



# NCSSSA-Today

*National Conference of State Social Security Administrators*

Summer 2003

## 53rd Annual NASSAU Conference to be held in Portland, Oregon

*By Teresa Commeau, First Vice President NCSSSA*

It is my pleasure to invite you to the 53rd annual National Conference of State Social Security Administrators (NCSSSA), which is being hosted by Steve Delaney and the State of Oregon.

The conference will be held August 10-13, 2003, at The Portland Marriott Downtown. The annual NCSSSA conference offers an important opportunity for State Social Security Administrators and other state officials to interact and communicate on important issues with federal Social Security Administrators and Internal Revenue Service officials. The NCSSSA has planned a program covering a variety of topics relevant to both state and federal officials. The Conference is structured to allow active discussion and interchange among attendees and invited guests.

### *What is the NCSSSA?*

The National Conference of State Social Security Administrators (NCSSSA) was established in 1952 to provide a unified state perspective at the federal level to ensure there is an ongoing mechanism for problem solving and to maintain an open forum for the development of new policy. Since its formation, the NCSSSA has worked closely with SSA and IRS to address Social Security/Medicare coverage and employment tax issues raised by state and local governmental employers and State Social Security Administrators throughout the United States. The NCSSSA works with federal officials to ensure legislative and regulatory changes address state and local concerns. The NCSSSA provides leadership to state and local governments through accurate interpretation of federal laws and regulations, communication of federal tax policy, and resolution of problems arising at the state and local levels.

The NCSSSA hosts national workshops periodically and annual meetings where SSA and IRS officials address the concerns of state and local government representatives in a face-to-face format.

### *Who Should Attend the Conference and Why?*

As the above information on NCSSSA indicates, the annual conference serves as a major forum to address a broad range of issues and concerns of state and local employers and State Social Security Administrators, enabling them to communicate efficiently and effectively with appropriate federal officials about those matters. Among those who can benefit from attending the conference are:

- New State Social Security Administrators and/or new staff or other state officials.
- Current State Social Security Administrators and staff or other state officials.
- State payroll/wage reporting officials and staff.
- IRS officials and staff involved with state and local FICA and/or employment tax matters.
- SSA officials and staff involved with state and local governments' coverage, benefits, and W-2 reporting matters.
- Anyone else interested in discussing and sharing matters of concern and interest to state and local government employers throughout the country.

The NCSSSA annual conference always involves the discussion of topics of current interest and importance to state and federal officials involved in state and local Social Security/Medicare and employment tax matters. The specific topics and timing of the sessions vary from year-to-year, depending on which issues are of the most immediate concern.

For all the up to date information on the conference, you can go to [www.ncsssa.org/](http://www.ncsssa.org/).

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## Message from the President

By Steve Delaney

Time races by, and here we are, just a month away from our next annual conference. I wanted to take a moment to thank all of you for the input and thoughts you have shared with me, as we worked through the many issues facing state administrators. In that vein, let me summarize for you a couple of the issues the conference has been involved in since we met last summer in South Dakota.

### ACT Activity

The Advisory Committee on Tax Exempt and Government Entities (ACT) continues its regular meeting in Washington D.C., with NCSSEA member Daryl Dunagan of Kentucky representing governmental employers. This has been an outstanding opportunity for an NCSSEA member to offer direct and relevant suggestions to the decision makers at the Internal Revenue Service. Daryl's two year term has come to an end, however the NCSSEA Executive Committee took that opportunity to nominate another NCSSEA member to the ACT. The NCSSEA is an outstanding mix of payroll expertise as well as pension administration specialists, so looking over the talent pool available we determined to nominate the most relevant individual we could to ensure the IRS always sees the conference as a source of excellence. With that standard in mind, we prevailed upon Dave Barrow of California to make himself available. The IRS has accepted Dave's nomination, though a sacrifice of Dave's time, just as it has been for Daryl, the value that will accrue to the states, to the conference, and to the IRS by offering our best is incalculable. A very special thanks to both.

### Legislative Committee

The issue of GPO came up early in the year. Teachers in Texas had become creative and it is costing taxpayers. The House Subcommittee on Social Security has taken up the issue, tackling it in H.R. 743. The subcommittee contacted NCSSEA and asked for the issue and the NCSSEA response will be provided at the Portland conference on Monday afternoon. A special thanks to the Legislative Committee. That committee immediately responded in writing to the congressional subcommittee. High quality work in a prompt fashion speaks well for the conference as a whole.

### IRS Outreach

On a state-by-state level, many of you have been involved in The IRS efforts to reach out to public employers in your state. As such outreach moves from a purely educational mode into an audit mode the close working relationship many of us have developed with our regional IRS' offices will prove valuable on a national level NCSSEA was asked by The IRS to comment on the voluntary compliance program being developed as part of the audit process. The comments shared were well received and we anticipate hearing more about this at next month's conference.

