



Employ Milwaukee Administrative Memo		
Issue Date	7-1-22	# 22-04
Sponsoring Executive	<input checked="" type="checkbox"/> CEO	<input type="checkbox"/> VP Programs <input type="checkbox"/> Finance Director
Dissemination	<input checked="" type="checkbox"/> Internal	<input checked="" type="checkbox"/> External

TO: Employ Milwaukee Staff, Sub-Recipient Service Providers

FROM: Chytania Brown, President and CEO

RE: Worker Advancement Initiative (WAI) Grant
Work Experience Wages Taxability

EFFECTIVE: 6/20/22

POLICY:

In an email correspondence from Zach Olson dated June 20, 2022, the Wisconsin Department of Workforce Development (DWD) issued the following guidance for the Worker Advancement Initiative (WAI) grant:

Based on our research we have determined that work experience wages are taxable. The defining difference is whether or not an employer-employee relationships is established, as defined by the Fair Labor Standards Act (FLSA).

Incentives and stipends paid by WAI are considered "qualified disaster relief payments" per IRS Code Section 139. These payments "include any amount paid to or for the benefit of an individual to reimburse or pay reasonably and necessary personal, family, living, or funeral expenses incurred as a result of a qualified disaster." This section clarifies that "Qualified disaster relief payments do not include qualified wages paid by an employer" and states "qualified wages are not excludible qualified disaster relief payments, because qualified wages are what an individual would otherwise earn as compensation, rather than payments to offset any particular expenses that an individual would incur due to COVID 19."

REQUIRED ACTION:

Employ Milwaukee will begin implementing the taxability of work experience wages effective 6/20/22, which is the date of the guidance provided.

CONTACT: Julie Cayo, VP of Strategic Planning, Employ Milwaukee,
Julie.cayo@employmilwaukee.org, 414.270.1700

ATTACHMENT(S): Email from Zach Olson, DWD, dated 6/20/22.

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Cayo, Julie

From: Olson, Zach T - DWD <zach.olson@dwd.wisconsin.gov>
Sent: Monday, June 20, 2022 12:35 PM
To: DWD DL DET WDB DIRECTORS; Cowe-Spigai, Tara A - DWD; Catherman, Laura; Blanchard, Michelle; Klapper, Sarah; Cokl, John; cynkiesling@yahoo.com; Maureen Bryden; Suda, Rhonda; Patterson, Vickie; Lentz, Seth; Myers, Melissa; Kay-Nabozny, Mari; Elsa Duranceau; monica.littlegeorge@gmail.com; Ashley Alderman; Debra Nichols; Case, Kris; elukacs@fsc-corp.org; Kloes, Kathy; Mistine Habeck; Rogers, Sara; Collins, Becca; Tyne, Lemeece; Ziegel, Chris; Hall, Jacqueline H; Greer, Romell; Neuens, Cheryl; jmills@wdbscw.org; Jonathan Gutierrez; Waits, Kristi; Watts, Jonathan; Vann, Alicia M; Gerhards, Katie; Herther, Andrew; Raven, Lowell; Vanesa Carmona-Lewis; Cayo, Julie; Snyder, Anthony; Ghuman, Sumanpreet K - DWD; Rice, Nicole; Spencer, Jane; Meudt, Annette M - DWD; Bartz, Doug
Cc: Elmer, Stephanie R - DWD; Romero, Hana E - DWD
Subject: Work Experience Wages Taxability

Good afternoon WAI Project Operators,

We have received several questions related to the taxability of work experience wages paid with WAI funds, and how they differ from incentive and stipend payments under the grant.

Based on our research we have determined that **work experience wages are taxable**. The defining difference is whether or not an employer-employee relationship is established, as defined by the Fair Labor Standards Act (FLSA).

Incentives and stipends paid by WAI are considered "qualified disaster relief payments" per IRS Code Section 139. These payments "include any amount paid to or for the benefit of an individual to reimburse or pay reasonably and necessary personal, family, living, or funeral expenses incurred as a result of a qualified disaster." This section clarifies that "Qualified disaster relief payments do not include qualified wages paid by an employer" and states "qualified wages are not excludible qualified disaster relief payments, because qualified wages are what an individual would otherwise earn as compensation, rather than payments to offset any particular expenses that an individual would incur due to COVID 19."

Please let us know if you have follow-up questions.

Thank you,
Zach

Zach Olson (He/His/Him)
Program and Policy Analyst
Bureau of Workforce Training-DET
Department of Workforce Development