

2025-2026 Open Enrollment

409A Election Form for Annualization of Salary Payment for 10 Month Employees

What is section 409A? The Internal Revenue Service issued regulations under section 409A dealing with deferred compensation and the issue of allowing employees the option to **choose** between 10-month pay versus pay spread over 12-month period. The IRS views any pay that is earned in one year but paid the following year is considered deferred compensation and shall be subject to certain additional taxes, including a 20% additional income tax. The calculation of distribution of compensation between 10-month versus 12-month could mean deferring part of their income from one year to the next. In order to be in compliant with Section 409A and to avoid the additional tax, employees must complete the 409A Election Form.

I hereby elect to be paid my wages by Pottstown School District for this school year (2024/25) and each school year thereafter, until this election is changed, as follows:

Select one:

Hourly Payment Option (Default if no election form is received by cut-off date (22 pays))

☐ Payment will be paid as earned per pay period. Payment will be made in accordance with the hours worked and recorded on a bi weekly time sheet which is submitted each pay period.

12-Month Payment Option

☐ Payment over twelve months in equal installments every pay day 26 times per year. The first payday of any year will be in accordance with the payroll schedule for that particular year.

This notice is irrevocable for any particular school year, and may not be changed or withdrawn after the **MAY 31ST** deadline (2025/26 deadline is MAY 31ST, 2025) This notice will be effective for all years following 2025/2026, unless I choose to change my election. If I choose to change my method of payment, I can only do so at the beginning of a school year and cannot be done in the middle of the year and it must be done by submitting this form before August 1 of the year you want the change to be effective.

New Employees – Must make selection prior to their first day of work, otherwise the default payment made as earned (hourly). **Separation of Employment** – In the event a separation from service occurs before the end of the 12-month payment option, I will be entitled to an additional payment for the amount I have actually earned from the beginning of the 12-month pay period until the date of my separation from service, but which has not yet been paid. This additional payment will be included in my final paycheck. For this purpose, “separation from service” shall have the same meaning as that term as defined in section 1.409A-1(h) of the Treasury Regulations.

Employee's Printed Name

Employee's Signature

Date