### Executive Meeting with SSA and IRS

This past March, Teresa Commeau and I, as representatives of the NCSSEA executive committee flew to Baltimore and Washington D.C. to meet with our counterparts in both the SSA and IRS. The purpose of these annual trips is to confer with SSA and IRS staff on issues of mutual concern, as well as identifying issues that should be addressed at each years annual meeting of the conference, while at the same time building on the personal bonds that have developed through the years with our fellows in both agencies.

Cautioned by Judy Sobus, of the Social Security Administration, to expect springtime temperatures of 40° and piles of snow in the parking lots, imagine our surprise when Oregon-like weather of bright blue skies and 70° climes greeted our arrival. On day one we made our way to Washington D.C., meeting first with staff of Senator Ron Wyden, one of Oregon's Congressional members who has expressed a long-standing interest in Social Security. Building a strong working relationship with your states congressional delegation is an important aspect of each of our jobs that may be overlooked during the press of day-to-day business. Keeping your congressional delegation updated on federal benefit issues that impact your state ensures that issues are handled quickly and efficiently. Additionally such contact raises the visibility of your office, an important point in a time of budget constraints. I strongly encourage future executive members to include a visit to your congressional delegation during the course of the annual NCSSEA executive committee visit to Baltimore and Washington D.C.

We next went to the IRS offices and spent the entire afternoon with Allen Jones (Director of FSLG) and Marie Cashman (Office of Legal Counsel). A long list of issues

were discussed, and those issues most relevant to the conference as a whole were identified for inclusion in this year's annual meeting agenda.

Day two was spent with the good folks of the Social Security Administration in Baltimore. We had occasion to meet with quite a number of SSA representatives including Nancy Veillon & Joellen Felice, Rich Harron, Judy Sobus, Tim Kelley, Fred Crawford, Helen Huber and Roger McDonnell.

As with the IRS, so too with SSA, a long list of issues from improved modification submission to e-signature authority were identified as conference topics. I want to extend our sincere thanks as members at the NCSSSA Executive Committee to each of the individuals who took the time to meet with us and discuss issues of concern to us all.

I am looking forward to welcoming each of you to Oregon as our 53<sup>rd</sup> annual conference gets underway. Many important topics are to be addressed, and your input is vital to making the conference a success. See you soon.

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## Government Affairs Committee Hard at Work

By Karen Park and Steve Delaney

The Government Affairs Committee, headed by Daryl Dunagan, Kentucky, and Dave Barrow, California, has been diligently at work. We would like to commend them for all their hard work and the timely reports. The day to day drudgery of work by the various committees, work that is done despite all the other duties each member is assigned as part of his or her "real" work for the states, is what really makes this conference so valuable. As a conference we have been able to attract quality speakers from both the Internal Revenue Service as well as the Social Security Administration in large part due to the value those agencies place on the assistance NCSSSA can offer in return. We all benefit from the work of the various committees, but especially that of the Government Affairs Committee, a NCSSSA work-horse!

In November and December 2002 the committee recommended to the Executive Committee that the Internet and Communication Committee develop and maintain an on-line bulletin board that would provide a place for state administrators and other interested parties to discuss the

administration of the 218 program. The committee also secured IRS Account Liaisons for all 50 states, IRS guidance on employment tax treatment regarding business expenses incurred when applying the "traveling away from home" standard, and donated leave programs being considered by state governments (IRS Notice 2003-1). IRS Notice 2003-1 is available on the web at [www.irs.gov/pub/irs-irbs/irb03-02.pdf](http://www.irs.gov/pub/irs-irbs/irb03-02.pdf).

The subsequent updates 2003-3, 2003-4, 2003-5, and 2003-6 can be read below or on the NCSSSA's web site at [www.ncsssa.org/](http://www.ncsssa.org/).

Government Affairs Committee members are:

Dave Barrow (CA) – [dbarrow@sco.ca.gov](mailto:dbarrow@sco.ca.gov)

Daryl Dunagan (KY) – [daryl.Dunagan@mail.state.ky.us](mailto:daryl.Dunagan@mail.state.ky.us)

Carolyn Fry (TX) – [cfry@ers.state.tx.us](mailto:cfry@ers.state.tx.us)

Wayne Godwin (WA) – [wgodwin@esd.wa.gov](mailto:wgodwin@esd.wa.gov)

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## NCSSSA Government Affairs Committee Update 2003-3

February 13, 2003

To: State Social Security Administrators  
State Employment Tax Administrators

From: NCSSSA Government Affairs Committee

### ***Item 1:***

The following information was provided by the Social Security Administration, Office of Program Benefits in Baltimore.

