



Message from the Director

The IRS office of Indian Tribal Governments (ITG) recently entered its 8th year of existence. When it was first created, many tribes questioned the commitment of the IRS to maintain a distinct component that would interact with tribal governments and dedicate the resources required to continually train new staff to understand tribal protocols and the unique nuances of tribal/federal relations.

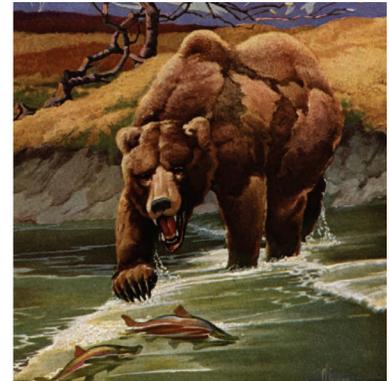
We have experienced significant turnover in these eight years, having lost 24 members of our initial staff of 68. Thirteen of them left for promotional opportunities within the IRS, while an additional nine retired from government service.

I am pleased that we have been able to not only fill the resultant vacancies created by these departures but have been able to continue to identify candidates who have a genuine interest in working with tribal governments to ensure federal tax compliance and protect tribal assets for the benefit of tribal members. As we enter our eighth year, ITG has 71 total staff and is in the process of hiring 3 new employees.

We recognize that we will continue to have turnover as we are no different from tribal governments who have the same personnel experiences. In fact, we have twelve current employees who are eligible for retirement at this time and several more becoming eligible over the next year. Change is inevitable, but our commitment to recruit and maintain staffing that will ensure the IRS will continue to have a component that is dedicated solely to tribal issues is unwavering.

As these changes occur, we will advise tribes of staffing and contact changes. Our web site listing of ITG contact points for every tribe and Navajo Chapter will be continuously refreshed. Even though the ITG staff doing the work may change, our Consultation Listening meetings, quarterly newsletters, outreach events, and self-service sections of our web site will continue.

Christie Jacobs



...we are committed to recruiting and maintaining dedicated staff...

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ITG Undertakes Changes in Response to the Customer Satisfaction Survey

A team of ITG Specialists recently convened to analyze the results of last fall's Customer Satisfaction Survey. The data showed several common areas of concern by tribes. The team developed a series of actions to address the concerns and also developed changes in future survey processes in the hope that we can increase the survey response rate.

Many of the actions have been recently implemented while others will be occurring over the next 3-6 months. These actions include, but are not limited to:

Providing increased information on tribal member federal tax issues:

- Our newsletters will now contain at least one page that is dedicated to the individual tax issues faced by tribal members. See pages 5 - 7 of this issue.
- The "Frequently Asked Questions" section of our web site at www.irs.gov/tribes will contain a new category focused solely on tribal member issues.
- Our Individual Issues Primer for Tribal Members will be automatically distributed to every tribe each January as part of our "Tax Tools for Tribes" CD-Rom.

Improving the timeliness of information on federal tax law changes that affect tribes:

- Issue a revised "Tax Tools for Tribes" CD-Rom to every tribe each time an ITG tax product is updated due to a law or regulatory change and include an "Alert" noting the change and potential impact on the tribe.
- Update the ITG listing of Tribal and Navajo Chapter contacts so that our issuances reach a designee at 100% of the tribes/chapters.

Improve our outreach efforts for the Navajo Chapters:

- In conjunction with the Navajo Nation, conduct comprehensive Employment Tax training for every Navajo Chapter using an approach modeled after successful efforts in Alaska.
- Create a unique issue of ITG News that is solely for the Navajo Chapters and focus on the federal tax issues of concern to them.

Improve awareness of federal tax law issues of greatest concern to each tribe:

- Conduct an annual solicitation of each tribe for issues they believe are unique to them and that are not being addressed by ITG.

Improve assistance in the area of federal tax and deposit penalties:

- Update the "Helpful Hints to Avoid Penalties" job aid for tribes and include more content on relevant issues being faced by tribes.

Improve explanations of why examination adjustment were made and help the tribe to avoid similar problems in the future:

- At the conclusion of every Examination or Compliance Check where a problem was identified, ITG will issue a letter listing the specific problem, the likely cause, and recommendations for future prevention of items that may recur.

