



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

February 28, 2007

Utah State Fire Chiefs Association
Frank Heumann
PO Box 980010
Park City, UT 84098

Dear Sir,

The purpose of this letter is to advise you that the office of Federal, State and Local Governments (FSLG) of the Internal Revenue Service has developed an outreach project to address the specific compliance issues of firefighter organizations. FSLG wishes this information to reach the widest possible audience; please distribute this letter to local fire departments or your membership as you see fit. During this project FSLG will partner with firefighter associations to deliver focused educational materials and to conduct outreach events tailored to provide guidance on a variety of compliance issues unique to firefighter organizations.

FSLG has identified these tax issues that commonly arise among firefighter organizations:

- Appointed or elected fire chiefs are not independent contractors if the authority for their positions is created by statute. Applicable employment taxes must be withheld.
- Volunteer firefighters are common-law employees of the fire district/association in which they serve. As such, compensation paid to volunteer firefighters is subject to FICA and income tax withholding.
- Uniforms provided by fire districts can be a non-taxable item if the uniforms meet two requirements: (1) they are required as a condition of employment and (2) the uniforms are not worn or adaptable to general usage as clothing.
- Cell phones provided by the employer are taxable unless employees are required to substantiate all personal and business use of the cell phones.
- Employer-provided vehicles require the user to substantiate all personal and business use unless the vehicles have been substantially modified for specific business purposes (e.g., pump trucks).
- Meals provided by the employer are non-taxable if: (1) provided in-kind, (2) on the employer's premises, and (3) for the employer's convenience; or if provided on a de minimus basis (i.e. to enable overtime work to be performed).
- Lodging provided by the employer is non-taxable if: (1) provided in-kind, (2) on the employer's premises, (3) for the employer's convenience, and (4) as a condition of employment.

Firefighters may also have unique social security coverage provisions required under a social security (Section 218) agreement, a legally-binding compact between the employer and the Social Security Administration. Each state has its own State Social Security Administrator who oversees the social security program for that state and who should be initially consulted if the fire district or fire department has questions regarding coverage.

FSLG has developed tools and has published information in order to assist government entities in their compliance efforts. Among these resources are:

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- **Publication 963, Federal-State Reference Guide** - Provides government employers a comprehensive reference guide for Social Security and Medicare coverage and Federal Insurance Contributions Act (FICA) tax withholding issues. Explains social security coverage and FICA reporting by state and local government employers. http://www.irs.gov/pub/irs-tege/p963_1006.pdf
- **The Public Employer Tax Guide** - A brief guide on information reporting and employment tax rules, including social security coverage and fringe benefits, for government employers. http://www.irs.gov/pub/irs-tege/public_employers_outreach_guide.pdf
- **The Taxable Fringe Benefit Guide** - An in-depth discussion of meal allowances, travel, transportation, moving expenses, education and other common fringe benefit situations for public employers. http://www.irs.gov/pub/irs-tege/fringe_benefit_fslg.pdf

FSLG's web page contains information on many other topics as well. This information can be accessed at: <http://www.irs.gov/govt/fslg/index.html>. FSLG also publishes a newsletter to assist employers in their compliance reporting and encourages every employer to subscribe for delivery. View this newsletter at <http://www.irs.gov/govt/fslg/article/0,,id=103384,00.html>.

FSLG has Specialists available in each state who may be contacted regarding specific tax issues or for more information about the outreach and compliance initiative. A listing of FSLG Specialists is found at the end of the FSLG Newsletter at this website: http://www.irs.gov/pub/irs-tege/p4090_0107.pdf. FSLG also maintains a specialized call center which will answer many technical questions. Contact the call center at 1-877-829-5500.

These resources are available not only for this project, but for any tax issues you may have in the future. Thank you, in advance, for your assistance in this project.

Sincerely,



Cheryl J. Powers, Manager
FSLG, Pacific Coast Area