### ***What's Going on in Your State?***

Do you know whether any 218 political entities in your State have been inactivated, merged, or dissolved? Is there legislation pending in your State to create charter schools, mental health agencies, or hospital districts?

State Administrators need to be aware of changes in the legal status of their political entities to ensure proper Social Security and Medicare coverage and FICA tax reporting. In addition, States should periodically review the status of their 218 political entities to ascertain if any entities have been inactivated, merged, or dissolved.

What is the difference between an "inactive" entity and a "dissolved" entity? An "inactive" entity is an entity that no

longer has any employees and has not been legally dissolved. A “dissolved” entity is an entity that has been legally dissolved and no longer exists. When an entity becomes inactive or re-activated, the State should send a letter to the appropriate SSA Regional Office. The letter should include the name of the entity, the entity’s EIN, the modification number the entity is covered under, and the effective date of the entity’s inactivation or the effective date of the entity’s reactivation. If an entity has been legally dissolved, the State should take prompt action to notify SSA of the dissolution (see SLCH 550.4 for instructions).

When a 218 entity merges with another entity, the State Administrator should contact the proper legal officer for a determination concerning whether a new entity has been created or if one of the entities continues to exist. The State Administrator should then contact SSA to determine what further actions may be necessary.

Many States have recently passed legislation creating a new type of entity, e.g., charter schools. Whenever a State passes legislation to create a new entity type, the State Administrator should contact the appropriate legal officer to obtain a legal opinion concerning the legal status of the new entity. A copy of the legal opinion should be sent with the 218 modification when the State first extends coverage for the new entity type.

*New Look for SSA State and Local Government Employers (SLGE) Website.* In March 2003, the SLGE web site will have a new look! There has been a massive redesign of all SSA web sites to conform to new agency web design standards. The content will, of course, remain the same.

**Item 2:**

The following resources are available to assist state social security administrators in fulfilling their state’s responsibilities under the Section 218 agreement.

**Social Security Administration**

State and Local Coverage Handbook, Pub 16-055 (Informational and procedural handbook for state administrators): [www.ssa.gov/slge/slch.htm](http://www.ssa.gov/slge/slch.htm)

SSA Headquarters and Regional Office Directory, Pub 03-009 (Phone and address information for SSA national, regional and parallel social security offices [paper booklet – (410)965-4003])

Coverage for State and Local Government Employees, Pub 05-10051 (Fact sheet): [www.ssa.gov/pubs/10051.html](http://www.ssa.gov/pubs/10051.html)

Web site: [www.ssa.gov/slge](http://www.ssa.gov/slge)

**Internal Revenue Service**

Federal State Reference Guide, Pub 963 (Informational guide for state administrators and public employers): [www.irs.gov/pub/irs-pdf/p963.pdf](http://www.irs.gov/pub/irs-pdf/p963.pdf)

FSLG Fall Newsletter: [www.irs.gov/pub/irs-tege/fall02\\_fslg.pdf](http://www.irs.gov/pub/irs-tege/fall02_fslg.pdf)

Web site: [www.irs.gov/govts](http://www.irs.gov/govts)

**National Conference of State Social Security Administrators**

NCSSSA Standard Operating Procedures Manual (Program and procedural information about the NCSSSA): [www.ncsssa.org/SOP2001.pdf](http://www.ncsssa.org/SOP2001.pdf)

NCSSSA Handbook for State Social Security Administrators (How to manual for state administrator): [www.ncsssa.org/saguide.pdf](http://www.ncsssa.org/saguide.pdf)

Annual Conference Proceedings (Recap of the annual conference and annual activities [Paper booklet]).

NCSSSA Today (Newsletters published by the NCSSSA): [www.ncsssa.org/Newsletter.html](http://www.ncsssa.org/Newsletter.html)

Web site: [www.ncsssa.org](http://www.ncsssa.org)

**Item 3:**

Publication 15-B, Employer’s Tax Guide to Fringe Benefits, is now available on the IRS web site at [www.irs.gov/pub/irs-pdf/p15b.pdf](http://www.irs.gov/pub/irs-pdf/p15b.pdf). Your governmental employers use Pub 15-B to obtain detailed and specialized information on the employment tax treatment of fringe benefits.

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## NCSSSA Government Affairs Committee Update 2003-4

To: State Social Security Administrators  
State Employment Tax Administrators

The NCSSSA has published a guide cataloging suggested “best practices” for state social security administrators. These practices were compiled from actual procedures followed by states. The guide was developed as a reference source for positive program results and will assist adminis-

trators oversee the Section 218 program cost effectively. The guide is available on the NCSSEA web site at [www.ncssa.org/bestpractices.pdf](http://www.ncssa.org/bestpractices.pdf).