If there are any questions on any of these items, please feel free to contact your assigned ITG Specialist. Our thanks to all of the tribes/chapters that provided their input to enable us to make the changes they outlined.



Economic Stimulus Payments Tribal Members Need to Know What To Do

Starting in May, economic stimulus payments of up to \$600 for individuals or \$1,200 for married couples will be issued by the Internal Revenue Service (IRS) based on 2007 tax returns. Parents also get \$300 for each eligible child.

To receive the payments this year, people must file a 2007 tax return. That's it. The IRS will determine eligibility, figure the amount and send the payment. This payment will be in addition to taxpayers' refunds.

But, the IRS needs your help. Many people are eligible for the payments but may not know it.

Some people do not file a tax return because their income is too low or their benefits are nontaxable. Because they don't file a tax return, the IRS does not know their names or addresses.

People who do not normally file a tax return but who have at least \$3,000 in qualified income may be eligible for a minimum payment of \$300 for individuals or \$600 for married couples.

The \$3,000 must come from specific sources. It must be earned from wages or self-employment. Or, it must be from certain benefits such as Social Security retirement, Railroad Retirement or Veterans Affairs payments to disabled veterans or veterans' survivors. It also can be from a combination of wages and these benefits.

There are some restrictions. People must have valid Social Security numbers for themselves and children. Those who are claimed as a dependent on someone else's tax return, or who are eligible to be claimed as a dependent on someone else's tax return, do not qualify.

The IRS is working with the Social Security Administration and Department of Veterans Affairs to locate their beneficiaries who may be eligible. Also, people who do not file a tax return because of low incomes are hard to locate. The IRS does not have their names or addresses.

Tribal governments can help by spreading the word about these payments, especially to those people who normally don't file a tax return. The IRS is also encouraging churches, charities, nonprofit and government organizations to help reach out to those who may be eligible for the payments.

People who already file a tax return each year need do nothing more to file their tax return. The IRS will do the rest. People who normally don't file a return can use Form 1040A with just a little information. There is no need to complete all the lines on the form. Details needed include:

- Name, address, Social Security number;
- Filing status, names and Social Security numbers of children;
- Workers with low incomes must complete Line 7;
- Recipients of certain benefits from Social Security retirement, Railroad Retirement and Veterans Affairs can report their total benefits on line 14a of Form 1040A;
- Write "Economic Stimulus Payment" at the top of the return.

Filers with bank accounts should use direct deposit. It is the fastest way to receive stimulus payments. The IRS will begin sending taxpayers their payments in early May after the current tax season concludes. These payments will not be taxable nor will the payments affect any federal benefits people are receiving.

The IRS web site, www.irs.gov, is the best source of information on economic stimulus payments.

See related article on page 5; this would be a good article to post and share with your tribal members.



Are You Complying with Recordkeeping Requirements?

Employers can minimize their compliance and audit risks by meeting the recordkeeping requirements of the Internal Revenue Code (IRC). The IRC requires all employers that withhold and pay federal income, social security, and Medicare taxes to maintain certain records for each employee. Failing to meet these recordkeeping requirements can mean big penalties, not to mention large settlement awards, should you be unable to provide the required information when requested by IRS or in an employment-related lawsuit.

Income, Social Security, and Medicare Taxes

These are the records that employers must keep for at least four years after the due date of the employee's personal income tax return (generally, April 15th) for the year in which the payment was made. These should be available for IRS review. Your records should include:

