an unrelated trade or business must file Form 990-T.

The unrelated business income tax applies when there is a trade or business regularly carried on that has little or no relationship to the group's exempt purpose except to provide funds to carry out those purposes.

a. Qualifications

The following three conditions must be met before it can be determined that an exempt organization is engaged in an unrelated trade or business.

- The activity must be a trade or business. This means that the activity is carried on for the production of income from the sale of goods or performance of services.
- The trade or business must be carried on regularly. This means that the trade or business must show a frequency and continuity, and be pursued in a manner similar to comparable commercial activities of non-exempt organizations.
- The trade or business must not be substantially related to the organization's exempt purposes except that the organization has a need for the profits derived from the activity.

b. Computations

Unrelated business taxable income is the gross income derived from any unrelated trade or business regularly carried on by the exempt organization, less the deductions directly connected with carrying on the trade or business. Both are computed with certain modifications.

Expenses, depreciation, and similar items must qualify as allowable income tax deductions and must also be directly connected with carrying on an unrelated trade or business in order to qualify as allowable deductions in computing unrelated business taxable income.

When facilities or personnel are used both to carry on exempt functions and to conduct an unrelated trade or business, expenses, depreciation, and similar items attributable to such facilities or personnel must be allocated between the two uses on a reasonable basis.

c. Advertising Income

Income that is earned by an exempt organization from the sale of advertising in a periodical is considered gross income from an unrelated trade or business activity. Expenses, depreciation, and similar deductions that are attributable to the production and distribution of the periodical are allowable as deductions directly connected with the unrelated advertising activity only to the extent they exceed subscription income.

d. Modification to Unrelated Taxable Income

There are several modifications to the computation of unrelated taxable income. The following is a list of the ones that would most likely apply to organizations affiliated with local unions.

- One such modification is that dividends, interest, annuities, and deductions directly connected with these types of income are excluded in computing unrelated business taxable income.
- Another modification involves income from security loans. All amounts received in respect of a security loaned are excluded in computing unrelated business taxable income if certain requirements are met.
- Rents from real property are excludable unless subject to debt-financed rules. In addition, rents from personal property are an incidental amount of the total rent received (usually ten percent (10%) or less).
- A tax-exempt organization may also exclude income from research grants.
- Also excluded from unrelated business income are gains or losses from the sale, exchange, or other disposition of property other than the following:
 - * stock in trade or other property of a kind which would properly be included in inventory if on hand at the close of the tax year;
 - * property held primarily for sale to customers in the ordinary course of a trade or business; and
 - * debt-financed property.

e. Debt-Financed Property

An exempt organization's income from debt financed property is generally treated as unrelated business income and is subject to a tax based on a debt/basis percentage. Debt-financed property is any property, such as real estate, tangible personal property, or corporate stock that is financed by debt at any time during the tax year and held by an exempt organization to produce income. The debt/basis percent is the ratio that the allowable part of the average acquisition indebtedness is of the allocable part of the average adjusted basis of the property.

As stated previously, debt-financed property is any property held to produce income. The following is list of some of the rules that apply to debt-financed property.

- **The 85% Rule:** This rule states that if substantially all (85% or more) of any property is used for an organization's exempt purposes, the property is not treated as debt-financed property. If less than 85% is devoted to exempt purposes, only that part of the

property that is used to further the organization's exempt purposes is not treated as debt-financed property.

- **Related Exempt Uses:** Property used by a related exempt organization is not treated as debt-financed property when the property is used by either organization to further its exempt purposes.

An exempt organization is related to another in four ways:

- 1) One organization is an exempt holding company and the other receives profits derived from that company.
 - 2) One organization has control of another organization.
 - 3) More than fifty percent (50%) of the members of one organization are members of the other.
 - 4) Each organization is a local organization directly affiliated with a common state, national, or international organization that is also exempt.
- **Neighborhood Land Rule:** If an organization acquires real property and intends to use it for exempt purposes within ten years, it will not be treated as debt-financed property if it is in the neighborhood of other property used by the organization for exempt purposes and this intent is not abandoned within the ten years.