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## **NCSSEA Government Affairs Committee Update 2003-5**

May 13, 2003

To: State Social Security Administrators  
State Employment Tax Administrators

From: NCSSEA Government Affairs Committee

The IRS has recently issued guidance on several social security/medicare issues that apply to state and local governments. These issues are enumerated below.

- Revenue Ruling 2003-46 has been published in the May 12 Internal Revenue Bulletin (See page 878 in IRB 2003-19 on the IRS web site at [www.irs.gov/pub/irs-irbs/irb03-19.pdf](http://www.irs.gov/pub/irs-irbs/irb03-19.pdf)). This ruling provides that for the medicare-only continuing employment exception to apply to service performed by an employee of a state, political subdivision, or instrumentality thereof, such employee must be a member of a retirement system pursuant to section 3121(b)(7)(F) of the Internal Revenue Code. Revenue Rulings 86-88 and 88-36 are supplemented by this ruling. You may also view the ruling at [www.benefitslink.com/IRS/revrul2003-46.shtml](http://www.benefitslink.com/IRS/revrul2003-46.shtml).
- The IRS has issued a letter ruling concerning medicare coverage and the continuing employment exception for teachers of a school district that unified under state law. The ruling also cites an existing medicare-only Section 218 agreement entered into by the former district. This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Internal Revenue Code provides that it may not be used or cited as precedent. The ruling may be viewed on the IRS web site at [www.irs.gov/pub/irs-wd/0318027.pdf](http://www.irs.gov/pub/irs-wd/0318027.pdf).
- Rev. Ruling 2003-47 provides guidance on the tax treatment of several aspects of a volunteer firefighters' service award program. The ruling addresses a length of service award plan described in section 457(e)(11)(A)(ii) of the Internal Revenue Code, when benefits under the plan are included in gross income and when benefits paid under the plan are wages for

purposes of FICA taxes. View the ruling at [www.irs.gov/pub/irs-drop/rr-03-47.pdf](http://www.irs.gov/pub/irs-drop/rr-03-47.pdf).

- The IRS has issued Notice 2003-20 that provide withholding and reporting requirements for deferred compensation plans that cover state and local government employees. The notice addresses income tax and FICA tax withholding/reporting concerns. The notice is available on the IRS web site at [www.irs.gov/pub/irs-drop/n-03-20.pdf](http://www.irs.gov/pub/irs-drop/n-03-20.pdf).

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## **NCSSEA Government Affairs Committee Update 2003-6**

To: State Social Security Administrators  
State Employment Tax Administrators

From: NCSSEA Government Affairs Committee

### ***Second Report of the ACT – May 21, 2003:***

The second report of recommendations of the Advisory Committee on Tax Exempt and Government Entities (ACT) on issues concerning employee retirement plans and federal, state and local governments is now available. The report can be viewed in its entirety at [www.irs.gov/pub/irs-tege/tege\\_act\\_rpt2.pdf](http://www.irs.gov/pub/irs-tege/tege_act_rpt2.pdf).

The 17 members of the ACT presented their report to the IRS in a public meeting in Washington DC on May 21, 2003. The ACT welcomes comments on this report from the public. Comments may be submitted via e-mail to [tege.act@irs.gov](mailto:tege.act@irs.gov).

Of particular interest to state administrators and your state and local governments is the part of the report which addresses the Gateway Opportunities between FSLG and its Customers. FSLG refers to the Federal, State, and Local Government component of the IRS. State administrators work with the FSLG Specialists in your respective states.

This committee recommends several items for FSLG when dealing with the nation's governmental employers. Additionally, the report recommends the development of a process by which IRS notifies SSA when new public entities are created. Background information is provided on the partnership relationship between SSA and IRS concerning social security coverage and potential problems with the administration of such coverage are enumerated.

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This portion of the report is available separately at [www.irs.gov/pub/irs-tege/act\\_rpt2\\_part4.pdf](http://www.irs.gov/pub/irs-tege/act_rpt2_part4.pdf).

Of particular interest to retirement plan professionals and governmental employers is the report which address the TE/GE Abusive Tax Shelters Project. This portion of the report is available separately at [www.irs.gov/pub/irs-tege/act\\_rpt2\\_part2.pdf](http://www.irs.gov/pub/irs-tege/act_rpt2_part2.pdf).

Please contact Daryl Dunagan with any questions or comments.

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## **NCSSSA Loses Valuable Friend and Ally in the IRS**

*By Maryann Motza, Colorado State Social Security Administrator*

June 20, 2003

Effective June 1, 2003, Allen Jones, Director of the Federal-State-Local Government Office of the Internal Revenue Service (IRS), became the National Fraud Program Manager for the IRS. This is great for the National Fraud Program, but terrible for those of us involved with state and local FICA matters.