1. Your Employer Identification Number (EIN).
2. Employee name, address, social security number, and occupation.
3. Total amount and date of each payment of compensation and any amount withheld for taxes or otherwise. This should include reported tips and the fair market value of non-cash payments.
4. Pay period covered by each payment of compensation.
5. The reason(s) why the total compensation and the taxable amount for each tax are different, if that is the case. For instance, Tribal Council Members' total compensation will be larger than taxable Social Security Wages because they are exempt from employment tax withholding.
6. Employee's Form W-4, Employee's Withholding Allowance Certificate.
7. Employee's Form W-5 Earned Income Credit Advance Payment Certificates (if applicable).
8. Beginning and ending dates of the employee's employment.
9. Statements provided by the employee reporting tips received (if applicable).
10. Information regarding wage continuation payments made to the employee by an employer or third party under an accident or health plan, including the beginning and ending dates of the period of absence from work and the amount and weekly rate of each payment (including payments made by third parties), as well as copies of the employee's Form W-4S, Request for Federal Income Tax Withholding From Sick Pay.
11. Fringe benefits and expense reimbursements provided to the employee and any required substantiation, i.e., cell phone usage report, travel vouchers, trip reports, mileage reimbursements.
12. Adjustments or settlements of taxes.
13. Copies of returns filed (on paper or by magnetic media), including forms 941 (Employer's Quarterly Federal Tax Return), W-3 (Transmittal of Wage and Tax Statements), 6599 (Transmitter Report and Summary of Magnetic Media), Copy A of Form W-2 (Wage and Tax Statement), and any Forms W-2 sent to employees but returned as undeliverable.
14. Dates and amounts tax deposits made and acknowledgment numbers for electronic deposits.

Payments for Services to Nonemployees, Vendors, and Contract Labor

Generally, keep copies of information returns you filed with the IRS and have the ability to reconstruct the data for at least 3 years from the due date of the returns. Keep copies of information returns for 4 years if backup withholding was imposed. Records that should be available for IRS review include:

1. Form W-9, Request for Taxpayer Identification Number and Certification.
2. Total amount and date of each payment as well as related invoice showing the services provided.
3. Copies of returns filed (on paper or by magnetic media), including forms 1096 (Annual Summary and Transmittal of U.S. Information Returns), Copy A of Form 1099 (Miscellaneous Income) and any Forms 1099 sent to recipients but returned as undeliverable.



Individual Tax Issues

IRS Will Send Stimulus Payments Automatically Starting in May; Eligible Taxpayers Must File a 2007 Tax Return to Receive Rebate

Even if you normally don't need to file a tax return, you may want to file a 2007 return in order to receive the economic stimulus payment. Most eligible taxpayers won't need to take any special actions to receive a payment, just file their tax return as usual. However, for low-income workers and people receiving Social Security or certain VA benefits, who may not be required to file a tax form, there are some special instructions to insure the payment is received.

In most cases, the payment will equal the amount of tax liability on the tax return with a minimum payment of \$300 (\$600 for married taxpayers who file a joint return) and a maximum payment of \$600 for individuals (\$1,200 for married filing joint- MFJ).

If the person has NO tax liability, then they may receive a minimum payment (\$300 single or \$600 for MFJ) as long as the person has at least \$3,000 of qualifying income. "Qualifying income" includes only Social Security benefits reported on Form 1099-SSA, certain Railroad Retirement benefits, certain veterans' benefits and earned income, such as income from wages, salaries, tips and self-employment. "Qualifying income" for taxpayers with no tax liability does not include items like the Alaska Permanent Fund Dividend, Native Corporation Dividends, SSI payments, or most pension or investment income.

Recipients of Social Security, certain Railroad Retirement and certain veterans' benefits should report their 2007 benefits on Line 14a of Form 1040A or Line 20a of Form 1040. Taxpayers who already have filed but failed to report these benefits can file an amended return by using Form 1040X. In addition, taxpayers in these groups should write the words "Stimulus Payment" at the top of the 1040A or 1040.

All taxpayers who qualify for a payment will receive an additional \$300 for each child who qualifies for the child tax credit.

For taxpayers with a tax liability, or at least \$3,000 of qualifying income, the IRS emphasizes they must file a 2007 return in order to receive a payment. In addition, taxpayers must have a valid Social Security Number and may not be another person's dependent. Payments to higher income taxpayers will be reduced by 5 percent of the amount of adjusted gross income above \$75,000 for individuals and \$150,000 for those filing jointly.

Stimulus payments will be direct deposited for taxpayers selecting that option when filing their 2007 tax returns, as long as a refund anticipation loan was not requested. Part or all of your payment can be used to pay past-due federal or state income taxes or non-tax federal debt such as student loans and child support. If this occurs, you will receive a letter explaining how the stimulus payment was applied.

