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## TEXAS STATE SOIL AND WATER CONSERVATION BOARD

*Protecting and Enhancing Natural Resources for Tomorrow*

To: Soil and Water Conservation Districts

CC: Field Representatives

From: Rex Isom, Executive Director

Date: December 1, 2014

Subj: Employment Tax on Per Diem Payments to District Directors

We have been made aware that the Internal Revenue Service (IRS) recently completed an employment tax compliance check on a Soil and Water Conservation District. As a result, the IRS recommended that the District treat per diem payments to Directors as wages subject to appropriate Federal employment taxes. It was recommended that per diems to Directors should be paid through payroll in the same manner as any other wage or employee compensation and reported on Form 941 on a quarterly basis. Calendar year payments and Federal tax withholdings should be reported to the Directors and the Social Security Administration on Form W-2.

Staff from the State Board, in consultation with staff from the Office of the State Comptroller, researched this issue and did not find any dispute with the IRS recommendation on treatment of per diem payments. We advise that all districts consider this recommendation (if not already doing so) starting with your calendar year 2015 per diem payments.