I've had the pleasure and privilege of knowing Allen since 1996 when he became Employment Tax Manager of the IRS's Rocky Mountain District (back when the IRS still had districts – two or three “reorganizations” ago). He was the first Employment Tax Manager in Colorado who actually realized the State Social Security Administrator can, and is, an important component in ensuring state and local (public) governmental employees both pay the proper FICA taxes and that their employees receive the appropriate coverage and benefits under Social Security, Medicare, and public retirement systems. We worked together on several joint programs, including a “road trip” around Colorado during the fall of 1996, conducting training sessions for state and local governments on their compliance requirements. We used the 1995 (first) edition of the *Federal-State Reference Guide* (IRS Pub. 963) as the principal tool for those sessions. At each location, an area Social Security Administration (SSA) official joined us during the training sessions, thus enabling the public employers to get the entire overview from officials representing both the State of Colorado and federal governments. Many of the participants expressed their appreciation that they had state and federal officials available

at the same location to answer their questions and concerns in a “non-audit” environment.

Allen brought a wealth of knowledge and experience to his job as FSLG Director, which resulted in a reduced “learning curve” for him to understand the issues and concerns that plague those of us who deal with state and local Social Security and Medicare coverage, benefits, and employment tax matters. It was particularly helpful that he had been actively involved in Colorado with the Public Employer FICA Compliance Initiative when he was the Rocky Mountain District's Employment Tax Manager. His expertise increased even more after he accepted a job at the former Office of Employment Tax Administration and Compliance (OETAC), under the tutelage of Thomas R. Burger, Sr.'s (another friend and ally of NCSSSA).

Allen has been with the IRS since 1980, having started his career in the Criminal Investigation Division in 1980 in their work-study program, Cooperative Education Program (COOP). He became a Criminal Investigation, Special Agent and later transferred to the Examination Division to become a Revenue Agent (Auditor).

In 1988, he moved to the IRS National Office in Washington, DC to become a Program Analyst for the Assistant Commissioner, Examination, Office of Examination Quality. In 1991, he transferred to Denver to become an Examination Division, General Program Group Manager. In 1996, he became the Rocky Mountain District, Employment Tax Manager and began working with state and local governments and NCSSSA through the Public Employer FICA Compliance Initiative (Section 218). In 1998, Allen moved back to the IRS National Office in Washington, D.C., this time to become a Senior Program Manager for the Assistant Commissioner, Examination, Office of Employment Tax Administration and Compliance. In 1999, he became the Acting Director, Payor Compliance (Information Return Reporting policy). Then, on February 14, 2000, Allen became the Director of the Office of Federal, State, and Local Governments in Washington, D.C. As a result of the Restructuring and Reform Act of 1998, it was the first office established to address federal tax compliance of federal agencies, state agencies, local governments, and quasi-government entities. He was in that position until June 2, 2003, at which time he became the National Fraud Program Manager.

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In his new job, Allen is responsible for developing and implementing fraud policies and strategies for the IRS. The office is part of the Small Business and Self Employed Individuals (SBSE), Compliance Policy, Reporting Enforcement. In order to balance the IRS's efforts to increase voluntary compliance, Allen's office ensures that the American public is served by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. The principal duties of the National Fraud Program Manager are:

- Coordinating all fraud activities in all IRS Operating Divisions.
- Developing and implementing IRS fraud policies and strategies.
- Developing consistent guidelines and standards to define fraud.
- Monitoring results of Fraud Program and improving quality.
- Training examiners to identify fraud during audits and other compliance activities.

Allen was born in San Antonio, Texas December 21, 1959, and was raised in Los Angeles, California, having lived there for 28 years. He received a B.S. Degree in Business Administration with an emphasis in Accounting from California State University, at Long Beach in 1982.

On a personal note, I have to acknowledge that people like Allen, Tony Warcholak, and Tom Burger, as well as many others who work for the IRS who I have come to know in my 10 years as Colorado's State Social Security Administrator, have made me appreciate how unfair most of the criticism is of the dedicated and much maligned public servants who do the thankless job of collecting taxes for, and enforcing the tax laws of, the United States. Without the IRS, however, we would not have the financial resources to support the best system of government in the world, or to quote Sir Winston Churchill (1874-1965): "It has been said that democracy is the worst form of government except all the others that have been tried."

Allen's diligence, dedication, yet compassionate approach to his job made all of our jobs as State Social Security

Administrators and State Employment Tax officials easier. We wish him well in the future – both in his career and personally.

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## Fire Fighter Coverage

By Wayne Godwin

Have you ever answered your telephone and been immediately and simultaneously gripped by a stomachache and headache. A concerned policeman, fire fighter, or union official questioning FICA coverage will often cause this type of distress. Because the Social Security Coverage Laws have changed several times over the years and the fire fighters and the police are considered a separate coverage group, your task to make a coverage determination can be a difficult task. I will attempt to explain how I made a recent determination on a relatively complex issue. Hopefully, the procedures I followed and the documentation I required to make my determination will alert you to some of the steps necessary to resolve a fire fighter coverage issue before you decide a career move might be an option to consider.