For more information on the Economic Stimulus payments, visit www.irs.gov.

Examples by filing status

Single: Taxpayer had wages, Native Corporation dividends and Permanent Fund Dividend totaling \$20,000. No children. He has \$195 in tax liability. **He will receive a \$300 economic stimulus payment.**



Single: Taxpayer had income equal to \$8,000 from Native Corp. Dividends and Permanent Fund Dividend but no wages, Social Security or VA benefits. She has 1 child. Her tax liability is \$0. **She will not receive an economic stimulus payment.**

Married Filing Joint: Taxpayers have two children, no wages, veterans' payments of \$2,000, social security benefits of \$2,000, and \$8,000 from Native Corporation and Permanent Fund Dividends. Their tax liability is \$0. **They will receive a \$600 economic stimulus payment and an additional payment of \$600 for the 2 qualifying children for a total of \$1200.**

Married Filing Joint: Taxpayers had income equal to \$35,000 from wages, Native Corp. Dividends, and the Permanent Fund. They have 2 children who qualify for the Child Tax Credit. They have a tax liability before child tax credit of \$1,070. **They will receive a \$1,070 economic stimulus payment and an additional payment of \$600 for the 2 qualifying children for a total of \$1670.**

Earned Income Tax Credit Issues

What is the Earned Income Tax Credit?

The Earned Income Tax Credit, or EITC, is a refundable credit for workers who meet certain requirements and file a tax return. Persons with or without a qualifying child may claim the EITC. The maximum credit you can get will depend on your filing status and whether you have no qualifying children, one qualifying child, or more than one qualifying child. Additionally, the maximum credit possible can change each year due to inflationary adjustments. See [Publication 596, Earned Income Tax Credit](#), to find the maximum credit available.

What income is considered Earned Income?

To claim the Earned Income Tax Credit, you must have earned income. For the year you are filing, earned income includes all income from employment, but only if it is includable in gross income. Examples of earned income are wages, salaries, tips, and other taxable employee compensation. Earned income also includes net earnings from self-employment. Earned income does not include amounts such as pensions and annuities, welfare benefits, unemployment compensation, worker's compensation benefits, or social security benefits. For tax years after 2003, members of the military who receive excludable combat zone compensation may elect to include it in earned income.

When I file my Federal Income tax return my filing status is Single. Do I still qualify for Earned Income Tax Credit?

To claim the Earned Income Tax Credit (EITC), your filing status must be single, head of household, qualifying widow or widower, or married filing jointly. You cannot claim the EITC if your filing status is married filing separately.

Can income earned from the exercise of treaty-based fishing rights or from other nontaxable sources such as earnings directly derived from allotted land be used to qualify for the Earned Income Tax Credit (EITC)?

No. In general, EITC can only be computed based on reportable earned income. This means that wages or self-employment earnings from the exercise of treaty-based fishing rights, as well as other types of nontaxable income such as income directly derived from allotted land may not be considered for purposes of qualifying for EITC.



Who is considered a qualifying child for Earned Income Tax Credit purposes?

To claim the EITC with a qualifying child, you must have one or more qualifying children. A qualifying child is a child who meets certain relationship, residency, and age requirements.

To meet the relationship test, the child must be your:

- Son, daughter, stepson, stepdaughter, or a descendant of any of them,
- Brother, sister, stepbrother, stepsister, or a descendant of any of them, or
- Eligible foster child (a child placed with you by an authorized placement agency, including a child placed by a Indian Tribal Government or Indian Tribal organization authorized to place Indian children).
- An adopted child (or a child placed with you for adoption by an authorized placement agency) is treated as a biological child.

To meet the residency test, the child must have lived with you in the United States for more than half the tax year. Military personnel stationed outside the United States on extended active duty are considered to live in the United States during that period for EIC purposes.

To meet the age test, the child must be under age 19 at the end of the taxable year, or under age 24 at the end of the taxable year and a full-time student during any part of any 5 months during the taxable year, or any age if permanently and totally disabled. See Chapter 2, Rules if you have a qualifying child, in Publication 596 for exceptions to the time your child must have lived with you.