F. Federal Forms and Their Purposes

The following is a list of some of the federal forms that the local union should be familiar with. The actual forms and instructions can be found at the IRS web site www.irs.gov

940

Title: Employer's Annual Federal Unemployment Tax Return

Purpose: Used to report unemployment tax paid by an employer.

Due Date: January 31 (ten days later if timely deposits in full payment of the tax have been made).

8109-B (FUTA & Fed W/H)

Title: Federal Tax Deposits - Coupons
Purpose: Used to record deposits of FUTA taxes paid quarterly.
Due Date: April 30, July 31, October 31, and January 31

941

Title: Employer's Quarterly Federal Tax Return
Purpose: Used to report social security and income tax withheld by the employer.
Due Date: April 30, July 31, October 31, and January 31

8109-B (FICA)

Title: Federal Tax Deposits - Coupons
Purpose: Used to record deposits of FICA and income taxes withheld.
Due Date: Less than \$500 at end of quarter - April 30, July 31, October 31, and January 31. \$500 to \$3,000 at end of month - 15 days after end of month. More than \$3,000 at end of 1/8 month period - 3rd banking day after end of 1/8 month period.

990

Title: Return of Organization Exempt from Income Tax
Purpose: Used to report activities of a tax exempt organization.
Due Date: May 15, if on calendar year basis or by the 15th day of the 5th month after close of the local's fiscal year.

990-EZ

Title: Short Form Return of Organization Exempt from Income Tax
Purpose: Used to report activities of a tax exempt organization.
Due Date: May 15, if on calendar year basis or by the 15th day of the 5th month after close of the local's fiscal year.

990-N

Title: Electronic Notice for Tax-Exempt Organizations Not Required To File Form 990 or Form 990-EZ

Purpose: Used to report activities of a tax exempt organization.

Due Date: May 15, if on calendar year basis or by the 15th day of the 5th month after close of the local's fiscal year.

990-T

Title: Exempt Organization Business Income Tax Return

Purpose: Used to report activities of an unrelated trade or business.

Due Date: May 15, if on a calendar year basis or by the 15th of the 5th month after the close of the local's fiscal year.

W-2

Title: Wage and Tax Statement

Purpose: Used to report wages, tips, other compensation withheld income, and FICA taxes.

Due Date: Due to Social Security Administration - the last day of February and due to recipient - January 31.

W-3

Title: Transmittal of Income and Tax Statements

Purpose: Used to transmit copies A of Form W-2

Due Date: Due to Social Security Administration - last day of February.

1099 - Misc.

Title: Statement for Recipients of Miscellaneous Income

Purpose: Used to report payments of \$600 or more for services performed for a trade or business by people not treated as its employees, such as directors and subcontractors.

Due Date: Due to the IRS - February 28 and due to the recipient - January 31.

1096

Title: Annual Summary and Transmittal of U.S. Information Returns

Purpose: Used to summarize and transmit copies of Form 1099-NEC

Due Date: Due to the IRS - Last day of February.

G. State Forms

It is the responsibility of the local union to consult with its state's Department of Taxation for the various forms that need to be filed with their state.

H. Liability Insurance

The local union should assure that its assets are protected against loss from catastrophic events or lawsuits. For example, if the local union owns its own building, then there should be enough coverage to replace its contents as well as the building itself. (If renting, then there should be enough coverage to protect the contents.)

There should also be liability insurance for protection against any injuries that may be sustained on the local union's property. The local union also needs to consider insurance to protect itself against lawsuits arising from such diverse activities as sports teams and fund raising efforts. (The local union may want to consider a "release" being signed for people on sports and fund raising teams.)

Other types of liability insurance might be for member representation, fiduciary responsibility, or fire.



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