Armed with the knowledge that all entities are unique will bode you well here. However, you will need:

- your states' laws to indicate when your state was allowed to cover police and fire fighters;
- sections 426 through 429 of your *State and Local Coverage Handbook (SLCH)*;
- a copy of the entity's modification or 218 agreement. Please make note of any exclusions;
- documentation from the entity regarding any retirement plan(s) in effect at the time the 218 absolute modification became effective; and
- aspirin.

For the purpose of this article, I will refer to the 218 coverage agreement as a modification.

Typically, making a coverage determination for the police or fire fighters when there is no modification can usually be quickly resolved. If the employees have not been reported for FICA, you only need to offer to discuss the referendum process to provide Social Security and/or Medicare coverage. If the fire district does not have a modification and the

fire fighters have been erroneously reported, you maybe talking about a referendum or a refund. The real difficulty arises when, for example, a city or county has an absolute modification that we all know covers employees without a retirement plan and there is a question of whether the police and/or fire fighters are part of the modification.

My most recent determination challenge pertained to whether the volunteer fire fighters were covered under the fire district's absolute modification. To make matters more complicated, I was notified that the current fire district was the result of a merger of two fire districts. I was also notified that the successor name was changed. Grab the aspirin. No, this was not as bad as it appeared on the surface. I resolved the immediate business structure changes by dissolving the two merging fire districts and sending the required dissolution documents to the Social Security Administration (SSA). I let SSA know about the name change by incorporating the name change information in my dissolution documents.

Once I matched the current fire district to their modification, I began my fact-finding. From the file copy of the modification, I determined that the modification was an absolute type and only covered those employees without a retirement system. I requested a copy of the minutes for the entity going back to the effective date of the modification, which was April 1, 1983. The minutes supported the fire chief's statement that the volunteer fire fighters were the only other employees of the fire district outside of the board members, secretary, and janitor that were covered under the absolute agreement. Under the laws governing an absolute modification, the volunteer fire fighters were not covered under the modification and were not Social Security covered. With regard to Medicare, I was informed that all the fire fighters were hired after March 31, 1986, and were being reported for Medicare. Regardless of the fact that the volunteers had become full-time fire fighters and were now members of the Law Enforcement Officer's and Fire Fighter's Retirement System, I had sufficient facts and documentation to make my determination. I asked whether the fire fighters were being reported for Social Security purposes and was informed that they were. Since the fire fighters were erroneously reporting their wages to the Social Security Administration and the fire district was matching the employee's tax, I went to my corrective action mode. I informed the fire chief that to remedy this situation we could conduct a referendum to let the fire fighters

determine whether they wanted coverage or we needed to discuss the details of a refund. Last week, I traveled to the fire district and in conjunction with a representative from the local Social Security Office, conducted a coverage and benefit training session. The desire of the fire fighters will be decided in March.

As I studied the SLCH and discussed this difficult area with Tim Beard of the Seattle Social Security Office, it became very apparent that not only is every district unique, but there are different laws and coverage provisions from one state to the next. I wish I could create a magically global flowchart that would respond to each and every state's coverage issues, but there isn't enough aspirin in the world. The reality is that the stress and anxiety surrounding making a difficult coverage determination can be minimized with the proper documentation, laws, and the tenacity of a pit bull.

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## Preparing For The Future

*By Steve Delaney*

It's never too early to start thinking about the preparations that have to be made for attendance at the annual conference. To that end, the NCSSSA Executive Committee has been striving to confirm conference dates as far as three years out from the present date. The current conference schedule is as follows:

### 2003

August 10-13    Portland, Oregon — Waterfront Marriott

### 2004

July 25-28      Merrimack, New Hampshire—The Radisson

### 2005 —Open

**2006**—Virginia (possibly Williamsburg)

You'll note that the location for 2005 has not yet been set. The Time and Place Committee is looking for bids from the states to fill that slot.

Though we hate to be picky when looking for a bid, it has generally been conference practice to geographically alternate the conference location from east to west. Of course a central location always works. If you believe that your state would be willing to host the 2005 annual conference, please let Barry Faison, chair of Time & Place

Committee (804) 344-3128 know of your interest as soon as possible.

A side note regarding the complications of hosting a conference. I can speak from my own experience in preparing for the conference in Oregon that it is not as difficult as one might imagine. In fact it has proved so easy I keep thinking I must have forgotten something. In my first years of conference participation I had hesitated in offering to sponsor a conference as I knew our state budget was tight. What I hadn't realized is that other than my time in working with the hotel personnel there is no cost to the state of Oregon for the upcoming conference. (It also helps if you have a Karen Park to do all the work for you.)