How do I compute the Earned Income Tax Credit?

You must use Worksheet A or Worksheet B in the [Form 1040 Instructions](#), [Form 1040A Instructions](#), or [Form 1040EZ Instructions](#) to figure this credit, or the IRS can figure the credit for you. If you want the IRS to figure the credit, carefully follow the steps in the instructions for your tax return or refer to Publication 596. This publication is also a valuable source for information on the earned income credit in general. If you file your return electronically, the credit will be figured for you. For more information about filing electronically, see [e-file](#) at the bottom of the [www.irs.gov](#) homepage.

What is the Advance Earned Income Credit?

If you expect to qualify for EITC in 2008, you may be able to receive part of it in *advance* during the year by getting part of the credit with your pay now. Otherwise, you could wait until you file your 2008 tax return.

To receive part of the credit with your pay, you must expect to have at least one qualifying child for the current year, expect to fall within certain income limits, and expect to meet certain other conditions. To see if you qualify, ask your employer for the current year Form W-5, Earned Income Credit Advance Payment Certificate.

If you qualify, complete Form W-5 and give it to your employer. Your employer will then add the advance earned income credit to your net pay each pay period you are eligible.

You may have only one Form W-5 in effect with a current employer at one time. If you and your spouse are both employed, each of you must file a separate Form W-5.

If your situation changes after you give your employer Form W-5, you must give your employer a new Form W-5. For example, give your employer a new Form W-5 if you no longer expect to qualify for the EIC or you no longer want to get advance payments of the credit with your pay.

Remember, if you receive the EIC with your pay during the current year, you must file Form 1040A or Form 1040 for the current year to report the advance payments you received during the year and to take advantage of any remaining credit. You cannot use Form 1040EZ. The total of the advance payments you receive will be shown on your current year Form W-2.



April 2008 Training in Anchorage

Registration for the April 2008 Employment Tax Training has closed. We had enough people on our Stand-by list to warrant a third class.

All seats have been reserved for Classes I, II, and III.

Any further inquiries will be added to our **Stand-by list.**

If you have a confirmed reservation but later discover that you cannot attend, please let us know as soon as possible so we can fill the vacant seat with someone from our Stand-by list.

The Office of Indian Tribal Governments (Internal Revenue Service) is holding three identical Employment Tax Workshops in Anchorage on--

Tuesday/Wednesday/Thursday, April 15 - 17, 2008

and

Tuesday/Wednesday/Thursday, April 22 - 24, 2008

and

Tuesday/Wednesday/Thursday, April 29 - May 1, 2008

The training will be held in Room 210 (2nd floor) at the IRS offices at **949 East 36th Avenue, Anchorage.**

Items on the agenda will include:

- Defining Employees vs. Independent Contractors
- Computing the correct taxes for payroll
- Completing Form 941 Quarterly Employment Tax Return
- Making federal tax deposits
- Due Dates on Tax Returns
- State of Alaska –ESC Taxes (guest presenter from State DOL)
- Completing Forms W-2/W-3 and 1099/1096
- Reconciling Forms 941 and W-2 at year end
- Avoiding penalties
- Meeting rules for an Accountable Plan for Per Diem & Travel Reimbursements
- Pull tab and gaming excise tax filing requirements



The training is free. Of course, you will have to provide your own transportation and lodging.

If you would like to be added to our Stand-by list, please provide the following information. Fax it to Judy Pearson at 907-271-6664. As seats become available due to cancellations, we will offer seats to individuals on our Stand-by list.