During the 2003 conference the executive committee will host a short workshop on the basic details involved in arranging a conference with a hotel in your region. By hosting a conference you will not only get to show off the beauty of your home state but in times of budget shortfalls think of this as an opportunity to inject a little extra cash into your local economy.

So if you are interested do give Barry a call and in the mean time make your plans now to come join us in Oregon this summer. Oregon has the tightest state budget in the union, so bring lots of cash. Family and friends also welcome.

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## SLCH Goes Electronic

*By Karen Park*

The State & Local Coverage Handbook (SLCH) is going electronic. For those of you that aren't familiar with the SLCH, it is a resource put out by the Social Security Administration for the Social Security Administration and State Social Security Administrators. The first three chapters of the handbook are now available on the Social Security State and Local Government Employers (SLGE) website under Publications ([www.ssa.gov/slge/pubs.htm](http://www.ssa.gov/slge/pubs.htm)).

Chapter 100 is an introduction to the manual that provides an overview of Section 218, voluntary coverage and Section 210, mandatory coverage, of Title II of the Social Security Act. In chapter 100 you will find a glossary of terms and abbreviations along with a short history of Section 218 and the how your Social Security will be affected when a pension based on employment not covered by Social Security is received. There are two situations where non-covered

employment will have an impact on a persons Social Security benefit. These are known as the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

WEP affects the way an individual's Social Security retirement or disability benefit is computed. GPO applies to workers who receive a government pension and are eligible for Social Security as a spouse or widow(er). More information may be found in the SLCH for both WEP and GPO and on the web at [www.ssa.gov/pubs/10007.html](http://www.ssa.gov/pubs/10007.html) (GPO), [www.ssa.gov/pubs/10045.html](http://www.ssa.gov/pubs/10045.html).

Chapter 200 titled Mandatory Coverage and Chapter 300 titled Coverage Under Agreements are also available electronically. Please note there has been a change made to SLCH 325(b) Notification of Change and that this change has not been made to the electronic version. The update is included in the SSA Informational Release/Social Security Administration OPB, Division of Coverage and Support SSA Publication No. 16-055.

The State is responsible for notifying SSA of any changes regarding the designated State Social Security Administrator. The distribution list in SLCH 325(b) should be replaced with the following:

- SSA Regional Office
- SSA Parallel Social Security Office
- Division of Coverage and Support, OPB, SSA

ATTN: State and Local Coverage  
3-F-26 Operations, 6401 Security Boulevard  
Baltimore, MD 21235-6401

And note that the PSSO will no longer need to notify the Regional Commissioner.

Questions regarding the SLCH may be directed to [judy.sobus@irs.gov](mailto:judy.sobus@irs.gov).

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## New Name for New Website: **socialsecurity.gov**

Social Security eNews  
Press Office Update  
Published April 16, 2003

There's a new place to go for a wealth of information about Social Security's programs and services [www.socialsecurity.gov](http://www.socialsecurity.gov)

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The new address takes you to a redesigned site that is easier to navigate, more attractive, and more accessible to all visitors, including people with visual impairments or physical disabilities.

For more information on this and other information and services offered on the redesigned website, take a look at our news release [www.socialsecurity.gov/pressoffice/pr/socialsecuritygov-pr.htm](http://www.socialsecurity.gov/pressoffice/pr/socialsecuritygov-pr.htm)

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## Social Security Not Sustainable for the Long Term

Social Security eNews  
Press Office Update  
Published March 19, 2003

To view this online, go to <http://www.ssa.gov/enews/enewspress031903.htm>

The Social Security Board of Trustees today declared that the Social Security program is not sustainable over the long term. The 2003 Social Security Trustees Report does extend the projected solvency of the trust funds by one year.

In the 2003 Annual Report to Congress, the Trustees announced:

- The projected point at which tax revenues will fall below program costs comes in 2018 — one year later than the estimate in last year's report;
- The projected point at which the trust funds will be exhausted comes in 2042 — one year later than the estimate in last year's report;
- The projected actuarial deficit of taxable payroll over the 75-year long-range period is 1.92 percent — larger than the 1.87 percent projected in last year's report;
- The Trust Funds would require another \$3.5 trillion in today's dollars, earning interest at Treasury rates, to pay all scheduled benefits over the next 75 years. This obligation grew \$200 billion from last year.

"This report is yet another reminder of what we have known for some time: Social Security's long-term financing problems are very serious, and will not be fixed by wishful thinking alone," said Jo Anne Barnhart, Commissioner of Social Security.

"I want to assure those already receiving Social Security benefits — as well as those who are close to retirement — that your benefits are secure. But doing nothing will have serious consequences for our children and grandchildren.

"The release of this report is a good time to remind people how the Social Security program works. Social Security taxes pay the benefits of today's retirees. Money in excess of what is needed to pay today's benefits is invested in special issue, interest-bearing Treasury bonds. This system works well when there is a relatively high ratio of workers to beneficiaries. For instance, in 1965, there were 4 workers for every Social Security recipient.

"But the demographics are changing. People are living longer. The first baby boomers are just five years from retirement and the birth rate is low. Today, there are 3.3 workers paying Social Security payroll taxes for every one person collecting Social Security benefits. That number will drop to 2 to 1 in less than 40 years. At this ratio there will not be enough workers to pay scheduled benefits at current tax rates.

"As stated in the Trustees Report, the sooner we address the problem, the less abrupt the changes will have to be.

"Earlier today, Secretary Snow and I met with the President. We share the President's strong hope that the national debate about Social Security will lead to a bipartisan solution.

"Social Security's retirement, disability and survivors' components touch the lives of nearly every American family. For the sake of our children and grandchildren, we must come together to meet the challenges facing this vitally important program."

Other highlights of the Trustees Report include:

- Income to the combined Old-Age and Survivors, and Disability Insurance (OASDI) Trust Funds amounted to \$627 billion in 2002.
- The Trust Funds paid benefits of approximately \$453.8 billion in calendar year 2002. There were 46 million beneficiaries at the end of the calendar year.
- The cost of \$4.2 billion to administer the program continues to be a very low 0.7 percent of total income.

- Total expenditures from the combined OASDI Trust Funds amounted to \$461.7 billion in 2002.
- The assets of the combined OASDI Trust Funds increased by \$165 billion in 2002 to a total of \$1.378 trillion.
- Interest earned on the invested assets of the combined Trust Funds was \$80.4 billion in 2002. The combined trust fund assets earned interest at an effective annual rate of 6.4 percent.

The Board of Trustees is comprised of six members. Four serve by virtue of their positions with the federal government: John W. Snow, Secretary of the Treasury and Managing Trustee; Jo Anne Barnhart, Commissioner of Social Security; Tommy G. Thompson, Secretary of Health and Human Services; and Elaine L. Chao, Secretary of Labor. The other two members, appointed by the President and confirmed by the Senate, are John L. Palmer and Thomas R. Saving.

The 2003 Trustees Report posted at the link [www.socialsecurity.gov/OACT/TR/TR03/](http://www.socialsecurity.gov/OACT/TR/TR03/)

To see the news release, visit this link [www.socialsecurity.gov/pressoffice/pr/trustee03-pr.htm](http://www.socialsecurity.gov/pressoffice/pr/trustee03-pr.htm)

## File W-2 Forms Online — Even More Secure

Social Security eNews  
Wage Reporting Update  
Published March 2003

To view this online, go to [www.ssa.gov/enews/ewnewsage030603.htm](http://www.ssa.gov/enews/ewnewsage030603.htm)

You now have the option of using Public Key Infrastructure, or PKI, to make your electronic W-2 filing even more secure. This new technology uses a digital certificate to let you “sign” and submit your W-2 file electronically.

To keep your information secure, Social Security uses 128-bit encryption, the highest level of encryption available.

PKI adds yet another level of security to your transmission — and it’s free. You’re not required to use PKI, but it offers the following benefits:

- Confidentiality — keeps your information private;
- Integrity — proves that the information has not been manipulated;
- Authentication — proves the identity of the sender; and
- Non-repudiation — authenticates the originator of the information.

PKI is easy to use. Just follow these steps:

Step 1. Register for a Business Services Online personal identification number and Password.

Step 2. Apply for your digital certificate or state of Washington certificate\*.

Step 3. Download and retrieve the approved certificate.

Step 4. Digitally sign and submit your W-2 file to the Social Security Administration.

For more information, visit our Business Services page on PKI.

[www.socialsecurity.gov/employer/PKI/pki\\_intro.htm](http://www.socialsecurity.gov/employer/PKI/pki_intro.htm)

### ***IRS – Federal, State, and Local Governments is now publishing a newsletter***

A publication of the Federal, State, & Local Governments office of the Tax Exempt and Government Entities Operating Division, this newsletter is issued quarterly during the year and provides information about current developments and upcoming events of interest to government entities.

This newsletter was created specifically for Federal, State and Local Government employers. The current edition of the FSLG newsletter can be found at [www.irs.gov/govt/fslg/article/0,,id=103384,00.html](http://www.irs.gov/govt/fslg/article/0,,id=103384,00.html)

The freely available *Adobe Acrobat Reader* software is required to view, print and search this file.



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[www.ncsssa.org](http://www.ncsssa.org)