Stand-by List Request

Full name:

Tribal affiliation:

Tribal title/duties:

Phone:

Fax:

e-mail address:



Federal Tax Calendar for Second Quarter 2008

April 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2 * make a deposit for 3/26-3/28	3	4 * make a deposit for 3/29-4/1	5
6	7	8	9 * make a deposit for 4/2-4/4	10 Employees report March tip income to employers if \$20 or more	11 * make a deposit for 4/5-4/8	12
13	14	15 ** make a deposit for March if under the monthly deposit rule	16	17 * make a deposit for 4/9-4/11	18	19
20	21 * make a deposit for 4/12-4/15	22	23 * make a deposit for 4/16-4/18	24	25 * make a deposit for 4/19-4/22	26
27	28	29	30 * make a deposit for 4/23-4/25			

May 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2 * make a deposit for 4/26-4/29	3
4	5	6	7 * make a deposit for 4/30-5/2	8	9 * make a deposit for 5/3-5/6	10
11 	12 Employees report April tip income to employers if \$20 or more	13	14 * make a deposit for 5/7-5/9	15 ** make a deposit for April if under the monthly deposit rule	16 * make a deposit for 5/10-5/13	17
18	19	20	21 * make a deposit for 5/14-5/16	22	23 * make a deposit for 5/17-5/20	24
25	26	27	28	29 * make a deposit for 5/21-5/23	30 * make a deposit for 5/24-5/27	31

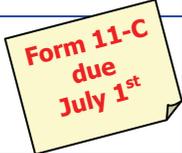
* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.

**= Make a Monthly Deposit if you qualify under that rule.

9 NOTE: Deposits made through EFTPS must be initiated at least one day prior to the due dates listed above in order to be timely.



June 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4 * make a deposit for 5/28-5/30	5	6 * make a deposit for 5/31-6/3	7
8	9	10 Employees report May tip income to employ- ers if \$20 or more	11 * make a deposit for 6/4-6/6	12	13 * make a deposit for 6/7-6/10	14
15 	16 ** make a deposit for May if under the monthly deposit rule	17	18 * make a deposit for 6/11-6/13	19	20 * make a deposit for 6/14-6/17	21
22	23	24	25 * make a deposit for 6/18-6/20	26	27 * make a deposit for 6/21-6/24	28
29	30					

* = Make a Payroll Deposit if you are under the semi-weekly deposit rule. NOTE: Deposits made through EFTPS must be initiated at least one day prior to the due dates listed above in order to be timely.
 **= Make a Monthly Deposit if you qualify under that rule.

Return Filing Dates

April 30th

- > File Form 730 and pay the tax on applicable wagers (Pull tabs sales) accepted during March.
- > File Form 941 for the 1st quarter of 2008. If all deposits paid on time and in full, file by May 12th.

June 2nd

- > File Form 730 and pay the tax on applicable wagers (Pull tabs sales) accepted during April.

June 30th

- > File Form 730 and pay the tax on applicable wagers (Pull tabs sales) accepted during May.



July 1st

- > File Form 11-C to register and pay the annual tax if you are in the business of taking wagers (Pull-tab sales).
- > Remind Pull-tab sellers that they also have to file Form 11-C to register and pay this annual tax as "agents" (sellers of pull tabs).



ITG Specialists for Alaska

<u>name</u>	<u>location</u>	<u>phone/fax</u>	<u>e-mail</u>
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Joe Kincaid Manager	Portland	Ph 503-326-2381 Fax 503-326-7441	Joe.Kincaid@irs.gov
Customer Service		Ph 877-829-5500	
Web site	www.irs.gov/tribes		

Reporting Abuses/Schemes

We continue to work with tribes and tribal officials to address financial abuses and schemes being promoted in Indian country. Working together can help ensure the integrity of tribal finances and eliminate the threats posed by individuals with schemes that appear "too good to be true" and often are. If you are aware of financial impropriety or of a promoter advocating a scheme that appears highly suspect, you can contact the ITG Abuse Detection and Prevention Team at (716) 686-4860 or via e-mail at tege.itg.schemes@irs.gov.

Tax Tools for Tribes

You can order our comprehensive reference CD-ROM containing Publication 4268 (Employment Tax Guide for Tribes), Publication 3908 (Gaming Tax Law for Indian Tribal Government), Publication 15 (Employer's Tax Guide), Publication 15-A (Employer's Supplemental Tax Guide), ITG News issuance for your area for the last 8 quarters, a "primer" for federal tax issues affecting individual Native Americans, and a guide on "Helpful Hints to Avoid Penalties." E-Mail us at ITG.TaxTools@irs.gov and provide your mailing address and the number of CD-ROM copies you would like to receive.